

## **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 shall not be responsible for any loss or damage, resulting from any action taken on the basis of the contents. We advise 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.

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### JAIIB / DBF – GENERAL INFORMATION

- **Consists of 3 papers :**
  1. Principles & Practices of Banking
  2. Accounting & Finance for Bankers
  3. Legal & Regulatory Aspects of Banking.
- Only existing employees of banks can appear for JAIIB Exam.
- People other than Bank Employees can appear for Diploma in Banking and Finance Exam. If Passed, JAIIB Examination certificate will be issued after joining the bank.
- Syllabus & exam pattern for both JAIIB and DBF exams are mostly same.
- Both JAIIB and DBF exams are conducted in on-line mode only.
- The examination will be conducted normally twice a year in May / June and November / December on Sundays.
- The duration of the examination will be of 2 hours.
- **Examination Pattern :** Each Paper will contain approx. 120 objective type MCQs, carrying 100 marks including questions based on case studies. The Institute may, however, vary the number of questions to be asked for a subject. There is no negative marking for wrong answers.
- **Passing Criteria** - Minimum 150 in total and minimum 45 in each subject in any single attempt (not required to be the 1st attempt) is considered as pass. Else 50 in each subject. Passed subject gets carried forward to 4 continuous attempts (whether you appear for the exam or not) from the 1st attempt. If not passed in 4 continuous attempts, you need to appear in all 3 papers.
  - ❖ **First Class** : 60% or more marks in aggregate and pass in all the subjects in the FIRST PHYSICAL ATTEMPT.
  - ❖ **First Class with Distinction** : 70% or more marks in aggregate and 60% or more marks in each subject in the FIRST PHYSICAL ATTEMPT.
  - ❖ Candidates who have been granted exemption in the subject/s will be given "Pass Class" only.
- **Cut-off Date of Guidelines /Important Developments for Examinations** - The Institute has a practice of asking some questions in each exam about the recent developments/ guidelines issued by the regulator(s) in order to test if the candidates keep themselves abreast of the current developments. But, there could be changes in the developments / guidelines from the date the question papers are prepared and the dates of the actual examinations. In order to address these issues effectively, it has been decided that:

- ❖ In respect of the exams to be conducted by the Institute for the Period from February 2019 to July 2019, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December, 2018 will only be considered for the purpose of inclusion in the question papers.
- ❖ (ii) In respect of the exams to be conducted by the Institute for the period from August 2019 to January 2020, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June, 2019 will only be considered for the purpose of inclusion in the question papers.

➤ **Exam Fees**

**JAIIB**

First attempt fee - 2,400\*  
Second attempt fee - 1,000\*  
Third attempt fee - 1,000\*  
Fourth attempt fee - 1,000\*

**DBF**

First attempt fee - 3,200\*  
Second attempt fee - 1,000\*  
Third attempt fee - 1,000\*  
Fourth attempt fee - 1,000\*

**CAIIB**

First attempt fee - 2,700\*  
Second attempt fee - 1,000\*  
Third attempt fee - 1,000\*  
Fourth attempt fee - 1,000\*

\* Plus convenience charges and Taxes as applicable

## SYLLABUS

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

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

### **MODULE A – BUSINESS MATHEMATICS AND FINANCE**

#### **Calculation of Interest and Annuities**

Calculation of Simple Interest & Compound Interest; Calculation of Equated Monthly Instalments; Fixed and Floating Interest Rates; Calculation of Annuities; Interest Calculation using Products / Balances; Amortisation of a Debt; Sinking Funds

#### **Calculation of YTM**

Debt- Definition, Meaning & Salient Features; Loans; Introduction to Bonds; Terms associated with Bonds; Cost of Debt Capital; Bond value with semi-annual Interest; Current Yield on Bond; Calculation of Yield-to- Maturity of Bond; Theorems for Bond Value; Duration of Bond; Properties of Duration; Bond Price Volatility

#### **Capital Budgeting**

Present Value and Discounting; Discounted Technique for Investment Appraisal; Internal Rate of Return (IRR); Method of Investment Appraisal; NPV and IRR compared; Investment Opportunities with Capital Rationing; Investment Decision making under condition of uncertainty; Expected NPV Rule; Risk Adjusted Discount Rate Approach for NPV Determination; Sensitivity Analysis for NPV Determination; Decision Tree Analysis for NPV Estimation; Payback Methods; ARR.

#### **Depreciation and its Accounting**

Depreciation, its types and methods; Comparing Depreciation Methods

### **Foreign Exchange Arithmetic**

Fundamentals of Foreign Exchange; Forex Markets; Direct and Indirect Quote; Some Basic Exchange Rate Arithmetic – Cross Rate, Chain Rule, Value date, etc.; Forward Exchange Rates – Forward Points; Arbitrage; Calculating Forward Points; Premium / discount; etc.

### **MODULE B – PRINCIPLES OF BOOKKEEPING & ACCOUNTANCY Definition, Scope and Accounting Standards**

Nature and Purpose of Accounting; Historical Perspectives; Origins of Accounting Principles; Accounting Standards in India and its Definition and Scope; Generally Accepted Accounting Principles of USA (US GAAP); Transfer Pricing; Overview of IFRS; Difference between GAAP & IFRS.

#### **Basic Accountancy Procedures**

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

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

Record Keeping Basics; Account Categories; Debit and Credit Concepts; Accounting and Columnar Accounting Mechanics; Journals; Ledgers; subsidiary books; etc.

#### **Bank Reconciliation Statement**

Need for Bank Reconciliation; Causes of Differences; Preparation of Bank Reconciliation Statement; How to prepare a Bank Reconciliation Statement when Extracts of Cash Book and Pass Book are given; Adjusting the Cash Book Balance; Advantages of Bank Reconciliation Statement.

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

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

#### **Capital and Revenue Expenditure**

Expenditure; Distinction between Capital and Revenue Expenditure; Deferred Revenue Expenditure; Receipts; General Illustrations.

#### **Bills of Exchange**

Types of Instruments of Credit; Term and Due Date of a Bill; Certain Important Terms; Accounting Entries to be Passed; Accommodation Bill etc.

### **MODULE C – FINAL ACCOUNTS**

#### **Balance Sheet Equation**

Balance Sheet Equation; Computation of Balance Sheet Equation.

#### **Preparation of Final Accounts**

Preparation of Trading A/C; Profit and Loss A/C; Profit&Loss Appropriation A/C; Balance sheets

#### **Ratio Analysis**

Meaning of Accounting Ratios; Classification of Ratios; Uses of Accounting Ratios; Limitations of Accounting Ratios; Calculation and interpretation of various Ratios; Different Users and their Use of Ratios.

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

Definition and Functions of a Bank; Requirements of Banking Companies as to Accounts and Audit; Significant Features of Accounting Systems of Banks; Principal Books of Accounts; Preparation and Presentation of Financial Statements of Banks; CMA Format; Accounting Treatment of Specific Items; Preparation of Profit and Loss Account; Comments on Profit and Loss Account; Important Items of Balance Sheet; Disclosure Requirements of Banks; Additional Disclosures prescribed by RBI; Disclosures required under BASEL norms.

#### **Company Accounts I & II**

Definition and Types of Companies; Distinction between Partnership and Limited Liability Company; Classes of Share Capital; Issue of Shares; General Illustrations Non-voting Shares; Form of Balance Sheet; Legal Requirements for Assets; Legal Requirements for Liabilities; Legal Requirements for Profit & Loss A/c; Preparation of Final Accounts

#### **Accounting in a Computerized Environment**

Meaning, Features of and Terms used in Computerized Accounting; Difference between Computerized and Manual Accounting; Advantages and Disadvantages of Computerized Accounting; Functions performed by Computerized Accounting Softwares available in the Market; Computerization – Scope and Experiences in Banking; The Core Banking Components; Information Security; Internet and World Wide Web – Influences on Banking

### **MODULE D – BANKING OPERATIONS**

#### **Banking Operations & Accounting Functions**

Preparation of Vouchers, cash receipt and payment entries, clearing inward and outward entries, transfer debit and credit entries, what is KYC and what are the different documents to satisfy KYC, verify KYC and authenticity of documents, operational aspects in regard to opening of all types of accounts, scrutiny of loan applications / documents, allowing drawals and accounting entries involved at various stages, operational aspects of CBS environment etc., Back office operations in banks, handling of unreconciled entries in banks

### **Accounting & Finance for Bankers – Recollected Questions**

ABC Ltd completed the transactions listed below.

State whether each of the below given transaction would cause the ratio listed opposite it to increase, decrease or remain unchanged.

1. Redeemed debentures by issuing ordinary shares - Rate of return on ordinary shareholders' equity
- a. Increase
  - b. Decrease
  - c. Remain unchanged
  - d. None of the above

Ans - b

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2. Purchased inventory on credit - Quick ratio

- a. Increase
- b. Decrease
- c. Remain unchanged
- d. None of the above

Ans - b

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3. Sold inventory for cash - Current ratio

- a. Increase
- b. Decrease
- c. Remain unchanged if sales price is equal to cost. Increase if sales price is greater than cost
- d. None of the above

Ans - c

.....

4. Issued additional ordinary shares for cash - Debt ratio

- a. Increase
- .....

- b. Decrease
- c. Remain unchanged
- d. None of the above

Ans - b

.....

5. Declared a cash dividend on ordinary shares - Dividend payout

- a. Increase
- b. Decrease
- c. Remain unchanged
- d. None of the above

Ans - a

.....

6. Paid the cash dividend - Dividend yield

- a. Increase
- b. Decrease
- c. Remain unchanged
- d. None of the above

Ans - c

.....

Trial balance of Raj did not agree. He put the difference to suspense account and discovered the following errors. Rectify the errors.

1. In the sales book for the month of January total of page 2 was carried forward to page 3 as Rs. 1,000 instead of Rs. 1200 and total of page 6 was carried forward to page 7 as Rs. 5,600 instead of Rs. 5,000.

- a. Debit Rs. 400 from the sales account and Credit Rs. 400 to suspense account
- b. Debit Rs. 400 from the suspense account and Credit Rs. 400 to sales account
- c. Debit Rs. 800 from the sales account and Credit Rs. 800 to suspense account
- d. Debit Rs. 800 from the suspense account and Credit Rs. 800 to sales account

Ans – a

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Total carried forward from Page 2 to Page 3 is Rs. 200 less (Rs. 1,200 – Rs. 1,000 = Rs. 200)).  
Total carried forward from page 6 to page 7 is Rs. 600 more (Rs. 5,600 – Rs. 5,000 = Rs. 600). In  
total Rs. 400 (Rs. 600 – Rs. 200 = Rs. 400) credit balance is carried forward in surplus, the  
rectification entry would be to  
Debit Rs. 400 from the sales account and Credit Rs. 400 to suspense account  
.....

2. Wages paid for installation of machinery Rs. 500 was posted to wages account as Rs. 50.

- a. Debit the machinery account with Rs. 450
- b. Debit the machinery account with Rs. 500, Credit the wages account with Rs. 50, Credit the  
suspense account with Rs. 450
- c. Credit the suspense account with Rs. 450
- d. Credit the wages account with Rs. 50, Credit the suspense account with Rs. 450

Ans - b

Wages paid for installation of machinery was wrongly posted (debited) to wages account as Rs.  
50, instead of crediting the machinery account with Rs. 500, the rectification entry would be to  
Credit the wages account with Rs. 50 to rectify the wrongly debited amount of Rs. 50  
Debit the machinery account with Rs. 500.  
Credit the suspense account with the difference i.e. Rs. 500 – Rs. 50 = Rs. 450  
.....

3. Machinery purchased from R & Co. for Rs. 10,000 on credit was entered in Purchase Book as  
Rs. 6,000 and posted there from to R & Co. as Rs. 1,000.

- a. Debit the machinery account with Rs. 6,000, Credit the purchases account with Rs. 6,000
- b. Debit the machinery account with Rs. 6,000, Debit the suspense account with Rs. 5,000,  
Credit the purchases account with Rs. 6,000
- c. Debit the machinery account with Rs. 10,000, Debit the suspense account with Rs. 5,000,  
Credit the purchases account with Rs. 6,000
- d. Debit the machinery account with Rs. 10,000, Debit the suspense account with Rs. 5,000,  
Credit the purchases account with Rs. 6,000, Credit the R & Co. account with Rs. 9,000

Ans - d

Machinery purchased from R & Co. on credit for Rs. 6,000 was wrongly recorded (debited) in  
the purchases book as Rs. 6,000 and posted (credited) to R & Co. as Rs. 1,000, the rectification  
entry would be to  
.....

.....  
Credit the purchases account with Rs. 6,000 to rectify the wrongly debited amount of Rs. 6,000  
Credit the R & Co. account with the remaining amount (Rs. 1,000 was already credited) i.e. Rs.  
10,000 – Rs. 1,000 = Rs. 9,000  
Debit the machinery account with Rs. 10,000  
Debit the suspense account with the difference. Rs. 6,000 + Rs. 9,000 – Rs. 10,000 = Rs. 5,000  
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4. Credit sales to Mohan Rs. 5,000 were recorded in Purchases Book.

- a. Debit Mohan's account with Rs. 5,000, Credit the purchases account with Rs. 5,000
- b. Debit Mohan's account with Rs. 5,000, Credit the sales account with Rs. 5,000
- c. Debit Mohan's account with Rs. 10,000, Credit the purchases account with Rs. 10,000
- d. Debit Mohan's account with Rs. 10,000, Credit the purchases account with Rs. 5,000, Credit the sales account with Rs. 5,000

Ans - d

Credit sales to Mohan were wrongly recorded (debited) in the purchases book (instead of crediting to the sales account). When it was recorded (debited) to purchases book, Mohan's account would have been credited (instead of debiting), the rectification entry would be to  
Credit the purchases account with Rs. 5,000 to rectify the wrongly debited amount of Rs. 5,000  
Credit the sales account with Rs. 5,000  
Debit Mohan's account with Rs. 5,000 to rectify the wrong credit of Rs. 5,000  
Debit Mohan's account with Rs. 5,000 to represent the transaction.  
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5. Goods returned to Ram Rs. 1,000 were recorded in Sales Book.

- a. Debit the sales account with Rs. 1,000
- b. Credit the purchases return account with Rs. 1,000
- c. Debit the sales account with Rs. 1,000, Credit the purchases return account with Rs. 1,000
- d. Credit the purchases return account with Rs. 2,000

Ans - c

Goods returned to Ram were recorded (credited) in the Sales Book instead of crediting to the purchases return book, the rectification entry would be to  
Debit the sales account with Rs. 1,000 to rectify the wrongly credited amount of Rs. 1,000  
Credit the purchases return account with Rs. 1,000 to represent the transaction.  
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Answer the following questions are based on the below given information

a. USD-INR spot and forward rate

Spot USD - 65.60/62, O/N - 1/2, TOM - 2/3, 2 weeks - 7/8

1 month - 15/17, 2 months - 31/33, 3 months - 47/50, 6 months - 95/100

b. The AD loads margin of 10 paisa for purchase transactions and 12 paisa for sale transactions

1. What is the bid rate for over night dollar?

- a. 65.59
- b. 65.60
- c. 65.61
- d. 65.65

Ans - c

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2. What is the asking rate for Tom USD?

- a. 65.59
- b. 65.60
- c. 65.61
- d. 65.65

Ans - d

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3. TT buying rate for customer transaction in spot dollar is .....

- a. 65.50
- b. 65.74
- c. 65.81
- d. 65.84

Ans - a

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4. Quote the forward TT buying rate for 2 months USD is .....

- a. 65.50
- b. 65.74
- c. 65.81
- d. 65.84

Ans - c

.....

5. USD selling rate for customer transactions in spot dollar is .....

- a. 65.50
- b. 65.74
- c. 65.81
- d. 65.84

Ans - b

.....

6. Quote forward TT selling rate for one month USD .....

- a. 65.50
- b. 65.74
- c. 65.81
- d. 65.91

Ans - d

.....

The relationship between two financial variables can be expressed in .....

- a. Pure ratio
- b. Percentage
- c. Rate or time
- d. Either of the above

Ans - d

.....

ABC Limited Profit and Loss Account for the year ended 31.03.2016 is given below,

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

Balance sheet as on 31.03.2016

Fixed assets  
Plant and machinery - 4000

Current assets = 2800  
Stocks - 1800  
Debtors - 960  
Bank - 40

Current liabilities = 1100  
Trade creditors - 520  
Proposed dividend - 320  
Taxation - 160  
Accruals - 100

Net current assets - 1700

10% debenture - 2000  
Financed by - 3700

Ordinary shares - 900  
Retained profit - 2800

Calculate the following based on the above details.

1. Gross profit
  - a. 1006
  - b. 2206

- c. 3122
- d. 3212

2. Operating profit

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

3. Profit before tax

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

4. Profit attributable to shareholders

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

5. Retained profit

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

6. Gross profit margin

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

7. Operating margin

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

8. Return on capital employed (ROCE) ratio

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

9. Current Ratio

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

10. Acid test/Quick ratio

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

Solutions :

1. d

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

2. d

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

3. c

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

4. b

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

5. a

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

6. d

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

7. a

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

8. b

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

$$\begin{aligned}\text{Capital employed} &= \text{Total Assets} - \text{Current Liabilities} \\ &= (4000 + 2800) - 1100 \\ &= 6800 - 1100 \\ &= 5700\end{aligned}$$

$$\begin{aligned}\text{ROCE} &= (1006 / 5700) * 100 \\ &= 17.65\%\end{aligned}$$

9. d

$$\begin{aligned}\text{Current Ratio} &= \text{Current Assets} / \text{Current Liabilities} \\ &= 2800 / 1100 \\ &= 2.55:1\end{aligned}$$



10. c

$$\begin{aligned}\text{Quick Ratio} &= (\text{Current Assets} - \text{Inventories} - \text{Prepayments}) / \text{Current Liabilities} \\ &= (2800 - 1800) / 1100 \\ &= 1000 / 1100 \\ &= 0.91:1\end{aligned}$$

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Which A/c is opened when Trial Balance doesn't tally?

- a. Trading A/c
- b. Purchase A/c
- c. Suspense A/c
- d. Capital A/c

Ans - c

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In what time will the simple interest on Rs. 1000 at 3% per annum be the same as that on Rs. 1500 at 6% per annum in 3 years?

- a. 6 years
- b. 8 years
- c. 9 years
- d. 5 years

Ans - c

Solution:

Let time is n years.

$$(1000 * 3 * n) / 100 = (1500 * 6 * 3) / 100$$

n=9 years

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A Man lends Rs. 1540 for five years and Rs. 1800 for four years. If he gets Rs. 1788 as interest on both amounts, what is the rate of interest ?

- a. 10 percent
  - b. 12 percent
  - c. 15 percent
-

d. 8 percent

Ans - b

Solution:

Let the interest rate be r%

We know that,

$$S.I = PTR/100$$

$$\Rightarrow (1540 \times 5 \times r)/100 + (1800 \times 4 \times r)/100 = 1788$$

$$\Rightarrow r = 178800/14900 = 12\%$$

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Find the compound interest on Rs. 10000 at 12% rate of interest for 1 year, compounded half-yearly.

- a. 1236
- b. 1326
- c. 1623
- d. 1632

Ans - a

Solution:

$$\text{Amount with CI} = 10000 [1 + (12/2 * 100)]^2 = \text{Rs. } 11236$$

$$\text{Therefore, CI} = 11236 - 10000$$

$$= \text{Rs. } 1236$$

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A sum of money amount to RS 14,520 in 2 years and to Rs 15,972 in 3 Years reckoning compound interest at the rate of

- a. 5%
- b. 10%
- c. 15%
- d. 20%

Ans - b

Solution

$$\begin{aligned}\text{Hint: rate} &= [(15972-14520)/14520]*100 \\ &= (1452/14520)*100 \\ &= (1/10)*100 \\ &= 10 \%\end{aligned}$$

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If the amount is  $2\frac{1}{4}$  times the sum after 2 years at compound interest, the rate of interest per annum is

- a. 25%
- b. 45%
- c. 40%
- d. 50%

Ans - d

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From the below given information, calculate ...

Total Revenue - 1,00,000  
Cost of Goods Sold - 20,000  
Salaries - 10,000  
Rent- 10,000  
Utilities - 5,000  
Depreciation - 5,000  
Interest Expense - 10,000  
Taxes - 10,000

1. Gross Profit

- a. 30,000
- b. 50,000
- c. 70,000
- d. 80,000

Ans - d

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2. Operating Expenses

- a. 30,000
- b. 50,000
- c. 70,000
- d. 80,000

Ans - a

3. Total Expenses

- a. 30,000
- b. 50,000
- c. 70,000
- d. 80,000

Ans - c

4. Net Profit

- a. 30,000
- b. 50,000
- c. 70,000
- d. 80,000

Ans - a

Solution :

1. d

$$\begin{aligned}\text{Gross Profit} &= \text{Total Revenue} - \text{Cost of Goods Sold} \\ &= 100,000 - 20,000 \\ &= 80,000\end{aligned}$$

2. a

$$\begin{aligned}\text{Operating Expenses} &= \text{Salaries} + \text{Rent} + \text{Utilities} + \text{Depreciation} \\ &= 10,000 + 10,000 + 5,000 + 5,000 \\ &= 30,000\end{aligned}$$

3. c

Total Expenses = Cost of Goods Sold + Operating Expenses + Interest Expense + Taxes  
= 20,000 + 30,000 + 10,000 + 10,000  
= 70,000

4. a

Net Profit = Total Revenue - Total Expenses  
= 1,00,000 - 70,000  
= 30,000

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The balance at bank as at 17th July 2017 is stated on the bank statement as Rs. 18,450. Cheques yet to be presented to the bank on this date amount to Rs. 19,720. Assuming that the balance in the Bank Account written up in the Cash Book differs only because of circumstances stated in each of the following, what is the bank balance to be reported in the Statement of financial position as at 17th July 2017:

1. The deposits awaiting clearance on that date amount to Rs. 32,475.

- a. Rs. 31,205
- b. Rs. 5,695
- c. Rs. 18,450
- d. Rs. 8,450

Ans - a

Bank account balance  
18,450  
Less Cheques not yet presented  
19,720  
-----  
(1,270)  
Add Deposits awaiting clearance  
32,475  
-----  
Overdrawn Balance in Bank Statement  
31,205  
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2. Bank balance stated in the Cash Book is Rs. 17,240. Trade Association subscription of Rs. 450 paid by direct debit, a dividend of Rs. 3,000 collected on a mandate are yet to be recorded in the Cash Book. Any difference is deposit awaiting clearance.

- a. Rs. 17,240
- b. Rs. 19,790
- c. Rs. 20,690
- d. Rs. 18,450

Ans - d

Business Bank account balance

17,240

Less Direct Debit

450

-----  
16,790

Add Dividend

3,000

-----  
Revised Cash account balance

19,790

Add cheques not presented

19,720

-----  
39,510

Less Deposits awaiting clearance

21,060

-----  
Balance in Bank Statement

18,450

3. Cash book reports a bank balance on that date of Rs. 11,420. Deposits awaiting clearance amount to Rs. 29,460. Any difference may be attributed to credit transfers from customers and standing order payments not recorded in the Cash Book.

- a. Rs. 28,190
- b. Rs. 8,710

- c. Rs. 1,680
- d. Rs. 18,450

Ans - d

Revised Cash account balance  
28,190  
Add cheques not presented  
19,720  
-----  
47,910  
Less Deposits awaiting clearance  
29,460  
-----  
Balance in Bank Statement  
18,450  
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4. The Cash book reports an overdraft of Rs. 7,650, having carried over a bank balance of Rs. 21,460 from one folio of the Cash Book to the next as Rs. 12,460 and having recorded twice bank charges of Rs. 25. Any difference is deposit awaiting clearance

- a. Rs. 16,700
- b. Rs. 1,375
- c. Rs. 1,400
- d. Rs. 10,700

Ans - b

Cash Book overdrawn  
(7,650)  
Adjust  
9,000  
-----  
1,350  
Add double charge  
25  
-----  
1,375

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A sum of money grows to Rs 200 after 1st year and to Rs 220 after 2nd year, at compound interest. The rate % is

- a. 15
- b. 10
- c. 25
- d. 12

Ans - b

Solution

Hint: rate =  $[(220-200)/200]*100$   
 $= (20/200)*100$   
 $= (1/10)*100$   
 $= 10 \%$

---

A Bank reconciliation statement is .....

- a. A part of Cash Book
- b. A part of Pass Book
- c. A statement prepared by the bank
- d. A statement prepared by a customer

Ans - d

---

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

1. Further issue of equity shares

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

Ans - b

---



2. Cash received from debtors

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

Ans - c

3. Sale of goods on cash basis

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

Ans - c

4. Redemption of debentures

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

Ans - b

5. Purchase of goods on credit

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

Ans - c

Solution:

The change in the ratio depends upon the original ratio. Let us assume that external funds are Rs. 5,00,000 and internal funds are Rs. 10,00,000.

---

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

1. b

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

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

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

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

2. c

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

Hence, the debt-equity ratio will remain unchanged.

3. c

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

4. b

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

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

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

Redemption of debentures will decrease the debit-equity ratio.

5. c

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

---

The one item listed below that would warrant the least amount of consideration in credit and collection policy decisions is the

- a. Quality of accounts accepted
- b. Quantity discount given
- c. Cash discount given.
- d. Level of collection expenditures.

Ans - b

---

What services are offered by correspondent banks? (i) International wire transfers, (ii) Cheque clearing, (iii) Cash/fund transfers

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

Ans - d

---

What should employees be aware about the handling of transactions which may involve money laundering? (i) potential effect on the bank, (ii) potential effect on bank's employees, (iii) potential effect on bank's customers

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

Ans - d

---

The possibility of loss on account of default by a borrower in repayment of his obligation on time, is called .....

- a. credit risk
- b. market risk
- c. default risk
- d. operational risk

Ans - a

---

An investor invested Rs.7.50 lac in a project that gives profit of Rs.2 lac in the 1st year, Rs.2.60 lac in the 2nd year and Rs.4.50 lac in the 3rd year. At 10% discount rate, what is the present value of the cash inflows?

- a. Rs.7.15 lac
  - b. Rs.7.25 lac
-

- c. Rs.7.35 lac
- d. Rs.7.45 lac

Ans - c

---

Wages paid to labourer for construction of factory building is a capital expenditure because .....  
(i) it increases the earning capacity, (ii) the benefit is for a long period, (iii) it is non-recurring

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

Ans - d

---

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

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

Ans - c

---

The double entry accounting system ..... (a) keeps a complete record of business transactions  
(b) it ensures arithmetical accuracy (c) balance sheet can be prepared at the end of year only by  
using this system (d) system being scientific, eliminates the commission of fraud.

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

Ans - d

---

(a) a recurring expenses which is to be made frequently is called a revenue expenses (b) a non-recurring expenses is a capital expense (c) purchase of motor cars from the manufacturer by a dealer is a revenue expenses (d) purchase of machinery by a manufacturing firm for its use is a capital expenses.

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

Ans - a

---

Companies profit divided among shareholder is ..

- a. interest
- b. reserve
- c. dividend
- d. surplus

Ans - c

---

According to accounting equation assets are equal to?

- a. liabilities
- b. liabilities and equities
- c. equities
- d. none of these

Ans - b

---

Which of the following expenses and their type does not match ?

- a. Cost of replacement of defective part of a machinery – Revenue Expense
  - b. Professional fee paid in connection with acquisition of a leasehold premises- capital expenditure
  - c. Travelling expenses incurred by the Chief Executive of a company in connection with purchase of costly equipment – capital expenses
-

d. Purchase of machinery for sale- capital expenses

Ans - d

.....

The accounting cycle represents a series of steps that a business uses

- a. to record and classify the transactions
- b. to summarize the transactions
- c. to communicate financial events
- d. for all of these

Ans - d

.....

A sum of Rs.3000 paid to Mr. A against acceptance was debited to account of Mr. B. The rectification can be done by .....

- a. Debit to the cash account
- b. Debit to A's account
- c. Debit to B's account
- d. None of the above

Ans - d

.....

A cash credit account will become NPA if ..... (i) the outstanding balance remains continuously in excess of the drawing power but within the limit for more than 90 days, (ii) if there is no credit continuously for 90 days as on the date of balance sheet, (iii) credits are not enough to cover the interest debited during the same period

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

Ans - d

.....

When the required rate of return is equal to the coupon rate, the value of the bond is .....

- a. less than face value
- b. more than face value
- c. equal to face value
- d. maturity value

Ans - c

---

Which of the following Bank Employee styles arousing suspicion? (i) Lavish Life style cannot be supported by his/her salary, (ii) Avoidance of long leave/vacation, (iii) Repeated negligence in observance of rules

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

Ans - d

---

What is the Penalty to be imposed on banks for deficiencies in exchange of notes and coins/remittances sent to RBI/operations of currency chests etc. with respect to shortages in soiled note remittances and currency chest balances for notes in denomination upto Rs.50?

- a. Rs. 50 per piece in addition to the loss
- b. Rs. 25 per piece in addition to the loss
- c. Rs. 20 per piece in addition to the loss
- d. Rs. 10 per piece in addition to the loss

Ans - a

---

The responsibility of ensuring the quality and genuineness of cash loaded at ..... would be that of the Sponsor Bank. (i) White Label ATM's, (ii) Brown Label ATM's

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

d. Both (i) and (ii)

Ans - a

---

Which of the following formula for calculation of compounded interest is not matched?

- a.  $P(1+r)$ = for calculation of annual compounding
- b.  $P(1+(r/4))$ = for calculation of quarterly compounding
- c.  $P(1+(r/2))$ = for calculation of half-yearly compounding
- d.  $P(1+(r/4))$ =for calculation of weekly compounding

Ans - d

---

..... view to controlling them and assessing the profitability and efficiency of the enterprise. (i) costing principles, (ii) costing methods, (iii) costing techniques

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

Ans - d

---

Debenture carrying charge on particular asset on the company is know as..

- a. fixed
- b. mortgage
- c. naked
- d. floating

Ans - d

---

Operating profit is

- a. profit after deducting financial costs
  - b. profit after deducting taxes
-



- c. profit after deducting normal operating expenses including depreciation
- d. equal to net profit

Ans - c

---

Which financial statement is used to show what the firm owns?

- a. income statement
- b. balance sheet
- c. statement of retained earnings
- d. cash flow statement

Ans - b

---

Which of the following statement is/are correct in connection with the market value of a bond ..... (i) it is the price at which the bond is usually purchased or sold, (ii) it can be different from the face value, (iii) it can be different from the redemption value

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

Ans - d

---

To ensure that a company is following the Accounting Standards in India, is the duty of which of the following?

- a. Company management
- b. Company Secretary
- c. Auditors of the company
- d. All the above

Ans - c

---

From the following information, calculate...

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

1. Cost of Revenue from Operations

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

Ans - c

2. Average Inventory

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

Ans - a

3. Inventory Turnover Ratio

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

Ans - c

Solution:

1. c

---

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

2. a

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

3. c

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

---

Find the present worth of Rs. 78000 due in 4 years at 5% interest per year.

- a. 50000
- b. 55000
- c. 60000
- d. 65000

Ans - d

Solution:

Amount with interest after 4 years = Rs. 78000  
Therefore, simple interest = 78000 – Principal.  
Let the principal amount be p.  
 $78000 - p = p \cdot 4 \cdot 5 / 100 \rightarrow p = 13000$   
Principal = 78000 – 13000 = Rs. 65000

---

As per FIU guidelines, a bank has to mandatorily maintain records in case of suspicious transactions for a period of ..... years from the date of cessation of the transactions between the client and the banking

- a. Three
  - b. Five
-

- c. Seven  
d. Ten

Ans - d

Supervising Official will personally count all notes of denominations above Rs ..... and will verify a portion of all other notes on the 'clip system'.

- a. 5  
b. 10  
c. 50  
d. 100

Ans - b

The implementation of KYC in banks primarily addresses which one of the following risks?

- a. Reputation risk  
b. Legal risk  
c. Money laundering risk  
d. Compliance risk

Ans - c

Cheque book is issued to illiterate depositor for ..... (i) Cash payments, (ii) Making statutory payments, (iii) post dated cheques for repayment of instalments of loan

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

Ans - c

Find the difference between the simple interest and the compound interest at 10% per annum for 3 years on principal of Rs. 5000.

- a. Rs. 230
- b. Rs. 190
- c. Rs. 155
- d. Rs. 210

Ans - c

Solution:

$$\begin{aligned} SI-CI &= [Pr^2*(300+r)]/1003 \\ &= (5000*100*310) / (100*100*100) \\ &= 31*5 \\ &= \text{Rs. } 155 \end{aligned}$$

---

ABC Limited Profit and Loss Account for the year ended 31.03.2017 is given below.

Turnover - 7300  
Cost of sales - 4234  
Distribution costs - 1320  
Admin expenses - 480  
Interest - 200  
Tax - 372  
Dividend - 400

Balance sheet as on 31.03.2017

Fixed assets  
Plant and machinery - 3960

Current assets = 2430  
Stocks - 1392  
Debtors - 800  
Bank - 238

Current liabilities = 890  
Trade creditors - 200

---

Proposed dividend - 400

Taxation - 170

Accruals - 120

Net current assets - 1540

10% debenture - 2000

Financed by - 3500

Ordinary shares - 900

Retained profit - 2600

Calculate the following based on the above details.

1. Gross profit

- a. 1266
- b. 3066
- c. 4234
- d. 7300

2. Operating profit

- a. 294
- b. 694
- c. 1066
- d. 1266

3. Profit before tax

- a. 294
- b. 694
- c. 1066
- d. 1266

4. Profit attributable to shareholders

- a. 294
- b. 694
- c. 1066

d. 1266

5. Retained profit

- a. 294
- b. 694
- c. 1066
- d. 1266

6. Gross profit margin

- a. 17.34 %
- b. 23.02 %
- c. 33.33 %
- d. 42 %

7. Operating margin

- a. 17.34 %
- b. 23.02 %
- c. 33.33 %
- d. 42 %

8. Return on capital employed (ROCE) ratio

- a. 17.34 %
- b. 23.02 %
- c. 33.33 %
- d. 42 %

9. Current Ratio

- a. 1.17:1
- b. 2.73:1
- c. 1:1.17
- d. 1:2.73

10. Acid test/Quick ratio

- a. 1.17:1
-

- b. 2.73:1
- c. 1:1.17
- d. 1:2.73

Solutions :

1. b

$$\begin{aligned}\text{Gross profit} &= \text{Turnover} - \text{Cost of sales} \\ &= 7300 - 4234 \\ &= 3066\end{aligned}$$

2. d

$$\begin{aligned}\text{Operating profit} &= \text{Gross profit} - (\text{Distribution costs} + \text{Admin expenses}) \\ &= 3066 - (1320 + 480) \\ &= 3066 - 1800 \\ &= 1266\end{aligned}$$

3. c

$$\begin{aligned}\text{Profit before tax} &= \text{Operating profit} - \text{Interest} \\ &= 1266 - 200 \\ &= 1066\end{aligned}$$

4. b

$$\begin{aligned}\text{Profit attributable to shareholders} &= \text{Profit before tax} - \text{Tax} \\ &= 1066 - 372 \\ &= 694\end{aligned}$$

5. a

$$\begin{aligned}\text{Retained profit} &= \text{Profit attributable to shareholders} - \text{Dividend} \\ &= 694 - 400 \\ &= 294\end{aligned}$$

6. d

$$\begin{aligned}\text{Gross profit margin} &= (\text{Gross profit} / \text{Turnover}) * 100 \\ &= (3066 / 7300) * 100 \\ &= 42 \%\end{aligned}$$

7. a

$$\begin{aligned}\text{Operating margin} &= (\text{Operating profit} / \text{Turnover}) * 100 \\ &= (1266 / 8030) * 100\end{aligned}$$



= 17.34 %

8. b

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

Capital employed = Total Assets - Current Liabilities

= (3960 + 2430) - 890

= 6390 - 890

= 5500

ROCE = (1266 / 5500) \* 100

= 23.02 %

9. b

Current Ratio = Current Assets / Current Liabilities

= 2830 / 890

= 2.73:1

10. a

Quick Ratio = (Current Assets – Inventories – Prepayments) / Current Liabilities

= (2430 - 1392) / 890

= 1038 / 890

= 1.17:1

---

A financier lend money at simple interest, but he includes the interest every six months for calculating the principal. If he is changing an interest of 10%, the effective rate of interest becomes?

- a. 10 percent
- b. 11.5 percent
- c. 10.25 percent
- d. 12 percent

Ans - c

Solution:

Let the sum be Rs. 100. Then,

S.I. for first 6 months =  $(100 * 10 * 1/2) / 100$  = Rs.5

---

Next 6 months 10% of 5 is Rs 2 is added.

S.I. for last 6 months =Rs. $[(102 * 10 * 1/2)/100]$  = Rs.5.25

So, amount at the end of 1 year = Rs. (100 + 5 + 5.25) = Rs. 110.25

$R = (110.25 - 100)$

R = 10.25 percent

Timeframe for collection of outstation cheques in case of Cheques drawn on Major Cities .....

- a. 2 Days
- b. 7 Days
- c. 10 Days
- d. 14 Days

Ans - c

Collateral security of suitable value and/or third party along with the assignment of future income of the student for payment of instalments is required for Education Loan .....

- a. Upto Rs.4 lakh
- b. More than Rs 4 lakh but up to Rs 7.5 lakh
- c. More than Rs 7.5 lakh
- d. All the above

Ans - c

In case of death of depositor, interest for overdue period will be paid at ..... if depositor dies after maturity date of FDR.

- a. Saving rate
- b. FD rate as on date of maturity
- c. FD rate as on date of death
- d. Whichever is more from the above

Ans - a

ABC Ltd produces specialized digital cameras. During the financial year ended, it sold 10,000 units for 15,000 each.

Total manufacturing costs for the period - 82,400,000  
Cost of work in progress at the start of the period - 2,250,000  
Cost of work in progress at the end of the period - 2,400,000  
Cost of finished goods inventory at the start of the period - 32,800,000  
Cost of finished goods inventory at the end of the period - 34,400,000

Based on the above information, calculate ...

1. Cost of goods manufactured during the period

- a. 69,350,000
- b. 80,650,000
- c. 82,250,000
- d. 115,050,000

Ans - c

2. Cost of goods available for sale

- a. 69,350,000
- b. 80,650,000
- c. 82,250,000
- d. 115,050,000

Ans - d

3. Cost of goods sold

- a. 69,350,000
- b. 80,650,000
- c. 82,250,000
- d. 115,050,000

Ans - b

4. Gross profit

- a. 69,350,000
- b. 80,650,000
- c. 82,250,000
- d. 115,050,000

Ans - a

5. Gross profit margin

- a. 25 %
- b. 33 %
- c. 46 %
- d. 57 %

Ans - c

Solution

1. c

Cost of goods manufactured during the period - Total manufacturing costs for the period + Cost of work in progress at the start of the period - Cost of work in progress at the end of the period  
= 82,400,000 + 2,250,000 - 2,400,000  
= 82,250,000

2. d

Cost of goods available for sale = Cost of goods manufactured during the period + Cost of finished goods inventory at the start of the period  
= 82,250,000 + 32,800,000  
= 115,050,000

3. b

Cost of goods sold = Cost of goods available for sale - Cost of finished goods inventory at the end of the period  
= 115,050,000 - 34,400,000  
= 80,650,000

4. a

Gross profit = 15,000 × 10,000 - 80,650,000

---

$$= 150,000,000 - 80,650,000$$
$$= 69,350,000$$

5. c

$$\text{Gross profit margin} = 69,350,000 \div 150,000,000$$
$$= 46\%$$

---

What would be the bank balance as at 11th May 2017 as reported in the bank statement in each of the following circumstances:

1. As at this date the deposits awaiting clearance is Rs. 18,240 and cheques yet to be presented for payment is Rs. 21,590; while the bank balance as recorded in the Cash book was Rs. 9,480

- a. Rs. 6,130
- b. Rs. 9,530
- c. Rs. 12,830
- d. Rs. 18,530

Ans - c

Business Bank account balance  
9,480  
Add Cheques not yet presented  
21,590  
-----  
31,070  
Less Deposits awaiting clearance  
18,240  
-----  
Balance in Bank Statement  
Rs. 12,830  
-----

---

2. As at this date the Cash Book reports a bank balance of Rs. 21,800; while cheques yet to be presented amount to Rs. 21,560 and deposits yet to be credited by the bank amount to Rs. 36,240.

- a. Rs. 4,800
-

- b. Rs. 7,120
- c. Rs. 21,800
- d. Rs. 36,480 o/d

Ans - b

Business Bank account balance  
21,800  
Add Cheques not yet presented  
21,560  
-----  
43,360  
Less Deposits awaiting clearance  
36,240  
-----

Balance in Bank Statement  
Rs. 7,120  
-----  
.....

3. As at this date the Cash Book reports a bank balance of Rs. 11,450, without recording bank charges of Rs. 35. Deposits awaiting clearance and cheques yet to be presented amount to Rs. 49,240 and Rs. 29,780 respectively.

- a. Rs. 8,010 o/d
- b. Rs. 8,045 o/d
- c. Rs. 10,875
- d. Rs. 30,875

Ans - b

Business Bank account balance  
11,450  
Less Bank charges  
35  
-----  
11,415  
Add Cheques not yet presented  
29,780  
-----  
.....

41,195  
Less Deposits awaiting clearance  
49,240  
-----  
Overdrawn Balance in Bank Statement  
(8,045)  
-----  
.....

4. The Cash Book reports a bank balance of Rs. 4,250, without recording a credit transfer from a customer of Rs. 7,200 and a standing order payment of Rs. 4,500. Deposits awaiting clearance were Rs. 22,400 and the value of cheques yet to be presented on this date was Rs. 9,480.

- a. Rs. 5,970 o/d
- b. Rs. 19870
- c. Rs. 11,370 o/d
- d. Rs. 11,370

Ans - a

Business Bank account balance

4,250  
Less Standing Order  
4,500  
-----  
(250)  
Add BACS credit  
7,200  
-----  
Revised Cash account balance  
6,950  
Add Cheques not yet presented  
9,480  
-----  
16,430  
Less Deposits awaiting clearance  
22,400  
-----  
Overdrawn Balance in Bank Statement

---

(5,970)

5. As at this date the Cash Book reports a bank overdraft of Rs. 9,850. Cheques yet to be presented and deposits awaiting clearance on this date amount to Rs. 15,250 and Rs. 21,820 respectively.

- a. Rs. 3,280 o/d
- b. Rs. 16,420 o/d
- c. Rs. 3,280
- d. Rs. 16,420

Ans - b

Business Bank account balance  
(9,850)  
Add Cheques not yet presented  
15,250  
-----  
5,400  
Less Deposits awaiting clearance  
21,820  
-----  
Overdrawn Balance in Bank Statement  
(16,420)  
-----

As per Section 269 T of Income Tax Act, the payment should be made through credit to account or issuing account payee cheque or DD, if the principal plus interest of term deposit is .....

- a. Above Rs. 10,000
- b. Rs. 10,000 or above
- c. Above Rs. 20,000
- d. Rs. 20,000 or above

Ans - d



The bank statement reports an overdraft of Rs. 17,455 as at 27th May 2017. As at that date cheques to the value of Rs. 14,280 have not been presented for payment and deposits amounting to Rs. 39,450 await clearance. If other circumstances are as described in each of the following situations, ascertain the bank balance that would be reported in the Cash Book, prior to correcting what has been stated below:

1. A cheque for Rs. 12,480 written in favour of Guy Soloman, a trade creditor, has been entered in the Cash Book as Rs. 12,840, and an automated credit from Niel Tudor, a customer, for Rs. 3,500 is yet to be recorded in the Cash Book.

- a. Rs. 4,655
- b. Rs. 3,855
- c. Rs. 11,655 o/d
- d. Rs. 11,655

Ans - b

Bank overdrawn  
(17,455)  
Add Cheques awaiting presentation  
(14,280)  
-----  
(31,735)  
Deposits awaiting clearance  
39,450  
-----  
7,715  
Less Automated credit  
3,500  
-----  
4,215  
Less Entry error  
360  
-----  
3,855  
-----

---

2. Cash Book fails to record the dishonour of a cheque for Rs. 22,500 from Dan Moss, a customer, Rs. 18 charged as bank commission and Rs. 17,500 collected by the bank on a dividend mandate.

- a. Rs. 12,733
- b. Rs. 37,607 o/d
- c. Rs. 2,707 o/d
- d. Rs. 10,733

Ans - a

Bank overdrawn  
(17,455)  
Add Cheques awaiting presentation  
(14,280)  
-----  
(31,735)  
Deposits awaiting clearance  
39,450  
-----  
7,715  
Less Dividend  
17,500  
-----  
(9,785)  
Add Bank charges  
18  
Dishonoured cheque  
22,500  
-----  
12,733  
-----

---

3. A credit balance of Rs. 7,240 at bank has been carried forward from one folio of the Cash Book to the next as a debit balance and Rs. 500 drawn from the ATM (cash machine) has not been entered in the Cash Book.

- a. Rs. 6,265 o/d
- b. Rs. 7,185

- c. Rs. 22,695
- d. Rs. 31,695

Ans - c

Bank overdrawn  
(17,455)  
Add Cheques awaiting presentation  
(14,280)  
-----  
(31,735)  
Deposits awaiting clearance  
39,450  
-----  
7,715  
Add ATM withdrawal  
500  
Add carry forward error (2x7,240)  
14,480  
-----  
22,695  
-----  
.....

4. A cheque for Rs. 6,500 drawn in favour of Maria Sayes, a trade creditor, was lost and replaced by another. Apart from entering both cheques as credits in the Cash Book no other entry has been made.

- a. Rs. 14,215
- b. Rs. 1,215
- c. Rs. 29,625 o/d
- d. Rs. 10,215

Ans - b

Bank overdrawn  
(17,455)  
Add Cheques awaiting presentation  
(14,280)  
-----  
.....

(31,735)  
Deposits awaiting clearance  
39,450  
-----  
7,715  
Less Cheque entered twice  
6,500  
-----  
Cash Balance  
1,215  
-----  
.....

Which of the following accounts will have a balance on the credit side?

- a. Carriage Outwards account
- b. Motor vehicles account
- c. Return Outwards account
- d. Carriage Inwards account

Ans - c  
.....

Credit Note is prepared by .....

- a. Seller
- b. Purchaser
- c. Bank
- d. None of these

Ans - a  
.....

Sales Rs.60000  
Cost of sales Rs.50000  
O/B Stock Rs.10000  
Purchases Rs.40000  
Wages Rs.20000 and  
Office rent Rs.10000

Calculate Gross Profit:

- a. 10,000
- b. 20,000
- c. 30,000
- d. 40,000

Ans - a

Solution :

Gross profit = Sales - Cost of Sales  
= 60000 - 50000  
= 10000

---

The accounting entry required when the bank advises that a bank loan has been approved .....

- a. Debit Cash Account credit Bank Loan Account
- b. Debit Bank Account credit Bank Loan Account
- c. Debit Cash Account credit Bank Account
- d. Debit Bank Account credit Cash Account

Ans - b

---

Cash Flow Statement is also known as .....

- a. Statement of Changes in Financial Position on Cash basis
- b. Statement accounting for variation in cash
- c. Both a and b
- d. None of the above

Ans - c

---

Profit for the objective of calculating a ratio may be taken as .....

- a. Profit before tax but after interest
  - b. Profit before interest and tax
-

- c. Profit after interest and tax
- d. All of the above

Ans - d

.....

The working capital financing policy that subjects the firm to the greatest risk of being unable to meet the firm's maturing obligations is the policy that finances

- a. Fluctuating current assets with long-term debt
- b. Permanent current assets with long-term debt
- c. Permanent current assets with short-term debt
- d. Fluctuating current assets with short-term debt

Ans - c

.....

Determining the appropriate level of working capital for a firm requires

- a. Evaluating the risks associated with various levels of fixed assets and the types of debt used to finance these assets
- b. Changing the capital structure and dividend policy for the firm
- c. Maintaining short-term debt at the lowest possible level because it is ordinarily more expensive than long term debt
- d. Offsetting the profitability of current assets and current liabilities against the probability of technical insolvency

Ans - d

.....

Compared to other firms in the industry, a company that maintains a conservative working capital policy will tend to have a

- a. Greater percentage of short-term financing
- b. Greater risk of needing to sell current assets to repay debt
- c. Higher ratio of current assets to fixed assets
- d. Higher total asset turnover

Ans - c

.....

---

Net Revenue = 50,000  
Cost of Sales (Cost of Goods Sold/COGS) = 20,000  
Operating Expenses = 10,000

Calculate Gross Profit:

- a. 20,000
- b. 30,000
- c. 40,000
- d. 50,000

Ans - b

Solution :

Gross Profit = Net Revenue - Cost of Sales  
= 50,000 - 20,000  
= 30,000

---

Calculate the amount of gross profit on sale of Rs.240000 if rate of gross profit on cost of goods sold is 25%

- a. Rs.30000
- b. Rs.40000
- c. Rs.48000
- d. Rs.60000

Ans - c

Solution :

Let cost of sales by = 100  
Add profit = 25  
Sales = 125  
Rate of profit on sales =  $(25/125) \times 100 = 20\%$   
Sales = Rs.240000  
Gross Profit on sale =  $\text{Rs.}240000 \times 20/100 = \text{Rs.}48000$

---

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

1. Current liabilities

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

Ans - a

2. Current assets

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

Ans - c

Solution:

1. a

Current Ratio = 3.5:1

Quick Ratio = 2:1

Let Current liabilities = x

Current assets = 3.5x

and Quick assets = 2x

Inventories = Current assets – Quick assets

24,000 = 3.5x – 2x

24,000 = 1.5x

x = Rs.16,000

Current Liabilities = Rs.16,000

2. c

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

Verification :

Current Ratio = Current assets : Current liabilities

---



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

= 3.5 : 1

Quick Ratio = Quick assets : Current liabilities

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

= 2 : 1

---

Given the following information:

Total assets = Rs. 3,00,000

Non-current liabilities = Rs. 80,000

Shareholders' Funds = Rs. 2,00,000

Non-Current Assets:

Fixed assets = Rs. 1,60,000

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

1. Calculate Current Assets

- a. Rs. 20,000
- b. Rs. 30,000
- c. Rs. 40,000
- d. Rs. 50,000

Ans - c

2. Calculate Current Liabilities

- a. Rs. 20,000
- b. Rs. 30,000
- c. Rs. 40,000
- d. Rs. 50,000

Ans – a

3. Calculate Current Ratio

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

Ans - c

Solution:

1. c

Total assets = Non-current assets + Current assets

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

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

= Rs. 40,000

2. a

Total assets = Equity and Liabilities

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

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

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

= Rs. 20,000

3. c

Current Ratio = Current Assets / Current Liabilities

= Rs. 40,000 / Rs. 20,000

= 2 : 1

---

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

a. Rs.2500

b. Rs.2750

c. Rs.3125

d. Rs.3500

Ans - c

Solution :

Sales = Cost of goods sold x 100/80

= 2500 x 100 / 80

= 3125

Generally 20% on Sales means 25% on Costs

25% on sales means 33.33 % on Costs

---

Mrs. X lent Rs. 5000 to Bahubali for 2 years and Rs. 3000 to Chinky for 4 years on simple interest at the same rate of interest and received Rs. 2200 in all from both of them as interest. The rate of interest per annum is:

- a. 5%
- b. 7%
- c.  $7 \frac{1}{8}\%$
- d. 10%

Ans - d

Solution

Let the rate be R% p.a.

Then,  $[5000 \times R \times 2 / 100] + [3000 \times R \times 4 / 100] = 2200$

$100R + 120R = 2200$

$R = [2200 / 220] = 10$

So, rate = 10%

Find the amount of Rs. 5000 invested at 10% during the period from 1st Jan, 2017 to 15 Apr 2017.

- a. Rs. 4935.25
- b. Rs. 5345.5
- c. Rs. 5200
- d. Rs. 5143.8

Ans - d

Solution:

Jan 31 Feb 28 March 31 April 15

Time Period =  $31+28+31+15 = 105$  days =  $105/365$  years

Amount =  $5000 + (5000 \times 10 \times 105) / 100 \times 365 = 5000 + 143.8$   
= 5143.8

A sum is being lent at 15 % per annum compound interest what is the ratio of increase in amount of 4th year to 5th year?

- a. 12:17

- b. 20:23  
c. 13:19  
d. 23:19

Ans - b

Solution:

$$\begin{aligned} & P(1+15/100)^4 / P(1+15/100)^5 \\ &= 1/(1+15/100) \\ &= 1/(115/100) \\ &= 100/115 \\ &= 20:23 \end{aligned}$$

.....

A bond with a coupon rate of 8%, paid annually, and a face value of Rs. 1,000 matures in 21 years. If the current annual market interest rate is 10%, what is the bond's market value?

- a. Rs. 827  
b. Rs. 872  
c. Rs. 927  
d. Rs. 854

Ans - a

Solution:

$$\begin{aligned} & \text{The interest annuity payment is } 0.08 * 1,000 = \text{Rs. } 80.00 \\ & \text{Bond market value} = \text{PVIFA}(10\%, 21 \text{ yrs}) * 80 + \text{PVIF}(10\%, 21 \text{ yrs}) * 1,000 \\ &= 8.6487 * 80 + 0.1351 * 1,000 \\ &= 691.90 + 135.13 \\ &= \text{Rs. } 827.03 \end{aligned}$$

.....

A sum of Rs 18,750 is left in will by a father to be divided between two sons, whose present age is 12 and 14 years respectively, such that when they attain maturity at 18, the amount (Principal + interest) received by each at 5% S.I. will be the same. Find the sum allotted at present to each son.

- a. Rs 10000, Rs 8750

- b. Rs 7000, Rs 11750  
c. Rs 9000, Rs 9750  
d. Rs 9500, Rs 9250

Ans - c

Solution:

Let the 1st son part be x then 2nd son 18750-x.

$$x + (x*6*5)/100 = 18750-x + (18750-x*4*5)/100$$

$$130x=18,75,000 - 100x + 3,75,000 - 20x$$

$$250x=2250000$$

$$1st\ son\ x = Rs\ 9000$$

then 2nd son Rs 9750

Which of the following statements are true?

- A) Cash flow reveals only the inflow of cash  
B) Cash flow reveals only the outflow of cash  
C) Cash flow is a substitute for income statement  
D) Cash flow statement is not a replacement of funds flow statement.

- a. Only A  
b. Only B  
c. Both B and C  
d. Only D

Ans - d

Liquidity ratios are expressed in .....

- a. Pure ratio form  
b. Percentage  
c. Rate or time  
d. None of the above

Ans - a

What would be the impact of the following errors on the Trial Balance?

1. A copy of a sales invoice for Rs. 4,000 is not recorded in the Sales Day Book.

- a. Excess credit Rs. 4,000
- b. Excess debit Rs. 4,000
- c. No impact
- d. None of the above

Ans - c

---

2. A supplier's invoice for Rs. 2,500 is posted to the debit of the Trade Payable's account.

- a. Excess credit Rs. 2,500
- b. Excess debit Rs. 2,500
- c. Excess debit Rs. 5,000
- d. None of the above

Ans - c

---

3. The daily total of the Sales Day Book is stated as Rs. 345,000 instead of Rs. 315,000 (i.e. overcast by Rs. 30,000).

- a. No impact
- b. Excess debit Rs. 30,000
- c. Excess credit Rs. 30,000
- d. None of the above

Ans - c

---

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

- a. Excess credit Rs. 1,850
  - b. Excess debit Rs. 1,850
  - c. No impact
  - d. None of the above
-

Ans - c

---

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

- a. Excess credit Rs. 12,000
- b. Excess debit Rs. 12,000
- c. Excess credit Rs. 9,000
- d. None of the above

Ans - c

---

The simple interest accrued on an amount of Rs. 22,500 at the end of four years is Rs. 10,800. What should be the compound interest accrued on the same amount at the same rate of interest at the end of two years?

- a. Rs 4566
- b. Rs 4852
- c. Rs 5724
- d. Rs 4375

Ans - c

Solution:

$$r = \frac{10800 \times 100}{22500 \times 4}$$

$$r = 12\%$$

$$\text{Then CI} = 10,800 \times [(1 + \frac{12}{100})^2 - 1]$$

$$= 22500 \{ \frac{112}{100} \times \frac{112}{100} - 1 \}$$

$$= 9 \times 28 \times 112 - 22500$$

$$= 28224 - 22500$$

$$= \text{Rs } 5724$$

---

Mr. X invested Rs. 20,000 with rate of interest at 10% per annum. The interest was compounded half yearly for first year and in the next year it was compounded yearly. What will be the total interest earned at the end of two years?

- a. Rs 4255
-

- b. Rs 5880.6  
c. Rs 4230.5  
d. Rs 5600

Ans - a

Solution:

For 1st year Compounded halfyearly

$$\text{amount} = 20000 * (1 + 5/100)^2$$

$$= 50 * 21 * 21$$

$$= \text{Rs } 22050$$

For 2nd year Compounded halfyearly.

$$\text{Then amount} = 22050 * (1 + 10/100)$$

$$= \text{Rs } 24255$$

$$\text{Interest} = 24255 - 20000$$

$$= \text{Rs } 4255$$

.....

A change in credit policy has caused an increase in sales, an increase in discounts taken, a reduction of the investment in accounts receivable, and a reduction in the number of doubtful accounts. Based on this information, we know that .....

- a. Net profit has increased  
b. The average collection period has decreased  
c. Gross profit has declined  
d. The size of the discount offered has decreased

Ans - b

.....

A firm following an aggressive working capital strategy would

- a. Hold substantial amount of fixed assets  
b. Minimize the amount of short-term borrowing  
c. Finance fluctuating assets with long-term financing  
d. Minimize the amount of funds held in very liquid assets

Ans - d



What will be the ratio of simple interest earned by a certain amount at the same rate of interest for 6 years and that for 9 years?

- a. 1 : 3
- b. 1 : 4
- c. 2 : 3
- d. Data inadequate

Ans - c

Solution

Let the principal be P and rate of interest be R%.

$$\begin{aligned}\text{So, required ratio} &= [P \times R \times 6 / 100] / [P \times R \times 9 / 100] \\ &= 6PR / 9PR \\ &= 6 / 9 \\ &= 2 : 3\end{aligned}$$

From the following which is method for the preparation of Trial Balance .....

- a. Balance Method
- b. Total Method
- c. Total-cum-Balance Method
- d. All of the above

Ans - d

Bank reconciliation is a statement prepared to reconcile .....

- a. Trial balance
- b. Cash book
- c. Bank A/c
- d. Cash as per cash book with bank balance as per bank pass book

Ans - d

Where banks open a bank account of a foreign student, pending the verification of local address, a/c shall be operated with a condition of allowing foreign remittances not exceeding ..... or equivalent into the account and a cap of ..... on aggregate in the same

- a. USD 500, Rs.25000
- b. USD 10000, Rs.50000
- c. USD 15000, Rs.75000
- d. USD 20000, Rs.1 lac

Ans - b

---

Banks shall furnish to Financial Intelligence Unit-India (FIU-IND. as per Rule 3 of PML (Maintenance of Records) Rules, the periodic cash transaction report of large size cash transactions of .....

- a. single transaction or total monthly transactions of Rs.1 lac and above
- b. single transaction or total monthly transactions of Rs.5 lac and above
- c. single transaction or total monthly transactions of Rs.10 lac and above
- d. single transaction or total monthly transactions of Rs.15 lac and above

Ans - c

---

In the balance sheet of a firm, the notes relating to those facts are included, that do not find a place in the accounting statements. This is due to .....

- a. convention of materiality
- b. convention of conservatism
- c. convention of accounting of full disclosure
- d. convention of consistency

Ans - c

---

What type of accounts, do appear in the balance sheet, out of the following?

- a. Real and nominal
  - b. Real and personal
  - c. Personal and nominal
-

d. Real, personal, nominal

Ans - b

---

Which liabilities are not included in the totals of a balance sheet but their mention is made in the balance sheet?

- a. Intangible liabilities
- b. Fictitious liabilities
- c. Current liabilities
- d. Contingent liabilities

Ans - d

---

The historical cost in the context of inventory valuation includes ..... (a) cost of purchase (b) cost of conversion (c) other costs incurred for bringing the inventory

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

Ans - d

---

(a) 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

---

Many small transactions are not recorded separately in the accounts of a firm. These are included in the miscellaneous items for recording purposes. This is done because of use of .....

- a. convention of materiality
- b. convention of conservatism
- c. convention of account of full disclosure
- d. convention of consistency

Ans - a

---

Which among the following account concepts is observed at the recording stage (and not the reporting stage) of the transactions .....

- a. matching concepts
- b. business entity concept
- c. materiality concept
- d. matching concept

Ans - b

---

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

---

An entry on the left side of a nominal account represents .....

- a. Income or expenditure
- b. Only income
- c. Income or gain
- d. Expense or loss

Ans - d

---

.....  
The ..... concept makes a distinction between the receipt of cash and right to receive it or payment of cash and obligation to pay cash .....

- a. realization system
- b. cash concept
- c. accrual concept
- d. consistency concept

Ans - c  
.....

If a firm has been following the straight line method of depreciation, it should continue to follow the same rather than changing to the written down value method. This is due to .....

- a. convention of materiality
- b. convention of conservatism
- c. convention of account of full disclosure
- d. convention of consistency

Ans - d  
.....

Which of the following is correct formula for calculation of future value of an annuity due (beginning of period)?

- a.  $C \times ((1+r)^n - 1/r)$
- b.  $C \times ((1+r)^n - 1/r) \times (1+r)$
- c.  $C / ((1+r)^n - 1/r) \times (1+r)$
- d.  $C \times ((1+r)^n - 1/r) / (1+r)$

Ans - b  
.....

Which of the following is true?

- a. Balance of real account, personal account and nominal account are carried over to the next accounting period
- b. Debit side of the cash book is called payment and credit side is called receipt
- c. Discount allowed by the creditor is recorded on the payment side of the cash book
- d. A person who owes a firm some amount is called debtor.

Ans - c

.....

An equipment has original cost of Rs.100000 with a salvage value of Rs.25000 and useful life of 5 year. Calculate depreciation for the 2nd year by using sum of year's digit (SYD) method

- a. 20000
- b. 22000
- c. 25000
- d. 26600

Ans - a

.....

Which of the following statement is correct in the context of book keeping and accounting?

- a. Accounting deals with recording of transactions of business and book keeping deals with the interpretation
- b. Book keeping deals with recording of transactions of business and accounting deals with the interpretation
- c. Book keeping and accounting deals both with recording of transactions of business and their interpretation
- d. Book keeping deals with recording of transaction of business and accounting deals with the audit of those transactions.

Ans - b

.....

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

.....

---

Entry for the transaction which is recorded on both side fo the Cash Book is called .....

- a. Closing Entry
- b. Contra Entry
- c. Opening Entry
- d. Adjustment Entry

Ans - b

.....

A consumer purchase .....

- a. Is a purchase from someone in the business of providing consumer goods or services
- b. Is a purchase - other than a cash purchase - from someone in the business of selling consumer goods or services
- c. Is a purchase that may involve the purchase of goods by a merchant for resale
- d. Is a purchase of goods for a business or professional use

Ans - b

.....

A sum of Rs. 25000 becomes Rs. 27250 at the end of 3 years when calculated at simple interest. Find the rate of interest.

- a. 2 percent
- b. 3 percent
- c. 4 percent
- d. 5 percent

Ans - b

Solution:

$$\text{Simple interest} = 27250 - 25000 = 2250$$

Time = 3 years.

$$SI = \frac{PTR}{100} \rightarrow R = \frac{SI * 100}{PT}$$

$$R = \frac{2250 * 100}{25000 * 3}$$

$$R = 3\%$$

.....

---

In an account is classified as high risk, the fresh KYC documents are be obtained after ..... years

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

Ans - d

---

As per Section 269 T of Income Tax Act, in case bank pays the principal plus interest or interest of term deposit above the prescribed limit in cash, penalty will be .....

- a. Rs. 5,000
- a. Rs. 10,000
- a. Rs. 20,000
- a. Equal to amount paid

Ans - d

---

RBI has specifically asked banks not to open SB accounts in the name of ..... (i) Govt. Departments, (ii) Municipal Corporations or Committees, (iii) State Text Book Publishing Corporations or Societies

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

Ans - d

---

An amount of Rs.1,00,000 is invested in two types of shares. The first yields an interest of 9% p.a. and the second, 11% p.a. If the total interest at the end of one year is 9%, then the amount invested in each share was :

- a. Rs.52,500, Rs.47,500
  - b. Rs.62,500, Rs.37,500
  - c. Rs.72,500, Rs.27,500
-



d. Rs.82,500, Rs.17.500

Ans - b

Solution

Let the sum invested at 9% be Rs. x and that invested at 11% be Rs. (100000 - x)

$$\begin{aligned} \text{Then, } [x \times 9 \times 1 / 100] + [(100000 - x) \times 11 \times 1 / 100] &= [100000 \times 39 / 4 \times 1 / 100] \\ &= 9x + 1100000 - 11x / 100 = 39000 / 4 \\ &= 9750 \end{aligned}$$

$$2x = (1100000 - 975000) = 125000$$

$$x = 62500$$

Sum invested at 9% = Rs.62500

Sum invested at 11% = Rs. (100000 - 62500) = Rs.37500

---

BCSBI has in collaboration with the Indian Banks' Association (IBA), evolved two codes. Which are they? (i) Code of Bank's Commitment to Customers, (ii) Code of Bank's Commitment to Senior Citizens, (iii) Code of Bank's Commitment to Micro and Small Enterprises.

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

Ans - b

---

In case of jointly operated lockers, right of nominee(s) starts ..... (i) only after death of all locker holders, (ii) immediately after death of any of the hirers

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

Ans - b

---

As per KYC guidelines, which one of the following customers is having high risk?

- a. Central Govt. employee
- b. State Govt. employee
- c. Small business man
- d. Politically exposed person resident abroad.

Ans - d

No member of staff other than the Cashier/Teller should receive money over the counter from depositors. Notices to this effect should be prominently displayed in English and also the regional language near the ..... (i) cash department, (ii) BM's Cabin, (iii) entrance

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

Ans - b

Mr. Z took a loan of Rs. 1200 with simple interest for as many years as the rate of interest. If he paid Rs. 432 as interest at the end of the loan period, what was the rate of interest?

- a. 3.6
- b. 6
- c. 18
- d. Data inadequate

Ans - b

Solution

Let rate = R% and time = R years  
Then,  $[1200 \times R \times R / 100] = 432$   
 $12 r^2 = 432$   
 $R^2 = 36$   
 $R = 6$

Mr. Ram's Capital on 1 April 2017 was Rs. 74,200. What would be his capital by 31 March 2018, during the year ending on that date?

1. Net profit was Rs. 18,200 and drawings none.

- a. Rs. 74,200
- b. Rs. 92,400
- c. Rs. 56,000
- d. Rs. 110,600

Ans - b

Capital would be Rs. 74,200 + Rs. 18,200 = Rs. 92,400

---

2. Net profit was Rs. 22,600 and drawings Rs. 5,000.

- a. Rs. 91,800
- b. Rs. 56,600
- c. Rs. 46,600
- d. Rs. 101,800

Ans - a

Capital would be Rs. 74,200 + Rs. 22,600 - Rs. 5,000 = Rs. 91,800

---

3. Net loss was Rs. 15,400 and drawings none.

- a. Rs. 74,200
- b. Rs. 58,800
- c. Rs. 105,000
- d. Rs. 89,600

Ans - b

Capital would be Rs. 74,200 - Rs. 15,400 = Rs. 58,800

---

4. Net Loss was Rs. 18,200 and drawings Rs. 6,000.

---

- a. Rs. 86,400
- b. Rs. 62,000
- c. Rs. 50,000
- d. Rs. 98,400

Ans - c

Capital would be Rs. 74,200 - Rs. 18,200 - Rs. 6,000 = Rs. 50,000

---

There is 50% increase in an amount in 5 years at simple interest. What will be the compound interest of Rs. 10,000 after 2 years at the same rate?

- a. Rs. 2450
- b. Rs. 2100
- c. Rs. 1855
- d. Rs. 2200

Ans - b

Solution:

Let principal be Rs. 100. rate r

50% increase in amount says  $SI=50$

$$(100 \times 5 \times r / 100) = 50$$

$$r = 10\%$$

$$CA = P[(1+r/100)^2] = 10,000 * [(1+10/100)^2] = 10,000 * 11/10 * 11/10$$

$$= 12100$$

$$CI = Rs 2100$$

---

Revenue receipts are shown in .....

- a. Balance Sheet
- b. Profit and Loss appropriation A/c
- c. Manufacturing A/c
- d. Trading and Profit and Loss A/c

Ans - d

---

On 31.03.2017, a company's records show the following information:

cash - 10,000  
Accounts receivable - 30,000  
Inventory - 80,000  
Prepaid Insurance - 6,000  
Long-term assets - 2,00,000  
Accounts payable - 30,000  
Notes payable due in 10 months - 25,000  
Wages payable - 5,000  
Long-term liabilities - 70,000  
Stockholders' (Owner's) Equity - 1,96,000

Based on the above information, answer the below questions.

1. The company's working capital

- a. 60,000
- b. 66,000
- c. 96,000
- d. 196,000

2. The company's current ratio

- a. 0.67 : 1
- b. 1.0 : 1
- c. 2.1 : 1
- d. 2.6 : 1

3. The company's quick ratio

- a. 0.67 : 1
- b. 1.0 : 1
- c. 2.1 : 1
- d. 2.6 : 1

Solutions :

- 1. b
-

Working capital = current assets - current liabilities  
= (cash + Accounts receivable + Inventory + Prepaid Insurance) - (Accounts payable + Notes payable due in 10 months + Wages payable)  
= (10,000 + 30,000 + 80,000 + 6,000) - (30,000 + 25,000 + 5,000)  
= 1,26,000 - 60,000  
= 66,000

2. c  
Current ratio = Current assets / Current liabilities  
= 1,26,000 / 60,000  
= 2.1 : 1

3. a  
The quick ratio or acid test ratio = (Cash + Temporary Investments + Accounts Receivable) / current liabilities  
= (10,000 + 0 + 30,000) / 60,000  
= 40,000 / 60,000  
= 0.67: 1

---

Balance Sheet (in lakhs) as on 31.03.2017

Assets

Current Assets

Cash - 500

Accounts Receivable - 300

Inventory - 200

Total Current Assets - 1000

Fixed Assets

Property, Plant, and Equipment - 2100

Less Accumulated Depreciation - 400

Net Fixed Assets - 1700

Total Assets - 2700

Liabilities and Owners' Equity

Current Liabilities

Accounts Payable - 400

Notes Payable - 200

Total Current Liabilities - 600

Long-Term Liabilities

Long-Term Debt - 1200

Total Long-Term Liabilities - 1200

Owners' Equity

Common Stock (1 Par) - 600

Capital Surplus - 200

Retained Earnings - 100

Total Owners' Equity - 900

Total Liab. and Owners' Equity - 2700

Profit and Loss Account (in Lakhs) for the year ended 31.03.2017

Sales - 900

Cost of Goods Sold - 600

Administrative Expenses - 300

Depreciation - 362

Earnings Before Interest and Taxes - -362

Interest Expense - 130

Taxable Income - (-)492

Taxes - (-)81

Net Income - (-)411

Dividends - 0

Addition to Retained Earnings - (-)411

Other Information

Number of Shares Outstanding (lakhs) - 600

Price per Share - 1.8

Calculate the following ratios:

1. Current Ratio

a. 1 : 1

b. 1.33 : 1

c. 1.67 : 1

d. 2 : 1

2. Quick Ratio

---

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

3. Receivables Turnover

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

4. Days' Receivables

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

5. Inventory Turnover

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

6. Days' Inventory

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

Explanation:

1. c

$$\begin{aligned}\text{Current Ratio} &= \text{Current Assets} / \text{Current Liabilities} \\ &= 1000 / 600 \\ &= 1.67 : 1\end{aligned}$$



2. b

Quick Ratio = Quick Assets / Current Liabilities

Quick Assets = Total Current Assets - Inventory

= 1000 - 200 = 800

Quick Ratio = 800 / 600

= 1.33 : 1

3. c

Receivables Turnover = Sales / Accounts Receivables

= 900 / 300

= 3 times.

4. b

Days' Receivables = 365 / Receivables Turnover

= 365 / 3

= 121.67 days

5. c

The Inventory Turnover = COGS / Inventory

= 600 / 200

= 3 times.

6. b

Days' Inventory = 365 / Inventory Turnover

= 365 / 3

= 121.67 days

---

A cheque for Rs. 1,000 received from Rebecca Jones, a trade debtor, should be accounted for as

.....

- a. Debit Rebecca Jones' Account credit Cash Account.
- b. Debit Cash Account and credit Rebecca Jones' Account
- c. Debit Bank Account and credit Rebecca Jones' Account.
- d. Debit Cash Account and credit Sales Account

Ans - b

Loan to Value (LTV) Ratio against pledge of gold ornaments and jewellery for non-agricultural purposes should not exceed ..... of the value of gold ornaments and jewellery

- a. 70 per cent
- b. 75 per cent
- c. 80 per cent
- d. 90 per cent

Ans - b

---

Margin money required for Education Loan Upto Rs.4 lakh is .....

- a. No margin
- b. 5 percent
- c. 10 percent
- d. 15 percent

Ans - a

---

Under capitalization method of goodwill valuation, which of the following formulas is used to calculate the "value of whole business"?

- a. Value of whole business=Profit / Reasonable rate of return X 100
- b. Value of whole business= Total assets / Reasonable rate of return X 100
- c. Value of whole business= Equity-Net assets
- d. None of the above

Ans - a

---

Petty expenses are recorded in which of the following Cash Book .....

- a. Petty Cash Book
- b. Simple Cash Book
- c. Two-Column Cash Book
- d. Three-Column Cash Book

Ans - a

---

The bank statement reports a credit transfer of Rs. 400 from a customer on 29th July. Accounting entries for this are .....

- a. A debit in the Bank Account and a credit in the account of the customer concerned
- b. A debit in the Cash Account and a credit the account of the debtor concerned
- c. A debit in the account of the debtor concerned and a credit in the Bank Account
- d. A debit in the Bank Account and a credit in the Cash Account

Ans - a

---

Given the following information, Calculate...

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

1. Gross Profit

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

Ans - b

2. Operating Cost

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

Ans - c

3. Gross profit ratio

- a. 64.71%
  - b. 66.71%
-

- c. 68.59%
- d. 70.59%

Ans - a

4. Operating ratio

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

Ans - d

Solution:

1. b

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

2. c

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

3. a

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

4. d

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

---

.....  
In case of death of depositor, interest for overdue period will be paid at ..... if depositor dies before maturity of FDR.

- a. Saving rate
- b. FD rate as on date of maturity
- c. FD rate as on date of death
- d. Whichever is more from the above

Ans - b  
.....

Relationship between the Bank and the Customer is "Trustee - Beneficiary" in the following Transactions. (i) Payee of draft, (ii) Goods left negligently by customer, (iii) Money deposited. No instructions for its disposal

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

Ans - d  
.....

An amount is invested in two schemes, A and B. Ratio of investment in A to that of B is 17:8. A gives interest after 2 years at 10% compound interest while B gives interest after 2 years at 21% simple interest. What will be the ratio of interest earned through A to that of B?

- a. 9:11
- b. 17:16
- c. 14:11
- d. 16:13

Ans - b

Solution:

Amount invested in A = 17x

Amount invested in B = 8x

Interest earned through A =  $(17x) * [(1 + 10/100)^2 - 1]$   
 $= (17x * 2100) / 10000 = (17x * 21) / 100$

Interest earned through B =  $[(8x) \cdot (21) \cdot 2] / 100$   
Required ratio =  $(17x \cdot 21) / 100 : (8x \cdot 21 \cdot 2) / 100 = 17 : 16$

---

In the general form of partnership, liabilities of partners are .....

- a. limited
- b. unlimited
- c. limited to the business capital
- d. None of the above

Ans - b

---

Interest on drawings is .....

- a. Debited to partner's current a/c
- b. Credited to partner's current a/c
- c. Not shown in current account
- d. None of the above

Ans - a

---

As per KYC norms, branches should monitor .....

- a. cash deposits 10 lakhs and above in deposit accounts
- b. cash payment of 10 lakhs and above in deposit accounts
- c. cash receipt/cash payment Rs. 10 lakhs or above in deposits accounts including CC/OD
- d. Only cash deposit in Savings account for Rs 10 lakhs and above

Ans - c

---

What is the rate of simple interest for the first 4 years if the sum of Rs. 360 becomes Rs. 540 in 9 years and the rate of interest for the last 5 years is 6%?

- a. 4 percent
  - b. 10 percent
  - c. 8 percent
-

d. 5 percent

Ans - d

Solution:

Interest for the last 5 years =  $\text{PTR}/100$   
 $= 360 \times 5 \times 6 / 100 = \text{Rs. } 108$   
Interest for year =  $540 - 360 = 180$   
So, interest for first four years =  $180 - 108 = \text{Rs. } 72$   
Now, rate for first four years =  $(72 \times 100) / 360 \times 4$   
 $= 5 \text{ percent}$

---

From the following balance sheet of ABC Co. Ltd. as on March 31, 2017. Calculate .....

I. Equity and Liabilities - 7,00,000

1. Shareholders' funds  
a) Share capital 4,00,000  
b) Reserves and surplus 1,00,000

2. Non-current Liabilities  
Long-term borrowings 1,50,000

3. Current Liabilities 50,000

II. Assets - 7,00,000

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

2. Current Assets 2,00,000

1. Debts

a. Rs. 1,50,000  
b. Rs. 5,00,000  
c. Rs. 5,50,000

---

d. Rs. 6,50,000

Ans - a

2. Equity

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

Ans - b

3. Capital Employed

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

Ans - d

4. Debt-Equity Ratio

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

Ans - b

5. Total Assets to Debt Ratio

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

Ans - d



6. Proprietary Ratio

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

Ans - c

7. Debt to Capital Employed Ratio

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

Ans - a

Solution:

1. a

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

2. b

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

3. d

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

4. b

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

5. d

---

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

Total Asset to Debt Ratio = Rs. 7,00,000 / Rs. 1,50,000  
= 4.67 : 1

6. c  
Proprietary Ratio = Shareholders' Funds / Total Assets  
= Rs. 5,00,000 / Rs. 7,00,000  
= 0.71 : 1

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

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

---

If a sum of Rs16 becomes Rs81 in 4yrs then find the rate of interest at compound interest?

- a. 33(1/3) percent
- b. 40 percent
- c. 50 percent
- d. 66(2/3) percent

Ans - c

Some Extra:

$$4\sqrt{16} : 4\sqrt{81}$$

$$2 : 3$$

$$3-2 = 1$$

$$= 1/2 * 100$$

$$= 50 \text{ percent}$$

---

Which of the following is not recorded in the partners current accounts?

- a. Drawings
- b. Interest on Drawings
- c. Partners salaries
- d. Administrative expenses

Ans - d

.....

Under the KYC guidelines, banks need to conduct EDD - "Enhanced due diligence" in the following cases .....

- a. Correspondent accounts
- b. Non-face-to-face customers
- c. Firms with sleeping partners
- d. Trustees, Nominees and fiduciaries

Ans - all

.....

Timeframe for collection of outstation cheques in case of Cheques drawn on State Capitals .....

- a. 2 Days
- b. 7 Days
- c. 10 Days
- d. 14 Days

Ans - b

.....

Which one of the following is the method of goodwill valuation?

- a. Average capital method
- b. Super capital method
- c. Capital intensity method
- d. Super profit method

Ans - d

.....

---

As per RBI, gold jewellery accepted as security/collateral will have to be valued at the average of the closing price of 22 carat gold for the preceding ..... as quoted by the Indian Bullion and Jewellers Association Ltd.

- a. 7 days
- b. 10 days
- c. 14 days
- d. 30 days

Ans - d

---

Margin money required for Education Loan above Rs.4 lakh for Studies abroad is .....

- a. No margin
- b. 5 percent
- c. 10 percent
- d. 15 percent

Ans - d

---

If the difference between CI and SI earned on a certain amount at 20% pa at the end of 3 years is Rs.640, find out the principal.

- a. Rs. 5500
- b. Rs. 6500
- c. Rs. 4500
- d. Rs. 5000

Ans - d

Solution:

$$\begin{aligned} \text{SI-Cl for 3 yrs} &= Pr^2/100^3 * (300+r) \\ 640 &= P * 20^2/100^3 * 320 \\ 640 &= (P * 20 * 20/100 * 100 * 100) * 320 \\ P &= \text{Rs. 5000} \end{aligned}$$

---

What would be the impact of the following errors on the Trial Balance?

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

- a. Excess credit Rs. 2,400
- b. Excess credit Rs. 4,800
- c. Excess debit Rs. 2,400
- d. None of the above

Ans - c

---

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

- a. Excess debit Rs. 3,600
- b. Excess credit Rs. 3,600
- c. No impact
- d. None of the above

Ans - a

---

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

- a. No impact
- b. Excess debit Rs. 9,800
- c. Excess debit Rs. 19,600
- d. None of the above

Ans - c

---

A man lends a certain sum of money at simple interest. Rate of interest for first one and half years is 4% per annum, for next 6 months is 5% per annum and after that 8% per annum. If he received Rs. 8737.5 at the end of 3 years, what was his principal?

- a. Rs. 6850
-

- b. Rs. 7200
- c. Rs. 7380
- d. Rs. 7500

Ans - d

Solution:

Let the principal be x

$$x + (x \cdot 4 \cdot 3) / (100 \cdot 2) + (x \cdot 5 \cdot 1) / (100 \cdot 2) + (x \cdot 8 \cdot 1) / 100 = 8737.5$$

$$x + 12x / 200 + 5x / 200 + 8x / 100 = 8737.5$$

$$233x = 8737.5 \cdot 200$$

$$x = \text{Rs. } 7500$$

---

If the simple interest on a certain sum for 15 months at  $7\frac{1}{2}\%$  per annum exceeds the simple interest on the same sum for 8 months at  $12\frac{1}{2}\%$  per annum by Rs.32.50, then the sum (in Rs.) is :

- a. Rs.3000
- b. Rs.3060
- c. Rs.3120
- d. Rs.3250

Ans - c

Solution

Let the sum be Rs. x.

$$\text{Then, } [x \cdot 15 / 2 \cdot 5 / 4 \cdot 1 / 100] - [x \cdot 25 / 2 \cdot 2 / 3 \cdot 1 / 100] = 32.50$$

$$75x / 8 - 25x / 3 = 3250$$

$$25x = (3250 \times 24)$$

$$x = [3250 \times 24 / 25]$$

$$x = 3120$$

---

What is the rate of simple interest for the first 4 years if the sum of Rs. 650 becomes Rs. 936 in 10 years and the rate of interest for the last 6 years is 4%?

- a. 5 percent
-

- b. 8 percent
- c. 4 percent
- d. 6 percent

Ans - a

Solution:

Interest for the last 6 years =  $(650 \times 6 \times 4) / 100 = \text{Rs. } 156$ .

then Interest for year =  $936 - 650 = 286$ ;

So, interest for first four years =  $286 - 156 = \text{Rs. } 130$

r for first four years =  $(130 \times 100) / 650 \times 4$

r = 5 percent

---

Which of these errors effect only one account?

- a. Errors of casting
- b. Errors of carry forward
- c. Errors of posting
- d. All the three

Ans - d

---

Visually challenged person can avail which of the following banking facilities? (i) Cheque book facility including third party cheques, (ii) ATM/Net banking facility, (iii) Credit cards

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

Ans - d

---

Security required for Education Loan Upto more than Rs 4 lakh but up to Rs 7.5 lakh is ..... (i) Third party Guarantee, (ii) Co obligation of parent

- a. Only (i)
-

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

Ans - d

---

Margin money required for Education Loan above Rs.4 lakh for Studies in India is .....

- a. No margin
- b. 5 percent
- c. 10 percent
- d. 15 percent

Ans - b

---

A partner that doesn't take part in the management of business, but he/she has made investment in business and liable to creditors of the business is known as:

- a. Active partner
- b. Nominal partner
- c. Junior partner
- d. Dormant partner

Ans - d

---

Eligible Courses under Education Loan Scheme include ..... (i) School education including plus 2 stage, (ii) Graduation & Post Graduation courses, (iii) Professional courses, computer certificate courses etc.

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

Ans - d

---



Under fluctuation method of capital, what is the treatment of "interest on capital"?

- a. Credited to capital account
- b. Debited to capital account
- c. No treatment or adjustment needed
- d. Credited to current account

Ans - a

.....

Mr. X commenced business introducing a vehicle worth Rs. 24,000, furniture valued at Rs. 8,000, and Rs. 5,000 in cash along with a bank loan of Rs. 2,500. His Capital account balance at commencement of business is .....

- a. Rs. 34,500
- b. Rs. 32,000
- c. Rs. 24,000
- d. Rs. 37,000

Ans - a

Mr. X will be credited with the agreed value of each of the assets he introduced into the business and debited with any liability that he brings in for the business to discharge. The Capital account balance at the commencement will be (Rs. 24,000+Rs. 8,000+Rs. 5,000-Rs. 2,500) Rs. 34,500.

.....

The Petty Cash Float, fixed at Rs. 100, is re-imbursed on the last day of the month. It is decided that from 1st August 2012 the float should be increased to Rs. 120. Petty cash expenses paid in July 2012 are summarised as: Stationery Rs. 9.50; Office cleaning Rs. 21.45; Travelling Rs. 14.45; Staff tea Rs. 21.55 Postage Rs. 19.60; Miscellaneous exp. Rs. 9.25. What is the amount of re-imburement the Petty Cashier would receive on 1st August 2012?

- a. Rs. 24.20
- b. Rs. 115.80
- c. Rs. 95.80
- d. Rs. 4.20

Ans - b

.....

Increase - 20.00  
Stationery - 9.50  
Office cleaning - 21.45  
Travelling - 14.45  
Staff tea - 21.55  
Postage - 19.60  
Miscellaneous - 9.25  
-----  
Total - 115.80  
-----

---

In a Statement of financial position the 'drawings' by the proprietor should be shown .....

- a. along with Trade Receivables balances
- b. as a deduction from the Capital account balance
- c. along with Trade Payables balances
- d. as an addition to the Capital account balance

Ans - b

---

Shoemart's ledger reports that it owes Rs. 128,900 to Whites, a supplier; whereas the corresponding figure stated in White's monthly statement is Rs. 154,700. The difference is found to have arisen from:

- a) A purchase invoice for Rs. 73,500 has been posted to Whites' account as Rs. 37,500
- b) Whites' have overlooked a 4% Cash Discount entitlement when a cheque for Rs. 33,600 was paid to them.
- c) The difference arises from returns for which the Credit Note is yet to be received.

The amount of purchases returns is:

- a. Rs. 11,600
- b. Rs. 8,800
- c. Rs. 60400
- d. Rs. 1.544

Ans - a

---

Balance  
128,900  
Add Entry error adjustment  
36,000

-----  
164,900  
-----

In White's books

Balance  
154,700  
Less Cash discount  
1,400

-----  
153,300  
-----

Difference (164,900 – 153,300) = Rs. 11,600  
.....

A lent Rs. 4000 to B for 3 years and Rs. 5000 to C for 4 years on simple interest at the same rate of interest and received Rs. 3200 in total from both as interest. The rate of interest per annum is:

- a. 6 percent
- b. 12 percent
- c. 15 percent
- d. 10 percent

Ans - d

Solution:

Let the rate be r%  
 $(4000 \times 3 \times r/100) + (5000 \times 4 \times r/100) = 3200$   
 $120r + 200r = 3200$   
 $320r = 3200$   
 $r = 10$  percent  
.....

At what rate of % per annum will Rs.2304 amount to Rs. 2500 in 2 years compounded annually.

- a. 5.2 percent
- b. 4.16 percent
- c. 3.45 percent
- d. 4.5 percent

Ans - b

Solution:

$$2304 == 2500$$

$$576 == 625$$

Take square roots

$$24 == 25$$

$$\text{diff.} = 1$$

$$= (1/24) * 100 = 4.16 \text{ percent}$$

Simple interest on a certain sum of money for 3 years at 8% per annum is half the compound interest on Rs. 4000 for 2 years at 10% per annum. The sum on simple interest is

- a. Rs. 1400
- b. Rs. 1525
- c. Rs. 1750
- d. Rs. 1620

Ans - c

Solution:

$$CI = 4000 * [(1 + 10/100)^2 - 1] = 4000 * (11/10 * 11/10 - 1) \\ = \text{Rs}840.$$

$$SI = 840/2 = \text{Rs}420$$

$$\text{Sum} = (420 * 100) / (3 * 8) \\ = \text{Rs. } 1750$$

A sum of Rs 343 becomes 512 in 3 years at C.I. Find the rate of interest.

- a. 14 (2/7) percent
- b. 12.5 percent
- c. 8 (2/3) percent
- d. 16 (2/3) percent

Ans - c

Solution:

Sum=353; Amount=512  
as many year, put that many root i.e  
cuberoot(343): cuberoot(512)  
7:8  
rate=(8-7)/7 \*100 =14 (2/7)%

---

Total number of Subsidiary Books are .....

- a. 5
- b. 4
- c. 8
- d. 2

Ans - c

---

What type of accounting error has occurred when an amount received from Ram is posted to Raj?

- a. Error of duplication
- b. Error of commission
- c. Double entry error
- d. Error of principle

Ans - b

---

Is India a member of FATF?

- a. Yes
- b. No
- c. Has applied for inclusion
- d. Is likely to be made a member

Ans - a

Bank can not discriminate among customers regarding payment of interest except for single deposits of .....

- a. Rs 5 lac and above
- b. Rs 10 lac and above
- c. Rs 15 lac and above
- d. Rs 25 lac and above

Ans - c

X purchases a coat for Rs.2400 cash or for Rs.1000 cash down payments and two monthly installments of Rs.800 each. Find the rate of interest.

- a. 80 percent
- b. 100 percent
- c. 110 percent
- d. 120 percent

Ans - d

Solution:

Amount as a principal for 2 month =  $2400 - 1000 = 1400$

At the rate of  $r\%$  per annum after 2 months, Rs.1400 will amount to  $Rs\ 1400 + (1400 * r * 2 / 100 * 12)$

Total amount for 2 installments at the end of second month  $Rs800 + (800 + (800 * r * 1 / 100 * 12))$

Then  $1400 + 2800 * r / 1200 = 1600 + 800 * r / 1200$

$R = 120$  percent

Relationship between the Bank and the Customer is "Agent - Principal" in the following Transactions. (i) Collection of cheque & Standing instruction, (ii) Purchase/sale of securities on behalf of customer, (iii) Currency Chest on behalf of RBI

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

Ans - d

---

As per Section 269 T of Income Tax Act, the payment should be made through credit to account or issuing account payee cheque or DD, if the interest of term deposit is .....

- a. Above Rs. 10,000
- b. Rs. 10,000 or above
- c. Above Rs. 20,000
- d. Rs. 20,000 or above

Ans - b

---

The officer holding charge of cash will check the whole of the bank Cash Balance by test check of different denominations and Register evidence of such check in the Cash Balance Book, atleast .....

- a. once a week
- b. once a week on different days
- c. once a month
- d. once a month on different days

Ans - b

---

A certain principal amounts to Rs. 15000 in 2.5 years and to Rs. 16500 in 4 years at the same rate of interest. Find the rate of interest.

- a. 5 percent
  - b. 6 percent
-

- c. 7 percent
- d. 8 percent

Ans - c

Solution:

Amount becomes 15000 in 2.5 years and 16500 in 4 years.

Simple interest for (4-2.5) years = 16500 – 15000

Therefore, SI for 1.5 years = Rs. 1500.

SI for 2.5 years =  $1500/1.5 * 2.5 = 2500$

Principal amount = 15000 – 2500 = Rs. 12500.

Rate of Interest =  $2500 * 100 / 12500 * 2.5$

R = 8%

---

Claim owes by the Business are called .....

- a. Liabilities
- b. Assets
- c. Expenses
- d. Income

Ans - a

---

Credit purchase of Furniture will be recorded in .....

- a. Purchase Book
- b. Sales Book
- c. Journal Proper
- d. Cash Book

Ans - c

---

A sum of money trebles itself in 15 years 6 months. In how many years would it double itself?

- a. 6 years 3 months
  - b. 7 years 9 months
-



- c. 8 years 3 months  
d. 9 years 6 months

Ans - b

Solution

Let sum = x. Then, S.I. = 2x, Time = 15 (1/2) years = 31 / 2 years  
So, rate =  $[100 \times 2x / x \times (31/2)]\% = 400 / 31\%$   
Now, sum = x, S.I. = x, Rate = 400 / 31%  
So, time =  $100 \times x / x \times (400/31)$   
= 31 / 4 years  
= 7 years 9 months

What type of accounting error has occurred when a sale, entered in the Sales Day Book has not been posted?

- a. Entry error  
b. Double entry error  
c. Error of duplication  
d. Error of principle

Ans - b

Banks in India can't outsource ..... (i) KYC, (ii) Marketing, (iii) Corporate planning

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

Ans - b

(Barring 'Marketing' all others are core functions and cannot be outsourced as per RBI guidelines)

A person invests some money in bonds on which interest would be received by him on half-yearly basis at the end of each 6th month. Such payment can be said to be .....

- a. At the end annuity
- b. At the beginning annuity
- c. Ordinary annuity
- d. Sinking annuity

Ans - c

---

Forex rate in Delhi is 1 US \$ = 48.80/90. In London the 1 Euro = US \$ 1.60/65 pound sterling. What is the cross rate for Euro?

- a. 78.08
- b. 77.92
- c. 77.65
- d. 77.02

Ans - a

---

The value stated on the bond certificate is called .....

- a. market value
- b. redemption value
- c. face value
- d. net present value

Ans - c

---

Coupon rate of a bond means .....

- a. the maturity value
- b. the interest rate payable on the bond
- c. the value accepted at the time of issue of the bond
- d. the market value at a given point of time.

Ans - b

---

The value which an investor receives on maturity of a bond is called,

- a. market value
- b. redemption value
- c. face value
- d. net present value

Ans - b

.....

Cash book is book of .....

- a. Prime entry
- b. Final entry
- c. Both of the above
- d. None of the above.

Ans - c

.....

KYC guidelines of RBI protect banks from being used for ..... (i) money laundering purpose by criminals, (ii) Financing terrorism, (iii) for financing black marketing activities

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

Ans - a

.....

Provision is done on .....

- a. Outstanding ledger balance
- b. Outstanding record balance
- c. Closure balance
- d. None of the above

Ans - a

.....

---

.....

A party draws a bill of exchange in Delhi payable in Bangalore by a foreigner and no sale or purchase has actually taken place. Such bills are called .....

- a. Documentary bills
- b. Foreign bills
- c. Accommodation bills
- d. Usance bills

Ans - c

.....

A bill has been received by a drawee X from drawer Y and has been dishonoured and noted. What journal entries will be passed in the books of the drawee ?

- a. Debit bills receivable, credit Y and noting charges
- b. Debit bills payable, credit noting charges & Y
- c. Debit bills payable & noting charges, credit Y
- d. Debit Y & noting charges, credit bills payable

Ans - c

.....

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 present value of a bond is equal to .....

- a. the amount of interest it will earn
- b. the amount of future cash to be received in future till maturity of the bond
- c. the present value of cash to be received in future till maturity of the bond

d. the amount to be received on maturity

Ans - c

.....

Current yield of a bond can be calculated as under .....

- a. current interest / current market price
- b. coupon interest / face value
- c. coupon interest / current market price
- d. current interest / face value

Ans - c

.....

A machinery is purchased for Rs.4 lac. Its rate of annual depreciation is 20% under written down value method. Its depreciated value at the end of 2nd year would be .....

- a. Rs.2.56 lac
- b. Rs.2.04 lac
- c. Rs.2.40 lac
- d. Rs.1.60 lac

Ans - a

.....

The books in which all particulars relating to bills accepted are recorded is called bills ..... (receivable/payable) books and the entry is posted to the debit of respective ..... (debtor/creditor)

- a. Payable, creditor
- b. Payable, debtor
- c. Receivable, creditor
- d. Receivable, Debtor

Ans - a

.....

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

.....

Accounts opened under PMJDY are eligible for a life insurance cover for Rs. ....

- a. Rs. 5000
- b. Rs. 30000
- c. Rs. 50000
- d. Rs. 100000

Ans - b

.....

What should be recorded regarding records of employee training on AML/KYC? (i) date of training, (ii) nature of the training received, (iii) attendance

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

Ans - d

.....

When the balance as per the cash book is starting point, in the reconciliation, the amount of cheques issued and not presented are .....

- a. Subtracted
- b. Added
- c. Either added or subtracted
- d. None of the above

Ans - b

.....

To make provision on bad debts, which of the following journal entry is correct .....

- a. Debit the profit & loss and credit the bad debt account
- b. Debit the profit and loss account and credit provision on bad debts account
- c. Debit the provision account and credit the bad debt account
- d. Debit the provision and credit the account of individual customer.

Ans - b

.....

..... value of an asset is equal to the present value of the benefits associated with it.

- a. market value
- b. sale or purchase value
- c. intrinsic value
- d. net present value

Ans - c

.....

Retained earning is synonymous to..

- a. accumulated profit and loss account
- b. profit for the year
- c. operating profit
- d. gross profit

Ans - a

.....

A person having Basic Savings Bank Deposit Account (BSBDA) in a bank can have which of the following accounts in the same bank? (i) Savings Account, (ii) Fixed Deposit, (iii) Recurring Deposit

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

Ans - c

.....

There is a current account in the name of a trust. The nomination in this account can be allowed if the nominee is a .....

- a. Trustee
- b. Person named in the trust deed
- c. Manager
- d. Nominee cannot allowed

Ans - d

---

Economic life of an enterprise is split into the periodic interval as per..

- a. Money measurement concept
- b. Matching concept
- c. Going concern concept
- d. Accrual Concept

Ans - c

---

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

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

Ans - d

---

Which of the following is an example of fictitious assets?

- a. Machinery
- b. Stock
- c. Patent
- d. Preliminary Expenses

Ans - c

---



What is the main purpose of Bank Reconciliation?

- a. To locate cashier's mistake
- b. Reconciliation of the cash book and bank balances
- c. To find out bank balances
- d. to find out cash balances

Ans - b

.....

Double entry book-keeping was started by

- a. F.W Taylor
- b. Henry Fayol
- c. Lucas Pacioli
- d. Adam Smith

Ans - c

.....

The holding period of bond for which the interest rate risk disappears is called .....

- a. yield to maturity
- b. duration of the bond
- c. maturity period of the bond
- d. redemption period of the bond

Ans - b

.....

The rate of return earned on a bond when purchased at its current price when coupon interest is received is called .....

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

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

---

When the accounting standards are not followed by a business ..... (i) the auditors qualify their audit reports, (ii) if auditors do not qualify their audit reports they are guilty of professional misconduct, (iii) the management is held responsible

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

Ans - d

---

The depreciation under sum of year's digit (SYD) is calculated with the help of which of the following?

- a.  $(\text{written down value} - \text{salvage value}) * (\text{remaining useful life} / \text{sum of year's digit})$
- b.  $(\text{original cost} - \text{salvage value}) * (\text{sum of year's digit} / \text{remaining useful life})$
- c.  $(\text{written down value} - \text{salvage value}) * (\text{sum of year's digit} / \text{remaining useful life})$
- d.  $(\text{original cost} - \text{salvage value}) * (\text{remaining useful life} / \text{sum of year's digit})$

Ans - d

---

Which of the following does not match?

- a. Purchase of machinery for sale- revenue expenditure
  - b. Advertisement expenses – deferred revenue expenses
  - c. Payment of wages to labourer- revenue expenditure
-

d. Purchase of goods for trade- capital expenditure

Ans - d

---

The pass book of the firm has been showing debit balance of Rs.75000. it is observed that the bank has not debited a cheque of Rs.1000 issued by the firm and has debited Rs.300 on account of interest. What is the balance as per cash book.

- a. 75700 Dr
- b. 76300 Dr
- c. 76300 Cr
- d. 75700 Cr

Ans - d

---

Which of the following statements best explains the relationship between Journal & Ledger?

- a. First recording in Journal and then posting to ledger completes the double aentry of the transactions.
- b. Journal is the book of original entry where as the ledger is the book of second entry
- c. The journal is the book for analytical record and the ledger is the book for chronological record
- d. The process of recording in the Journal is called posting, the process of recording in the ledger is called journalizing.

Ans - b

---

An entry of Rs.500 was wrongly posted to wages A/c instead of Machinery Account, as wages are to be capitalized. It is an error of .....

- a. Commission
- b. Principle
- c. Omission
- d. Clerical

Ans - c

---

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

.....

The bank account pass book of XYZ has been showing a balance of Rs.30200. One of the debtors of the firm has deposited Rs.3000 directly in the account of the firm which bank has credited to the account of the firm which bank has credited to the account of one of the partners. What is the balance as per cash book?

- a. Rs.30200
- b. Rs.27200
- c. Rs.33200
- d. Rs.26800

Ans - a

.....

Depreciation is the result of ..... (a) wear and tear due to use (b) fall in market price (c) obsolescence (d) passage of time

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

Ans - a

.....

An asset is purchased for Rs.4 lac on 1.10.2012 and its rate of depreciation is 10% at diminishing value. Its amount of depreciation during the year and written down value at March 31,2015 would be .....

- a. 38000,342000
- b. 35900,325900

- c. 34200,307800
- d. None of the above

Ans - c

.....

The promoter brings capital of Rs.10000 out of which he purchases furniture worth Rs.2000. The balance sheet of the firm will show .....

- a. Capital at Rs.8000 & furniture at Rs.2000
- b. Capital at Rs.10000 & furniture at Rs.2000
- c. Capital at Rs.10000 & furniture at Rs.2000 & cash Rs.8000
- d. Capital at Rs.8000 & furniture at Rs.2000 & cash Rs.10000

Ans - c

.....

Which of the following error will be disclosed by the trial balance? (i) Omitting to post an amount from a subsidiary book, (ii) Omitting to post the totals of subsidiary books into the ledger, (iii) Omission in writing the cash book balance in the trail balance

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

Ans - d

.....

A person purchased a lap top for Rs.30000 by raising a loan from the bank at 12% on simple rate of interest, payable in 2 years as weekly payment. The total amount of interest would be Rs. .... and the weekly installment would be Rs. ....

- a. 7200, Rs.357.60
- b. 3600, Rs.357.60
- c. 7200, Rs.715.20
- d. 3600, Rs.715.20

Ans - a

.....

---

The provision for bad and doubtful debts at the time of dissolution of a firm is transferred to which of the following accounts .....

- a. Realization account
- b. Capital account of partners equally
- c. Capital account of partners in their sharing ratios
- d. Debtors' accounts

Ans - a

---

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

---

In a business the net assets as on Jan. 1st are Rs.6000 and on January 31st are Rs.1000, the net income during January is .....

- a. 2500
- b. 1500
- c. 500
- d. 1600

Ans - a

---

In the event of delay in reporting currency chest transactions, penal interest will be levied on the amount due from the chest holding bank for the period of delay which will be calculated on .....basis. However, Reserve Bank may at its discretion grant appropriate grace period in the matter of levy of penal interest

- a. T+0 basis
  - b. T+1 basis
  - c. T+2 basis
-

d. T+3 basis

Ans - a

.....

When the balance as per the cash book is starting point, in the reconciliation, the amount of cheques issued and not presented are .....

- a. Subtracted
- b. Added
- c. Either added or subtracted
- d. None of the above

Ans - b

.....

Where a reporting entity provides an option for One Time Pin (OTP) based e-KYC process for on-boarding of customers, the aggregate credit in a financial year, in such accounts can be .....

- a. Rs. 25000
- b. Rs. 50000
- c. Rs. 1 lac
- d. Rs. 2 lac

Ans - d

.....

Which among the following is not correct in the context of annuity?

- a. Term of annuity-total time during which regular payments are made
- b. Payment period- the regular time periods during which payments are made
- c. Ordinary annuity- where payments are made at the end of the period
- d. Annuity date- when payments are made at the end of the period

Ans - d

.....

Accounting cycle includes ..... (i) Recording, (ii) Classifying, (iii) Summarising

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

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

Ans - d

.....

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

.....

Which of the following is a key element of KYC policy of a bank, as per RBI directions ..... (1) customer acceptance policy (2) risk management (3) customer identification procedure (4) monitoring of transactions (5) reporting of transactions

- a. 1 to 5 all
- b. 1 to 4 only
- c. 1 to 3 only
- d. 1 and 2 only

Ans - b

.....

In a Basic Savings Bank Deposit Account (BSBDA) – Small Account, what is the limit on amount of withdrawals and transfers in a month?

- a. Rs 5,000
- b. Rs 10,000
- c. Rs 20,000
- d. Rs 25,000

Ans - b

.....

---



Where banks open a bank account of a foreign student, a declaration about the local address shall be obtained within a period of ..... days of opening the account and the said local address is verified

- a. 15 days
- b. 30 days
- c. 60 days
- d. six months

Ans - b

---

A person wants to have Rs.2 lac annually for 20 years by investing the amount in an annuity interest rate of 5%. He will have to invest .....

- a. Rs.24 lac
- b. Rs.2492440
- c. Rs.2429000
- d. Rs.25 lac

Ans - b

---

A sinking fund can be created for using it for (a) pay a loan in lump sum (b) to redeem a bond (c) to buy new machinery (d) to replace a worn out equipment .....

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

Ans - a

---

When the required rate of return is (less than / more than ) the coupon rate, the discount on the bond ..... as maturity approaches .....

- a. More than, increases
  - b. Less than, increase
  - c. Less than, constant
-

d. More than, declines

Ans - d

---

X gets a car on hire purchase basis costing Rs.250000. The down payment is Rs.50000. The balance is to be paid in 24 monthly instalments at 10% rate of interest. The EMI would be .....

- a. Rs.11500
- b. Rs.11000
- c. Rs.10000
- d. Rs.9500

Ans - c

---

Which of the following is a correct statement regarding a cash book (a) it is book of original (b) it is subsidiary book and a ledger account also (c) it records all cash transactions (d) the fundamental rule that each entry should be first recorded in the book of prime entry and then posted applies to cash book also .....

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

Ans - b

---

The accounting cycle of business transactions follows the following order .....

- a. Summarizing – recording – classifying
- b. Classifying – summarizing – recording
- c. Recording – classifying – summarizing
- d. None of the above

Ans - c

---

A company raised funds from public through a public issue or premium. The amount premium can be used for (a) issue of fully paid bonus shares (b) paying premium on redemption expenses.

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

Ans - d

---

When two sides of an account are equalized by putting the difference on the side where amount is short, the process is called .....

- a. Balancing
- b. Journalizing
- c. Posting
- d. A or c

Ans - a

---

The debit balance of an account may represent either an asset or an expense. Which of the following is not in connection with the debit balance?

- a. Cash account- asset
- b. Rent account- expense
- c. Pre-paid expenses- asset
- d. Pre- operative expenses – expense

Ans - d

---

Which of the crime is/are included under PMLA, 2002 for proceeds of crime? (i) Drug trafficking, (ii) Kidnapping, (iii) Murder

- 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 a deposit account in the joint name of X & Y and the nominee is A. Mr. X died in an accident. The balance is payable to .....

- a. Nominee A
- b. Nominee A, legal heirs of X & Y
- c. Y & legal heirs of X
- d. Y only

Ans - c

---

Debit in real account means (a) the value of the asset whose account is being debited has increased (b) the value of the asset whose account is being debited has decreased (c) business has acquired more of that asset (d) business has sold that asset .....

- a. A or c only
- b. B or c only
- c. A or d only
- d. C or d only

Ans - a

---

Cash which is not due as income of the business is not credited to income under ..... system and cash received whether due or not is taken as income of the business under ..... system

- a. Accrual, accrual
- b. Accrual, cash
- c. Cash, accrual
- d. Cash, cash

Ans - b

---

A trader carries an average inventory of Rs. 40,000. His inventory turnover ratio is 8 times. If he sells goods at a profit of 20% on Revenue from operations, find .....

1. Cost of Revenue from operations

- a. Rs. 80,000
- b. Rs. 2,20,000
- c. Rs. 3,20,000
- d. Rs. 4,00,000

Ans - c

2. Revenue from operations

- a. Rs. 80,000
- b. Rs. 2,20,000
- c. Rs. 3,20,000
- d. Rs. 4,00,000

Ans - d

3. Gross Profit

- a. Rs. 80,000
- b. Rs. 2,20,000
- c. Rs. 3,20,000
- d. Rs. 4,00,000

Ans - a

Solution:

1. c

Inventory Turnover Ratio = Cost of Revenue from Operations / Average Inventory

8 = Cost of Revenue from Operations / Rs. 40,000

∴ Cost of Revenue from operations = 8 × Rs. 40,000

= Rs. 3,20,000

2. d

Revenue from operations = Cost of Revenue from operations × (100 / 80)

---

.....

$$= \text{Rs. } 3,20,000 \times (100 / 80)$$
$$= \text{Rs. } 4,00,000$$

3. a

$$\text{Gross Profit} = \text{Revenue from operations} - \text{Cost of Revenue from operations}$$
$$= \text{Rs. } 4,00,000 - \text{Rs. } 3,20,000$$
$$= \text{Rs. } 80,000$$

.....

In which of the following ledgers would you find the account of a supplier?

- a. Purchases ledger or Trade Payables ledger
- b. Sales ledger or Trade Receivables ledger
- c. Impersonal ledger
- d. Nominal ledger or General ledger

Ans - a

.....

The following differences between the Cash Book entries and information in the bank statement have been identified:

- i) An amount incorrectly credited to the company's account by the bank
- ii) Lodgements into bank not reported in the bank statements
- iii) Dishonour of a cheque deposited into the bank
- iv) Bank loan interest recovered by the bank
- v) Cheques drawn by the company yet to be presented to bank

Which set of alternatives correctly analyses treatment of these?

- a. In Cash Book: ii, iv; In bank rec: i, iii, v
- b. In Cash Book: iii, iv; In bank rec: i, ii, v
- c. In Cash Book: ii, iv, v; In bank rec: i, iii
- d. In Cash Book: i, ii, iii; In bank rec: iv, v

Ans - b

.....

.....  
If the Petty Cash Book is treated as merely a subsidiary book of accounts, Rs. 78 paid by the Cashier to restore the petty cash balance to the level of the imprest should be accounted for as .....

- a. Debit Petty Cash Book and credit Cash Account
- b. Debit Petty Cash Account and credit Cash Account
- c. Debit Petty Cash Account and credit Bank Account
- d. Debit Cash Account and credit Petty Cash Account

Ans - b

.....  
A sum of money four folds itself in 24 years o compound interest. With the same rate per cent per annum the amount becomes sixteen times itself in.

- a. 48 years
- b. 72 years
- c. 24 years
- d. 96 years

Ans - a

Solution

Hint: If a certain amount at compound interest become K times in n years, then the sane amount becomes k times in  $n \cdot r$  years

.....  
Mr. Y borrows Rs. 5000 for 2 years at 4% p.a. simple interest. He immediately lends it to another person at  $6\frac{1}{4}$  pa for 2 years. Find his gain in the transaction per year.

- a. Rs. 112.50
- b. Rs. 125
- c. Rs. 150
- d. Rs. 150

Ans - a

Solution

Gain in 2 years = Rs.  $[(5000 \times 25 / 4 \times 2 / 100) - (5000 \times 4 \times 2 / 100)]$

.....  
= Rs. (625 – 400)  
= Rs.225

So, gain in 1 year = Rs. [225 / 2]  
= Rs.112.50  
.....

When drawing up a BRS, if you start with a Credit balance as per the Pass Book, the unrepresented cheques should be .....

- a. Added
- b. Deducted
- c. Not required to be adjusted
- d. None of the above

Ans - b  
.....

The credit entries in a Bank Account .....

- a. Will not be supported by a cheque number only when payment is by BACS or Standing Order
- b. Should each be supported by a cheque number which depends on when the cheque was posted
- c. Should each be supported by a sequential cheque number
- d. Will not be supported by a cheque number when payment is by BACS or Standing Order or when cash is drawn out from Cash Machine or when the bank recovers bank charges.

Ans - d  
.....

A Pass Book is a copy of .....

- a. A Customer's account in the Bank's Books
- b. Cash Book relating to bank column
- c. Cash Book relating to cash column
- d. Firm's receipts and payments

Ans - a  
.....



Which of these errors affect two or more accounts?

- a. Errors of complete omission
- b. Errors of principle
- c. Errors of posting to wrong account
- d. All the three

Ans - d

.....

Which of the following error is an error of principle?

- a. Rs. 5,000 received from Sham credited to Ram A/c
- b. Rs. 5,000 incurred on installation of new plant debited to travelling expenses A/c
- c. Rs. 500 paid for wages debited to salary A/c
- d. Rs. 500 being purchase of raw material debited to purchase A/c Rs. 50

Ans - b

.....

A lent Rs. 6000 to B for 3 years and Rs. 7000 to C for 4 years on simple interest at the same rate of interest and received Rs. 4600 in all from both of them as interest. The rate of interest per annum is:

- a. 12 percent
- b. 10 percent
- c. 8 percent
- d. 9 percent

Ans - b

Solution:

Let the rate of interest be r.  
 $(6000 * r * 3) / 100 + (7000 * r * 4) / 100 = 4600$   
 $180r + 280r = 4600$   
 $460r = 4600$   
 $r = 10$  percent

.....

When banks sell third party products (such as insurance, mutual funds etc. as agents the responsibility for ensuring compliance with KYC/AML/CFT regulations .....

- a. lies with the bank marketing the product
- b. lies with the third party issuer
- c. lies with both the bank as well as the third party issuer
- d. depends on whether the customer pays the money in cash or otherwise

Ans - b

---

Relationship between the Bank and the Customer is "Creditor - Debtor" in the following Transactions. (i) Loan from Bank (Debit balance in account), (ii) issue of draft (after issue of draft), (iii) Debit Balance in CC/OD account

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

Ans - b

---

Partnership type of business is formed by the mutual agreement of partners. What kind of agreement is it?

- a. Oral agreement
- b. Written agreement
- c. Oral or written agreement
- d. None of the above

Ans - c

---

Where there is no partnership agreement exists between partners, what will be the profit sharing ratio between the partners?

- a. Equal
  - b. Unequal
  - c. It will depend on a partner's capital
-

d. It will depend on the experience of a partner

Ans - a

.....

Any excess in the Cash Balance must be credited to ..... on the same day itself.

- a. Sundry Creditors Account
- b. Sundry debtors Account
- c. Suspense Account
- d. Any one of the above

Ans - a

.....

Find the compound interest on Rs. 1000 at the rate of 20% per annum for 18 month when interest is compounded half yearly.

- a. Rs. 662
- b. Rs. 545
- c. Rs. 620
- d. Rs. 568

Ans - a

Solution:

Principal, P = Rs. 2000

Compound rate, R = 20% per annum =  $20/2 = 10\%$  half-yearly

Time = 18 month = 3 half-years

Amount,

$$\begin{aligned} A &= \{P*[1+ (R/100)] n \} \\ &= \{2000*[1+(10/100)] 3\} \\ &= \{(2000*11*11*11/10*10*10)\} \end{aligned}$$

A = Rs. 2662

Compound interest = A – P

= 2662 – 2000

= Rs. 662

.....

---

The rate of interest on a sum of money is 4% per annum for the first 2 years, 6% per annum for the period next 4 years, 8% per annum for the period beyond 6 years. If the simple interest accrued by the sum for a total period of 9 years is Rs. 1680, what is the sum?

- a. Rs.3000
- b. Rs.5000
- c. Rs.4700
- d. Rs.5500

Ans - a

Solution:

SI at the rate of 4% for 2 years,  
 $= (P * 4 * 2) / 100 = 8P / 100$

SI at the rate of 6% for 4 years  
 $(P * 6 * 4) / 100 = 24P / 100$

SI for the next 3 years  
 $SI = (P * 8 * 3) / 100 = 24P / 100$

Total SI =  $8P / 100 + 24P / 100 + 24P / 100$   
 $\Rightarrow P = (1680 * 100) / 56 = 3000$

---

Given the following information:

Particulars Rs.  
Inventories 50,000  
Trade receivables 50,000  
Advance tax 4,000  
Cash and cash equivalents 30,000  
Trade payables 1,00,000  
Short-term borrowings (bank overdraft) 4,000

1. Calculate Current Assets

- a. Rs. 80,000
  - b. Rs. 1,04,000
-

- c. Rs. 1,24,000
- d. Rs. 1,34,000

Ans - d

2. Calculate Current Liabilities

- a. Rs. 80,000
- b. Rs. 1,04,000
- c. Rs. 1,24,000
- d. Rs. 1,34,000

Ans - b

3. Calculate Quick Assets

- a. Rs. 80,000
- b. Rs. 1,04,000
- c. Rs. 1,24,000
- d. Rs. 1,34,000

Ans - a

4. Calculate Current Ratio

- a. 0.77 : 1
- b. 1.29 : 1
- c. 1 : 0.77
- d. 1 : 1.29

Ans - b

5. Calculate Quick Ratio

- a. 0.77 : 1
- b. 1.29 : 1
- c. 1 : 0.77
- d. 1 : 1.29

Ans – a

Solution:

1. d

$$\begin{aligned}\text{Current Assets} &= \text{Inventories} + \text{Trade receivables} + \text{Advance tax} + \text{Cash and cash equivalents} \\ &= \text{Rs. } 50,000 + \text{Rs. } 50,000 + \text{Rs. } 4,000 + \text{Rs. } 30,000 \\ &= \text{Rs. } 1,34,000\end{aligned}$$

2. b

$$\begin{aligned}\text{Current Liabilities} &= \text{Trade payables} + \text{Short-term borrowings} \\ &= \text{Rs. } 1,00,000 + \text{Rs. } 4,000 \\ &= \text{Rs. } 1,04,000\end{aligned}$$

3. a

$$\begin{aligned}\text{Quick Assets} &= \text{Current assets} - (\text{Inventories} + \text{Advance tax}) \\ &= \text{Rs. } 1,34,000 - (\text{Rs. } 50,000 + \text{Rs. } 4,000) \\ &= \text{Rs. } 80,000\end{aligned}$$

4. b

$$\begin{aligned}\text{Current Ratio} &= \text{Current Assets} / \text{Current Liabilities} \\ &= \text{Rs. } 1,34,000 : \text{Rs. } 1,04,000 \\ &= 1.29 : 1\end{aligned}$$

5. a

$$\begin{aligned}\text{Quick Ratio} &= \text{Quick Assets} / \text{Current Liabilities} \\ &= \text{Rs. } 80,000 / \text{Rs. } 1,04,000 \\ &= 0.77 : 1\end{aligned}$$

---

What is the compound interest per annum for a sum of Rs. 1500 in 2 years at 5% rate?

- a. Rs. 185
- b. Rs. 143.25
- c. Rs. 153.75
- d. Rs. 102.05

Ans - c

Solution:

$$CI = 1500 * (1 + 5/100)^2 - 1500$$

---

.....

$$\begin{aligned} &= 1500 \times \frac{21}{20} \times \frac{21}{20} - 1500 \\ &= 1653.75 - 1500 \\ &= \text{Rs}153.75 \end{aligned}$$

.....

If the simple interest on a certain sum of money is  $\frac{4}{25}$  of the sum and the rate per cent equals the number years, then the rate of interest per annum is:

- a. 4 percent
- b. 5 percent
- c. 8 percent
- d. 10 percent

Ans - a

Solution:

Let the principal be Rs x.

Then the SI =  $\frac{4}{25}x$

Rate of interest = Time

$$r = \frac{(100 \times \frac{4}{25}x) / x}{r}$$

$$r^2 = \frac{400}{25}$$

$$r = \frac{20}{5}$$

$$r = 4\%$$

.....

Relationship between the Bank and the Customer is "Debtor - Creditor" in the following Transactions. (i) Deposit in the bank (CR balance in account), (ii) issue of draft (after issue of draft), (iii) Purchase of cheque from customer

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

Ans - a

.....

On the basis of the information given below, answer the following questions. On April 01, 2017 the debit balance of the machinery account of A Ltd. was Rs. 5,67,000. The machine was purchased on April 01, 2015. The company charged depreciation at the rate of 10% per annum under diminishing balance method. On October 01, 2017, the company acquired a new machine at a cost of Rs. 60,000 and incurred Rs. 6,000 for installation of the new machine. The company decided to change the system of providing depreciation from the diminishing balance method to the straight-line method with retrospective effect from April 01, 2015. The rate of depreciation will remain the same. The company decided to make necessary adjustments in respect of depreciation due to the change in the method in the year 2017-2018.

1. Cost of machinery on 01.04.2015 = .....

- a. Rs. 5,67,000
- b. Rs. 6,30,000
- c. Rs. 7,00,000
- d. Rs. 7,77,778

Ans - c

---

2. Depreciation provided in 2015-16 = .....

- a. Rs. 56,700
- b. Rs. 63,000
- c. Rs. 70,000
- d. Rs. 77,778

Ans - c

---

3. Depreciation provided in 2016-17 = .....

- a. Rs. 51,030
- b. Rs. 56,700
- c. Rs. 63,000
- d. Rs. 70,000

Ans - c

---



4. Depreciation under new method for 2015-16 and 2016-17 = .....

- a. Rs. 1,33,400
- b. Rs. 1,26,000
- c. Rs. 1,40,000
- d. Rs. 1,55,556

Ans - c

.....

5. Further depreciation to be provided = .....

- a. Rs. 5,670
- b. Rs. 6,300
- c. Rs. 7,000
- d. Rs. 7,778

Ans - c

.....

6. Depreciation for the year 2017-18 = .....

- a. Rs. 3,300
- b. Rs. 7,000
- c. Rs. 10,300
- d. Rs. 73,300

Ans - d

.....

7. The balance outstanding to the debit of machinery account as on March 31, 2018 after effecting the above changes was .....

- a. Rs. 5,45,700
- b. Rs. 5,52,700
- c. Rs. 5,46,000
- d. Rs. 5,49,400

Ans - b

.....

---

From the following information, answer the following questions. On 1st June 2018 Mr. Raj started a fast food shop with stock of goods of Rs. 55,000 in Delhi. The following transactions occurred in his business in that month:

- Jun-05 - Sold goods to Shahed Rs. 5,000;
- Jun-12 - Goods purchased Rs. 12,000;
- Jun-20 - Sold goods on credit Rs. 35,500;
- Jun-23 - Cash received from Rafi Rs. 5,400;
- Jun-28 - Goods returned to seller Rs. 3,400.

1. Which transactions will be recorded in the journal proper of Mr. Raj?

- a. Sold goods in cash
- b. Sold goods on credit
- c. Goods returned to seller
- d. Started with stock of goods

Ans - d

.....

2. In which book the transactions occurred on June 05 and 20 will be recorded?

- a. Purchase journal
- b. Purchase return journal
- c. Sales journal
- d. Sales return journal

Ans - c

.....

3. Mr. Raj will prepare ..... on returning goods

- a. Debit note
- b. Credit note
- c. Debit voucher
- d. Credit voucher

Ans - a

.....

On the basis of the information given below, answer the following questions. Consider the following information:

- I. Rate of depreciation under the written down method = 20%
- II. Original cost of the asset = Rs. 1,00,000
- III. Residual value of the asset at the end of useful life = Rs. 40,960

1. The estimated useful life of the asset is .....

- a. 4 years
- b. 5 years
- c. 6 years
- d. 7 years

Ans - a

.....

2. Depreciation for 1st year = .....

- a. Rs. 20,000
- b. Rs. 16,000
- c. Rs. 12,800
- d. Rs. 10,240

Ans - a

.....

3. Depreciation for 2nd year = .....

- a. Rs. 20,000
- b. Rs. 16,000
- c. Rs. 12,800
- d. Rs. 10,240

Ans - b

.....

4. Depreciation for 3rd year = .....

- a. Rs. 20,000
- b. Rs. 16,000

- c. Rs. 12,800
- d. Rs. 10,240

Ans - c

---

5. Depreciation for 4th year = .....

- a. Rs. 20,000
- b. Rs. 16,000
- c. Rs. 12,800
- d. Rs. 10,240

Ans - d

---

What would be the impact on the Trial Balance of each of the following errors?

1. A copy of a sales invoice for Rs. 4,000 is not recorded in the Sales Day Book

- a. Excess credit Rs. 4,000
- b. Excess credit Rs. 8,000
- c. Excess debit Rs. 4,000
- d. No impact

Ans - d

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

---

2. A supplier's invoice for Rs. 2,500 is posted to the debit of the Trade Payable's account

- a. Excess credit Rs. 2,500
- b. Excess credit Rs. 5,000
- c. Excess debit Rs. 2,500
- d. Excess debit Rs. 5,000

Ans – d

---

.....

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

.....

3. The daily total of the Sales Day Book is stated as Rs. 345,000 instead of Rs. 315,000 (i.e. overcast by Rs. 30,000).

- a. Excess debit Rs. 30,000
- b. Excess debit Rs. 60,000
- c. Excess credit Rs. 30,000
- d. No impact

Ans - c

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

.....

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

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

Ans - d

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

.....

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

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

Ans - c

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

---

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

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

Ans - b

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

---

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

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

Ans - b

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

---

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

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

Ans - b

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

---

If the simple interest on a certain sum of money is  $\frac{4}{25}$  of the sum and the rate per cent equals the number years, then the rate of interest per annum is

- a. 8 percent
- b. 10 percent
- c. 4 percent
- d. 6 percent

Ans - c

Solution:

Let the principal be  $x$  and rate be  $r\%$

Then  $SI = \frac{4}{25}x$

$n = r$

$r = \frac{(100 * \frac{4}{25}x)}{rx}$

$r^2 = \frac{400}{25}$

$r = \frac{20}{5}$

$= 4\%$

---

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.

- a. 21600
- b. 24000
- c. 25600
- d. 36000

Ans - a

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  
 $= \text{beginning book value} \times \text{depreciation rate}$   
 $= 1,00,000 \times 40\% = 40,000$

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  
 $= \text{beginning book value} \times \text{depreciation rate}$   
 $= 60,000 \times 40\% = 24,000$

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  
 $= \text{beginning book value} \times \text{depreciation rate}$

---



.....

$$= 36,000 \times 40\% = 14,400$$

Accumulated depreciation at the end of year 3  
 $= 40,000 + 24,000 + 14,400 = 78,400$

Book value at the end of year 3  
 $= 1,00,000 - 78,400 = 21,600$

.....

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 .....

- a. Creditor
- b. financing bank or financial institution
- c. concerned company or its officials responsible for this job
- d. 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.

- a.  $Y=a+bX$   
b.  $Y=a-bX$   
c.  $Y=a*bX$   
d. 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

$$\text{Amount} = P(1 + \frac{R}{100})^{4n}$$
$$\text{Amount} = P(1 + \frac{R}{100})^{4n}$$

Principal = Rs.16,000;  
Time=9 months = 3 quarters;  
Rate = 20%, it will be  $\frac{20}{4} = 5\%$

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
- b. Nil
- c. Rs 1 lacs
- d. None of the above

Ans - c

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

- a. 916.86
- b. 961.86
- c. 986.16

d. 996.16

Ans - c

Solution:

P = 50000

R = 18 % ÷ 12 = 0.015% (In EMI, divide rate by 12)

T = 8 \* 12 = 96 (In EMI, multiply time with 12)

The formula of EMI =

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

So,

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

= 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?

- a. 1:1
- b. 1.9:1
- c. 1.5:1
- d. 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. ....

- a. 50,000
- b. 20,000
- c. 25,000
- d. 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
- c. Accountant
- d. 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.

- a. 80
- b. 85
- c. 90
- d. 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

- A. 4100
- B. 4200
- C. 4300
- D. 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.

$$P = 1230 \times 100 / 6 / 5$$

$$= 4100$$

.....

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?

- a. Machinery- real account
- b. Ramesh (buyer of goods from the firm on credit)- personal account
- c. Bank account – real account
- d. 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 .....

- a. Added
- b. Reduced
- c. Kept unaltered
- d. 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?

- a. Rs.16000
- b. Rs.24000
- c. Rs.40000
- d. 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 .....

- a. Omission
- b. Commission
- c. Principle
- d. 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 .....

- a. Dishonour
- b. Noting
- c. Noting charges
- d. 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 .....

- a. IBA
- b. Government of India
- c. RBI
- d. Supreme Court

Ans - c

.....

Banking is a ..... oriented industry

- a. people
- b. staff
- c. incentive
- d. 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 =  $10/2 = 5\%$

Amount =  $100(1 + 5/100)^2 = 110.25$

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:

- a. 1,05,000
- b. 70,000
- c. 45,000
- d. 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

- a. 11000
- b. 9000
- c. 10000
- d. 8000

Ans - c  
.....

Goodwill is raised at the time of:

- a. Dissolution
- b. Admission
- c. Death
- d. 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  
.....  
.....

What is the rate percent per annum if a sum doubles itself in 12 years at Compound rate of interest?

- a. 5.2%
- b. 5.4%
- c. 5.5%
- d. 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 .....

- a. 9%
- b. 10%
- c. 11%
- d. 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

$$= (2/9)*4005$$

$$= \text{Rs } 890$$

---

Sales - Rs. 110000, Gross profit - Rs. 35000, Net loss - Rs. 7500. Find Operating expenses.

- a. 27500
- b. 42500
- c. 68500
- d. 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 .....

- a. Shareholders
- b. Equity Shareholders
- c. Preference Shareholders
- d. 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 :

$$D = (nth/E(\sigma)n)(\text{cost}-\text{Residual Value})$$

$$E(\sigma)n = 1+2+3+4+5 = 15$$

$$\text{Cost}-\text{Residual Value} = 1600000 - 100000 = 1500000$$

$$1\text{st year} = 5/15(1500000) = 500000$$

$$2\text{nd year} = 4/15(1500000) = 400000$$

$$3\text{rd year} = 3/15(1500000) = 300000$$

$$4\text{th year} = 2/15(1500000) = 200000$$

$$5\text{th year} = 1/15(1500000) = 100000$$

.....

Which is not an Advance?

- a. Over-drafts
- b. Cash Credit
- c. Bills discounted and purchased
- d. 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

- A. 12
- B. 12.5
- C. 13
- D. 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 :

$$D = (nth/E(\sigma)n)(\text{cost}-\text{Residual Value})$$

$$E(\sigma)n = 1+2+3+4+5 = 15$$

$$\text{Cost}-\text{Residual Value} = 1600000 - 100000 = 1500000$$

$$1\text{st year} = 5/15(1500000) = 500000$$

$$2\text{nd year} = 4/15(1500000) = 400000$$

$$3\text{rd year} = 3/15(1500000) = 300000$$

$$4\text{th year} = 2/15(1500000) = 200000$$

$$5\text{th year} = 1/15(1500000) = 100000$$

.....

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.

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

Ans- d

Explanation:

Let the principal be P and rate be R, then

$$\begin{aligned}\text{Ratio} &= [(P \times R \times 6100) : (P \times R \times 9100)] \\ &= 6PR : 9PR \\ &= 2 : 3\end{aligned}$$

---

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?

- a. 879.29
- b. 897.29
- c. 789.29
- d. 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 ..... accunts (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

- a. What is the Net Worth ?
  - b. Tangible Net Worth is .....
  - c. Outside Liabilities .....
  - d. Net Working Capital .....
  - e. Current Ratio .....
  - f. Quick Ratio .....
- 
- a. What is the Net Worth : Capital + Reserve = 200
  - b. Tangible Net Worth is : Net Worth - Goodwill = 150
  - c. Outside Liabilities : TL + CC + Creditors + Provisions = 600
  - d. Net Working Capital : CA - CL = 350 - 250 = 50
  - e. Current Ratio : CA / CL = 350 / 300 = 1.17 : 1
  - f. Quick Ratio : Quick Assets / CL = 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
<b>Total</b>	<b>1600</b>	<b>1760</b>		<b>1600</b>	<b>1760</b>

- 1. Tangible Net Worth for 1<sup>st</sup> Year : ( 300 + 140 ) - 50 = 390
- 2. Current Ratio for 2<sup>nd</sup> Year : ( 170 + 30 + 170 + 20 + 240 + 190 ) / ( 580 + 70 + 80 + 70 )  
820 / 800 = 1.02
- 3. Debt Equity Ratio for 1<sup>st</sup> 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:

- a. Debit
- b. Credit
- c. Either a or b
- d. 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:

- a. Debit
- b. Credit
- c. Either a or b
- d. 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?

- a. 1%
- b. 2%
- c. 3%
- d. 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:

$$S.I. = 956 - 800 = \text{Rs } 156$$

$$R=156 \times 100 \div 800 \times 3R=612\% \text{ New Rate} = 612+4=212\% \text{ New S.I.} = 800 \times 212 \div 3100=252$$

$$R=156 \times 100 \div 800 \times 3R=612\% \text{ New Rate} = 612+4=212\% \text{ New S.I.} = 800 \times 212 \div 3100=252$$

Now amount will be  $800 + 252 = 1052$

---

Interest collected by bank is in our passbook:

- a. Credited
- b. Debited
- c. Subtracted
- d. Not shown

Ans - a

---

Bank reconciliation statement is prepared by:

- a. Bank
- b. Customer
- c. Creditor
- d. 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

---

Which of the following is NOT generally the characteristic of a partnership business?

- a. Limited life
- b. Ease of formation
- c. Mutual agency
- d. Limited liability

Ans - d

.....

Which of the following is known as the value addition to a business because of business reputation, customers' loyalty, brand name etc

- a. Assets
- b. Market capitalization
- c. Goodwill
- d. Market penetration

Ans - c

.....

If a sum of Rs.8000 lended for 20% per annum at compound interest then the sum of the amount will be Rs.13824 in

- a. 2 years
- b. 1 year
- c. 3 years
- d. 4 years

Ans - c

Solution:

P = Rs.8000, R = 20% per annum

$P(1 + R/100)^n$

$Rs.13824 = 8000 * (1 + 20/100)^n$

$(12/10)^3 = (12/10)^n$

n = 3

.....

---

.....  
FATF is an inter-governmental body of G7 group of countries, a policy making body which sets standards to combat money laundering and financing of terrorism. FATF stands for .....

- a. Fight against terrorist financing
- b. Financial association task force
- c. Financial action on terrorist financing
- d. Financial action task force

Ans - d  
.....

Branches should not open deposit/advances accounts of banned/ terrorist organisations as circulated by .....

- a. IRDA
- b. SEBI
- c. AMFI
- d. FIU

Ans - d  
.....

Timeframe for collection of outstation cheques in case of Cheques drawn on Cities other than State Capitals/Major Cities .....

- a. 2 Days
- b. 7 Days
- c. 10 Days
- d. 14 Days

Ans - d  
.....

Who cannot open current account? (i) Purdanashin women, (ii) Illiterate persons, (iii) Blind persons

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

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

Ans - d

---

The Government of India has notified six documents as 'Officially Valid Documents (OVDs)' for the purpose of producing proof of identity. Choose the correct option from the following.

- a. Aadhaar Card, Passport, PAN Card, Employee ID, Voter Identity Card, Ration Card
- b. PAN Card, Aadhaar Card, Driving Licence, Voter Identity Card, Ration Card, Passport,
- c. Voter Identity Card, Passport, PAN Card, Aadhaar Card, Employee Id, NREGA Job Card
- d. Passport, PAN Card, Aadhaar Card, Driving Licence, Voter Identity Card, NREGA Job Card

Ans - d

---

If the difference between Simple Interest and Compound Interest at 10% p.a rate of interest for 3 years is Rs. 930, then find the Sum.

- a. Rs 25,000
- b. Rs 30,000
- c. Rs 35,000
- d. Rs 40,000

Ans - b

Solution:

On SI, Rate for 3 years =  $3 \times 10 = 30\%$

On CI rate for 3 years =  $10\% = 1/10$

$= \frac{1331-1000}{1000} \times 100$

$= 33.1\%$

Difference =  $33.1 - 30 = 3.1\%$

$3.1\% = \text{Rs. } 930$

$100\% = \text{Rs. } 30,000$

---

Divide Rs 20,816 between A and B so that A's share at the end of 7 years is equal to B's share at the end of 9 years with compound interest being 4% p.a

- a. 10716, 10100
- b. 10616, 10200
- c. 10816, 10000
- d. 10800, 10016

Ans - c

Solution:

second part +  $(4+4 +16/100)$  of second part = first part  
second part + 8.16% of second part= first part  
first part/second part=  $108.16/100 = 10816/10000$

A sum of Rs13,360 was borrowed at  $8(3/4)\%$  p.a C.I and paid back in 2yrs in two equal installments. What was the amount of each installment?

- a. 5769
- b. 7569
- c. 7009
- d. 7500

Ans - b

Solution:

$8(3/4) = 7/80$   
 $80/87 * 167/87 * \text{installments} = 13360$   
Installments = Rs. 7569

Any shortage in the Cash Balance should be recovered the same day from the employee concerned of the Cash Department. If recovery is not possible on the same day, the amount of shortage should be debited to the .....

- a. Sundry Creditors Account
- b. Sundry debtors Account
- c. Suspense Account



d. Any one of the above

Ans - c

---

As per FIU guidelines the records of all information on identity of clients are required to be maintained by every reporting entity for a period of ..... year(s) from the date of cessation of the relationship with their clients.

- a. One
- b. Two
- c. Three
- d. Five

Ans - d

---

Which of the following are required to be reported to FIU. (i) Cash transaction report (CTR), (ii) Counterfeit currency report (CCR), (iii) Suspicious transaction report (STR)

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

Ans - d

---

Banks should display the list of unclaimed deposits/inoperative accounts which are inactive/inoperative for ..... or more on their respective websites

- a. 1 year
- b. 2 years
- c. 5 years
- d. 10 years

Ans - d

---

The written agreement of partnership is most commonly referred to as .....

- a. Agreement
- b. Partnership deed
- c. Partnership contract
- d. Partnership Act

Ans - b

---

A certain sum is invested for certain time. It amounts to Rs. 600 at 10% per annum. But when invested at 5% per annum, it amounts to Rs. 400. Find the time.

- a. 40 years
- b. 75 years
- c. 50 years
- d. 60 years

Ans - a

Solution:

$$600 - P = P * 10 * t / 100 \rightarrow 1 \implies 6000 - 10P = Pt$$

$$400 - P = P * 5 * t / 100 \rightarrow 2 \implies 8000 - 20P = Pt$$

$$\text{Equate 1 and 2 } 6000 - 10P = 8000 - 20P \implies P = 200$$

$$\text{Substitute P in 1 then } 400 = 200 * 5 * t / 100 \implies 40 \text{ yrs.}$$

---

Find the compound interest on Rs. 3000 at 5% for 2 years, compounded annually.

- a. 301.5
- b. 307.5
- c. 315.5
- d. 321.5

Ans - b

Solution:

$$\text{Amount with CI} = 3000 (1 + 5/100)^2 = \text{Rs. } 3307.5$$

$$\text{Therefore, CI} = 3307.5 - 3000 = \text{Rs. } 307.5$$

---

Security required for Education Loan Upto Rs.4 lakh is ..... (i) No security or Third party Guarantee, (ii) Co obligation of parent

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

Ans - d

---

Money Laundering means .....

- a. Conversion of assets to invest in Laundromats
- b. Conversion of money which is illegally obtained to make them legitimate
- c. Conversion of cash into gold to make them legitimate
- d. Conversion of assets into cash to make them legitimate

Ans - b

---

Mr. X invested an amount of Rs. 13,900 divided in two different schemes A and B at the simple interest rate of 14% p.a. and 11% p.a. respectively. If the total amount of simple interest earned in 2 years be Rs. 3508, what was the amount invested in Scheme B?

- a. Rs. 6400
- b. Rs. 6500
- c. Rs. 7200
- d. Rs. 7500

Ans - a

Solution

Let the sum invested in scheme A be Rs. x and that in scheme B be Rs. (13900 - x)

Then,  $[x * 14 * 2 / 100] \div [ \{ (13,900 - x) * 11 * 2 \} / 100 ] = 3508$

$28x - 22x = 350800 - (13900 \times 22)$

$6x = 45000$

$x = 7500$

So, sum invested in Scheme B = Rs. (13900 - 7500) = Rs.6400

---

The date of maturity of an "after sight" bill is calculated from the .....

- a. Date of drawing the bill
- b. Date of acceptance the bill
- c. Date of discounting of the bill
- d. None of these

Ans - b

.....

Long-term receivables - 70,000  
Long-term investments - 1,50,000  
Property, plant and equipment - 5,10,000  
Less: Accumulated depreciation - (1,10,000)  
Goodwill - 90,000  
Other Intangible assets - 60,000  
Cash and cash equivalents - 20,000  
Receivables - 25,000  
Short-term investments - 1,60,000  
Inventories - 1,55,000  
Prepaid expenses - 25,000

Long-term notes payable - 55,000  
Long-term borrowings - 1,20,000  
Bonds payable - 1,50,000  
Accounts payable - 75,000  
Notes payable - 70,000  
Short-term borrowings - 80,000  
Income taxes payable - 60,000

Common stock - 75,000  
Preferred stock - 37,000  
Additional paid-in capital - 1,70,000  
Retained earnings - 2,63,000

Calculate the following based on the above details.

1. Total current assets

- a. 2,85,500
-

- b. 3,85,500
- c. 6,10,000
- d. 11,55,000

2. Total assets

- a. 2,85,500
- b. 3,85,500
- c. 6,10,000
- d. 11,55,000

3. Total current liabilities

- a. 2,85,500
- b. 3,85,500
- c. 6,10,000
- d. 11,55,000

4. Total liabilities

- a. 2,85,500
- b. 3,85,500
- c. 6,10,000
- d. 11,55,000

5. Total stockholders' equity

- a. 2,85,500
- b. 3,85,500
- c. 5,45,000
- d. 11,55,000

6. Total liabilities and stockholders' equity

- a. 2,85,500
- b. 3,85,500
- c. 6,10,000
- d. 11,55,000

Solutions:

1. b

$$\begin{aligned}\text{Total current assets} &= \text{Cash and cash equivalents} + \text{Receivables} + \text{Short-term investments} + \\ &\text{Inventories} + \text{Prepaid expenses} \\ &= 20,000 + 25,000 + 1,60,000 + 1,55,000 + 25,000 \\ &= 3,85,000\end{aligned}$$

2. d

$$\begin{aligned}\text{Total assets} &= (\text{Total current assets} + \text{Long-term receivables} + \text{Long-term investments} + \\ &\text{Property, plant and equipment} + \text{Goodwill} + \text{Other Intangible assets}) - \text{Accumulated} \\ &\text{depreciation} \\ &= (3,85,000 + 70,000 + 1,50,000 + 5,10,000 + 90,000 + 60,000) - 1,10,000 \\ &= 12,65,000 - 1,10,000 \\ &= 11,55,000\end{aligned}$$

3. a

$$\begin{aligned}\text{Total current liabilities} &= \text{Accounts payable} + \text{Notes payable} + \text{Short-term borrowings} + \text{Income} \\ &\text{taxes payable} \\ &= 75,000 + 70,000 + 80,000 + 60,000 \\ &= 2,85,000\end{aligned}$$

4. c

$$\begin{aligned}\text{Total liabilities} &= \text{Total current liabilities} + \text{Long-term notes payable} + \text{Long-term borrowings} + \\ &\text{Bonds payable} \\ &= 2,85,500 + 55,000 + 1,20,000 + 1,50,000 \\ &= 6,10,000\end{aligned}$$

5. c

$$\begin{aligned}\text{Total stockholders' equity} &= \text{Common stock} + \text{Preferred stock} + \text{Additional paid-in capital} + \\ &\text{Retained earnings} \\ &= 75,000 + 37,000 + 1,70,000 + 2,63,000 \\ &= 5,45,000\end{aligned}$$

6. d

$$\begin{aligned}\text{Total liabilities and stockholders' equity} &= \text{Total liabilities} + \text{Total stockholders' equity} \\ &= 6,10,000 + 5,45,000 \\ &= 11,55,000\end{aligned}$$

---

ABC Limited had the following balances on 31.03.2017.

Current assets = 7,00,000  
Total assets = 16,00,000  
Current liabilities = 5,00,000  
Total liabilities = 8,00,000  
Cash provided by operations = 9,00,000  
Capital expenditures = 2,00,000  
Cash dividends = 1,00,000  
Net income = 3,60,000  
Preferred stock dividends = 50,000  
Average common shares outstanding = 100,000 shares

Calculate the following based on the above details.

1. What is the amount of working capital?

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

2. What is the current ratio?

- a. 0.5
- b. 1.2
- c. 1.4
- d. 1.8

3. What is the debt to total assets ratio?

- a. 0.5
- b. 1.2
- c. 1.4
- d. 1.8

4. What is the amount of free cash flow?

- a. 2,00,000
- b. 4,00,000

- c. 6,00,000
- d. 8,00,000

5. What is the amount of Earnings per share (EPS)?

- a. 1.10 per share
- b. 2.10 per share
- c. 3.10 per share
- d. 4.10 per share

Solutions :

1. a

$$\begin{aligned}\text{Working capital} &= \text{Current assets} - \text{Current liabilities} \\ &= 7,00,000 - 5,00,000 \\ &= 2,00,000\end{aligned}$$

2. c

$$\begin{aligned}\text{Current ratio} &= \text{Current assets} / \text{Current liabilities} \\ &= 7,00,000 / 5,00,000 \\ &= 1.40\end{aligned}$$

3. a

$$\begin{aligned}\text{Debt to total assets} &= \text{Total liabilities} / \text{Total assets} \\ &= 8,00,000 / 16,00,000 \\ &= 0.50 \text{ or } 50\%\end{aligned}$$

4. c

$$\begin{aligned}\text{Free cash flow} &= \text{Cash provided by operations} - \text{Capital expenditures} - \text{Cash dividends} \\ &= 9,00,000 - 2,00,000 - 1,00,000 \\ &= 6,00,000\end{aligned}$$

5. c

$$\begin{aligned}\text{Earnings per Share} &= (\text{Net income} - \text{Preferred stock dividends}) / \text{Average common shares} \\ &\text{outstanding} \\ &= (3,60,000 - 50,000) / 1,00,000 \text{ shares} \\ &= 3,10,000 / 100 \text{ shares} = 3.10 \text{ per share}\end{aligned}$$



If cost of goods sold Rs 1,80,000 and Gross profit rate is 25% then find .....

1. Rate of profit on cost

- a. 17.5%
- b. 25%
- c. 33.33%
- d. 40%

Ans - c

2. Gross profit

- a. Rs.30000
- b. Rs.40000
- c. Rs.50000
- d. Rs.60000

Ans - d

3. Sales

- a. Rs.60000
- b. Rs.120000
- c. Rs.180000
- d. Rs.240000

Ans - d

Solution :

1. c

Rate of Gross Profit = (Gross Profit/Net Sales) X 100

Now in this question rate of gross profit is given. Obviously it means the percentage of gross profit from sales. In the question we are not given the figure of sales but we are given the figure of 'Cost of Goods Sold. In simple language COGS means the cost of those goods which have been sold. Let us now learn to calculate rate of gross profit on cost of goods sold.

Let the sales price be = 100

Less Profit (25%) = 25

Cost of goods sold = 75

Rate of profit on cost =  $(25/75) \times 100 = 33.33\%$  or  $1/3$  of cost

2. d

Cost of goods sold = Rs.180000

Gross profit (33.33%) = Rs.180000  $\times$  33.33/100 = Rs.60000

3. d

Sales = COGS + Gross Profit = Rs.180000 + 60000 = Rs.240000

---

The difference between SI and CI compounded annually on a certain sum of money for 2 years at 8% per annum is Rs. 12.80. Find the principal.

- a. 1000
- b. 1500
- c. 2000
- d. 2500

Ans - c

Solution:

Let the principal amount be x.

$$SI = x * 2 * 8 / 100 = 4x/25$$

$$CI = x[1 + 8/100]^2 - x \rightarrow 104x/625$$

$$\text{Therefore, } 104x/625 - 4x/25 = 12.80$$

Solving which gives x, Principal = Rs. 2000

---

A sum of Rs. 725 is lent in the beginning of a year at a certain rate of interest. After 8 months, a sum of Rs. 362.50 more is lent but at the rate twice the former. At the end of the year, Rs. 33.50 is earned as interest from both the loans. What was the original rate of interest?

- a. 2.5 percent
- b. 3.46 percent
- c. 4.25 percent
- d. 3.5 percent

Ans - b

---

Solution:

Let rate of interest be r. New r = 2r, n = 1/3 years (4 months)

$$(725 * r * 1) / 100 + (362.5 * 2r * 1) / 100 * 3 = 33.50$$

$$(2175 + 725)r = 33.5 * 100 * 3$$

$$2900r = 10050$$

$$R = 3.46 \text{ percent}$$

---

Balance Sheet (in lakhs) as on 31.03.2017

Assets

Current Assets

Cash - 500

Accounts Receivable - 300

Inventory - 200

Total Current Assets - 1000

Fixed Assets

Property, Plant, and Equipment - 2100

Less Accumulated Depreciation - 400

Net Fixed Assets - 1700

Total Assets - 2700

Liabilities and Owners' Equity

Current Liabilities

Accounts Payable - 400

Notes Payable - 200

Total Current Liabilities - 600

Long-Term Liabilities

Long-Term Debt - 1200

Total Long-Term Liabilities - 1200

Owners' Equity

Common Stock (1 Par) - 600

Capital Surplus - 200

Retained Earnings - 100

Total Owners' Equity - 900

---

Total Liab. and Owners' Equity - 2700

Profit and Loss Account (in Lakhs) for the year ended 31.03.2017

Sales - 900  
Cost of Goods Sold - 600  
Administrative Expenses - 300  
Depreciation - 362  
Earnings Before Interest and Taxes --362  
Interest Expense - 130  
Taxable Income - (-)492  
Taxes - (-)81  
Net Income - (-)411  
Dividends - 0  
Addition to Retained Earnings - (-)411  
Other Information  
Number of Shares Outstanding (lakhs) - 600  
Price per Share - 1.8

Calculate the following ratios:

1. Fixed Assets Turnover

- a. 0.33 : 1
- b. 0.53 : 1
- c. 0.67 : 1
- d. 2 : 1

2. Total Assets Turnover

- a. 0.33 : 1
- b. 0.53 : 1
- c. 0.67 : 1
- d. 2 : 1

3. Debt Ratio

- a. 0.33 : 1
- b. 0.53 : 1
- c. 0.67 : 1

d. 2 : 1

4. Debt to Equity Ratio

- a. 0.33 : 1
- b. 0.53 : 1
- c. 0.67 : 1
- d. 2 : 1

5. Earnings Per Share (EPS)

- a. - 0.68
- b. - 1.5
- c. 0.68
- d. 1.5

6. Book Value Per Share

- a. - 0.68
- b. - 1.5
- c. 0.68
- d. 1.5

Explanation:

1. b

$$\begin{aligned}\text{Fixed Assets Turnover} &= \text{Sales} / \text{Net Fixed Assets} \\ &= 900 / 1700 \\ &= 0.53 : 1\end{aligned}$$

2. a

$$\begin{aligned}\text{Total Assets Turnover} &= \text{Sales} / \text{Total Assets} \\ &= 900 / 2700 \\ &= 0.33 : 1\end{aligned}$$

3. c

$$\begin{aligned}\text{Debt Ratio} &= \text{Total Debt} / \text{Total Assets} \\ &= (\text{Total Assets} - \text{Total Owners' Equity}) / \text{Total Assets} \\ &= (2700 - 900) / 2700 \\ &= 1800 / 2700\end{aligned}$$

= 0.67 : 1

4. d

Debt to Equity Ratio = Total Debt / Total Owners' Equity  
= (Total Assets - Total Owners' Equity) / Total Owners' Equity  
= (2700 - 900) / 900  
= 1800 / 900  
= 2 : 1

5. a

Earnings Per Share (EPS) = Net Income / Number of Shares Outstanding  
= (-) 411 / 600  
= - 0.68

6. d

Book Value Per Share = Total Owners' Equity / Number of Shares Outstanding  
= 900 / 600  
= 1.5

---

A sum becomes triple in 6 years at S.I. The same sum will become 19 times in how many years?

- a. 50 years
- b. 48 years
- c. 54 years
- d. 57 years

Ans - c

Solution:

SI=A-P=> A=3P as sum triples  
SI=3P-P=2P in 6 years  
In 19 times SI=18 P—54 years  
(2:6 hence 18=54)

---

Balance sheet of XYZ limited as on 31.03.2017 is given below.

Long-term receivables - 1,05,000  
Long-term investments - 2,25,000  
Property, plant and equipment - 7,65,000  
Less: Accumulated depreciation - (1,65,000)  
Goodwill - 1,35,000  
Other Intangible assets - 90,000  
Cash and cash equivalents - 30,000  
Receivables - 37,500  
Short-term investments - 2,40,000  
Inventories - 2,32,500  
Prepaid expenses - 37,500

Long-term notes payable - 82,500  
Long-term borrowings - 1,80,000  
Bonds payable - 2,25,000  
Accounts payable - 1,12,500  
Notes payable - 1,05,000  
Short-term borrowings - 1,20,000  
Income taxes payable - 90,000

Common stock - 1,12,500  
Preferred stock - 55,500  
Additional paid-in capital - 2,55,000  
Retained earnings - 3,94,500

Calculate the following based on the above details.

1. Total current assets

- a. 4,27,500
- b. 5,77,500
- c. 9,15,000
- d. 17,32,500

2. Total assets

- a. 4,27,500
- b. 5,77,500

- c. 9,15,000
- d. 17,32,500

3. Total current liabilities

- a. 4,27,500
- b. 5,77,500
- c. 9,15,000
- d. 17,32,500

4. Total liabilities

- a. 4,27,500
- b. 5,77,500
- c. 9,15,000
- d. 17,32,500

5. Total stockholders' equity

- a. 4,27,500
- b. 8,17,500
- c. 9,15,000
- d. 17,32,500

6. Total liabilities and stockholders' equity

- a. 4,27,500
- b. 5,77,500
- c. 9,15,000
- d. 17,32,500

Solutions:

1. b

Total current assets = Cash and cash equivalents + Receivables + Short-term investments + Inventories + Prepaid expenses  
= 30,000 + 37,500 + 2,40,000 + 2,32,500 + 37,500  
= 5,77,500



2. d

$$\begin{aligned}\text{Total assets} &= (\text{Total current assets} + \text{Long-term receivables} + \text{Long-term investments} + \\ &\text{Property, plant and equipment} + \text{Goodwill} + \text{Other Intangible assets}) - \text{Accumulated} \\ &\text{depreciation} \\ &= (5,77,500 + 1,05,000 + 2,25,000 + 7,65,000 + 1,35,000 + 90,000) - 1,65,000 \\ &= 18,97,500 - 1,65,000 \\ &= 17,32,500\end{aligned}$$

3. a

$$\begin{aligned}\text{Total current liabilities} &= \text{Accounts payable} + \text{Notes payable} + \text{Short-term borrowings} + \text{Income} \\ &\text{taxes payable} \\ &= 1,12,500 + 1,05,000 + 1,20,000 + 90,000 \\ &= 4,27,500\end{aligned}$$

4. c

$$\begin{aligned}\text{Total liabilities} &= \text{Total current liabilities} + \text{Long-term notes payable} + \text{Long-term borrowings} + \\ &\text{Bonds payable} \\ &= 4,27,500 + 82,500 + 1,80,000 + 2,25,000 \\ &= 9,15,000\end{aligned}$$

5. b

$$\begin{aligned}\text{Total stockholders' equity} &= \text{Common stock} + \text{Preferred stock} + \text{Additional paid-in capital} + \\ &\text{Retained earnings} \\ &= 1,12,500 + 55,500 + 2,55,000 + 3,94,500 \\ &= 8,17,500\end{aligned}$$

6. d

$$\begin{aligned}\text{Total liabilities and stockholders' equity} &= \text{Total liabilities} + \text{Total stockholders' equity} \\ &= 9,15,000 + 8,17,500 \\ &= 17,32,500\end{aligned}$$

---

Trial Balance is .....

- a. An Account
- b. A Statement
- c. A part of Final Accounts
- d. None of these

Ans - a

---

Considering the following information answer the following questions. On 1 January 2018 Mr. Sanjay purchased a machinery for his business valued Rs. 40,000 and paid for its installation Rs. 5,000. He sold this machinery for Rs. 25,000 in 2011, At this time remaining price of this machinery was Rs. 24,000 after deducting depreciation.

1. Amount spent Rs. 45,000 of Mr. Sanjay considered as ..... (i) Capital receipt, (ii) Capital expenditure, (iii) Deferred Revenue expenditure

- a. i
- b. ii
- c. i & ii
- d. ii & iii

Ans - b

2. What was the total amount of depreciation charged in 4 years?

- a. Rs. 15,000
- b. Rs. 16,000
- c. Rs. 20,000
- d. Rs. 21,000

Ans - d

3. The difference between selling price and present book value of machinery is called .....

- a. Capital income
- b. Revenue income
- c. Revenue receipt
- d. Capital receipt

Ans - a

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

- a. Rs. 8,975.38

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

Ans - d

Solution:

$$\begin{aligned} FVA_n &= PMT [FVIFA_{i,n}] \\ FVA_8 &= Rs. 650 [FVIFA_{6\%,8}] \\ &= Rs. 650 (9.8975) \\ &= Rs. 6,433.38 \end{aligned}$$

---

Thirty years ago, X bought 10 acres of land for Rs. 1,000 per acre in what is now downtown Houston. If this land grew in value at an annual interest rate of 8 percent, what is it worth today?

- a. Rs. 1,00,630
- b. Rs. 1,80,630
- c. Rs. 1,00,900
- d. Rs. 1,01,630

Ans - a

Solution:

$$\begin{aligned} FV_{30} &= 10 (Rs. 1,000) (FVIF_{8\%,30}) \\ &= Rs. 10,000 (10.063) \\ &= Rs. 1,00,630 \end{aligned}$$

---

How many years will it take for Rs. 1,97,000 to grow to be Rs. 5,54,000 if it is invested in an account with a quoted annual interest rate of 8% with monthly compounding of interest?

- a. 11.47 years
- b. 11.97 years
- c. 12.47 years
- d. 12.97 years

Ans - d

Solution:

$i = 0.666667$  (8% annually divided by 12 comp. periods per year)

PV = -197000

FV = 554000

solve for n (answer on calculator = 155.61)

Since the interest rate was entered as a monthly rate, the answer for n is in months.

The number of years equals the number of months divided by twelve.

Number of years =  $(155.61)/12 = 12.97$  years

---

Considering the following information answer the following questions. Mr. Roy keeps the purchase book, sales book, bills receivable book, bills payable book etc. for his business institution. Beside this, he records the discounted entries in other way, because he has clear concept about accounting. Then he prepares the financial statement for knowing about the financial position of the business. And this is how, he operates his business continuously.

1. In purchase book, Mr. Roy records .....

- a. Credit purchase
- b. Credit sales
- c. Cash purchase
- d. Purchase return

Ans - a

---

2. Mr. Roy records the discounted entries in the .....

- a. Cash book
- b. Sales return book
- c. Bills receivable book
- d. Journal proper

Ans - a

---

3. Why is opening entry needed for Mr. Roy?

- a. To follow the accounting cycle
  - b. To start the next accounting year
-

- c. To justify the arithmetical
- d. To know the financial position of accuracy current year

Ans - b

.....

Ignoring cost and other effects on the firm, which of the following measures would tend to reduce the cash conversion cycle?

- a. Maintain the level of receivables as sales decrease
- b. Buy more raw materials to take advantage of price breaks
- c. Take discounts when offered
- d. Forgo discounts that are currently being taken

Ans - d

.....

Which of the following is not a major function in cash management?

- a. Cash flow control
- c. Maximizing sales
- b. Cash surplus investment
- d. Obtaining financing services

Ans - c

.....

A precautionary motive for holding excess cash is .....

- a. To enable a company to meet the cash demands from the normal flow of business activity
- b. To enable a company to avail itself of a special inventory purchase before prices rise to higher levels
- c. To enable a company to have cash to meet emergencies that may arise periodically
- d. To avoid having to use the various types of lending arrangements available to cover projected cash deficits

Ans - c

.....

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. ....

- a. 32100
- b. 31900
- c. 27900
- d. 28100

Ans - d

---

KYC policy of a bank, as per RBI directives contains elements of ..... (i) Customer Acceptance Policy, (ii) Customer identification Procedure, (iii) Monitoring of transactions

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

Ans - d

---

As per RBI guidelines, penalty at ..... of the notional value of counterfeit notes, in addition to the recovery of loss to the extent of the notional value of such notes, will be imposed when counterfeit notes are detected in the soiled note remittance of the bank and in the currency chest balance of a bank during Inspection / Audit by RBI

- a. 50%
- b. 60%
- c. 80%
- d. 100%

Ans - d

---

When does an accountant record a transaction?

- a. If it is materialized by a concrete document
  - b. if it has a tax implication
-

- c. on Manager's demand
- d. None of these

Ans - a

---

Which of the following equations represents the balance sheet?

- a. Assets + Liabilities = Shareholders' equity
- b. Assets = Liabilities = shareholders' equity
- c. Assets = Liabilities – Shareholders' equity
- d. Assets = Liabilities + Shareholders' equity

Ans - d

---

What is the amount of commission that the sales manager would get @ 10% of net profits after charging such commission, if the net profits are Rs.2.20 lac?

- a. Rs.200
- b. Rs.2000
- c. Rs.2200
- d. Rs.20000

Ans - d

---

Which of the following is an error of omission?

- a. Wages account debited although services of labour used for building construction
- b. Goods purchased for cash from XYZ and their account credited
- c. Sale of goods made to ABC, but not entered.
- d. An entry of Rs.927 posted as Rs.972.

Ans - c

---

The process of recording transactions in the book of original entry is called .....

- a. recording
-

- b. journalizing
- c. posting
- d. summarizing

Ans - b

---

On a bond the investor is subject to interest rate risk on account of (a) re-investment of annual interest (b) capital loss on account of change in the value of bond due to increase in market interest rates.

- a. Only (a)
- b. Only (b)
- c. A and b both
- d. All of the above

Ans - c

---

The balance as per cash book of a firm is Rs.60000 and it is observed that bank has not credited the amount of Rs.5000 deposited as cash. Bank has credited Rs.30 as commission refund. What is the balance as per pass book?

- a. 65030
- b. 55030
- c. 54970
- d. 60000

Ans - b

---

Which of the following is a book of chronological record?

- a. cash book
- b. journal
- c. ledger
- d. none of the above

Ans - b

---



Which among the following is a back of prime entry? (a) journal (b) cash book (c) subsidiary books

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

Ans - a

---

After preparation of trial balance, if there is difference .....

- a. the difference is kept as it is
- b. the difference is temporarily transferred to an account called suspense account
- c. a journal entry is passed for the difference
- d. any of the above

Ans - b

---

If the trial balance debit side is more than the credit side total, the difference .....

- a. will be placed on the credit side of the trial balance
- b. will be placed on the credit side of the suspense account
- c. will be placed on the debit side of the trial balance
- d. will be placed on the debit side of the suspense account

Ans - b

---

If the machinery is sold for Rs.150000 at the end of 3rd year, what will be the profit or loss on sale of this machine?

- a. Profit Rs.10000
- b. Profit Rs.20000
- c. Loss Rs.20000
- d. No profit no loss

Ans - a

---

Goods have been supplied by R. Sharma and Son's for Rs.850/- but while posting, the amount has been put on the credit side of S. Sharma & Sons. The credit side of the trial balance total is Rs.43570. Assuming no other error, what should be the total of credit side of the trial balances?

- a. 41870
- b. 44420
- c. 43570
- d. 42720

Ans - c

---

Debts can be active or passive. Which of the following explanation matches in this context .....

- a. active debts means which we owe
- b. passive debts means what is due to us
- c. passive debts means which we owe and active debts means what is due to us
- d. active debts means which we owe and passive debts means what is due to us

Ans - c

---

Both Real Accounts and Nominal Accounts are .....

- a. Personal Accounts
- b. Impersonal Accounts
- c. Any one of the above
- d. only (b)

Ans - b

---

Bills receivable is a

- a. Personal Account
- b. Real Account
- c. Nominal Account
- d. both (a), (b)

Ans - b

---

Accounts generally prepared for ..... months

- a. 6
- b. 9
- c. 12
- d. 18

Ans - c

.....

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

.....

A debit entry in the real account signifies that (a) the value of asset has decreased (b) the value of the asset has increased (c) a new asset has been acquired (d) an old asset has been sold .....

- a. a and c
- b. b and c
- c. c and d
- d. a and d

Ans - b

.....

One side error can be rectified by .....

- a. passing a journal entry
- b. correcting the posting
- c. deleting the entry
- d. any of the above

Ans - b

.....

The asset which is fully secured but doubtful for one year to three years, the provision is at the rate of .....

- a. 15%
- b. 25%
- c. 40%
- d. 100%

Ans - c

---

The accountant of the firm posted the wrong amount on wrong side of an account. This is error of .....

- a. compensation
- b. principle
- c. commission
- d. omission

Ans - c

---

Total rent amount is undercast by Rs.300 and total of printing and stationery account is overcast by Rs.300. This is an error of .....

- a. compensation
- b. principle
- c. commission
- d. omission

Ans - a

---

At the time of preparation of final account, if any balance remains in the suspense account .....

- a. it will be shown on the asset side of the balance sheet
  - b. it will be shown on the liability side of the balance sheet
  - c. it will be shown on the liability side of the balance sheet if balance is in debit and on the asset side of the balance sheet if balance is in credit
-

.....

d. it will be shown on the asset side of the balance sheet if balance is in debit and on the liability side of the balance sheet if balance is in credit

Ans - d

.....

The firm paid salary to one of its employees and debited his personal account. What is the rectification entry?

- a. debit cash and credit salaries account
- b. debit salary account and credit cash account
- c. debit salary account and credit employee account
- d. debit cash account and credit employee account

Ans - c

.....

A debit entry to a nominal account means (a) some expense has been incurred (b) some income has been received (c) some loss has taken place (d) some gain has been made.

- a. a and c
- b. b and c
- c. b and d
- d. a and d

Ans - a

.....

The banks should re-align their cash management in such a manner so as to ensure that cash receipts in the denominations of .....and above are not put into recirculation without the notes being machine processed for authenticity

- a. Rs. 20
- b. Rs. 50
- c. Rs. 100
- d. Rs. 500

Ans - c

.....

ABC Ltd completed the transactions listed below. State whether each of the below given transaction would cause the ratio listed opposite it to increase, decrease or remain unchanged.

1. Wrote off bad debt against Allowance for Doubtful Debts - Current ratio

- a. Increase
- b. Decrease
- c. Remain unchanged
- d. None of the above

Ans - c

---

2. Collected an account receivable - Receivables turnover

- a. Increase
- b. Decrease
- c. Remain unchanged
- d. None of the above

Ans - a

---

3. Paid accounts payable - Rate of return on total assets

- a. Increase
- b. Decrease
- c. Remain unchanged
- d. None of the above

Ans - a

---

4. Sold obsolete inventory at cost - Profit margin

- a. Increase
- b. Decrease
- c. Remain unchanged
- d. None of the above

Ans - b

---

5. Issued a share dividend on ordinary shares - Earnings per share

- a. Increase
- b. Decrease
- c. Remain unchanged
- d. None of the above

Ans - b

.....

6. Sold inventory on account - Inventory turnover

- a. Increase
- b. Decrease
- c. Remain unchanged
- d. None of the above

Ans - a

.....

The following is a statement showing the financial status of the company at any given time .....

- a. Trading account
- b. Profit and Loss statements
- c. Balance sheet
- d. Cash book

Ans - c

.....

The following is a statement of revenues and expenses for a specific period of time .....

- a. Trading account
- b. Trial balance
- c. Profit and loss statements
- d. Balance sheet

Ans - c

.....

---

Balance sheet is a statement of .....

- a. Assets
- b. Liability
- c. Capital
- d. All of the above

Ans - d

---

A current ratio of ..... and above indicates that the availability of sufficient net working capital and the ability of the firm to meet current liabilities.

- a. 1.33:1
- b. 1.44:1
- c. 1.55:1
- d. 1.66:1

Ans - a

---

Liquid or Quick assets = .....

- a. Current assets – (stock + work in progress)
- b. Current assets + stock + work in progress
- c. (Current assets + stock) + work in progress
- d. (Current assets + work in progress) – stock

Ans - a

---

The amount of cash that a firm keeps on hand in order to take advantage of any bargain purchases that may arise is referred to as its .....

- a. Transactions balance
- b. Compensating balance
- c. Precautionary balance
- d. Speculative balance

Ans - d

---



Starrs Company has current assets of Rs. 300,000 and current liabilities of Rs. 200,000. Starrs could increase its working capital by the

- a. Prepayment of Rs. 50,000 of next year's rent
- b. Refinancing of Rs. 50,000 of short-term debt with long-term debt
- c. Purchase of Rs. 50,000 of temporary investments for cash
- d. Collection of Rs. 50,000 of accounts receivable

Ans - b

X and Y recently bought a house. They financed the house with a Rs. 1,25,000, 30-year mortgage with a nominal interest rate of 7 percent. Mortgage payments are made at the end of each month. What total amount of their mortgage payments during the first three years will go towards repayment of principal?

- a. 4,091
- b. 4,109
- c. 4,190
- d. 4,901

Ans - a

Solution:

First, determine the monthly payment.

$n = 360$  (30 years times 12 payments per year)

$i = 0.5833$  (7% annually divided by 12 payment per year)

$PV = 125000$

Make sure you are in end mode.

solve for PMT (answer = Rs. 831.6281)

Second, solve for the outstanding principal after three years.

$n = 324$  (360 total payments minus 36 payments made)

$i = 0.5833$  (7% annually divided by 12 payment per year)

$PMT = 831.6281$

Make sure you are in end mode

solve for PV (answer = Rs. 1,20,908.70)

Principal repaid = starting balance minus current balance

Principal repaid = Rs. 1,25,000 - Rs. 1,20,908.70 = Rs. 4,091

Interest paid = total of payments made – principal repaid

Interest paid =  $(36)(Rs. 831.6281) - Rs. 4,091 = Rs. 29,938 - Rs. 4,091 = Rs. 25,847$

A person invests some amount at 4% per annum and another amount at 6% per annum. If two-third of the first amount is equal to the one-two of the second amount, and total interest earned in 2 years is Rs. 1080, what was the total sum invested?

- a. Rs. 10500
- b. Rs. 8950
- c. Rs. 9365
- d. Rs. 10125

Ans - a

Solution:

Let the first amount be 'x' and the second amount be 'y'

$$\left(\frac{2}{3}\right)*x = \left(\frac{1}{2}\right)*y$$

$$x = \frac{3}{4}y$$

Total interest earned in 2 years = 1080

$$\frac{(x*4*2)}{100} + \frac{(y*6*2)}{100} = 1080$$

$$\frac{(3/4y*4*2)}{100} + \frac{(12y)}{100} = 1080$$

$$18y = 1080*100$$

$$Y = 6000$$

$$\text{Then, } x = \frac{3}{4}y = 4500$$

Therefore, total sum invested = 6000+4500 = Rs.10500

---

A lent Rs. 8000 to B for 2 years and Rs 6000 to C for 4 years on simple interest at the same rate of interest and received Rs 1840 in all from both of them as interest. The rate of interest per annum is

- a. 4.6 percent
- b. 8.4 percent
- c. 6.3 percent
- d. 10 percent

Ans - a

Solution:

Rate of interest be r%

Then

---

$$8000 \times 2 \times R / 100 + 6000 \times 4 \times R / 100 = 1840$$

$$160R + 240R = 1840$$

$$400R = 1840$$

$$R = 4.6 \% \text{ p.a}$$

---

A sum was invested at simple interest at a certain interest for 3 years. It would have fetched Rs. 720 more had it been invested at 5% higher rate. What was the sum?

- a. Rs. 4800
- b. Rs. 3700
- c. Rs. 4560
- d. Rs. 3950

Ans - a

Solution:

$$[(p \times 3 \times (r+5) / 100] - (p \times 3 \times r) / 100 = 720$$

$$3pr / 100 + 15p / 100 - 3pr / 100 = 720$$

$$15p = 720 \times 100$$

$$p = \text{Rs. } 4800$$

---

Which of the following statements are true about Ratio Analysis?

- A) Ratio analysis is useful in financial analysis
- B) Ratio analysis is helpful in communication and coordination
- C) Ratio Analysis is not helpful in identifying weak spots of the business
- D) Ratio Analysis is helpful in financial planning and forecasting

- a. A, B and D
- b. A, C and D
- c. A, B and C
- d. A, B, C, D

Ans - a

---

The current ratio is 2 : 1. State giving reasons which of the following transactions would improve, reduce and not change the current ratio:

1. Payment of current liability

- a. Improve
- b. Reduce
- c. No change
- d. None of the above

Ans - a

2. Purchased goods on credit

- a. Improve
- b. Reduce
- c. No change
- d. None of the above

Ans - b

3. Sale of a Computer (Book value: Rs. 4,000) for Rs. 3,000 only

- a. Improve
- b. Reduce
- c. No change
- d. None of the above

Ans - a

4. Sale of merchandise (goods) costing Rs. 10,000 for Rs. 11,000

- a. Improve
- b. Reduce
- c. No change
- d. None of the above

Ans - a

5. Payment of dividend.

- a. Improve
- b. Reduce
- c. No change
- d. None of the above

Ans - b

Solution:

The given current ratio is 2 : 1. Let us assume that current assets are Rs. 50,000 and current liabilities are Rs. 25,000; Thus, the current ratio is 2 : 1. Now we will analyse the effect of given transactions on current ratio.

1. a

Assume that Rs. 10,000 of creditors is paid by cheque.

This will reduce the current assets to Rs. 40,000 and current liabilities to Rs. 15,000.

The new ratio will be 2.67 : 1 (Rs. 40,000/Rs.15,000).

Hence, it has improved.

2. b

Assume that goods of Rs. 10,000 are purchased on credit.

This will increase the current assets to Rs. 60,000 and current liabilities to Rs. 35,000.

The new ratio will be 1.7:1 (Rs. 60,000/Rs. 35,000).

Hence, it has reduced.

3. a

Due to sale of a computer (a fixed asset) the current assets will increase to Rs. 53,000 without any change in the current liabilities.

The new ratio will be 2.12 : 1 (Rs. 53,000/Rs. 25,000).

Hence, it has improved.

4. a

This transaction will decrease the inventories by Rs. 10,000 and increase the cash by Rs. 11,000 thereby increasing the current assets by Rs. 1,000 without any change in the current liabilities.

The new ratio will be 2.04 : 1 (Rs. 51,000/Rs. 25,000).

Hence, it has improved.

5. b

Assume that Rs. 5,000 is given by way of dividend.

It will reduce the current assets to Rs. 45,000 without any change in the current liabilities.  
The new ratio will be 1.8 : 1 (Rs. 45,000/Rs. 25,000).  
Hence, it has reduced.

---

Which of the following pairs of accounts will have their balances on the same side?

- a. Carriage Inwards account and Carriage Outwards account
- b. Purchases account and Return Outwards account
- c. Capital account and Drawings account
- d. Sales account and Return Inwards account

Ans - a

---

The accounting entry to record bank charges deducted from the Bank Account of the business

---

- a. Debit Interest account credit Bank Account
- b. Debit Cash Account credit Bank Charges Account
- c. Debit Bank Charges Account credit Bank Account
- d. Debit Bank Charges Account credit Cash Account

Ans - c

---

X has borrowed a sum of RS. 6000 from Z at the rate of 14% for 2 years. She then added some more money to the borrowed sum and lent it to Y at the rate of 18% of simple interest for the same time. If X gained Rs. 650 in the whole transaction, then what sum did he lend to Y?

- a. Rs.6427.12
- b. Rs.8015.41
- c. Rs.6472.22
- d. Rs.7541.2

Ans - c

Solution:

Let the money lent to Y be Rs.x

---

Therefore,  
 $x \times (18/100) \times 2 - 6000 \times (14/100) \times 2 = 650$   
 $\Rightarrow x = 6472.22$

---

Goods sold to Ram for Rs. 650 were recorded as Rs. 560 in the Sales Book: it is error of .....

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

Ans - c

---

In which of the following types of partnership the liability of at least one partner is unlimited whereas the liability of other partners is limited?

- a. General partnership
- b. Particular partnership
- c. Partnership-at-will
- d. Limited partnership

Ans - d

---

In which of the following types of partnership there is no agreement regarding the duration of partnership?

- a. General partnership
- b. Partnership-at-will
- c. Limited partnership
- d. Registered partnership

Ans - b

---

The cut-off limit of Rs. 10 lacs and above for aggregate cash deposits for reporting to FIU is .....

- a. Per day
-

- b. Per month
- c. Per quarter
- d. Per half-year

Ans - b

.....

The risk of money laundering or terrorist financing is lower in .....

- a. Private banking
- b. Non-resident customers
- c. Cash intensive business
- d. Basic banking account

Ans - d

.....

Unusual activities in respect of an customers account is/are ..... (i) Opening of account at a place other than the place of work, (ii) Frequent deposits of large sums of money bearing labels of other banks into the account, (iii) Request for closure of newly opened accounts where high value transactions are routed through

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

Ans - d

.....

From the following balance sheet of ABC Co. Ltd. as on March 31, 2017. Calculate .....

I. Equity and Liabilities - 25,00,000

- 1. Shareholders' funds
  - a) Share capital 12,00,000
  - b) Reserves and surplus 2,00,000
  - c) Money received against share warrants 1,00,000

2. Non-current Liabilities

---



- a) Long-term borrowings 4,00,000
- b) Other long-term liabilities 40,000
- c) Long-term provisions 60,000

3. Current Liabilities

- a) Short-term borrowings 2,00,000
- b) Trade payables 1,00,000
- c) Other current liabilities 50,000
- d) Short-term provisions 1,50,000

II. Assets - 25,00,000

1. Non-Current Assets

- a) Fixed assets 15,00,000
- b) Non-current investments 2,00,000
- c) Long-term loans and advances 1,00,000

2. Current Assets

- a) Current investments 1,50,000
- b) Inventories 1,50,000
- c) Trade receivables 1,00,000
- d) Cash and cash equivalents 2,50,000
- e) Short-term loans and advances 50,000

1. Current assets

- a. Rs. 2,00,000
- b. Rs. 5,00,000
- c. Rs. 7,00,000
- d. Rs. 15,00,000

Ans - c

2. Current liabilities

- a. Rs. 2,00,000
- b. Rs. 5,00,000
- c. Rs. 7,00,000
- d. Rs. 15,00,000

Ans - b

3. Working Capital

- a. Rs. 2,00,000
- b. Rs. 5,00,000
- c. Rs. 7,00,000
- d. Rs. 15,00,000

Ans - a

4. Debt

- a. Rs. 2,00,000
- b. Rs. 5,00,000
- c. Rs. 7,00,000
- d. Rs. 15,00,000

Ans - b

5. Equity

- a. Rs. 2,00,000
- b. Rs. 5,00,000
- c. Rs. 7,00,000
- d. Rs. 15,00,000

Ans - d

6. Debt equity ratio

- a. 1 : 0.33
- b. 1 : 0.5
- c. 0.33 : 1
- d. 0.5 : 1

Ans - c

Solution:

---

1. c

$$\begin{aligned}\text{Current assets} &= \text{Current investments} + \text{Inventories} + \text{Trade receivables} + \text{Cash and cash} \\ &\text{equivalents} + \text{Short-term loans and advances} \\ &= 1,50,000 + 1,50,000 + 1,00,000 + 2,50,000 + 50,000 \\ &= 7,00,000\end{aligned}$$

2. b

$$\begin{aligned}\text{Current Liabilities} &= \text{Short-term borrowings} + \text{Trade payables} + \text{Other current liabilities} + \text{Short-} \\ &\text{term provisions} \\ &= 2,00,000 + 1,00,000 + 50,000 + 1,50,000 \\ &= 5,00,000\end{aligned}$$

3. a

$$\begin{aligned}\text{Working Capital} &= \text{Current assets} - \text{Current liabilities} \\ &= \text{Rs. } 7,00,000 - \text{Rs. } 5,00,000 \\ &= \text{Rs. } 2,00,000\end{aligned}$$

4. b

$$\begin{aligned}\text{Debt} &= \text{Long-term borrowings} + \text{Other long-term liabilities} + \text{Long-term provisions} \\ &= \text{Rs. } 4,00,000 + \text{Rs. } 40,000 + \text{Rs. } 60,000 \\ &= \text{Rs. } 5,00,000\end{aligned}$$

5. d

$$\begin{aligned}\text{Equity} &= \text{Share capital} + \text{Reserves and surplus} + \text{Money received against share warrants} \\ &= \text{Rs. } 12,00,000 + \text{Rs. } 2,00,000 + \text{Rs. } 1,00,000 \\ &= \text{Rs. } 15,00,000\end{aligned}$$

Alternatively,

$$\begin{aligned}\text{Equity} &= \text{Non-current assets} + \text{Working capital} - \text{Non-current liabilities} \\ &= \text{Rs. } 18,00,000 + \text{Rs. } 2,00,000 - \text{Rs. } 5,00,000 \\ &= \text{Rs. } 15,00,000\end{aligned}$$

6.

$$\begin{aligned}\text{Debt-Equity Ratio} &= \text{Debts} / \text{Equity} \\ &= 50,0000 / 1,50,0000 \\ &= 0.33 : 1\end{aligned}$$

---

Q received a sum of rs. 20 lac on sale of a property which he has invested in term deposit with 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

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

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.

- a. 13788
- b. 13878
- c. 18378
- d. 18738

Ans - b

Solution:

$$\begin{aligned} A &= FV(r(1+r)^n - 1) \\ &= 1000000 * 0.12 / (1.12^{20} - 1) \\ &= 120000 * 0.12 / 9.646293 - 1 \\ &= 120000 * 0.12 / 8.646293 \\ &= 120000 / 8.646293 \\ &= 13878.78 \end{aligned}$$

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.

- a. 56969
- b. 55980
- c. 56589
- d. 56984

Ans - d

Solution:

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

---

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

- a. 990000
- b. 1000000
- c. 1100000
- d. 1210000

Ans - b

Solution:

$$\begin{aligned} \text{Real Cash flow} &= \text{Nominal Cash flow} / (1 + \text{Inflation Rate}) \\ &= 1100000 / 1 + 0.10 \\ &= 11 / 1.10 \\ &= 10,00,000 \end{aligned}$$

---

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

$$\begin{aligned} &= (1 + 10/2)^2 - 1 \\ &= (1.1025)^2 - 1 \\ &= 0.1025 \\ &= 10.25\% \end{aligned}$$

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?

- a. 3317
- b. 3371
- c. 3713
- d. 3731

Ans - d

Solution

Future cash flow = Rs. 5000  
Interest rate = 5% = 0.05  
Time period = 6 years

$$\begin{aligned} \text{Present Value} &= \text{Future value} / (1+r)^n \\ &= 5000 / (1+0.05)^6 \\ &= 5000 / 1.3400956 \\ &= 3731.07 \end{aligned}$$

.....  
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 .....

- a. 106136
- b. 106316
- c. 116136
- d. 116316

Ans - a

Solution:

$$P = 100000$$

$$R = 6\% / 4 = 0.015 \text{ (since compounding is quarterly, rate is divided by 4)}$$

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

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

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

So,

$$FV = 100000 * (1+0.015)^4$$
$$= 106136 \text{ (paise rounded) Ans.}$$

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

- a. 848.48
- b. 884.48
- c. 888.48
- d. 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,

$$\text{EMI} = 10000 * 0.01 * (1 + 0.01)^{12} \div \{ (1 + 0.01)^{12} - 1 \}$$
$$= 888.48 \text{ Ans}$$

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

- a. 13447
- b. 13474
- c. 14347
- d. 14374

Ans - c

Solution:

P = 10 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,

$$\text{EMI} = 1000000 * 0.01 * (1 + 0.01)^{120} \div \{ (1 + 0.01)^{120} - 1 \}$$
$$= 14347 \text{ Ans}$$



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 .....

- a. retained
- b. endorsed
- c. discounted
- d. 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 .....

- a. Immediately
- b. On their clearing/collection
- c. After 7 days
- d. After reconciliation

Ans - b

---

Instruments payable to order can be transferred or negotiated by .....

- a. Endorsement & delivery
- b. Mere delivery
- c. Encashment
- d. 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

---

Liabilities (Rs.)

5000 equity shares Rs. 10 each - 500000  
8% 2000 pre shares Rs. 100 each - 200000  
9% 4000 Debentures of Rs. 100 each - 400000  
Reserves - 300000  
Creditors - 150000  
Bank overdraft - 50000

Assets (Rs.)

Land & Building - 500000  
Plant & Machinery - 600000  
Debtors - 200000  
Stock - 240000  
Cash and Bank - 55000  
Prepaid expenses - 5000

From the above particulars pertaining to Assets and Liabilities of a company calculate :

1. Current Ratio

- a. 0.6 : 1
- b. 0.75 : 1
- c. 1.7 : 1
- d. 2.5 : 1

Ans - d

---

2. Liquidity Ratio

- a. 0.6 : 1
- b. 0.75 : 1
- c. 1.7 : 1
- d. 2.5 : 1

Ans - c

---

3. Proprietary Ratio

- a. 0.6 : 1
- b. 0.625 : 1
- c. 0.75 : 1
- d. 2.5 : 1

Ans - b

---

4. Debt-equity Ratio

- a. 0.6 : 1
- b. 0.625 : 1
- c. 0.75 : 1
- d. 2.5 : 1

Ans - a

---

5. Capital Gearing Ratio

- a. 0.6 : 1
- b. 0.625 : 1
- c. 0.75 : 1
- d. 2.5 : 1

Ans - c

---

Solution :

1. d

Current Ratio = Current Assets / Current Liabilities

Current Assets = Stock + Cash + Prepaid Expenses + Debtors  
= 2,40,000 + 55,000 + 5,000 + 2,00,000 = 5,00,000

Current Liabilities = Creditors + Bank Overdraft  
= 1,50,000 + 50,000 = 2,00,000

---

$$\begin{aligned}\text{Current Ratio} &= 5,00,000 / 2,00,000 \\ &= 2.5 : 1\end{aligned}$$

2. c

$$\text{Liquid Ratio} = \text{Liquid Assets} / \text{Liquid Liabilities}$$

$$\begin{aligned}\text{Liquid Assets} &= \text{Cash and Bank} + \text{Debtors} \\ &= 55,000 + 2,00,000 = 2,55,000\end{aligned}$$

$$\text{Liquid Liabilities : Creditors} = 1,50,000$$

$$\begin{aligned}\text{Liquid Ratio} &= 2,55,000 / 1,50,000 \\ &= 1.7 : 1\end{aligned}$$

3. b

$$\text{Proprietor's Ratio} = \text{Proprietor's Fund} / \text{Total Tangible Assets}$$

$$\begin{aligned}\text{Proprietor's Fund} &= \text{Equity Share Capital} + \text{Preference Share Capital} + \text{Reserves and Surplus} \\ &= 5,00,000 + 2,00,000 + 3,00,000 = 10,00,000 \\ \text{Proprietary Ratio} &= 10,00,000 / 16,00,000 \\ &= 0.625 : 1\end{aligned}$$

4. a

$$\text{Debt-Equity Ratio} = \text{External Equities} / \text{Internal Equities}$$

$$\begin{aligned}\text{External Equities} &= \text{Long-term Liabilities} + \text{Short-term Liabilities} \\ &= 4,00,000 + 2,00,000 = 6,00,000\end{aligned}$$

$$\begin{aligned}\text{Internal Equities} &= \text{Proprietor's funds} \\ \text{Debt-Equity Ratio} &= 6,00,000 / 10,00,000 \\ &= 0.6 : 1\end{aligned}$$

5. c

$$\text{Capital Gearing Ratio} = \text{Fixed Interest Bearing Securities} / (\text{Equity Share Capital} + \text{Reserves})$$

$$\begin{aligned}\text{Fixed Interest Bearing Securities} &= \text{Preference Shares} + \text{Debentures} \\ &= 2,00,000 + 4,00,000 = 6,00,000 \\ \text{Capital Gearing Ratio} &= 6,00,000 / 8,00,000 \\ &= 0.75 : 1\end{aligned}$$

---

How much foreign currency can be carried in cash for travel abroad in the following cases?

1. Travellers going to all countries other than (a) travellers proceeding to Iraq and Libya and (ii) Islamic Republic of Iran, Russian Federation and other Republics of Commonwealth of Independent States

- a. USD 2000
- b. USD 3000
- c. USD 5000
- d. USD 250,000

Ans - b

2. Travellers going to Iraq and Libya

- a. USD 2000
- b. USD 3000
- c. USD 5000
- d. USD 250,000

Ans - c

3. Travellers going to Islamic Republic of Iran, Russian Federation and other Republics of Commonwealth of Independent States

- a. USD 2000
- b. USD 3000
- c. USD 5000
- d. USD 250,000

Ans - d

4. Travellers proceeding for Hajj/Umrah pilgrimage

- a. USD 2000
- b. USD 3000
- c. USD 5000
- d. USD 250,000

Ans - d

5. A traveller who has returned to India is free to retain foreign exchange up to ....., in the form of foreign currency notes or TCs for future use

- a. USD 2000
- b. USD 3000
- c. USD 5000
- d. USD 250,000

Ans - a

Trial balance of Mr. X did not agree. He put the difference to suspense account and discovered the following errors :

1. Credit sales to Manas Rs. 16,000 were recorded in the purchases book as Rs. 10,000 and posted to the debit of Manas as Rs. 1,000. (i) Credit the purchases account with Rs. 10,000, (ii) Credit the sales account with Rs. 16,000, (iii) Debit Mana's account with Rs. 16,000, (iv) Credit the suspense account with Rs. 11,000

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

Ans - d

Credit sales to Manas were wrongly recorded in purchases book (instead of sales book) as Rs. 10,000 and wrongly posted to the debit of Manas debit as Rs. 1,000 while the actual sale was for Rs. 16,000, the rectification entry would be to

Credit the purchases account with Rs. 10,000 to rectify the wrong debit.

Credit the sales account with Rs. 16,000

Debit Mana's account with the difference to be debited (Rs. 1,000 was already debited) i.e. Rs. 16,000 – Rs. 1,000 = Rs. 15,000

Credit the suspense account with the difference i.e. Rs. 10,000 + Rs. 16,000 – Rs. 15,000 = Rs. 11,000

2. Furniture purchased from Noor Rs. 6,000 was recorded through purchases book as Rs. 5,000 and posted to the debit of Noor Rs. 2,000. (i) Credit the purchases account with Rs. 5,000, (ii) Credit Noor's account with Rs. 8,000, (iii) Debit the furniture account with Rs. 6,000, (iv) Debit the suspense account with Rs. 6,000

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

Ans - d

Furniture purchased from Noor was wrongly recorded in the purchases book as Rs. 5,000 and wrongly posted to the debit of Noor as Rs. 2,000 (it should have been credited with Rs. 6,000) while the actual purchase was worth Rs. 6,000, the rectification entry would be to  
Credit the purchases account to rectify the wrong debit of Rs. 5,000  
Credit Noor's account with Rs. 2,000 to rectify the wrong debit of Rs. 2,000  
Credit Noor's account with the credit value of 6,000  
Debit the furniture account with Rs. 6,000  
Debit the suspense account with the difference i.e.  $Rs. 5,000 + Rs. 8,000 - Rs. 6,000 = Rs. 7,000$

---

3. Goods returned to Rai Rs. 3,000 recorded through the Sales book as Rs. 1,000. (i) Debit the sales account with Rs. 1,000, (ii) Debit Rai's account with Rs. 2,000, (iii) Credit returns outward account with Rs. 3,000

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

Ans - d

Goods returned were wrongly recorded through the sales book as Rs. 1,000, the rectification entry would be to  
Debit the sales account with Rs. 1,000  
Debit Rai's account with the remaining amount (Among Rs. 3,000, Rs. 1,000 is already debited) i.e.  $Rs. 3,000 - Rs. 1,000 = Rs. 2,000$   
Credit returns outward account with Rs. 3,000

---



4. Old machinery sold for Rs. 2,000 to Maneesh recorded through sales book as Rs. 1,800 and posted to the credit of Manish as Rs. 1,200. (i) Debit Manish's account with Rs. 3,200, (ii) Debit the sales account Rs. 1,800, (iii) Credit Machinery account with Rs. 2,000, (iv) Credit the suspense account with Rs. 2,000

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

Ans - d

Old machinery sold to Maneesh was wrongly recorded (credited) through the sales book as Rs. 1,800 and posted to the credit of Manish as Rs. 1,200 while the actual worth was Rs. 2,000, the rectification entry would be to

Debit Maneesh's account with Rs. 1,200 to rectify the wrongly done credit of Rs. 1,200

Debit the sales account Rs. 1,800 to rectify the wrong credit of Rs. 1,800 to the sales account.

Debit Maneesh's account with Rs. 2,000

Credit Machinery account with Rs. 2,000

Credit the suspense account with the difference i.e. Rs. 1,200 + Rs. 1,800 + Rs. 2,000 – Rs. 2,000  
= Rs. 3,000

5. Total of Returns inwards book Rs. 2,800 posted to Purchase account. (i) Credit the purchases account to rectify the wrong debit of Rs. 2,800, (ii) Debit the Returns Inwards account, (iii) Credit the suspense account with Rs. 2,800

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

Ans - a

Total of returns inwards book was wrongly posted to the purchases account, the rectification entry would be to

Credit the purchases account to rectify the wrong debit of Rs. 2,800

Debit the Returns Inwards account

ABC Ltd. gives the following Balance sheet

Balance Sheet(Rs.)

Equity share capital - 1500000

Reserve fund - 100000

6% Debentures - 300000

Overdraft - 100000

Creditors - 200000

Fixed Assets - 1400000

Stock - 500000

Debtors - 200000

Cash - 100000

You are required to compute

1. Liquid Ratio

a. 0.375

b. 1.5

c. 27.27

d. 100

Ans - b

---

2. Solvency Ratio

a. 0.375

b. 1.5

c. 27.27

d. 100

Ans - a

---

3. Debt-Equity Ratio

a. 0.375

---

- b. 1.5
- c. 27.27
- d. 100

Ans - c

---

#### 4. Stock of Working Capital Ratio

- a. 0.375
- b. 1.5
- c. 27.27
- d. 100

Ans - d

---

Solution :

1. b

$$\begin{aligned}\text{Liquid Assets} &= \text{Debtors} + \text{Cash} \\ &= 2,00,000 + 1,00,000 \\ &= 3,00,000\end{aligned}$$

$$\text{Liquid Liabilities : Creditors} = 2,00,000$$

$$\begin{aligned}\text{Liquid Ratio} &= \text{Liquid Assets} / \text{Liquid Liabilities} \\ &= 3,00,000 / 2,00,000 \\ &= 1.5\end{aligned}$$

2. a

$$\begin{aligned}\text{Debt - Equity Ratio} &= \text{External Equities} / \text{Internal Equities} \\ \text{External Equities : All outsiders loan Including current liabilities} \\ &3,00,000 + 1,00,000 + 2,00,000 = 6,00,000 \\ \text{Internal Equities : It Includes share holders fund + Reserves} \\ &15,00,000 + 1,00,000 = 16,00,000 \\ \text{Debt - Equity Ratio} &= 600000 / 1600000 \\ &= 0.375\end{aligned}$$

3. c

$$\begin{aligned}\text{Solvency Ratio} &= \text{Outside Liabilities} / \text{Total Assets} \\ \text{Outside Liabilities} &= \text{Debenture} + \text{Overdraft} + \text{Creditors}\end{aligned}$$

---

$$= 3,00,000 + 1,00,000 + 2,00,000 = 6,00,000$$

$$\text{Solvency Ratio} = (600000 / 2200000) * 100 \\ = 27.27$$

4. d

Stock of Working Capital Ratio = Stock / Working Capital

Working Capital = Current Assets – Current Liabilities

$$= 8,00,000 - 3,00,000 = 5,00,000$$

$$\text{Stock of Working Capital Ratio} = 500000 / 500000 * 100 = 100$$

---

How much Indian/Foreign currency can be brought in while coming into India in the following cases?

1. A resident of India at the time of his return from any place outside India (other than Nepal and Bhutan)

- a. Rs. 100
- b. Rs. 10,000
- c. Rs. 25,000
- d. USD 5000

Ans - c

2. A resident of India at the time of his return from Nepal and Bhutan

- a. Rs. 100
- b. Rs. 10,000
- c. Rs. 25,000
- d. USD 5000

Ans - a

3. Any person resident outside India, not being a citizen of Pakistan and Bangladesh and also not a traveller coming from and going to Pakistan and Bangladesh, and visiting India

- a. Rs. 100
  - b. Rs. 10,000
-

- c. Rs. 25,000
- d. USD 5000

Ans - c

4. Any person resident in India who had gone to Pakistan and/or Bangladesh on a temporary visit

- a. Rs. 100
- b. Rs. 10,000
- c. Rs. 25,000
- d. USD 5000

Ans - b

5. How much foreign exchange can be brought in while visiting India?

- a. USD 5000
- b. USD 10000
- c. USD 15000
- d. No limit

Ans - d

6. If the aggregate value of the foreign exchange brought by a person coming into India from abroad in the form of currency notes, bank notes or travellers cheques brought in exceeds ....., it should be declared to the Customs Authorities at the Airport in the Currency Declaration Form (CDF), on arrival in India.

- a. USD 5,000 or its equivalent
- b. USD 10,000 or its equivalent
- c. USD 15,000 or its equivalent
- d. No limit

Ans - b

7. If the aggregate value of the foreign exchange brought by a person coming into India from abroad in the form of foreign currency alone exceeds ....., it should be declared to the Customs Authorities at the Airport in the Currency Declaration Form (CDF), on arrival in India.

- a. USD 5,000 or its equivalent
- b. USD 10,000 or its equivalent
- c. USD 15,000 or its equivalent
- d. No limit

Ans - a

.....

Trial balance of Raj did not agree. He put the difference to suspense account and discovered the following errors. Rectify the errors.

1. Credit purchases from S & Co. for Rs. 6,000 were recorded in sales book. However, S & Co. was correctly credited. (i) Debit the sales account with Rs. 6,000, (ii) Debit the purchases account with Rs. 6,000, (iii) Credit the suspense account with Rs. 12,000

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

Ans - d

Credit purchases from S & Co. were wrongly recorded (credited) in sales book, the rectification entry would be to

Debit the sales account with Rs. 6,000 to rectify the wrong credit of Rs. 6,000 into the sales account.

Debit the purchases account with Rs. 6,000

Credit the suspense account with the total i.e. Rs. 6,000 + Rs. 6,000 = Rs. 12,000

.....

2. Credit purchases from M & Co. Rs. 6,000 were recorded in Sales Book as Rs. 2,000 and posted there from to the credit of M & Co. as Rs. 1,000. (i) Debit the sales account with Rs. 2,000, (ii) Debit the purchases account with Rs. 6,000, (iii) Credit the M & Co. account with Rs. 5,000, (iv) Credit the suspense account with Rs. 3,000

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

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

Ans - d

Credit purchases from M & Co. were wrongly recorded (credited) into the sales book as Rs. 2,000 and wrongly credited to M & Co. as Rs. 1,000, the rectification entry would be to Debit the sales account to rectify the wrongly credited amount of Rs. 2,000  
Debit the purchases account with Rs. 6,000

Credit the M & Co. account with the remaining amount (Rs. 1,000 is already credited to their account) i.e. Rs. 6,000 – Rs. 1,000 = Rs. 5,000

Credit the suspense account with the difference i.e. Rs. 6,000 + Rs. 2,000 – Rs. 5,000 = Rs. 3,000

---

3. Credit sales to Raman Rs. 4,000 posted to the credit of Raghvan as Rs. 1,000. (i) Debit Raghavan's account with Rs. 1,000, (ii) Debit Rama's account with Rs. 4,000, (iii) Credit the suspense account with Rs. 5,000

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

Ans - d

Credit sales to Raman were wrongly posted to the credit of Raghavan as Rs. 1,000, the rectification entry would be to Debit Raghavan's account with Rs. 1,000 to rectify the wrongly posted amount of Rs. 1,000  
Debit Rama's account with Rs. 4,000

Credit the suspense account with the difference i.e. Rs. 4,000 + Rs. 1,000 = Rs. 5,000

---

4. Bill receivable for Rs. 1,600 from Noor was dishonoured and posted to debit of Allowances account. (i) Credit allowances account with Rs. 1,600, (ii) Credit Noor's account with Rs. 1,600, (iii) Debit the suspense account with Rs. 3200

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

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

Ans - a

Bills receivable dishonoured from Noor was posted to the debit of allowances account, the rectification entry would be to  
Credit allowances account to rectify the wrongly debited amount of Rs. 1,600  
Credit Noor's account with Rs. 1,600

5. Cash paid to Mani Rs. 5,000 against our acceptance was debited to Manu. (i) Credit Manu's account with Rs. 5,000, (ii) Debit Bills Payable account with Rs. 5,000, (iii) Credit the suspense account with Rs. 5,000

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

Ans - a

Cash paid to Mani was debited to Manu, the rectification entry would be to  
Credit Manu's account to rectify the wrongly debited amount of Rs. 5,000  
Debit Bills Payable account with Rs. 5,000

Which of the following statements are false?

- A) Cash Flow Statement is helpful in the formation of policies.
- B) Cash Flow Statement is useful for external analysis
- C) Cash Flow Statement is helpful in estimating future cash flow

- a. Both A and B
- b. Both A and C
- c. Both B and C
- d. None of the above

Ans - d



On the basis of the information given below, answer the following questions. B Limited has been charging depreciation on the straight line method. It charges a full year depreciation even if the machinery is utilized only for part of the year. An equipment which was purchased for Rs. 3,50,000 now stands at Rs. 2,97,500 after depreciating at the rate of 5% on a straight line basis. Now the company decides to change the method of depreciation with retrospective effect. The applicable reducing balance rate for this machinery would be 8% p.a. Assuming that before the effect of this change could be accounted, depreciation for the current year is already charged based on straight line method and is reflected in the depreciated value of Rs. 2,97,500.

1. Straight line depreciation per annum is .....

- a. Rs. 15,000
- b. Rs. 17,500
- c. Rs. 35,000
- d. Rs. 52,500

Ans - b

.....

2. Number of years for which depreciation has been charged on this basis is .....

- a. 2 years
- b. 3 years
- c. 4 years
- d. 5 years

Ans - b

.....

3. If 8% depreciation was charged by the reducing balance method, WDV at the end of 1st year was .....

- a. Rs. 2,72,541
- b. Rs. 2,96,240
- c. Rs. 3,22,000
- d. Rs. 3,60,000

Ans - c

.....

.....  
4. If 8% depreciation was charged by the reducing balance method, WDV at the end of 2nd year was .....

- a. Rs. 2,72,541
- b. Rs. 2,96,240
- c. Rs. 3,22,000
- d. Rs. 3,60,000

Ans - b  
.....

5. If 8% depreciation was charged by the reducing balance method, WDV at the end of 3rd year was .....

- a. Rs. 2,72,541
- b. Rs. 2,96,240
- c. Rs. 3,22,000
- d. Rs. 3,60,000

Ans - a  
.....

6. The extra depreciation to be provided based on the changed method during the year is .....

- a. Rs. 24,959
- b. Rs. 17,500
- c. Rs. 10,500
- d. Rs. 46,763

Ans - a  
.....

Mr. X received the following cheques. Rs. 700 from the sale of inventory, Rs. 1000 from the sale of old machinery (at book value,) Rs. 200 for commission on sales. How did Mr. X classify these receipts?

- A. Sale of inventory - Capital receipt, Sale of machinery - Revenue receipt, Sales commission - Capital receipt
- B. Sale of inventory - Revenue receipt, Sale of machinery - Capital receipt, Sales commission - Revenue receipt

- C. Sale of inventory - Revenue receipt, Sale of machinery - Revenue receipt, Sales commission - Capital receipt  
D. Sale of inventory - Capital receipt, Sale of machinery - Capital receipt, Sales commission - Revenue receipt

Ans - b

.....

Which one is the Capital Expenditure?

- a. Capital invested by the owner
- b. Selling expense for machine
- c. Machine purchased
- d. Daily expenses to operate business

Ans - c

.....

An item of revenue expenditure has been incorrectly treated as capital expenditure. What is the effect of this error?

- a. Non current Assets - Understated, Profit for the year - Overstated
- b. Non current Assets - Understated, Profit for the year - Understated
- c. Non current Assets - Overstated, Profit for the year - Overstated
- d. Non current Assets - Overstated, Profit for the year - Understated

Ans - c

.....

A trader disposed of old office equipment with a book value Rs. 3500 for Rs. 3900. How would this transaction be treated by the business in its books?

- A. Capital Receipt - 0, Revenue Receipt - 3900
- B. Capital Receipt - 3900, Revenue Receipt - 0
- C. Capital Receipt - 400, Revenue Receipt - 3500
- D. Capital Receipt - 500, Revenue Receipt - 400

Ans - d

.....

---

If capital expense is recorded as revenue expense then which calculation will be wrong?

- a. Bank balance
- b. Debtors
- c. Creditors
- d. Net profit

Ans - d

.....

Which is a capital receipt for the owner of the bicycle shop?

- a. purchase of bicycle delivery vehicle by cheque
- b. sale of old bicycle delivery vehicle for cash
- c. sale of bicycles for cash
- d. purchase of bicycles by cheque

Ans - b

.....

Which one is correct on Capital expenditure ..... (i) Car purchased for sale, (ii) Machine purchased for business use, (iii) Road tax and insurance premium of delivery van

- a. i & ii
- b. ii & iii
- c. i & iii
- d. i, ii & iii

Ans - b

.....

A lock-box system

- a. Reduces the need for compensating balances
- b. Provides security for late night deposits
- c. Reduces the risk of having checks lost in the mail
- d. Accelerates the inflow of funds

Ans - d

.....

---

Which of the following investments is not likely to be a proper investment for temporary idle cash?

- a. Initial public offering of an established profitable conglomerate
- b. Commercial paper
- c. Treasury bills
- d. Treasury bonds due within one year

Ans - a

.....

Balance sheets are prepared .....

- a. Daily
- b. Weekly
- c. Monthly
- d. Annually

Ans - d

.....

The following is (are) the current liability (ies) .....

- a. Bills payable
- b. Outstanding expenses
- c. Bank overdraft
- d. All of the above

Ans - d

.....

Current ratio = .....

- a. Quick assets / Current liabilities
- b. Current assets / Current liabilities
- c. Debt. / Equity
- d. Current assets / Equity

Ans - b

.....

---

.....  
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 .....

- a. 1095209
- b. 1125509
- c. 1130509
- d. 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.

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

Ans - d

Explanation :

$$\begin{aligned} \text{Depreciation rate} &= (1/\text{useful life}) \times 200\% \\ &= 1/4 \times 200\% = 20\% \times 2 = 50\% \end{aligned}$$

[Year 1]

$$\begin{aligned} \text{Depreciation amount for year 1} &= \text{beginning book value} \times \text{depreciation rate} \\ &= 10,00,000 \times 50\% \\ &= 5,00,000 \\ \text{Accumulated depreciation at the end of year 1} &= 5,00,000 \\ \text{Book value at the end of year 1} &= 10,00,000 - 5,00,000 \\ &= 5,00,000 \end{aligned}$$

[Year 2]

$$\begin{aligned} \text{Depreciation amount for year 2} &= \text{beginning book value} \times \text{depreciation rate} \\ &= 5,00,000 \times 50\% = 2,50,000 \end{aligned}$$

$$\begin{aligned} \text{Accumulated depreciation at the end of year 2} \\ 5,00,000 + 2,50,000 &= 7,50,000 \end{aligned}$$

---

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

- A. 6200
- B. 6250
- C. 7500
- D. 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.

$$\begin{aligned} P &= 5000 * 100 / 10 / 8 \\ &= 6250 \end{aligned}$$

---

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.

- A. 110.50
- B. 111.50
- C. 112.50
- D. 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.

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

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

---

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, ambience, employees dress, incentives,
- b. core banking, communication skill, ambience, employee's dress
- c. listening, core banking, communication skill, ambience
- 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.?

- a. 9,800
- b. 5,000
- c. 5,100
- d. 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 .....

- a. 24,250
- b. 25,000
- c. 16,167
- d. 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 .....

- a. 19,200
- b. 23,600
- c. 20,800
- d. 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

---

Issued share capital - 4,00,000  
12% Debentures - 1,50,000

The fixed assets are valued at Rs. 3.00 lakhs. Production during the previous year is 1.00 lakh units. The same level of activity is intended to be maintained during the current year.

The expected ratios of cost to selling price are

Raw materials - 50%  
Direct Wages - 10%  
Overheads - 25%

The raw materials ordinarily remain in stores for 2 months before production

Every unit of production remains in process for 2 months

Finished goods remain in the warehouse for 4 months

Credit allowed by creditors is 3 months from the date of delivery of raw materials and credit given to debtors is 3 months from the date of dispatch

Selling price is Rs. 6 per unit. Both the production and sales are in a regular cycle.

From the above information, calculate

1. Sales Value

- a. 300000
- b. 600000
- c. 900000
- d. 2400000

Ans - b

---

2. Value of Raw Materials

- a. 60000
- b. 150000
- c. 300000
- d. 600000

Ans - c

---

3. Value of Labour

- a. 60000
- b. 150000
- c. 300000
- d. 600000

Ans - a

.....

4. Value of Overheads

- a. 60000
- b. 150000
- c. 300000
- d. 600000

Ans - b

.....

5. Value of finished goods in the warehouse

- a. 104000
- b. 170000
- c. 340000
- d. 510000

Ans - b

.....

6. Value of Work in Progress

- a. 12500
- b. 50000
- c. 67500
- d. 85000

Ans - c

.....

---

7. Current Assets

- a. 75000
- b. 120000
- c. 340000
- d. 415000

Ans - d

---

8. Current Liabilities

- a. 75000
- b. 120000
- c. 340000
- d. 415000

Ans - a

---

9. Working Capital

- a. 75000
- b. 120000
- c. 340000
- d. 415000

Ans - c

---

Solution :

1. b

$$\begin{aligned}\text{Sales Value} &= \text{No. of units} * \text{Selling price per unit} \\ &= 1,00,000 * 6 \\ &= 6,00,000\end{aligned}$$

2. c

$$\begin{aligned}\text{Raw Material (ratios of cost to selling price)} &= 50\% \\ &= 6,00,000 * 50 / 100 \\ &= 3,00,000\end{aligned}$$

---

3. a

$$\begin{aligned}\text{Labour (ratios of cost to selling price)} &= 10\% \\ &= 6,00,000 \times 10 / 100 \\ &= 60,000\end{aligned}$$

4. b

$$\begin{aligned}\text{Overheads (ratios of cost to selling price)} &= 25\% \\ &= 6,00,000 \times 25 / 100 \\ &= 1,50,000\end{aligned}$$

5. b

$$\begin{aligned}\text{Finished Goods} &= \text{Raw Materials} + \text{Direct Labour} + \text{Overheads} \\ &= 300000 + 60000 + 150000 \\ &= 510000\end{aligned}$$

Finished goods remain in the warehouse for 4 months

$$\begin{aligned}\text{So, Value of finished goods in the warehouse} &= 510000 \times 4 / 12 \\ &= 1,70,000\end{aligned}$$

6. c

Every unit of production remains in process for 2 months. At that time of computing work in progress labour, overhead value is reduced to half.

$$\begin{aligned}\text{Raw Materials} &= 3,00,000 \times 2/12 = 50000 \\ \text{Direct Labour} &= 60,000 \times 2/12 \times 1/2 = 5000 \\ \text{Overheads} &= 1,50,000 \times 2/12 \times 1/2 = 12500\end{aligned}$$

$$\begin{aligned}\text{Work in Progress} &= 50000 + 5000 + 12500 \\ &= 67500\end{aligned}$$

7. d

$$\begin{aligned}\text{Raw Materials} &= 3,00,000 \times 2/12 = 50000 \\ \text{Work in Progress} &= 67500 \\ \text{Finished Goods} &= 5,10,000 \times 4/12 = 170000 \\ \text{Debtors} &= 5,10,000 \times 3/12 = 127500 \\ \text{Current Assets} &= \text{Raw Materials} + \text{Work in Progress} + \text{Finished Goods} + \text{Debtors} \\ &= 50000 + 67500 + 170000 + 127500 \\ &= 4,15,000\end{aligned}$$

8. a

$$\text{Current Liabilities} = \text{Trade Creditors}$$

---

.....  
= Trade Creditors (Credit allowed by creditors is 3 months)  
= 3,00,000 x 3/12  
= 75,000

9. c  
Working capital = current assets – current liabilities  
= 415000 - 75000  
= 3,40,000  
.....

Rectify the following errors assuming that suspense account was opened.

1. Depreciation provided on machinery Rs. 4,000 was not posted to Depreciation account.
  - a. Debit the depreciation account with Rs. 4,000, Credit the suspense account with Rs. 4,000
  - b. Debit the suspense account with Rs. 4,000, Credit the depreciation account with Rs. 4,000
  - c. Credit the depreciation account with Rs. 4,000
  - d. Debit the suspense account with Rs. 4,000

Ans - a

Depreciation provided on machinery was not posted to machinery account, the rectification entry would be

Debit the depreciation account with Rs. 4,000  
Credit the suspense account with Rs. 4,000  
.....

2. Bad debts written-off Rs. 5,000 were not posted to Debtors account.

- a. Debit the debtors account with Rs. 5,000
- b. Credit the Rs. 5,000 to the suspense account
- c. Credit the Rs. 5,000 to the debtors account, Debit the suspense account with Rs. 5,000
- d. Credit the Rs. 5,000 to the suspense account, Debit the debtors account with Rs. 5,000

Ans - c

Bad debts written-off were not posted to debtors account, the rectification entry would be

Credit the Rs. 5,000 to the debtors account  
Debit the suspense account with Rs. 5,000  
.....

3. Discount allowed to a debtor Rs. 100 on receiving cash from him was not posted to discount allowed account.

- a. Debit the suspense account with Rs. 100
- b. Credit the discount allowed account with Rs. 100
- c. Debit the suspense account with Rs. 100, Credit the discount allowed account with Rs. 100
- d. Debit the discount allowed account with Rs. 100, Credit the suspense account with Rs. 100

Ans - d

Discount allowed to a debtor on receiving cash from him was not posted to discount allowed account, the rectification entry would be  
Debit the discount allowed account with Rs. 100  
Credit the suspense account with Rs. 100

4. Goods withdrawn by proprietor for personal use Rs. 800 were not posted to Drawings account.

- a. Debit the suspense account with Rs. 800, Credit the drawings account with Rs. 800
- b. Debit the drawings account with Rs. 800, Credit the suspense account with Rs. 800
- c. Debit the suspense account with Rs. 800
- d. Credit the drawings account with Rs. 800

Ans - b

Goods withdrawn by the proprietor for personal use were not posted to drawings account, the rectification entry would be - Debit the drawings account with Rs. 800 &  
Credit the suspense account with Rs. 800

5. Bill receivable for Rs. 2,000 received from a debtor was not posted to Bills receivable account.

- a. Debit the bills receivable account with Rs. 2,000, Credit the suspense account with Rs. 2,000
- b. Debit the suspense account with Rs. 2,000, Credit the bills receivable account with Rs. 2,000
- c. Debit the suspense account with Rs. 2,000
- d. Credit the bills receivable account with Rs. 2,000

Ans – a

Bills receivable received from a debtor were not posted to Bills receivable account, the rectification entry would be

Debit the bills receivable account with Rs. 2,000

Credit the suspense account with Rs. 2,000

---

From the following estimates of XYZ Ltd you are required to calculate :

- (i) Share capital \$ 5,00,000, 15% Debentures of \$ 2,00,000, Fixed assets at cost of \$ 3,00,000
- (ii) The expected ratios of cost to selling price are Raw materials 60%, Labour 10%, Overheads 20%
- (iii) Raw materials are in stores for an average of 2 months
- (iv) Finished goods are kept in warehouse for 3 months
- (v) Expected level of production 1,20,000 units per year
- (vi) Each unit of production is expected to be in process for 1 month
- (vii) Credit given by suppliers is 2 months
- (viii) 20% of the output is sold against cash. Time lag in payment from debtors is 3 months
- (ix) Selling price is \$ 5 per unit
- (x) Labour and overheads will accrue evenly during the year

1. Estimated production units p.m

- a. 5000
- b. 10000
- c. 15000
- d. 20000

Ans - b

---

2. Estimated sales per month

- a. 5000
- b. 10000
- c. 30000
- d. 50000

Ans - d

---



3. Value of Raw Materials

- a. 5000
- b. 10000
- c. 30000
- d. 50000

Ans - c

---

4. Value of Labour

- a. 5000
- b. 10000
- c. 30000
- d. 50000

Ans - a

---

5. Value of Overheads

- a. 5000
- b. 10000
- c. 30000
- d. 50000

Ans - b

---

6. Value of finished goods / Cost of sales

- a. 5000
- b. 10000
- c. 45000
- d. 50000

Ans - c

---

7. Value of Work in Progress

- a. 37500
- b. 60000
- c. 280500
- d. 340500

Ans - a

.....

8. Current Assets

- a. 37500
- b. 60000
- c. 280500
- d. 340500

Ans - d

.....

9. Current Liabilities

- a. 37500
- b. 60000
- c. 280500
- d. 340500

Ans - b

.....

10. Working Capital

- a. 37500
- b. 60000
- c. 280500
- d. 340500

Ans - c

.....

Solution :

1. b

$$\begin{aligned}\text{Estimated production units p.m.} &= \text{Expected level of production units per year} / 12 \\ &= 1,20,000 / 12 \\ &= 10,000\end{aligned}$$

2. d

$$\begin{aligned}&= \text{No. of units} * \text{Selling price per unit} \\ &= 10,000 * 5 \\ &= 50,000\end{aligned}$$

3. c

$$\begin{aligned}\text{Raw Materials} &= 60\% \\ &= 50,000 * 60 / 100 \\ &= 30,000\end{aligned}$$

4. a

$$\begin{aligned}\text{Labour} &= 10\% \\ &= 50,000 * 10 / 100 \\ &= 5,000\end{aligned}$$

5. b

$$\begin{aligned}\text{Overheads} &= 25\% \\ &= 50,000 * 20 / 100 \\ &= 10,000\end{aligned}$$

6. c

$$\begin{aligned}\text{Finished Goods} &= \text{Raw Materials} + \text{Direct Labour} + \text{Overheads} \\ &= 30000 + 5000 + 10000 \\ &= 45000\end{aligned}$$

7. a

Each unit of production is expected to be in process for 1 month. At that time of computing work in progress labour, overhead value is reduced to half.

$$\begin{aligned}\text{Raw Materials} &= 30,000 \\ \text{Direct Labour} &= 5,000 * 1/2 = 2500 \\ \text{Overheads} &= 10,000 * 1/2 = 5000 \\ \text{Work in Progress} &= 30000 + 2500 + 5000 \\ &= 37,500\end{aligned}$$

8. d

Raw Materials (2 months) =  $30,000 \times 2 = 60,000$

Work in progress = 37,500

Stock of finished goods (3 months) =  $45,000 \times 3 = 1,35,000$

Debtors (3 months) at cost equivalent :

Cost of sales pm - 45,000

Less : Cash sales 20% - 9,000

Cost of sales (credit) pm - 36,000

Debtors (3 months) at cost equivalent =  $36,000 \times 3 = 1,08,000$

Total Current Assets = Raw Materials + Work in Progress + Finished Goods + Debtors  
=  $60000 + 37500 + 135000 + 108000$   
= 3,40,500

9. b

Current Liabilities = Creditors 2 months  
= 60,000

10. c

Working capital = current assets – current liabilities  
=  $3,40,500 - 60,000$   
= 2,80,500

---

A firm currently sells Rs. 500,000 annually with 3% bad debt losses. Two alternative policies are available. Policy A would increase sales by Rs. 500,000, but bad debt losses on additional sales would be 8%. Policy B would increase sales by an additional Rs. 120,000 over Policy A and bad debt losses on the additional Rs. 120,000 of sales would be 15%. The average collection period will remain at 60 days (6 turns per year) no matter the decision made. The profit margin will be 20% of sales and no other expenses will increase. Assume an opportunity cost of 20%. What should the firm do?

- a. Make no policy change
- b. Change to only Policy A
- c. Change to Policy B (means also taking Policy A first)
- d. All policies lead to the same total firm profit, thus all policies are equal

Ans - c

---

Process of transfer of an entry from the journal to ledger is called .....

- a. Posting
- b. Journalizing
- c. Summarizing
- d. Recording

Ans - a

.....

If cash is deposited in the bank, in a three column cash book, it will be recorded on .....

- a. Payment side of the cash book
- b. Receipt side of the cash book
- c. Both sides of the cash book
- d. It will not be recorded as it represents a contra entry

Ans - c

.....

The cost concept states that all goods and services purchased should be recorded at

- a. historical cost
- b. market cost
- c. both 1 and 2
- d. none of these

Ans - c

.....

A firm charges depreciation of Rs.10000 for the first two years on as assets. In the 3rd year it charges Rs.5000 and in the 4th year Rs.8500. This is considered undesirable because of application of:

- a. Convention of conservatism
- b. Convention of consistency
- c. Convention of materiality
- d. Convention of full disclosure

Ans - b

.....

When an entry is passed on credit Side of Passbook or on debit side of Cash book, the bank balance .....

- a. Increases
- b. Decreases
- c. Has no effect
- d. Can increase or decrease.

Ans - a

---

A nominal account has been debited which signifies that (a) there has been some expense (b) there has been some loss (c) some income has diminished (d) some profit has diminished .....

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

Ans - a

---

Revenue

- a. causes a decrease in shareholder's equity
- b. causes a decrease or an increase in shareholder's equity
- c. has no impact on shareholder's equity
- d. causes an increase in shareholders' equity

Ans - d

---

Financially, shareholders are rewarded by

- a. interest
- b. profits
- c. dividends
- d. none of these

Ans - c

---

Which of the following statement is true with regard to debit or credit to cash book?

- a. Debit side of the cash book is called payments side
- b. Credit side of the cash book is called receipt side
- c. Credit side is payment and debit side is receipts
- d. Debit side is payment and credit side is receipts

Ans - c

.....

The left hand side of an account is called ..... and right hand side entry is called

- a. Debit, credit
- b. Credit, debit
- c. Both debit
- d. Both debit

Ans - a

.....

In the net trial balance system .....

- a. the net balance in the ledger account is taken
- b. the net total of credit side is taken
- c. the net total of debit side is taken
- d. the net total of debit and credit side is taken

Ans - a

.....

Trial balances are prepared with the objective of .....

- a. listing the totals of debit and credit side of various accounts
- b. verifying the arithmetical accuracy of the transactions recorded in the books
- c. ensuring compilation of books as per accounting standards and practices
- d. all the above

Ans - b

.....

---

.....

The double entry accounting system (a) keeps a complete record of business transactions (b) it ensures arithmetical accuracy (c) balance sheet can be prepared at the end of year only by using this system (d) system being scientific, eliminates the commission of fraud.

- a. a to d all
- b. Only a, b and c
- c. Only b, c and d
- d. a, b and c only

Ans - d

.....

A machinery is purchased for a total price of Rs.1 lac with expected useful life of 5 years. What is the amount of depreciation at double declining balance method for calculation of depreciation, in the 2nd year?

- a. Rs.20000
- b. Rs.24000
- c. Rs.30000
- d. Rs.40000

Ans - b

.....

There is a deposit account in the name of A & B with E or S mandate and nomination in favour of X. One of the depositors namely A dies, the balance in the account is to be paid to .....

- a. B alone
- b. B & the nominee X jointly
- c. Nominee x alone
- d. Legal heir of A & B

Ans - a

.....

Know Your Customer (KYC) guidelines have been issued by RBI ..... (i) u/s 35A of Banking Regulation Act 1949, (ii) Rule 9 (14) of Prevention of Money Laundering Act, (iii) u/s 25 of Payment and Settlement System Act 2007

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



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

Ans - a

A car is purchased for Rs.310000 with a scrap value of Rs.60000 at the end of 5 years' useful life during Sept 2018, what is the written down value as on Mar 31, 2019 (which is closing date of financial year)?

- a. 310000  
b. 260000  
c. 250000  
d. 200000

Ans - b

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

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 matching principle attempts to find satisfactory bases of association between

- a. assets and liabilities
- b. expenses and revenues
- c. internal equities and external liabilities
- d. none of these

Ans - b

.....

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

.....

(a) 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 profits represent excess of receipts over the payment, as per which of the following accounting methods .....

- a. accrual method
- b. Cash method
- c. Mercantile method

d. All the above

Ans - b

.....

Current liabilities need to be paid

- a. within one accounting cycle
- b. beyond one accounting cycle
- c. within 3 years
- d. within 6 months

Ans - a

.....

Wages paid to labour have been credited to wages account. It is an .....

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

Ans - b

.....

Purchase book is an example of ..... journal

- a. General
- b. Special
- c. Common
- d. Cash

Ans - b

.....

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

---

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

---

The Statement that shows the cause of change in the financial position of an organization is known as

- a. balance sheet
- b. funds flow statement
- c. statement of financial position
- d. none of these

Ans - c

---

(a) a recurring expenses which is to be made frequently is called a revenue expenses (b) a non-recurring expenses is a capital expense (c) purchase of motor cars from the manufacturer by a dealer is a revenue expenses (d) purchase of machinery by a manufacturing firm for its use is a capital expenses.

- a. a to d all correct
- b. a, b and c are correct
- c. b, c and d are correct
- d. a, c and d are correct

Ans - a

---

The results of business activities are reflected in

- a. profit and loss account
- b. profit and loss appropriation account
- c. balance sheet
- d. none of these

Ans - c

---

Balance sheet is a statement which discloses an organization's

- a. assets
- b. liabilities
- c. owner's equity
- d. all of these

Ans - d

---

The rule 'credit the giver' would be applicable in which of the following transactions .....

- a. Purchase of goods on credit from Mr. X
- b. Introduction of capital by the promoter
- c. Introduction of capital by the promoter
- d. All the above

Ans - d

---

Which of the following items are shown in the other liabilities in the balance sheet (a) unexpired discount (b) outstanding charges like rent (c) deposits of staff security deposit (d) margin deposits .....

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

Ans - b

---

A joint stock company's features include ..... (a) artificial person (b) perpetual succession (c) limited liability (d) common seal

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

Ans - b

---

Classification of companies can be ..... (i) on the basis of incorporation (ii) on the basis of ownership (iii) on the basis of liability. These companies may be (a) public company (b) company limited with shares (c) subsidiary company (d) foreign company. Which of the following does not match .....

- a. ii
- b. iii
- c. ii
- d. i

Ans - c

---

Which of the following is a personal account?

- a. salary paid
- b. rent receivable
- c. vehicle
- d. wage paid

Ans - b

---

Foreign Account Tax Compliance Act (FATCA) inter alia, requires foreign financial institutions to report about financial accounts held by ..... taxpayers or foreign entities in which ..... taxpayers hold a substantial ownership interest

- a. European citizens only
  - b. US taxpayers
-

- c. Citizens of all countries
- d. Citizens of countries other than USA

Ans - b

.....

Which of the following is not a real account?

- a. cash
- b. machinery
- c. land
- d. bank term loan

Ans - d

.....

Penal interest will be levied in all cases where the bank has enjoyed 'ineligible' credit in its current account with Reserve Bank on account of which of the following reasons pertaining to transactions? (i) Wrong reporting / delayed reporting / non-reporting of transactions, (ii) Shortages in chest balances / remittances, (iii) Shortages due to pilferage / frauds

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

Ans - d

.....

Trial balances are of following types (a) gross trial balance (b) net trial balance (c) general trial balance?

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

Ans - a

.....

---

When balance in the cash book is the starting point, the cheque deposited and not credited by the bank are .....

- a. Added
- b. Deducted
- c. Not changed
- d. None of the above

Ans - b

Firm B had made provision on book debts at 5%, which was found to be excessive by the auditors in the light of improved economic conditions. He suggests that a provision of 4% is adequate. Presently, the amount of book debts is Rs.10 lac. What journal entry will be required.

- a. debit the provision on book debt account and credit the expenses provision account for Rs.40000.
- b. debit the provision on book debt account and credit the expenses provision account for Rs.10000.
- c. debit the expenses provision on book debt account and credit the provision account for Rs.10000.
- d. debit the expenses provision on book debt account and credit the provision account for Rs.40000.

Ans - b

Which of the following is a nominal account?

- a. rent payable
- b. salary receivable
- c. commission outstanding
- d. none of the above

Ans - d

In the gross trial balance system .....

- a. the gross balance in the ledger account is taken



- b. only the total of debit side is taken
- c. only the total of credit side is taken
- d. total of credit side and debit side is taken

Ans - d

.....

Government of India has authorised the....., to act as, and to perform the functions of the Central KYC Registry (CKYCR)

- a. Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI)
- b. Credit Information Bureau India Limited
- c. Credit Rating India Limited
- d. Central KYC Registry Limited

Ans - a

.....

..... is the statements showing debit and credit balance taken from ledger including cash and bank balances as on a particular date

- a. Reconciliation
- b. Trail balance
- c. Profit and loss account
- d. Balance sheet

Ans - b

.....

Business transactions are recorded on the basis of certain set of rules and criteria, which are called .....

- a. Double entry book keeping
- b. Single entry book keeping
- c. Accounting standards
- d. Any of the above

Ans - c

.....

---

Which of the following event/transaction shall not be recorded in the accounting books of a company .....

- a. Compensation paid to a worker by the company for injury during duty hours
- b. Adverse effect of performance of the company due to ill health of the managing director
- c. Write off of a account of a trade debtor who died after meeting an accident
- d. All the above

Ans - b

Based on the accounting rate of return, which project is preferable for investment and why?

- a. Project A with higher accounting rate of return
- b. Project A with lower accounting rate of return
- c. Project B with higher accounting rate of return
- d. Project B with lower accounting rate of return

Ans - a

X wants Rs.340000 to replace his car after 5 years. He wants to save and invest in equal monthly instalments at 12% p.a How much money will be deposited every month?

- a. 4136.80
- b. 4163.20
- c. 4182.2
- d. 4203.40

Ans - b

Which of the following is/are matched in terms classification various assets? (i) Patents and trademarks – intangible assets, (ii) Goodwill- fictitious assets (due to which also part of intangible asset), (iii) An intangible assets should be identifiable and distinguishes from goodwill as per AS 26

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

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

Ans - d

Common non-traditional methods available for determining arm's length price is/are ..... (i)  
Profit Split Method, (ii) Transactional Net Margin Method

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

Ans - d

The depreciation is calculated as .....

- a. Original cost / percentage rate of depreciation
- b. Original cost / no. of years of useful life
- c. Original cost/ total life of the asset
- d. Invoice price/ total life of the asset

Ans - b

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

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

Ans - a

Which of the following accounting standard prescribed by ICAI in India does not match the description ?

- a. AS 17- segment reporting

- b. As 26- Intangible assets
- c. AS 09- Revenue Recognition
- d. AS 01- cash flow statement

Ans - d

.....

If a firm receives advance against purchase of goods from a customer, it does not take this to income or sale, due to which of the following concept .....

- a. Realization concept
- b. Revenue recognition concept
- c. Conservation concept
- d. Going concern concept

Ans - b

.....

X has been saving Rs.2000 at 10% p.a compounded annually. What will be amount at the end of 3rd year?

- a. 6540
- b. 6620
- c. 6690
- d. 6710

Ans - b

.....

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

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

Ans - d

.....

---

Firm-A sells goods on credit as well cash. For goods worth Rs.50000 the payment is yet to be received although goods were supplied, two months earlier to closing of the financial year.

- a. If it is not accounted for in the books it will have no effect and no accounting practice will be violated.
- b. If it is accounted for, the profit will be increased without any reason to do so.
- c. If it is accounted for, the profit position will be true and fair.
- d. No accounting practice will be violated by not doing so.

Ans - c

---

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

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

Ans - c

---

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

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

Ans - d

---

A no. of notes are appended to the balance sheet by companies which include information such as contingent liabilities, market value of investments etc. This is due to compliance of which of the following accounting concepts .....

- a. Business entity concept
  - b. Money measurement concept
-

- c. Realization concept
- d. Accounting of full disclosure concept

Ans - d

.....

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

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

Ans - a

.....

The principal of conservatism in accounting concepts stands for .....

- a. Anticipate no profit and provide for all possible losses
- b. Conserve all the financial resources
- c. Use the resources of the organization very carefully
- d. Do not overstate the assets or liabilities

Ans - a

.....

An entry on the left side of a nominal account represents .....

- a. Income or expenditure
- b. Only income
- c. Income or gain
- d. Expense or loss

Ans - d

.....

Unsecured portion of a doubtful asset will attract a provision of .....

- a. 25% of unsecured portion
- b. 50% of unsecured portion

- .....
- c. 100% of unsecured portion
  - d. None of the above

Ans - c

.....

Branch should not open deposit/advances account of the following organizations .....

- a. Banned/terrorist organizations circulated by the local authorities
- b. Banned/terrorist organizations circulated by the Chamber of Commerce
- c. Banned/terrorist organizations circulated by the Registrar of Companies
- d. Banned/terrorist organizations circulated by the statutory authority

Ans - d

.....

Balance as per pass-book is Rs.23000 in the overdraft account as on Sep 30,2008. It is observed that (a) a cheque of Rs.3000 deposited by the firm has been received by the bank as dishonoured. (b) bank has debited Rs.50 as cheque returning charges (c) bank has dishonoured a cheque of Rs.1000 by mistake, which the firm had issued to make payment. The balance as per cash book should be .....

- a. 20950
- b. 21000
- c. 24050
- d. 25050

Ans - a

.....

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

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

Ans - b

.....

.....

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

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

Ans - a

---

All receipts and payment made In cash, including cheques are recorded in .....

- a. Balance sheet
- b. Income and expenditure account
- c. Receipt and payment account
- d. Profit and loss account

Ans - c

---

Which of the following kinds of accounts are recorded in the ledger?

- a. Real accounts
- b. Nominal accounts
- c. All kinds of accounts
- d. Personal accounts

Ans - c

---

If a company decides to forfeit the party paid share, the amount will be debited to which of the following .....

- a. share forfeiture account
- b. share capital account
- c. calls in arrear account
- d. share application account

Ans - b

---



.....

The balance in the pass books is Rs.54000 and it is observed that bank received Rs.2000 through NEFT and also remitted Rs.13000 through NEFT, as per standing instruction. What is the balance as per cash book?

- a. 43000
- b. 65000
- c. 54000
- d. 39000

Ans - a

.....

Which of the following is a correct statement regarding a cash book ? (a) it is book of original (b) it is subsidiary book and a ledger account also (c) it records all cash transactions (d) the fundamental rule that each entry should be first recorded in the book of prime entry and then posted applies to cash book also

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

Ans - b

.....

The accounting cycle of business transactions follows the following order

- a. Summarizing – recording – classifying
- b. Classifying – summarizing – recording
- c. Recording – classifying – summarizing
- d. None of the above

Ans - c

.....

If the proprietor has made certain drawings, the profit will be calculated as under .....

- a. Amount drawings will be added back to the capital to find out the profit
  - b. Amount the drawings will be reduced from the capital to find pout the amount of profit
  - c. The amount of drawings has already been accounted for and cash reduced to that extent
- .....

d. The amount of drawings has already been accounted for and cash increased to that extent

Ans - a

---

Accounts and auditors' report a banking company is required to be published (a) in a newspaper circulating in the place where the banking company is having its principal office (b) it is to be published within 6 months of close of its financial year. (c) this is requirement of rule 15 of Banking regulation (Companies) Rules.

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

Ans - a

---

The balance in the cash book is Rs.30000 overdraft. It is observed that a cheque of Rs.2000 has been debited twice by the bank. Further the bank credited Rs.3500 to the account of the firm by mistake, while this amount was to be credited to personal account of the partner. What is the balance in the pass book?

- a. 35500 credit balance
- b. 28500 debit balance
- c. 31500 credit balance
- d. 28500 credit balance

Ans - b

---

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

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

Ans - b

---

.....  
The finance manager of a company receives 10% commission on the profit after charging commission. The profit of the company are Rs.3.30 lac. What will be amount of commission of the manager?

- a. Rs.33000
- b. Rs.30000
- c. Rs.27767
- d. Rs.25987

Ans - b

.....  
A company had issued share with face value of Rs.100 + premium of rs.200 On certain shares, the application money and allotment money of rs.40 each has been received but due to non-receipt of 1st call money, few shares have been forfeited. Which of the following statement is correct?

- a. Debit to share capital Rs.100 per share to be made
- b. Debit to share capital Rs.300 per share to be made
- c. Debit to share capital Rs.80 per share to be made
- d. Debit to share application at Rs.100 to be made

Ans - a

.....  
If scrap value of the machinery is given, the amount of depreciation is worked out as .....

- a. Original cost. / percentage rate of depreciation
- b. Original cost / no. of years of useful life
- c. Original cost / scrap value / no. of years of useful life
- d. Invoice price – scrap value / total life of the asset

Ans - c

.....  
The scrap value of a machinery with original cost of Rs.1 lac is estimated at Rs.10000. Its useful life is 6 years. The depreciated value at the end of 4th year is .....

- a. 30000
- b. 35000

- c. 40000  
d. 45000

Ans - c

The garnishee order does not attach the followings ..... (i) Amount deposited 2 hours after the receipt of the order, (ii) Undrawn balance in OD a/c, (iii) Amount received for safe custody

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

Ans - d

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

If there is loss to the goods, which of the following statements is correct in case of hire purchase and instalment sale .....

- a. loss to be borne by the seller in hire purchase and by the buyer in case of instalment sale  
b. loss to be borne by the buyer in hire purchase and by the seller in case of instalment sale  
c. loss to be borne by the seller in hire purchase and by the seller in case of instalment sale  
d. loss to be borne by the buyer in hire purchase and by the buyer in case of instalment sale

Ans - a

A bond holder of a company has one of the following relationship with It. Identify .....

- a. shareholder
- b. depositor
- c. creditor
- d. employee

Ans - c

.....

Which of the following is true ?

- a. Balance of real account, personal account and nominal account are carried over to the next accounting period
- b. Debit side of the cash book is called payment and credit side is called receipt
- c. Discount allowed by the creditor is recorded on the payment side of the cash book
- d. A person who owes a firm some amount is called debtor.

Ans - c

.....

Posting of correct amount has been made but on the wrong side. This is an error of .....

- a. Omission
- b. Commission
- c. Principle
- d. Compensating error

Ans - b

.....

Which of the following is an error of principle?

- a. posting of correct amount on the wrong side of the account
- b. mistake committed in the balancing of ledger account
- c. debiting the depreciation to machinery account instead of depreciation account
- d. totaling error in the subsidiary books

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.

- a. 10000
- b. 10500
- c. 13500
- d. 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?

- a. debt-equity ratio
- b. current ratio
- c. quick ratio
- d. 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

- a. 19,887
- b. 80,000
- c. 26,300
- d. 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  $\frac{1}{2}$  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 ...

- a. 2:3
- b. 3:4
- c. 4:5
- d. 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

- a. Cash
- b. Credit
- c. Discount on
- d. 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 .....

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

- a. 10.25%
- b. 10%
- c. 9.25%
- d. 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
- b. Law
- c. Institute of Chartered Accountants of India
- d. Professional Accounting Bodies

Ans – c

---

A journal generally has ..... columns

- a. 3
- b. 4
- c. 5
- d. 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

- a. Debit
- b. Credit
- c. Either Debit or Credit
- d. Intangibles

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.

---

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

- a. Positive
- b. Negative
- c. Either positive or Negative
- d. 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:

$$\begin{aligned} &= (25000 \times (1 + 12/100)^3) \\ &= 25000 \times (28/25)^3 \\ &= 35123.20 \end{aligned}$$

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.

- a. 25%
- b. 40%
- c. 50%
- d. 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?

- a. 525563
- b. 552563
- c. 580191
- d. 581091

Ans - c

Solution:

$P = 1000000$

$R = 5\% \text{ p.a.}$

$T = 5 \text{ Y}$

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 .....

- a. spot exchange rate and the forward exchange rate
- b. spot exchange rate and the future exchange rate
- c. present exchange rate and the forward exchange rate
- d. 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 .....

- a. there is no gain or loss to any one
- b. A gains Rs. 734
- c. A loses Rs. 734
- d. 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

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (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
- c. Depreciation
- d. Purchase of raw material

Ans - b

.....

What is the present worth of Rs. 132 due in 2 years at 5% simple interest per annum ?

- A. 110
- B. 120
- C. 130
- D. 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%.

- a. 20%
- b. 30%
- c. 40%
- d. 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.?

- a. 1700
- b. 1740
- c. 1750
- d. 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.?

- a. 2000
- b. 2200
- c. 2400
- d. 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.

- A. 110.50
- B. 111.50
- C. 112.50
- D. 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.

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

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

---

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 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 Book, (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.

- A. 4%
- B. 5%
- C. 6%
- D. 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.

- A. 10%
- B. 20%
- C. 30%
- D. 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  $3x+x = 4x$ ]

$\Rightarrow r = 30\%$

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

- a. 6594
- b. 6954
- c. 9456
- d. 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,

$$\begin{aligned} \text{EMI} &= 100000 * 0.02 * (1+0.02)^{12} \div \{(1+0.02)^{12} - 1\} \\ &= (100000 * 0.02 * 1.268242) \div 0.268242 \\ &= 2536.484 / 0.268242 \\ &= 9456 \end{aligned}$$

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.....

- a. 10.25%
- b. 10%
- c. 9.25%



d. 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 .....

- a. 520000  
b. 525000  
c. 535000  
d. 540000

Ans - d

Solution:

$$P = 500000$$

$$R = 8\% \text{ yearly}$$

$$T = 1 \text{ yr}$$

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

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

So,

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

$$= 540000 \text{ Ans.}$$

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

$$\text{Amount} = P(1 + R/100)^{4n}$$

Principal = Rs.16,000;

Time=9 months = 3 quarters;

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

So lets solve this question now,

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

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:

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

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

So difference between simple interest and compound interest will be

$$464.10 - 400 = 64.10$$

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.

- a. Director
- b. Chairman
- c. Manager
- d. 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:

- a. To
- b. By
- c. Being
- d. 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

- a. Nil
- b. Rs. 8,000
- c. Rs. 9,000
- d. 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 of .....for 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?

- a. 4424.24
- b. 4244.24
- c. 4424.44
- d. 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)

$T = 1 \times 12 = 12$  (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,

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

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
- c. Price-earnings ratio
- d. 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 .....

- a. March
- b. November
- c. January
- d. 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.

- a. 1
- b. 3
- c. 7
- d. 10

Ans - c

.....



.....

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

- a. 50
- b. 60
- c. 100
- d. 25

Ans - a

.....

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

- a. 100,000
- b. 25,000
- c. 200,000
- d. 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

- A. 7
- B. 10
- C. 15
- D. 3

Ans - a  
.....

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

- A. 20,000
- B. 25,000
- C. 50,000
- D. 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?

- a. 0
- b. 100
- c. 200
- d. 1,000
- e. 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 .....

- a. Profits
- b. Losses
- c. Succession
- d. All the above

Ans - c

.....

Share of a limited company can be classified into .....

- a. Equity
- b. Preference
- c. Equity and Preference
- d. 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.

- a. Authorised
- b. Subscribed
- c. Both a & b
- d. All the above

Ans - a

.....

Capital subscribed by the public is called ..... capital.

- a. Authorised
- b. Subscribed
- c. Preference
- d. Any of the above

Ans - b

.....

Paid-up Capital means amount of capital actually paid by .....

- a. Shareholders
- b. Equity Shareholders
- c. Preference Shareholders
- d. 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...

- a. 2,225
- b. 4,200
- c. 4,450
- d. 8,400

Ans - c

---

Trade discount is shown in:

- a. Cash book
- b. Subsidiary books
- c. Journal
- d. 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.

- a. 1:1.5
- b. 1:3
- c. 1.5:1
- d. 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

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

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
- b. Investments
- c. CASA
- d. 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 .....

- a. 80,000
- b. 72,000
- c. 76,000
- d. 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

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

Ans - c  
.....

2. Fixed assets

- a. Rs.1,00,000
- b. Rs.1,20,000
- c. Rs.1,40,000
- d. Rs.1,60,000

Ans - b

.....

3. Closing Debtors

- a. Rs.1,00,000
- b. Rs.1,20,000
- c. Rs.1,40,000
- d. Rs.1,60,000

Ans - a

.....

4. Closing Creditors

- a. Rs.90,000
- b. Rs.94,000
- c. Rs.96,000
- d. Rs.98,000

Ans - d

.....

5. Closing Stock

- a. Rs.83,000
- b. Rs.85,000
- c. Rs.87,000
- d. Rs.89,000

Ans - a

.....

6. Share capital

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



Ans - a

---

#### 7. Cash and Bank Balances

- a. Rs.31,000
- b. Rs.33,000
- c. Rs.35,000
- d. 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
-

- b. 30  
c. 45  
d. 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 .....

- a. 21,000  
b. 15,300  
c. 23,800  
d. 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 .....

- a. 400  
b. 300  
c. 360  
d. 380

Ans - a

A financial services company offers investment vehicles to its clients. Investment A pays an amount of Rs. 8,000 in 2 years, and has an annual interest of 6% compounded annually. Investment B pays an amount of Rs. 12,000 in 4 years, and has an annual interest of 8% compounded annually. Investment C pays an amount of Rs. 15,000 in 8 years, and has an annual interest of 10% compounded annually. Investment D pays an amount of Rs. 20,000 in 12 years, and has an annual interest of 6% compounded annually. Investment E pays an amount of Rs. 25,000 in 15 years, and has an annual interest of 4% compounded annually.

1. What is the present value of Investment A?

- a. Rs. 7,120
- b. Rs. 7,210
- c. Rs. 7,104
- d. Rs. 8,000

Ans - a

The PVIF is 0.8900. The present value is Rs. 8,000 \* 0.8900 = Rs. 7,120

---

2. What is the present value of Investment B?

- a. Rs. 8,120
- b. Rs. 8,280
- c. Rs. 8,820
- d. Rs. 8,800

Ans - c

The PVIF is 0.7350. The present value is Rs. 12,000 \* 0.7350 = Rs. 8,820

---

3. What is the present value of Investment C?

- a. Rs. 6,850
- b. Rs. 6,058
- c. Rs. 6,508
- d. Rs. 5,068

Ans – b

---

.....  
The PVIF is 0.4039. The present value is Rs. 15,000 \* 0.4039 = Rs. 6,058  
.....

4. What is the present value of Investment D?

- a. Rs. 9,490
- b. Rs. 9,940
- c. Rs. 10,132
- d. Rs. 10,490

Ans - b

The PVIF is 0.4970. The present value is Rs. 20,000 \* 0.4970 = Rs. 9,940  
.....

5. What is the present value of Investment E?

- a. Rs. 13,812
- b. Rs. 13,828
- c. Rs. 13,288
- d. Rs. 13,882

Ans - d

The PVIF is 0.5553. The present value is Rs. 25,000 \* 0.5553 = Rs. 13,882  
.....

Rectify the following errors assuming that a suspense account was opened

1. Credit sales to Mohan Rs. 7,000 were posted to the credit of his account.

- a. Debit Mohan's account with Rs. 7,000
- b. Credit Mohan's account with Rs. 7,000
- c. Debit Mohan's account with Rs. 14,000
- d. Credit Mohan's account with Rs. 14,000

Ans - c

Credit sales to Mohan were credited to Mohan's account (instead of debiting), the rectification entry would be to - Debit Mohan's account to rectify the wrongly credited amount of Rs. 7,000  
Debit Mohan's account with the actual amount of Rs. 7,000  
.....

2. Credit purchases from Rohan Rs. 9,000 were posted to the debit of his account as Rs. 6,000.

- a. Credit Rohan's account with Rs. 9,000
- b. Credit Rohan's account with Rs. 6,000
- c. Credit Rohan's account with Rs. 15,000
- d. Debit Rohan's account with Rs. 15,000

Ans - c

Credit purchases from Rohan were debited to Rohan's account (instead of crediting), the rectification entry would be

Credit Rohan's account to rectify the wrongly debited amount of Rs. 6,000  
Credit Rohan's account with the actual amount of Rs. 9,000

---

3. Goods returned to Rakesh Rs. 4,000 were posted to the credit of his account.

- a. Debit Rakesh's account with Rs. 4,000
- b. Credit Rakesh's account with Rs. 4,000
- c. Debit Rakesh's account with Rs. 8,000
- d. Credit Rakesh's account with Rs. 8,000

Ans - c

Goods returned to Rakesh were credited to his account (instead of debiting), the rectification entry would be

Debit Rakesh's account to rectify the erroneously credited amount of Rs. 4,000  
Debit Rakesh's account with the actual amount of Rs. 4,000

---

4. Goods returned from Mahesh Rs. 1,000 were posted to the debit of his account as Rs. 2,000.

- a. Debit Mahesh's account with Rs. 1,000
- b. Debit Mahesh's account with Rs. 2,000
- c. Debit Mahesh's account with Rs. 3,000
- d. Credit Mahesh's account with Rs. 3,000

Ans - d

Goods return from Mahesh were debited from his account, the rectification entry would be

---

.....  
Credit Mahesh's account to rectify the wrongly debited amount of Rs. 2,000  
Credit Mahesh's account with the actual amount of Rs. 1,000  
.....

5. Cash sales Rs. 2,000 were posted to the debit of sales account as Rs. 5,000.

- a. Debit the sales account with Rs. 2,000
- b. Debit the sales account with Rs. 5,000
- c. Debit the sales account with Rs. 7,000
- d. Credit the sales account with Rs. 7,000

Ans - d

Cash sales were debited (instead of crediting), the rectification entry would be  
Credit the sales account to rectify the wrongly debited amount of Rs. 5,000  
Credit the sales account with the actual amount of Rs. 2,000  
.....

A company obtaining short-term financing with trade credit will pay a higher percentage financing cost, everything else being equal, when .....

- a. The discount percentage is lower
- b. The items purchased have a higher price
- c. The items purchased have a lower price
- d. The supplier offers a longer discount period

Ans - d

.....  
The economic order quantity (EOQ) formula can be adapted in order for a firm to determine the optimal mix between cash and marketable securities. The EOQ model assumes all of the following except .....

- a. The cost of a transaction is independent of the dollar amount of the transaction and interest rates are constant over the short run
- b. An opportunity cost is associated with holding cash, beginning with the first dollar
- c. The total demand for cash is known with certainty
- d. Cash flow requirements are random

Ans - d

What will a deposit of Rs. 4,500 at 10% compounded semiannually be worth if left in the bank for six years?

- a. Rs. 8,020.22
- b. Rs. 7,959.55
- c. Rs. 8,081.55
- d. Rs. 8,181.55.

Ans - c

Solution:

$$\begin{aligned} FV &= PV [FVIF_{i,n}] \\ FV &= \text{Rs. } 4,500 [FVIF_{5\%,12}] \\ &= \text{Rs. } 4,500 (1.7959) \\ &= \text{Rs. } 8,081.55 \end{aligned}$$

---

You are considering leasing a car. You notice an ad that says you can lease the car you want for Rs. 477.00 per month. The lease term is 60 months with the first payment due at inception of the lease. You must also make an additional down payment of Rs. 2,370. The ad also says that the residual value of the vehicle is Rs. 20,430. After much research, you have concluded that you could buy the car for a total "driveout" price of Rs. 33,800. What is the quoted annual interest rate you will pay with the lease?

- a. 13.47 percent
- b. 13.97 percent
- c. 14.47 percent
- d. 14.97 percent

Ans - a

Solution:

$$\begin{aligned} n &= 60 \text{ (total number of payments)} \\ PV &= -31430 \text{ (price of Rs. } 33,800 \text{ minus Rs. } 2,370 \text{ down payment)} \\ FV &= 20,430 \text{ (residual value)} \\ PMT &= 477 \end{aligned}$$

Make sure you are in begin mode.

solve for i (answer on calculator = 1.122834%)

Since the number of periods was entered as months, the answer for i is the monthly rate.

The annual rate equals the monthly rate times 12.

---

Annual rate =  $(1.122834\%)(12) = 13.47\%$

---

What will a deposit of Rs. 4,500 at 12% compounded monthly be worth at the end of 10 years?

- a. Rs. 14,351.80
- b. Rs. 14,851.80
- c. Rs. 13,997.40
- d. Rs. 14,304.80

Ans - b

Solution:

$FV = PV [FVIF_{i,n}]$

$FV = \text{Rs. } 4,500 [FVIF_{1\%,120}]$

$= \text{Rs. } 4,500 (3.3004)$

$= \text{Rs. } 14,851.80$

---

Balance Sheet

Liabilities (Rs.)

Equity shares of Rs. 10 each - 1,00,000

Reserves - 20,000

P.L. A/c - 30,000

Secured loan - 80,000

Sundry creditors - 50,000

Provision for taxation - 20,000

Assets (Rs.)

Goodwill - 60000

Fixed Assets - 140000

Stock - 30000

Sundry Debtors - 30000

Advances - 30000

Cash Balance - 10000

The sales for the year were Rs. 5,60,000.

---



Calculate the following ratios from the balance sheet given above :

1. Debt – Equity Ratio

- a. 0.53
- b. 1
- c. 1.4
- d. 4

Ans - a

---

2. Liquidity Ratio

- a. 0.53
- b. 1
- c. 1.4
- d. 4

Ans - b

---

3. Fixed Assets to Current Assets

- a. 0.53
- b. 1
- c. 1.4
- d. 4

Ans - c

---

4. Fixed Assets Turnover

- a. 0.53
- b. 1
- c. 1.4
- d. 4

Ans - d

---

Solution :

1. a

Debt–Equity Ratio = Long–Term Debt / Shareholders Fund

Long–Term Debt = Secured loan = Rs. 80,000

Shareholder’s Fund = Equity Share Capital + Reserves + P.L. A/c

= 1,00,000 + 20,000 + 30,000 = 1,50,000

Debt–Equity Ratio = 80,000 / 1,50,000 = 0.53

2. b

Liquidity Ratio = Liquid Assets / Liquid Liabilities

Liquid Assets = Sundry Debtors + Advances + Cash Balance

30,000 + 10,000 + 30,000

= 70,000

Liquid Liabilities = Provision for Taxation + sundry creditors

= 20,000 + 50,000

= 70,000

Liquid Ratio = 70,000 / 70,000 = 1

3. c

Fixed Assets to Current Assets = Fixed Assets / Current Assets

= 1,40,000 / 100000 = 1.4

4. d

Fixed Assets Turnover = Turnover / Fixed Assets

= 5,60,000 / 1,40,000 = 4

---

For goods returned by Ram to Mohan, Ram will prepare .....

a. Credit Note

b. Debit Note

c. Invoice

d. Pay in slip

Ans - b

---

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

- A. 10%
- B. 20%
- C. 30%
- D. 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 .....

- a. 9%
- b. 10%
- c. 11%
- d. 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 .....

- a. 58,300
- b. 41,700
- c. 47,300
- d. 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

- a. 0.88
- b. 0.57
- c. 0.47
- d. 0.75

Ans - a

---

2. Debt-equity Ratio

- a. 0.88
- b. 0.57
- c. 0.47
- d. 0.75

Ans - b

---

3. Return on Capital Employed

- a. 24.88%
- b. 27.57%
- c. 27.3%
- d. 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
- b. Cash
- c. Total current assets
- d. Inventory

Ans - b

.....

---



On the basis of the information given below, answer the following questions. A new machine costing Rs. 1 lakh was purchased by a company to manufacture a special product. Its useful life is estimated to be 5 years and scrap value at Rs. 10,000. The production plan for the next 5 years using the above machine is as follows:

Year 1 - 5,000 units  
Year 2 - 10,000 units  
Year 3 - 12,000 units  
Year 4 - 20,000 units  
Year 5 - 25,000 units

1. The depreciation expenditure for the 1st year under units-of-production method will be .....

- a. Rs. 6,250
- b. Rs. 12,500
- c. Rs. 15,000
- d. Rs. 25,000

Ans - a

2. The depreciation expenditure for the 2nd year under units-of-production method will be .....

- a. Rs. 6,250
- b. Rs. 12,500
- c. Rs. 15,000
- d. Rs. 25,000

Ans - b

3. The depreciation expenditure for the 3rd year under units-of-production method will be .....

- a. Rs. 6,250
- b. Rs. 12,500
- c. Rs. 15,000
- d. Rs. 25,000

Ans - c

4. The depreciation expenditure for the 4th year under units-of-production method will be .....

- a. Rs. 6,250
- b. Rs. 12,500
- c. Rs. 15,000
- d. Rs. 25,000

Ans - d

.....

5. The depreciation expenditure for the 5th year under units-of-production method will be .....

- a. Rs. 6,250
- b. Rs. 12,500
- c. Rs. 15,000
- d. Rs. 31,250

Ans - d

.....

Sale of machine of machine merchandising business .....

- a. Capital receipt
- b. Capital income
- c. Revenue income
- d. Revenue receipt

Ans - d

.....

Mr. X purchased a land for his business. He paid Rs. 5,000 for land's registration. This registration expenses is .....

- a. Revenue expenditure
- b. Capital expenditure
- c. It can be both capital and revenue expenditure
- d. Deferred revenue expenditure

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 :

$$\begin{aligned} A &= C+L \\ &= 95000 - 50000 \\ &= 45000 \end{aligned}$$

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.

- a. 1:2
- b. 2:1
- c. 3:2
- d. 3:7

Ans - d

Let me Explain :

Let the principal be P and rate be R, then

$$\begin{aligned} \text{Ratio} &= [(P*R*9/100):(P*R*21/100)] \\ &= 9PR:21PR \\ &= 9:21 \\ &= 3:7 \end{aligned}$$

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 :

$$\begin{aligned} A &= C+L \\ &= 80000+35000 \\ &= 45000 \end{aligned}$$

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 = 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

---

$$\begin{aligned} A &= P(1+r/100)^n \\ &= 10000 (1+4/100)^2 \\ &= 10000 (1.04)^2 \\ &= 10000 (1.0816) \\ &= 10816 \end{aligned}$$

$$\begin{aligned} CI &= \text{Amount} - \text{Principal} \\ &= 10816 - 10000 \\ &= 816 \end{aligned}$$

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/-
- c. Rs. 30,000/-
- d. Rs. 15,000/-

Ans - c

Let me explain :

$$D = \frac{n \times (n+1)}{2} \times \frac{\text{cost} - \text{Residual Value}}{n}$$

$$E(\text{sigma})n = 1+2+3+4 = 10$$

$$1\text{st year} = \frac{4}{10}(300000) = 120000$$

$$2\text{nd year} = \frac{3}{10}(300000) = 90000$$

$$3\text{rd year} = \frac{2}{10}(300000) = 60000$$

$$4\text{th year} = \frac{1}{10}(300000) = 30000$$



What is the rate percent per annum if a sum doubles itself in 12 years at Compound rate of interest?

- a. 5.4%
- b. 5.5%
- c. 5.8%
- d. 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 .....

- a. equal
- b. unequal
- c. Can't say
- d. None of the above

Ans - a

When compound interest is calculated half yearly, then the period becomes .....

- a. half
- b. double
- c. one fourth
- d. 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 correct?

- a. Standard
- b. Report
- c. Account
- d. Inverted

Ans - b

.....

Income statement format that separates cost of goods sold into categories?

- a. Standard
- b. Detailed
- c. Expanded
- d. 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 .....

- a. 2408650
- b. 2508650
- c. 2458650
- d. 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 .....

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

- a. Cumulative, participating and non-convertible
- b. Non-cumulative, participating and non-convertible
- c. cumulative, non-participating and non-convertible
- d. 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 :

$$\begin{aligned}4 * 2 &= 8, \\6 * 4 &= 24, \\8 * 3 &= 24 \\8 + 24 + 24 &= 56 \\1120 / 56 * 100 &= 2000\end{aligned}$$

---

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:

- a. Called-up-capital
- b. Subscribed-capital
- c. Paid-up-capital.
- d. Issued capital

Ans - c

---

.....  
Banks cannot outsource (i) according sanction for loans, (iii) 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.

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

Ans - a  
.....

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

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

Ans - c  
.....

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

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

- a. 105080
- b. 106090
- c. 108050



d. 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,

$$FV = 100000 * (1+0.03)^2 \\ = 106090 \text{ Ans.}$$

Desirable current ratio is.....

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

- A. 10000
- B. 12000
- C. 14000
- D. 16000

Ans - b

Explanation:

Let the present worth be Rs.x

Then, S.I.= Rs.(15600 - x)

$$\Rightarrow (x*3*10/100) = 15600 - x$$

$$\Rightarrow 3x = 156000 - 10x$$

$\Rightarrow 13x = 156000$

$x = 12000$

---

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 .....

- a. sales
  - b. 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)
- b. In the process of production for such sale(work-in-process)
- c. For production in the production of goods or services for sale(raw materials)
- d. All the above

Ans - d

---

In retail business, widely followed method of inventory valuation is .....

- a. FIFO
- b. Weighted average
- c. Adjusted selling price.
- d. 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 death

- 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 under .....types of accounts

- a. Two
- b. Three
- c. Four
- d. 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.

- a. Friendship
- b. Relationship
- c. Both a & b
- d. None of the above

Ans – b

---

At a particular time, what is the maximum balance limit in any individual's Basic Savings Bank Deposit Account (BSBDA) – Small Account?

- a. Rs 10,000
- b. Rs 50,000
- c. Rs 1,00,000
- d. There is no limit

Ans - b

What is the maximum number of HUFs which can become partners in a partnership firm?

- a. 2
- b. 3
- c. 10
- d. HUFs cannot become partner in a partnership firm

Ans - d

The data on detection of counterfeit Indian notes at bank branches & treasuries should be included in the ..... Returns forwarded to the Reserve Bank Issue Offices

- a. Fortnightly
- b. monthly
- c. Bi-monthly
- d. Quarterly

Ans - b

All Counterfeit Notes received back from the police authorities/courts may be carefully preserved in the safe custody of the bank and a record thereof be maintained by the branch concerned. These Counterfeit Notes at branches should be subjected to verification on a ..... basis by the Officer-in- Charge of the bank office concerned. They should be preserved for a period of .....years from the date of receipt from the police authorities

- a. Half-yearly; 3
- b. Yearly; 3



- c. Quarterly; 3
- d. Bi-monthly; 3

Ans - a

.....

Name the accounts involved in the following transactions i.e. the firm has purchased machinery from XYZ, for cash

- a. Cash & XYZ
- b. XYZ and machinery
- c. Cash and machinery
- d. Cash. XYZ and machinery

Ans - c

.....

Cost of Car is Rs. 300,000, Depn. Rate is 10% on WDV. What is the book value of car after 3 years ?

- a. 210,000
- b. 220,00
- c. 214,300
- d. 218,700

Ans - d

.....

Firm B has book debts of Rs.3 lac. Due to recession conditions, some of its book debts are likely to be become difficult of recovery. It wants to make provision at 2%. What journal entry will be passed.

- a. debit the expenses provision on book debts and credit provision on book debt account
- b. debit the provision on book debts and credit book debt account concerned
- c. debit the expenses provision on book debts and credit related book debt account
- d. debit the provision account and credit the expenses provision on book debt account

Ans - a

.....

Name which of the following errors are not error of commission

- a. Wrong amount has been posted
- b. Correct amount has been posted on the wrong side of the account
- c. A mistake has been made while balancing the ledger account
- d. A sale of goods has been made for Rs.500, but not entered in sale journal

Ans - d

.....

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

.....

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

.....

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

.....

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

---

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 the above

Ans - b

---

Italian Method of accounting is also known as .....

- a. Cose Accounting
- b. Double entry book-keeping
- c. Financial Accounting
- d. None of the above

Ans - b

---

A credit entry in the real account signifies that (a) the value of asset has decreased (b) the value of the asset has increased (c) a new asset has been acquired (d) an old asset has been sold .....

- a. a and c
- b. b and c
- c. c and d
- d. a and d

Ans - d

---

X draws a bill of exchange on Y for Rs.5000 payable 60 days after date of the bill. He discounts the bill with his bank and pays discount of rs.50. what will be the journal entry ?

- a. Debit Y, credit bank and discount
- b. Debit bank and discount , credit bills receivable
- c. Debit bills receivable, credit bank and discount
- d. Debit bills receivable & discount, credit bank

Ans - b

---

Which of the following statements is not true ?

- a. Amount of bill is received by the payee
- b. Drawee is the maker of a bill of exchange
- c. Acceptance by the drawee is compulsory in usance bill
- d. Before acceptance of a bill, the drawee is not liable on the bill

Ans - b

---

The accounting method in which the profit represents the excess of receipts over the expenditure .....

- a. Cash method
- b. Accrual method
- c. Single entry method
- d. None of the above

Ans - a

---

Which among the following is not a correct statements ?

- a. In India the accounting standards are issued by Accounting Standards Board under ICAI
- b. Compliance with accounting standards is the duty of Auditor
- c. Single entry system is a scientific method of accounting
- d. Accounting standard 6 relates to depreciation accounting

Ans - c

---

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

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

Ans - b

In the books of a firm, the total of debit side of trial balance is less than the credit side. One of few entries indicates that total of sales return is short by Rs.3200. How it will be rectified?

- a. the sales return account will be credited by Rs.3200
- b. debit suspense account and credit sales returns account
- c. debit sales return account and credit suspense account
- d. place the amount on the liability side of the balance sheet.

Ans - c

Accounts opened under PMJDY are eligible for an overdraft limit of Rs. ....

- a. Rs. 5000
- b. Rs. 30000
- c. Rs. 50000
- d. Rs. 100000

Ans - a

Banks shall, at their option, open a ..... bank account of a foreign student on the basis of his/her passport (with visa & immigration endorsement) bearing the proof of identity and address in the home country together with a photograph and a letter offering admission from the educational institution in India

- a. resident saving bank account
- b. resident current account
- c. non-resident ordinary account

d. any of the above account

Ans - c

---

A trial balance can be prepared on (a) monthly basis (b) quarterly basis (c) half-yearly basis (d) annual basis.

- a. only d
- b. b and d only
- c. b to d only
- d. a to d any

Ans - d

---

An expenditure has been incurred to maintain good working conditions of the machines. It is?

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

Ans - a

---

A firm acquired lease hold premises and paid certain professional fee. The amount of professional fee is .....

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

Ans - b

---

Firm Z purchased goods worth Rs.4000, which is a revenue expenditure because .....

- a. the amount is small
-

- b. it is recurring in nature
- c. the purchase benefits the firm
- d. none of the above

Ans - b

.....

Firm X purchased a car for its partners incurring Rs.6 lac, which is a capital expenditure because .....

- a. the amount is large
- b. the benefit would be available for a no. of years
- c. it will increase the earning capacity of the firm
- d. a and b both

Ans - b

.....

When the business is commenced by a firm and cash is brought, which of the following journal entries is passed (which one is more appropriate) .....

- a. debit cash and credit capital account or any other asset account
- b. debit cash and credit capital account
- c. debit cash and credit capital account or any other liability account
- d. debit any liability account and credit cash account

Ans - c

.....

If there is credit balance in a personal account and one entry is written on the debit side, this signifies .....

- a. the amount due from the person has increased
- b. the amount due from the person has decreased
- c. the amount payable to the person has decreased
- d. the amount payable to the person has increased

Ans - c

.....

---

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

.....

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 of above

Ans - b

.....

In a 3 columnar cash book, if a transaction involves cash and bank account and the cash account is to be debited .....

- a. only debit entry will be made to cash account
- b. debit entry will be made to cash account as well as bank account
- c. credit entry will be made to cash account as well as bank account
- d. credit entry will be made to bank account and debit entry to cash account

Ans - d

.....

The ..... concept refers to the expectation that the organisation will have indefinite life due to which it has bearing on the valuation of assets .....

- a. consistency concept
- b. business entity concept
- c. going concern concept
- d. historic record concept

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

---

Accounting standard AS 6 deals with .....

- a. Cash Flow statements
- b. Valuation of Inventories
- c. Depreciation Accounting
- d. Accounting for investments

Ans - c

---

Which of the following statement is true with regard to debit or credit to cash book ?

- a. Debit side of the cash book is called payments side
- b. Credit side of the cash book is called receipt side
- c. Credit side is payment and debit side is receipts
- d. Debit side is payment and credit side is receipts

Ans - c

---

While posting the transaction, the Accounts clerk of a firm posted an entry of Rs.9957 to an account as Rs. 9597. This will be known as .....

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

Ans - b

---

Commission received is a .....

- a. Personal Account
- b. Real Account
- c. Nominal Account
- d. both (a), (b)

Ans - c

---

When goods are purchased by the firm out of the cash brought in as capital, what journal entry is required to be passed .....

- a. debit cash and credit the stock account
- b. debit purchase account and credit cash account
- c. debit purchase account and credit capital account
- d. debit cash account and credit purchase account

Ans - b

---

Where a reporting entity provides an option for One Time Pin (OTP) based e-KYC process for on-boarding of customers, the maximum balance in such accounts can be .....

- a. Rs. 25000
- b. Rs. 50000
- c. Rs. 1 lac
- d. Rs. 2 lac

Ans - c

---

When sale of goods takes place on cash basis to another firm, what journal entry is passed .....

- a. debit the other firm account and credit cash account
- b. debit the goods account and credit cash account
- c. debit the cash account and credit sales account
- d. debit the cash account and credit the account of other firm

Ans - c

---

.....  
Firm-B wants to write off balance of a debtor amounting to Rs.10000. What journal entry shall be passed.

- a. debit the expenses provision on book debt and credit the related book debt account for Rs.10000
- b. debit the related book debt account and credit the expenses provision on book debt account for Rs.10000
- c. debit the related book debt account and credit the provision on book debt account for Rs.10000
- d. debit the provision on book debt account and credit the related book debt account for Rs.10000.

Ans - d  
.....

The left hand side of an account is called ..... and right hand side entry is called .....

- a. Debit, credit
- b. Credit, debit
- c. Both debit
- d. Both debit

Ans - a  
.....

A firm paid cartage of Rs.200 an account of transportation of newly purchased machinery to the cartage account. The error in the problem, would be called .....

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

Ans - a  
.....

For transfer of closing of stocks of goods from trading account, what journal entry shall be required?

- a. debit trading account and credit the balance sheet stock

- b. debit closing stock account and credit trading account
- c. debit trading account and credit the stock account
- d. debit the stock account and credit the profit and loss account

Ans - b

.....

When the provision for outstanding expenses is made, which of the following is not correct, regarding its effect .....

- a. the profit declines
- b. the liability in the balance sheet declines
- c. the profits declines and liability increases
- d. the balance sheet and profit loss account are affected

Ans - b

.....

If some important event has happened after the accounting date (such as imposition of penalty by the Tax authorities), it is dealt with as per .....

- a. AS-2
- b. AS-4
- c. AS-7
- d. AS-9

Ans - b

.....

When income accrued but not received is accounted for, which of the following effects does not take place .....

- a. profits of the firm increase
- b. the liabilities in the balance sheet increase
- c. the profits increase and assets also increase
- d. the profit and loss account and balance sheet both are affected

Ans - b

.....

---

If interest on capital of the partners has not been paid, what adjustment entry shall be required.

- a. debit the capital account and credit the interest on capital account
- b. debit interest on capital account and credit the capital account
- c. debit the interest account and credit the expenses payable account
- d. no adjustment entry shall be required as it is internal matter for the firm

Ans - b

---

Which of the following accounting standard is applicable for inventory valuation?

- a. AS-1
- b. AS-2
- c. AS-9
- d. AS-12

Ans - b

---

As per requirement of Schedule VI of Companies Act, the inventories are classified as (a) stores and spares (b) loose tools (c) stock in trade (d) work in progress.

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

Ans - c

---

If closing balance appears on the debit side of an account, it is said to have a .....

- a. Credit balance only
- b. Debit balance only
- c. Credit balance or debit balance
- d. None of these is correct

Ans - a

---

Accounting assumes that the business will continue to operate for a long time in future. This concept is called as ..... (i) Going concern concept, (ii) Entity going concept

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

Ans - d

---

Name of the account book where the individual records of expenses, assets and persons are maintained is called .....

- a. Cash book
- b. Journal
- c. Ledger
- d. All the above

Ans - c

---

Wages paid to Mohan, the peon is to be credited to ..... and cash received from a debtor being payment of goods sold would be debited to .....

- a. Mohan, debtor
- b. Cash, debtor
- c. Cash, cash
- d. Mohan, cash

Ans - c

---

When the accounting standards are not followed by a business ..... (i) the auditors qualify their audit reports, (ii) if auditors do not qualify their audit reports they are guilty of professional misconduct, (iii) the management is held responsible

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

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

Ans - a

---

The accounting period of a firm closes on Mar 31 every year. Neither it did pay the rent of Rs.30000 relating to the last month of the year and nor accounted for in the books. It violated which of the following .....

- a. cost concept
- b. matching concept
- c. accounting period concept
- d. dual aspect concept

Ans - b

---

If there is debit balance in a personal account and one more entry is written on the debit side, this signifies .....

- a. the amount due from the person has increased
- b. the amount due from the person has decreased
- c. the amount payable to the person has decreased
- d. the amount payable to the person has increased

Ans - a

---

The banks are to maintain, at the Currency Chest level and at link branches level, a Daily Record of Issuances showing the serial numbers of Mahatma Gandhi (New) Series banknotes in the denominations of Rs.500 and above received from RBI as remittance and issuance thereof to their own branches, branches of other banks and post offices, branch wise and denomination wise on daily basis. These records are to be preserved for a period of .....

- a. one year
- b. two years
- c. three years
- d. five years

Ans - b

---

A credit entry to a nominal account means (a) some expense has been incurred (b) some income has been received (c) some loss has taken place (d) some gain has been made.

- a. a and c
- b. b and c
- c. b and d
- d. a and d

Ans - c

---

Which of the following is not a valuation account or a contra account?

- a. provision for depreciation
- b. provision for doubtful debts
- c. stock reserve account
- d. none of the above

Ans - d

---

In case of a Basic Savings Bank Deposit Account (BSBDA) – Small Account, the account is valid for how much period?

- a. 6 months
- b. 12 months
- c. 1.5 years
- d. 2 years

Ans - b

---

Which of the following is not part of accounting cycle .....

- a. analyzing
- b. recording
- c. classifying
- d. summarizing

Ans - a

---



The art of recording business transactions with a view to have a permanent record of them and of showing their effect on wealth, is called .....

- a. accounting
- b. book-keeping
- c. analysis of accounts
- d. management accounting

Ans - b

---

Which of the following accounting standards helps in better understanding of financial statements .....

- a. AS-1 ..... Disclosure of accounting policies
- b. AS-3 ..... Cash flow statements
- c. AS-6 ..... Accounting for fixed assets
- d. AS-9 ..... Revenue recognition

Ans - a

---

Which of the following is not correct regarding the cash book of a firm .....

- a. it is a book of secondary entry
- b. it keeps record of all cash transactions
- c. it is divided into two sides like a ledger
- d. the cash book is ledger account also

Ans - a

---

Which of the following statement does match .....

- a. debit balance in the accounts is either an asset or an expense
- b. balance in the personal accounts is either a liability or an asset
- c. nominal account represents asset or liability
- d. real account normally represents the asset

Ans - c

---

The process of equalizing the two sides of an account by putting the difference on the side where the amount is short, is called .....

- a. squaring
- b. balancing
- c. posting
- d. summarizing

Ans - b

---

A firm has fixed assets of Rs.3 lac on which it provides depreciation at 10%. The auditors want that the depreciation should be 15%. Firm agrees to make the adjustment. What journal entry shall be passed .....

- a. debit the depreciation account and credit the fixed assets account for Rs.45000
- b. debit the depreciation account and credit the fixed assets account for Rs.15000
- c. debit the fixed asset account and credit the depreciation account for Rs.15000
- d. no book entry is required to be passed as the depreciation is a non-cash expenditure

Ans - b

---

Who can get open a Basic Savings Bank Deposit Account (BSBDA) in a bank?

- a. having annual income less than Rs 50,000
- b. having annual income less than Rs 1,00,000
- c. having annual income less than Rs 2,00,000
- d. Anybody can get open

Ans - d

---

As a manager/Compliance officer, it is a part of your job to ..... (i) Maintain your companies AML Program, (ii) Ensure that proper reports are filed and records are maintained, (iii) Ensure that all employees report suspicious activities

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

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

Ans - d

A business firm can adopt an accounting procedure which it has to follow later on also due to which of the following accounting concepts .....

- a. Convention of conservatism
- b. Convention of consistency
- c. Convention of materiality
- d. Convention of full disclosure

Ans - b

The accounting equation-“Assets=capital+ liability” is due to application of which of the following accounting concept .....

- a. Business entity concept
- b. Money measurement concept
- c. Realization concept
- d. Dual aspect concept

Ans - d

In order to reduce its profits, Firm B has provided depreciation on fixed assets at 20% instead of usual 15% average. The amount of fixed assets is Rs.5 lac. What adjustment entry shall be required to make the position correct.

- a. debit depreciation account and credit fixed assets account for Rs.25000
- b. debit the fixed assets account and directly credit the profit and loss account for Rs.25000
- c. debit the fixed assets account and credit the depreciation account for Rs.25000
- d. Depreciation being a non-cash expenditure, no adjustment entry shall be required.

Ans - c

When sale of goods takes place on credit basis to another firm (say Firm A), what journal entry is passed .....

- a. debit Firm A account and credit sales account
- b. debit the goods account and credit cash account
- c. debit the cash account and credit sales account
- d. debit the cash account and credit other firm account

Ans - a

---

Partner-B of the ABC firm has taken certain goods for his personal use from the available stocks with the firm. What adjustment shall be required .....

- a. Since goods have been taken by the partner, no adjustment shall be required.
- b. debit goods accounts and credit capital account of the partner
- c. debit drawings account and credit the purchase account
- d. debit the capital account and credit the sales account

Ans - c

---

What journal entry is required to be made to make provision for book-debts?

- a. debit book-debits and credit provision
- b. debit the expenses provision on book debts and credit provision on book debt account
- c. debit provisions and credit book debt account
- d. debit the expenses provision on book debts and credit the concerned book debt account

Ans - b

---

Which type of cash balance is not eligible for inclusion in the Chest balances? (i) Cash held in the custody of joint custodians and 'freely available' to them, (ii) Cash kept for safe custody in sealed covers for whatever reasons, (iii) Cash in trunks/bins under the lock and key of any official/s other than the Joint Custodians or bearing a third lock put by any official in addition to the two locks of the Joint Custodians

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

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

Ans - c

.....

In case, mutilated notes detected in soiled note remittances and currency chest balances, the penalty levied shall be ..... per piece irrespective of the denomination

- a. Rs. 20
- b. Rs. 50
- c. Rs. 75
- d. Rs. 100

Ans - b

.....

The asset which is fully secured but doubtful for a period up to one year, the provision is at the rate of .....

- a. 15%
- b. 25%
- c. 40%
- d. 100%

Ans - b

.....

A & B have a SB account with E or S operation mandate. A cheque issued by A with the validation of the cheque extended under the signature of B was presented for payment. What will bank do?

- a. Pass the cheque
- b. Return the cheque
- c. Pass after getting signature of both
- d. NOA

Ans - a

.....

For opening of an account in the name of the trust the essential document is the .....

- a. Trust deed
- b. Certificate of incorporation
- c. Authority letter
- d. None of these

Ans - b

---

Which of the following banks can open a Basic Savings Bank Deposit Account (BSBDA) for an individual? (i) Public Banks, (ii) Private Banks, (iii) Foreign Banks

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

Ans - d

---

Reporting Entities (REs) are required to preserve the customer account information including preservation of records pertaining to the identification of the customers and their addresses obtained while opening the account, for at least ..... after the business relationship is ended

- a. one year
- b. two years
- c. three years
- d. five years

Ans - d

---

Under KYC, in case of a partnership firm, the beneficial owner is the natural person, who has a controlling ownership interest or who exercise control of more than ..... per cent of the capital or profits

- a. 10%
  - b. 15%
  - c. 20%
-

.....  
d. 25%

Ans - b  
.....

In case of individual depositors other than senior citizens, for non deduction of tax at source the depositor has to submit form ..... to bank.

- a. 15G
- b. 15H
- c. 26Q
- d. 16A

Ans - a  
.....

Accounts are classified into following categories .....

- a. two categories namely personal accounts and impersonal accounts
- b. three categories namely personal accounts, notional accounts and real accounts
- c. two categories namely nominal accounts and real account
- d. four categories namely personal, impersonal, nominal and real

Ans - a  
.....

Which of the following statement does not match the type of account .....

- a. accounts of persons that are creation of God - natural personal accounts
- b. accounts of business entities created through some law - artificial personal accounts
- c. accounts that represent a certain person or group of persons - nominal account
- d. accounts that represent the tangible articles like cash - real accounts

Ans - c  
.....

The accounts of things that cannot be touched but can be measured in money terms are called .....

- a. nominal accounts

- b. tangible real accounts
- c. intangible real accounts
- d. representative personal accounts

Ans - c

.....

Which of the following accounts is not a personal account .....

- a. bank loan account
- b. rent payable account
- c. trade mark
- d. capital account of the partner

Ans - c

.....

The classification of which of the following accounts is not correct .....

- a. land and building - real tangible account
- b. bank account - artificial personal account
- c. capital account of the partner - natural personal account
- d. wages payable - nominal expense account

Ans - d

.....

The rules of debit or credit in which of the following is correct .....

- a. debit what comes in - personal account
- b. credit the giver - real account
- c. debit all expenses - nominal account
- d. credit what goes out - nominal account

Ans - c

.....

Which of the following accounting standards does not match .....

- a. AS-17 ..... segment reporting
- .....



- b. AS -20 ..... Consolidated financial accounting
- c. AS-26 ..... Intangible assets
- d. AS-29 ..... Provisions, contingent liabilities and contingent assets

Ans - b

.....

When salary is paid to an employee in a firm in cash, the cash account is credited by following the following principle .....

- a. since salary account is debited, the other account has to be credited
- b. credit the giver, as cash is given
- c. credit what goes out
- d. any of the above

Ans - c

.....

A debit in a real account implies (which is not correct) .....

- a. the value of the asset has increased
- b. the business has disposed the existing assets
- c. the business has acquired more of that asset
- d. none of the above

Ans - b

.....

Firm A purchased goods from Firm B. Which of the following entries will be made in the books of Firm A .....

- a. debit purchase account and credit goods account
- b. debit Firm B account and credit purchase account
- c. debit goods account and credit cash account
- d. debit goods account and credit Firm B account

Ans - d

.....

---

Firm X purchased goods from Firm Y on cash basis. In this process, which of the following statement is not correct .....

- a. goods account is a real tangible account
- b. Firm Y account is a personal account
- c. cash account is a real tangible account
- d. none of the above

Ans - d

---

Which of the following explanation does not match .....

- a. a summarized record of transactions - an account
- b. the book that contains all the accounts - ledger
- c. process of transferring the transaction from a journal to a ledger - journalizing
- d. the net difference of debit and credit total of an account - balance

Ans - c

---

The description given to which of the following transaction does not match .....

- a. trade discount is the discount given for purchases made in large quantity
- b. cash discount received represents the discount on account of bulk purchases made by the firm
- c. trial balance is the statement that shows all ledger balances as on a particular date
- d. cash discount allowed is the discount given when payment is received before the due date

Ans - b

---

What is the appropriate explanation of the journal .....

- a. it is book of double entry
- b. it is a book of secondary entry
- c. it is a book of original entry
- d. it is a book of duplicate entry

Ans - c

---

An asset is classified as sub-standard .....

- a. If the asset has remained NPA for a period less than or equal to 18 months
- b. If the asset has remained NPA for a period less than or equal to 12 months
- c. If the asset has remained NPA for a period between 12 months and 15 months
- c. None of the above

Ans - b

.....

Request from a senior citizen not to deduct TDS on interest of his Term Deposit is to be made in form .....

- a. 15G
- b. 16A
- c. 15H
- d. 26Q

Ans - c

.....

The credit balance in the capital account is .....

- a. liability in the balance sheet
- b. asset in the balance sheet
- c. shows debit balance
- d. none of the above

Ans - a

.....

The 3-column cash book records which of the following .....

- a. cash and bank transactions including discounts
- b. cash and bank transactions excluding discounts
- c. cash transactions only
- d. bank transactions only

Ans - a

.....

---

..... 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 =

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

$$100000 = P \times 0.09 \times 1.09^{15} \div (1.09^{15} - 1)$$

$$100000 = P \times 0.09 \times 3.64248 \div 2.64248$$

$$264248 = P \times 0.32782$$

$$P = 806069$$

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?

- a. Good
- b. Very Good
- c. Poor
- d. 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 ?

- a. 10000
- b. 30000
- c. 40000
- d. 50000

Ans - c

Explanation :

Let Current Liabilities = a

$$4a - 1a = 30,000$$

$$a = 10,000 \text{ i.e. Current Liabilities is Rs.10,000}$$

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 .....

- a. 100600
- b. 100500
- c. 106000
- d. 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,

$$FV = 100000 * (1+0.06)^1$$
$$= 106000 \text{ Ans.}$$

.....

'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

$$\begin{aligned} A &= P(1+r/100)^n \\ &= 5000 (1+5/100)^2 \\ &= 5000 (1.05)^2 \\ &= 5000 (1.1025) \\ &= 5512.50 \end{aligned}$$

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
- b. Good-will
- c. Stock in trade
- d. 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 get

$$S.I. = 7000 \times 50/3 \times 9/12 / 100 \\ = 875$$

[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,

$$\begin{aligned}\text{Time} &= (24+31+18) \text{ days} \\ &= 73/365 \text{ years} \\ &= 1/5 \text{ years}\end{aligned}$$

$$P = 2000$$

$$R = 25/4\%$$

$$\begin{aligned}\text{S.I.} &= 2000 * 25/4/5/100 \\ &= 25\end{aligned}$$

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

- A. 6.09%
- B. 6.10%
- C. 6.12%
- D. 6.14%

Ans - A

Explanation:

Let the amount Rs 100 for 1 year when compounded half yearly,  $n = 2$ , Rate =  $6/2 = 3\%$

$$\text{Amount} = 100(1+3/100)^2 = 106.09$$

$$\text{Effective rate} = (106.09 - 100)\% = 6.09\%$$

The marine insurance policy should be expressed in

- a. Rupees.
- b. Us Dollars.
- c. Same currency which the LC is drawn.
- d. 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.

- A. 4%
- B. 5%
- C. 6%
- D. 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.

- a. 1376767
- b. 1736767
- c. 1637676
- d. 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

- a. Spot
- b. Forward
- c. Arbitrage
- d. 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:

- a. Liability
- b. Expense
- c. Asset
- d. 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:

$$\Rightarrow (8000 \times (1 + 5100)2)$$

$$\Rightarrow 8000 \times 2120 \times 2120$$

$$\Rightarrow 8820$$

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:

$$(25000 \times (1 + 12100)3) \Rightarrow 25000 \times 2825 \times 2825 \times 2825 \Rightarrow 35123.20$$

So Compound interest will be 35123.20 - 25000

$$= \text{Rs } 10123.20$$

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

.....  
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

.....

(a) 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
- b. To give preference on re-payment
- c. To raise resources without losing management control
- d. All of the above

Ans - c

.....

.....is the value of an established business over the above the value represented by its tangible assets.

- a. Goodwill
- b. Liabilities
- c. Losses
- d. 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 ?

- a. 210,000
- b. 220,00
- c. 214,300
- d. 218,700

Ans - d

---

Which one is also called as "Liquidity Ratios"?

- a. Profitability Ratios
- b. Turnover Ratios
- c. Short-term Solvency Ratios
- d. Long-term Solvency Ratios

Ans - c

---

Which one is not the uses of Accounting Ratios?

- a. Facilitate Inter-Firm comparison
- b. Facilitate Intra-Firm comparison
- c. Help in Planning
- d. 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:

- a. Valuation.
- b. Allocation.
- c. Both valuation and allocation.
- d. Non of these.

Ans – b

---

In TOM, the exchange of currencies take place on

- a. Same Day
- b. Next Day
- c. Second Working Day
- d. 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?

- a. 21897
- b. 27897
- c. 28197
- d. 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 .....

- a. BOD
- b. SOD
- c. EOD
- d. 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.

- a. 5000
- b. 20000
- c. 35000
- d. 50000

Ans - c

Gross Profit = Operating expenses + Net Profit  
= 20000 + 15000  
= 35000

.....

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.

- a. 227000
- b. 235000
- c. 265000
- d. 273000

Ans - d

Which one does not appear in 'Other Assets'?

- a. Gold
- b. Silver
- c. Interest accrued
- d. 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/-
- c. Rs. 30,000/-
- d. Rs. 15,000/-

Ans - c

Solution :

$$D = (nth/E(\sigma)n)(\text{cost}-\text{Residual Value})$$

$$E(\sigma)n = 1+2+3+4 = 10$$

$$1\text{st year} = 4/10(330000-30000) = 4/100*300000 = 120000$$

$$2\text{nd year} = 3/10(330000-30000) = 3/100*300000 = 90000$$

$$3\text{rd year} = 2/10(330000-30000) = 2/100*300000 = 60000$$

$$4\text{th year} = 1/10(330000-30000) = 1/100*300000 = 30000$$

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

- a. Dishonour
- b. Noting
- c. Noting charges
- d. 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

- A. 750
- B. 700
- C. 650
- D. 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 .....

- a. 4.5%
- b. 5%
- c. 5.5%
- d. 6%

Ans - b

.....

If a sum of money doubles itself in 8 years at simple interest, the rate percent per annum is

- a. 12
- b. 12.5
- c. 13
- d. 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 .....

- a. Limited
- b. Unlimited
- c. Overhead
- d. 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.

- a. 10000
- b. 23500
- c. 24000
- d. 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.

- a. Goodwill
- b. Libilities
- c. Losses
- d. 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.

- a. Added
- b. Deducted
- c. No entry required
- d. None of the above

Ans – b

---

Cost of the goods - Rs. 37500, Expenses - Rs. 2300, Sales - Rs. 43500. Find the net profit.

- a. 3700
- b. 4700
- c. 6000
- d. 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

- A. 110
- B. 120
- C. 130
- D. 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.

- a. 27500
- b. 42500
- c. 68500
- d. 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?

- a. 111356
- b. 111536
- c. 111563
- d. 111653

Ans – d

Solution:

P = 9 lac

R = 9% p.a.

(Note: SINCE HERE PAYMENT IS TO BE RECEIVED ANNUALLY, NOT Monthly, Rate IS NOT divided by 12)

T = 15 yrs

(Note: SINCE HERE PAYMENT IS TO BE RECEIVED 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.

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 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?

- a. 22892
  - b. 22982
  - c. 28292
  - d. 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 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.

- A. 110.50
- B. 111.50
- C. 112.50
- D. 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.

$$\begin{aligned}\text{Gain in 2 year} &= [(5000 \times 25 \times 2100) - (5000 \times 4 \times 2100)] \\ &= (625 - 400) \\ &= 225\end{aligned}$$

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

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

.....

.....

Trial balance of Anuj did not agree. It showed an excess credit of Rs. 6,000. He put the difference to suspense account. He discovered the following errors. Rectify the errors.

1. Cash received from Ravish Rs. 8,000 posted to his account as Rs. 6,000.

- a. Debit Ravish's account with Rs. 2,000, Credit the suspense account with Rs. 2,000
- b. Credit Ravish's account with Rs. 2,000, Debit the suspense account with Rs. 2,000
- c. Credit Ravish's account with Rs. 6,000, Debit the suspense account with Rs. 6,000
- d. Debit Ravish's account with Rs. 6,000, Credit the suspense account with Rs. 6,000

Ans - b

Cash received from Ravish was posted (credited) to his account as Rs. 6,000 instead of Rs. 8,000, the rectification entry would be

Credit Ravish's account with the difference i.e. Rs. 8,000 – Rs. 6,000 = Rs. 2,000

Debit the suspense account with the difference i.e. Rs. 8,000 – Rs. 6,000 = Rs. 2,000

---

2. Returns inwards book overcast by Rs. 1,000.

- a. Debit the Returns Inwards A/c with Rs. 2,000, Credit the suspense account with Rs. 2,000
- b. Credit the Returns Inwards A/c with Rs. 2,000, Debit the suspense account with Rs. 2,000
- c. Credit the Returns Inwards A/c with Rs. 1,000, Debit the suspense account with Rs. 1,000
- d. Debit the Returns Inwards A/c with Rs. 1,000, Credit the suspense account with Rs. 1,000

Ans - c

Returns inwards book overcast by Rs. 1,000, the rectification entry would be

Credit the Returns Inwards A/c with Rs. 1,000

Debit the suspense account with Rs. 1,000

---

3. Total of sales book Rs. 10,000 was not posted to Sales account.

- a. Credit sales account with Rs. 5,000, Credit the suspense account with Rs. 5,000
- b. Credit sales account with Rs. 10,000, Credit the suspense account with Rs. 10,000
- c. Credit sales account with Rs. 10,000, Debit the suspense account with Rs. 10,000
- d. Debit sales account with Rs. 5,000, Debit the suspense account with Rs. 5,000

Ans - c

.....  
Total of sales book was not posted to the sales book, the rectification entry would be  
Credit sales account with Rs. 10,000  
Debit the suspense account with Rs. 10,000  
.....

4. Credit purchases from Nanak Rs. 7,000 were recorded in sales Book. However, Nanak's account was correctly credited. (i) Debit the sales account with Rs. 7,000, (ii) Debit the purchases account with Rs. 7,000, (iii) Credit the suspense account with Rs. 14,000

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

Ans - d

Credit purchases from Nanam were wrongly recorded in sales book, the rectification entry would be  
Debit the sales account to rectify the wrong credit of Rs. 7,000  
Debit the purchases account with Rs. 7,000  
Credit the suspense account with the total i.e. Rs. 7,000 + Rs. 7,000 = Rs. 14,000  
.....

5. Machinery purchased for Rs. 10,000 was posted to purchases account as Rs. 5,000. Rectify the errors and prepare suspense account. (i) Debit the machinery account with Rs. 10,000, (ii) Credit the purchases account with Rs. 5,000, (iii) Credit the suspense account with Rs. 5,000

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

Ans - d

Machinery purchased was posted to purchases account as Rs. 5,000 instead of Rs. 10,000, the rectification entry would be  
Debit the machinery account with Rs. 10,000  
Credit the purchases account with Rs. 5,000 to rectify the wrong debit  
Credit the suspense account with the difference i.e. Rs. 10,000 - Rs. 5,000 = 5,000  
.....

A financial services company offers investment vehicles to its clients. Investment A pays an amount of Rs. 8,000 in 2 years, and has an annual interest of 6% compounded semi-annually. Investment B pays an amount of Rs. 12,000 in 4 years, and has an annual interest of 8% compounded quarterly. Investment C pays an amount of Rs. 15,000 in 8 years, and has an annual interest of 10% compounded quarterly. Investment D pays an amount of Rs. 20,000 in 12 years, and has an annual interest of 6% compounded monthly. Investment E pays an amount of Rs. 25,000 in 15 years, and has an annual interest of 4% compounded semi-annually.

1. What is the present value of Investment A?

- a. Rs. 7,102
- b. Rs. 7,108
- c. Rs. 7,120
- d. Rs. 7,180

Ans - b

The PVIF is 0.8885. The present value is Rs. 8,000 \* 0.8885 = Rs. 7,108

---

2. What is the present value of Investment B?

- a. Rs. 8,741
- b. Rs. 8,417
- c. Rs. 8,768
- d. Rs. 8,820

Ans - a

The PVIF is 0.7284. The present value is Rs. 12,000 \* 0.7284 = Rs. 8,741

---

3. What is the present value of Investment C?

- a. Rs. 6,872
- b. Rs. 6,906
- c. Rs. 6,508
- d. Rs. 6,807

Ans - d

---



.....  
The PVIF is 0.4538. The present value is Rs. 15,000 \* 0.4538 = Rs. 6,807  
.....

4. What is the present value of Investment D?

- a. Rs. 9,838
- b. Rs. 9,787
- c. Rs. 9,752
- d. Rs. 9,275

Ans - c

The PVIF is 0.4876. The present value is Rs. 20,000 \* 0.4876 = Rs. 9,752  
.....

5. What is the present value of Investment E?

- a. Rs. 13,802
- b. Rs. 13,812
- c. Rs. 13,761
- d. Rs. 13,882

Ans - a

The PVIF is 0.5521. The present value is Rs. 25,000 \* 0.5521 = Rs. 13,802  
.....

In cash flow statement, the item of interest is shown in .....

- A) Operating Activities
- B) Financing Activities
- C) Investing Activities

- a. Both A and B
- b. Both A and C
- c. Both B and C
- d. A, B, C

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

Nama, the old method of accounting used in India, is also called as .....

- a. Mahajani
- b. Marwari
- c. Deshi
- d. All of these

Ans - d

.....

Which of the following depreciation methods is NOT an accelerated method?

- a. Double-declining balance
- b. Straight-line
- c. Sum-of-the-years' digits
- d. None of these

Ans – b

.....

The exchange of currencies takes place on the date of the deal in

- a. SPOT
- b. TOM
- c. Cash
- d. 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

- a. Rs.56.45
- b. Rs.56.53
- c. Rs.56.38
- d. 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.

- a. 5000
- b. 20000
- c. 35000
- d. 50000

Ans - c

.....

The investment in security deposits made against telephone or electricity is.....

- a. A current asset
- b. A fixed asset
- c. A non-current asset
- d. 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 :

$$D = (nth/E(\sigma)n)(\text{cost}-\text{Residual Value})$$

$$E(\sigma)n = 1+2+3+4+5 = 15$$

$$\text{Cost}-\text{Residual Value} = 1600000 - 100000 = 1500000$$

$$1\text{st year} = 5/15(1500000) = 500000$$

$$2\text{nd year} = 4/15(1500000) = 400000$$

$$3\text{rd year} = 3/15(1500000) = 300000$$

$$4\text{th year} = 2/15(1500000) = 200000$$

$$5\text{th year} = 1/15(1500000) = 100000$$

Bills receivable and Bills payable are part of .....

- a. Balance Sheet
- b. P&L account
- c. Journal
- d. 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?

- a. 6254280
- b. 6248280
- c. 6251280
- d. 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 .....

- a. 520000
- b. 540000
- c. 560000
- d. 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/-
- c. Rs. 30,000/-
- d. 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.

- A. 10%
- B. 20%
- C. 30%
- D. 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

- a. Immediately
- b. On their clearing/collection
- c. After 7 days
- d. 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:

- a. Admission
- b. Retirement
- c. Death
- d. 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:

- a. Government
- b. Creditors
- c. Partners
- d. 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 .....

- a. Copy of Bye-Laws
- b. Certificate given by the Local Authorities
- c. Certificate given by the ROC
- d. 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 .....

- a. Copy of Bye-Laws
- b. Copy of Government Orders
- c. Certificate given by the ROC
- d. 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

- a. Journal  
b. Cash book  
c. Subsidiary book  
d. all

Ans - d

Effective annual rate of interest corresponding to nominal rate of 6% per annum compounded half yearly will be

- A. 6.09%  
B. 6.10%  
C. 6.12%  
D. 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 =  $(106.09 - 100)\% = 6.09\%$

There are ..... Accounting standards in India

- a. 27
- b. 28
- c. 29
- d. 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?

- a. 12%
- b. 10%
- c. 13.3%
- d. 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 basic 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.

- a. 5040
- b. 420
- c. 840
- d. 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.

- a. 423948
- b. 432948
- c. 439248



d. 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,

$$PVOA = (100000 \div 0.05) \times \{ (1 + 0.05)^5 - 1 \} \div (1 + 0.05)^5$$
$$= 432948 \text{ Ans}$$

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?

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

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

- a. 90
- b. 100
- c. 110
- d. 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.

- a. 108.16
- b. 100
- c. 110
- d. 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?

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

- a. 10.25%
- b. 10%
- c. 9.25%
- d. 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.

- a. 40%
- b. 25%
- c. 50%
- d. 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.

- a. 46%
- b. 52%
- c. 58%
- d. 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:

$$S.I. = 956 - 800 = Rs 156$$

.....

.....  
 $R = 156/800/3 * 100 = 6.5\%$   
New Rate =  $6.5 + 4 = 10.5\%$   
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?

- a. 1000
- b. 1500
- c. 2000
- d. 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.

- a. 20%
- b. 30%
- c. 40%
- d. 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.

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

Ans- d

Explanation:

Let the principal be P and rate be R, then

$$\text{Ratio} = [(P \times R \times 6) : (P \times R \times 9)]$$

$$= 6PR : 9PR$$

$$= 2 : 3$$

---

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

- a. Rs.2,25,000
- b. Rs.1,35,000
- c. Rs.2,70,000
- d. Rs.60,000

Ans - a

---

2. Proprietary Fund

- a. Rs.2,25,000
- b. Rs.1,35,000
- c. Rs.2,70,000
- d. Rs.60,000

Ans - c

---

3. Quick Liabilities

- a. Rs.2,25,000
- b. Rs.1,35,000
- c. Rs.2,70,000
- d. Rs.60,000

Ans - d

---

4. Quick Assets

- a. Rs.90,000
- b. Rs.1,35,000
- c. Rs.1,20,000
- d. Rs.60,000

Ans - a

---

5. Stock

- a. Rs.90,000
- b. Rs.1,35,000
- c. Rs.1,20,000
- d. Rs.60,000

Ans - b

---

6. Preference and Equity Capital

- a. Rs.90,000, Rs.1,35,000
- b. Rs.1,35,000, Rs.1,20,000
- c. Rs.1,20,000, Rs.60,000
- d. Rs.60,000, Rs.1,20,000

Ans - d

.....

Debit balance in the cash books means

- a. overdraft
- b. favourable balance
- c. balancing error
- d. 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.

- a. 24000
- b. 36000
- c. 40000
- d. 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  
 $= \text{beginning book value} \times \text{depreciation rate}$   
 $= 1,00,000 \times 40\% = 40,000$

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  
= beginning book value x depreciation rate  
= 60,000 x 40% = 24,000

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  
= beginning book value x depreciation rate  
= 36,000 x 40% = 14,400

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  
= beginning book value x depreciation rate  
= 21,600 x 40% = 8,640

Accumulated depreciation at the end of year 4  
= 40,000 + 24,000 + 14,000 + 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  
= beginning book value x depreciation rate  
= 12,960 x 40% = 5,184

[NOTE]

For year 5, depreciation amount will not be 5,184.  
If 5,184 is depreciated,  
--> 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, (ii) They take into account time value of money, (iii) They focus on cash flows rather than on accounting profits

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

Ans - c

.....

---

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.

- a. 10000
- b. 10500
- c. 13500
- d. 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.

- a. First
- b. Second
- c. Third
- d. 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/-
- c. Rs. 30,000/-
- d. Rs. 15,000/-

Ans - a

Let me explain :

$D = \frac{\text{nth}/E(\text{sigma})n}{\text{cost}-\text{Residual Value}}$

$E(\text{sigma})n = 1+2+3+4 = 10$

$\text{Cost}-\text{Residual Value} = 330000 - 30000 = 300000$

1st year =  $\frac{4}{10}(300000) = 120000$

2nd year =  $\frac{3}{10}(300000) = 90000$

3rd year =  $\frac{2}{10}(300000) = 60000$

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
- b. Half-Yearly compounding
- c. Quarterly compounding
- d. Monthly compounding

Ans - d

---

Entries for deposits of cheques into the bank are made by the customer in the debit side of cash book

- a. Immediately
- b. On their clearing
- c. At the time of reconciliation
- d. After 7 days

Ans - a

---

Cash cannot be accepted for issue of DDs/TTs/Rupee TCs from the customers for Rs. ....

- a. Rs.20,000/- & above
- b. Rs.50,000/- & above
- c. Rs.75,000/- & above
- d. 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

$$2 = (5 \times 100) / \text{Sales}$$
$$\text{Sales} = 500/2$$
$$= \text{Rs.}250 \text{ Lac}$$

---

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 .....

- a. 4.25%
- b. 4.50%
- c. 4.75%
- d. 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.

- a. 6.5%
- b. 7.8%
- c. 8.0%
- d. 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:

- a. 4
- b. 3
- c. 2
- d. 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.

- a. Annuities
- b. Interest
- c. Simple Interest
- d. Compound Interest

Ans - c

.....

If Rs. 50000 is lent at 10% interest, on which one the interest will be lowest?

- a. Yearly compounding
- b. Half-Yearly compounding
- c. Quarterly compounding
- d. Monthly compounding

Ans - a

.....

Current Ratio of a firm is 1 : 1. What will be the Net Working Capital ?

- a. 0
- b. 1
- c. 100
- d. 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

- a. Recording
- b. Classifying
- c. Summarising
- d. 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 ...

- a. 22.5%
- b. 15%
- c. 12%
- d. 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

- b. 400  
c. 280  
d. 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 = Rs.  $128/1552 \times 97$  = 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:

- a. 1
- b. 2
- c. 4
- d. 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.

- a. 454596
- b. 455496
- c. 456496
- d. 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.

- a. Added
- b. Deducted
- c. No entry required
- d. None of the above

Ans - b

Revenue is recognised only when ..... is made

- a. Profit
- b. Sale
- c. Loss
- d. 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

- c. Prospectus
- d. All of the above

Ans - a

.....

A company comes into existence when it gets the certificate of.....

- a. Incorporation
- b. Commencing the business
- c. Income-tax department
- d. None of the above

Ans - a

.....

Regular ..... of data is required to guard against loss of data.

- a. back up
- b. Function
- c. Up dating
- d. 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 .....

- a. 872000
- b. 880000
- c. 882000
- d. 884000

Ans - c

Solution:

$$P = 800000$$

$$R = 10\% / 2 = 5\% \text{ (since compounding is semi-annually, rate is divided by 2)}$$

---

.....  
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.

- a. Accounting
- b. Computerised accounting
- c. Manual accounting
- d. None of the above

Ans - b  
.....

Capital account is a .....a/c.

- a. Real.
- b. Nominal.
- c. personal.
- d. Both B and D.

Ans - c  
.....

A person who owes money to the firm is called

- A. Creditor
- B. Debtor
- C. Shareholders
- D. Owner

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

When a currency is at premium in future or for a future value date, it is

- a. Costlier
- b. Cheaper
- c. Equal
- d. 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
- b. Profit
- c. Surplus
- d. All of the above

Ans - d

.....

The rate of discount on share cannot exceed...

- a. 5%
- b. 8%
- c. 10%
- d. 12%

Ans - c

.....

..... of a partner means that a partner breaks off his relations with all other partners and withdraws himself from the firm.

- a. Admission
- b. Submission
- c. Permission
- d. 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

- a. shareholder
- b. depositor
- c. creditor
- d. employee

Ans - c

.....

If 1 year discount is 0.8333, what is the discount rate?

- a. 10%
- b. 20%
- c. 30%
- d. 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:

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

- a. Profits
- b. Losses
- c. Succession
- d. 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 :

$$\begin{aligned}\text{Assets} &= \text{Capital} + \text{Liabilities} \\ &= 40000 + 15000 \\ &= 55000\end{aligned}$$

---

When an entry is passed on credit Side of Passbook or on debit side of Cash book, the bank balance

- a. Increases
- b. Decreases
- c. Has no effect
- d. Can increase or decrease

Ans - a

---

As per companies Amendment Bill 2003, maximum number of partners consisting of professionals can be

- a. 10
- b. 20
- c. 40
- d. 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.

- a. 240000
- b. 320000
- c. 480000
- d. 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 =  $Rs. 95 \times 3/5 = Rs. 57$ .

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?

- a. 1000
- b. 1500
- c. 2000
- d. 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 off, 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.

- a. Original
- b. Duplicate
- c. Artificial
- d. None of the above

Ans - c

.....

Sales Journal is also called as ..... book.

- a. Stock
- b. Invoice
- c. Inventory
- d. 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...

- a. Maker
- b. Payee
- c. Bank
- d. 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

$$\begin{aligned} A &= P(1+r/100)^n \\ &= 6000 (1+6/100)^6 \\ &= 6000 (1.06)^6 \\ &= 6000 (1.4185) \\ &= 8511 \end{aligned}$$

$$\begin{aligned} CI &= \text{Amount} - \text{Principal} \\ &= 8511 - 6000 \\ &= 2511 \end{aligned}$$

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

- a. increase
- b. decrease
- c. has no effect
- d. 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

---

(a) 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 ...

- a. Fees
- b. Commission
- c. Interest
- d. 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.

- a. Sales
- b. Purchase
- c. Stock
- d. Liquidity

Ans - d

.....

A bond carries a specific rate of interest is called as...

- a. Yield-to-Maturity
- b. Face Value
- c. Coupon Rate
- d. 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
- c. (-) Rs. 100
- d. (-) 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
<b>Total</b>	<b>- 550</b>

#### 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
<b>Total</b>	<b>- 550</b>

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 = ?

$$= \text{LTL} / \text{Tangible NW}$$

$$= 100 / (362 - 30)$$

$$= 100 / 332$$

$$= 0.30 : 1$$

4. Proprietary Ratio = ?

$$= (\text{T NW} / \text{Tangible Assets}) \times 100$$

$$= [(362 - 30) / (550 - 30)] \times 100$$

$$= (332 / 520) \times 100$$

$$= 64\%$$

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 ?

$$= \text{Net Sales} / \text{Average Inventories/Stock}$$

$$= 1500 / 128$$

$$= 12 \text{ times approximately}$$

7. What is the Debtors Velocity Ratio if the sales are Rs. 15 Lac?

$$= (\text{Average Debtors} / \text{Net Sales}) \times 12$$

$$= (125 / 1500) \times 12$$

$$= 1 \text{ month}$$

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.

- a. Goodwill
- b. Liabilities
- c. Losses
- d. All of the above

Ans - a

Regular ..... of data is required to guard against loss of data.

- a. back up
- b. Function
- c. Up dating
- d. 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.

- a. Sales
- b. Purchase
- c. Stock
- d. 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.

- a. First
- b. Second
- c. Third
- d. Fourth

Ans - c

.....

Partnership is a ..... between two or more persons.

- a. Friendship
- b. Relationship
- c. Both a & b
- d. None of the above

Ans - b

.....

In the Partnership firms, liability of each partner is .....

- a. Limited
- b. Unlimited
- c. Overhead
- d. Maximum

Ans - a

.....

A limited company is a/an ..... person.

- a. Original
- b. Duplicate
- c. Artificial
- d. 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
- b. Rs. 70,000
- c. Rs. 10,000
- 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 ..... :

- a. 1:1
- b. 1:4
- c. 0:4
- d. 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.

---

Firm X made payment of rent to its landlord in cash. Which of the following is correct journal entry in the books of Firm A

- a. debit cash and credit rent account
- b. debit landlord and credit rent account
- c. debit rent account and credit cash account
- d. debit rent account and credit landlord account

Ans - c

---

The explanation given to which of the following is not correct .....

- a. when total of the debit side is greater than the total of credit side - Debit balance
- b. when total of credit side is equal to total of debit side - zero balance
- c. the account book where the cash transactions are recorded first - journal
- d. account book where the records of nominal accounts are maintained - ledger

Ans - c

---

The name given to which of the following explanations does not match .....

- a. account book where the transaction is entered first - book of secondary entry
- b. total of credit side is greater than the total of debit side of account - credit balance
- c. discount that is recorded in the books of account - cash discount
- d. ledger is the principal book of accounts - True

Ans - a

---

When two sides of an account are equalized by putting the difference on the side where amount is short, the process is called .....

- a. Balancing
- b. Journalizing
- c. Posting
- d. a or c

Ans - a

---

Which of the following is true regarding small accounts? (i) For migratory workers and of small means, (ii) The aggregate credit in a financial year does not exceed Rs. 1 lac, (iii) Balance at any given point of time does not exceed Rs. 50000/-

- 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 not a correct statement .....

- a. all expenses are recorded on the credit side of the cash book
- b. all receipts are recorded on the debit side of the cash book
- c. cash column of the cash book can never have a debit balance
- d. a debit in the nominal account denotes an expense

Ans - c

---

In a two columnar cash book .....

- a. the cash column is cash book and cash account and discount column is not the discount account
- b. the cash column is cash book and cash account and discount column is the discount account
- c. the cash column is cash book but not cash account and discount column is not the discount account
- d. the cash column is cash book but not cash account and discount column is the discount account

Ans - a

---

In a three columnar cash book, which of the following is not shown .....

- a. cash column,
  - b. discount column
  - c. bank column
-



d. none of the above

Ans - d

---

When bank column is recorded in the 3 columnar cash book, the bank account is .....

- a. nominal account
- b. personal account
- c. real account
- d. both real and personal account

Ans - b

---

The profit made by a firm is a liability for the business and loss made by a firm is an asset. This is due to application of .....

- a. going concern concept
- b. cost concept
- c. business entity concept
- d. realization concept

Ans - c

---

In a 3 columnar cash book, if a transaction involves cash and bank account and the bank account is to be debited .....

- a. only debit entry will be made to cash account
- b. debit entry will be made to cash account as well as bank account
- c. credit entry will be made to cash account and debit entry to bank account
- d. credit entry will be made to bank account and debit entry to cash account

Ans - c

---

For project appraisal, which of the following pairs, are discounting techniques?

- a. net present value & internal rate of return
-

- .....
- b. net present value & accounting rate of return
  - c. pay back period & accounting rate of return
  - d. pay back period & internal rate of return

Ans - a

.....

In a 3 columnar cash book, if a transaction involves both the cash and bank account (a) it is entered on both the sides (b) one entry is made in cash column (c) another opposite entry is made in the bank column (d) it is called contra entry.

- a. a to d all correct
- b. a to c only correct
- c. b to d only correct
- d. c and d only correct

Ans - a

.....

Under net present value method of project appraisal,

- a. the future cash flow is compared with the initial investment made in the project
- b. the net present value is compared with the initial investment made in the project
- c. the present value is compared with the initial investment made in the project
- d. the present value is compared with the absolute value of future cash flows

Ans - c

.....

From the journal, the amount payable to or receivable from a particular person can be calculated by adding all the entries, which is a difficult task. This is made easy by which of the following books .....

- a. ledger
- b. cash book
- c. journal itself
- d. any of the above

Ans - a

.....

.....

Which of the following does not match?

- a. AS-1 ..... Disclosure of accounting policies
- b. AS-3 ..... Cash flow statements
- c. AS-6 ..... Accounting for fixed assets
- d. AS-9 ..... Revenue recognition

Ans - c

.....

The accounting rules used to prepare financial statements for the publicly traded companies are called .....

- a. Accounting Standards
- b. Generally Accepted Accounting Principles
- c. Generally followed accounting standard
- d. any of the above

Ans - b

.....

As per Generally Accepted Accounting Principles, the financial statements should be (a) relevant (b) reliable (c) comparable (d) consistent .....

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

Ans - a

.....

Which of the following is not a current assets?

- a. Accounts receivable
- b. Inventory of finished products
- c. Inventory of raw materials
- d. Land

Ans - d

.....

In Which order does the journal list transactions?

- a. alphabetical
- b. decreasing
- c. increasing
- d. chronological

Ans - d

.....

Long term capital loss can be set off from which of the following?

- a. short term capital gain only
- b. long term capital gain only
- c. income from business or profession
- d. income from salary

Ans - b

.....

Which of the following organisation in US of America, influences the development of Generally Accepted Accounting Principles .....

- a. US Securities and Exchange Commission (SEC)
- b. American Institute of Certified Public Accountants
- c. Financial Accounting Standards Board
- d. all the above

Ans - d

.....

The system followed for pricing of goods and services within a multi-divisional organisation is called .....

- a. Generally Accepted Accounting Principles
- b. Transfer Pricing
- c. Accounting Standard
- d. Any of the above

Ans - b

.....

..... is time saving and economical

- a. Single Entry System
- b. Double Entry System
- c. Both a & b
- d. Neither a nor b

Ans - a

---

Which method compares the price at which a controlled transaction is conducted to the price at which a comparable uncontrolled transaction is conducted.

- a. comparable uncontrolled price method
- b. cost plus method
- c. resale price method
- d. none of the above

Ans - a

---

Generally the ..... method is used for the trade of finished goods, under transfer pricing .....

- a. comparable uncontrolled price method
- b. cost plus method
- c. resale price method
- d. none of the above

Ans - b

---

Which of the following accounting concept is observed at the reporting stage of accounting and not at the recording stage .....

- a. business entity concept
- b. cost concept
- c. consistency concept
- d. historical record concept

Ans - c

---

Which of the following concept forbids the inclusion of unrealized gains but advocates the provision for possible losses .....

- a. consistency concept
- b. conservatism concept
- c. business entity concept
- d. historic record concept

Ans - b

---

When the exchange of currencies takes place on 2nd working day (T+2), which of the following type of exchange rate will be applicable?

- a. cash or ready rate
- b. TOM rate
- c. spot rate
- d. forward rate

Ans - c

---

The managements of businesses are held responsible for what the business contributes to the social well-being and progress, under an accounting system called .....

- a. stewardship accounting
- b. human resources accounting
- c. social responsibility accounting
- d. management accounting.

Ans - c

---

Under KYC guidelines, where a customer does not comply with the KYC requirement, his account can be closed. (a) decision to close the account should be taken at a high level (b) account should closed after giving due notice to the customer (c) account should be closed after explaining the reasons to the customer

- a. a to c all correct
  - b. a and c only correct
-

- c. a and b only correct
- d. b and c only correct

Ans - a

---

Following are the indicators of suspicious transactions in a customer account ..... (i) Deposit of high value third party cheques endorsed in favour of the account holder frequently, (ii) Sudden increase in cash deposits without any valid reason, (iii) Receipt or payment of large sums of cash, which have no obvious purpose

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

Ans - d

---

In the resale price method under Transfer Pricing .....

- a. the price is determined by subtracting an appropriate gross mark up from the sale price.
- b. the price is determined by addition an appropriate gross mark up from the sale price.
- c. the price is determined equal to the sale price.
- d. none of the above

Ans - a

---

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

- a. transfer pricing
- b. arm length price
- c. standard pricing
- d. concessional pricing.

Ans - b

---

Which type of cash balance is not eligible for inclusion in the Chest balances? (i) Cash held in the custody of joint custodians and 'freely available' to them, (ii) Cash kept for safe custody in sealed covers for whatever reasons, (iii) Cash in trunks/bins under the lock and key of any official/s other than the Joint Custodians or bearing a third lock put by any official in addition to the two locks of the Joint Custodians

- a. All from (i) to (iii)
- b. (i) & (ii) only
- c. (ii) & (iii) only
- d. (i) & (iii) only

Ans - c

---

In the cost plus method under Transfer Pricing .....

- a. the price is determined by subtracting an appropriate gross mark up from the sale price.
- b. the price is determined by addition an appropriate gross mark up from the sale price.
- c. the price is determined equal to the sale price.
- d. none of the above

Ans - b

---

Which of the following is correct sequence of book keeping or record keeping .....

- a. classifying, recording, summarizing
- b. recording, classifying, summarizing
- c. summarizing, recording, classifying
- d. summarizing, classifying, recording,

Ans - b

---

Preparing of trial balance and final accounts, with a view to ascertain profits from the business, is called .....

- a. recording
  - b. classifying
  - c. summarizing
-



d. none of the above

Ans - c

---

Which of the following types of accounting system is associated with the preparation and presentation of accounting and controlling information, in a form that assists the management, in the formulation of policies and in decision making, on the various matters connected with operations of the business enterprise.

- a. stewardship accounting
- b. financial accounting
- c. social responsibility accounting
- d. management accounting.

Ans - d

---

The process of equalizing the two sides of an account by putting the difference on the side where the amount is short, is called .....

- a. balancing
- b. journalizing
- c. posting
- d. summarizing

Ans - a

---

Money laundering is the result of crime and the persons behind the crimes appear to be using banking channels for the purpose of ..... (i) fund transmission, (ii) creating a legal front of money raised through illegal and humanity demeaning methods.

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

Ans - d

---

Which of the following is a book of analytical records?

- a. cash book
- b. journal
- c. ledger
- d. none of the above

Ans - c

---

The debit balance of an account is represented by (a) liability (b) expenses (c) asset (d) income

.....

- a. b and c
- b. b and d
- c. a and c
- d. a and b

Ans - a

---

..... accounting is associated with the need of the business owners to keep records of their transactions, the property and tools they own, the debts they owe and debts other owe them.

- a. stewardship accounting
- b. financial accounting
- c. cost accounting
- d. management accounting.

Ans - a

---

Which of the following is a financial asset?

- a. Inventories
- b. Equipment
- c. Loan to an associate
- d. Accounts receivable

Ans - d

---

Which of the following customers fall under the high risk category customers from KYC purposes ..... (a) politically exposed persons of foreign origin, (b) companies having close shareholding, (c) firms having sleeping partners, (d) high net worth individuals.

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

Ans - a

---

The Four principal qualitative characteristics of useful financial statements are

- a. understandability, relevance, reliability, comparability
- b. timeliness, relevance, reliability, comparability
- c. understandability, relevance, accuracy, comparability
- d. understandability, relevance, reliability, simplicity

Ans - a

---

Earnings are the result of the difference between

- a. revenue and assets
- b. revenue and liabilities
- c. liabilities and expenses
- d. revenue and expenses

Ans - d

---

If balance is in debit in a personal account it represents .....

- a. creditors
- b. debtors
- c. liabilities
- d. expenses

Ans - b

---

.....  
The credit balance of an account is represented by (a) liability (b) expenses (c) asset (d) income  
.....

- a. b and c
- b. b and d
- c. a and c
- d. a and d

Ans - d  
.....

If balance is credit in a nominal account, it represents .....

- a. debtor
- b. creditor
- c. income
- d. expenses

Ans - c  
.....

The net present value of an investment at a given discount rate can be .....

- a. positive
- b. negative
- c. zero
- d. any of these

Ans - d  
.....

The net present value of an investment can be calculated by using the formula .....

- a.  $\text{summation} * C_1 / (1+r)^1 + C_2 / (1+r)^2 + \dots + C_n / (1+r)^n + +1$
- b.  $\text{summation} * C_1 / (1+r)^1 + C_2 / (1+r)^2 + \dots + C_n / (1+r)^n + -1$
- c.  $\text{summation} * C_1 / (1+r)^1 \times C_2 / (1+r)^2 \times \dots + C_n / (1+r)^n + -1$
- d.  $\text{summation} * C_1 / (1+r)^1 - C_2 / (1+r)^2 - \dots + C_n / (1+r)^n + -1$

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

.....

An investor invested Rs.7.50 lac in a project that gives profit of Rs.2 lac in the 1st year, Rs.2.60 lac in the 2nd year and Rs.4.50 lac in the 3rd year. At 10% discount rate, what is the net present value of the project?

- a. Rs.0.45 lac positive
- b. Rs.0.45 lac negative
- c. Rs.0.15 lac positive
- d. Rs.0.15 lac negative

Ans - d

.....

Which of the following is a method used under Transfer Pricing ..... (i) comparable uncontrolled price method, (ii) cost plus method, (iii) resale price method

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

Ans - d

.....

When the promoter of a business withdraws certain goods from the business for his personal use, his drawing account is debited. This is done due to application of .....

- a. going concern concept
- b. cost concept
- c. business entity concept
- d. realization concept

Ans - c

.....

When the exchange of currencies takes place on date of deal, which of the following type of exchange rate will be applicable?

- a. cash or ready rate
- b. TOM rate
- c. spot rate

d. forward rate

Ans - a

If the net present value of an investment or project is negative, it means .....

- a. the project cannot be taken up, as it would reduce the wealth of the shareholder
- b. the project can be taken up, as it would increase the wealth of the shareholder
- c. the project can neither be taken up nor it can be left, as it could prove to be remunerative
- d. none of the above

Ans - a

Internal rate of return can be calculated as .....

- a.  $0 = \text{summation} * C_1 / (1+r)^1 + C_2 / (1+r)^2 + \dots + C_n / (1+r)^n + 1$
- b.  $0 = \text{summation} * C_1 / (1+r)^1 + C_2 / (1+r)^2 + \dots + C_n / (1+r)^n - 1$
- c.  $0 = \text{summation} * C_1 / (1+r)^1 \times C_2 / (1+r)^2 \times \dots + C_n / (1+r)^n - 1$
- d.  $0 = \text{summation} * C_1 / (1+r)^1 - C_2 / (1+r)^2 - \dots + C_n / (1+r)^n - 1$

Ans - b

Which of the following meets the definition requirement of Internal Rate of Return?

- a. cost of capital of a project
- b. discount rate at which net present value is zero
- c. discount rate at which net present value must be positive
- d. discount rate at which net present value must be negative

Ans - b

Under double declining method of depreciation, if the amount of depreciation in any year is less than the amount of depreciation calculated as per SLM .....

- a. the amount calculated as per SLM to be taken
- b. the amount calculated as per double declining balance method to be taken

- c. the lower of the two amounts to be taken
- d. none of the above

Ans - a

.....

Where the equipment may be required to be replaced earlier than its useful life (as in case of computers), which of the following methods of depreciation, is more suitable?

- a. double declining balance method
- b. accelerated depreciation method
- c. WDV method
- d. SLM method

Ans - b

.....

Which of the following expenses by a firm cannot be taken as part of capital expenditure?

- a. Land & building
- b. Plant and machinery
- c. Technical know-how
- d. All of the above

Ans - d

.....

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

.....

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 .....

- a. 7800
- b. 8082
- c. 8100
- d. 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?

- a. 525563
- b. 552563
- c. 553562
- d. 565362

Ans - b

Solution:

$P = 1000000$

$R = 5\% \text{ p.a.}$

$T = 5 \text{ Y}$

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%.

- a. 13310
- b. 14641
- c. 14461
- d. 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?

- a. 25210
- b. 22150
- c. 22510
- d. 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?

- a. 6492.80
- b. 6758.62
- c. 6521
- d. 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
-

- b. 1.21
- c. 1
- d. 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 xyx 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

---

For a bookshop owner, which of the following item is a capital receipt?

- a. receipt of sales commission from the publisher
- b. cash discount from a supplier of stationery
- c. proceeds from the disposal of old bookshelf
- d. cash from sale of notebooks

Ans - b

.....

Mr. X import goods for his business. Import duty of goods is .....

- a. Capital expenditure
- b. Revenue expenditure
- c. Non-trading expenditure
- d. Revenue income

Ans - b

.....

On the last date of his food truck business, A food truck owner sold snacks worth Rs. 2 500 and sold his truck for Rs. 20,000. How should these receipts be treated in his business books?

- A. Capital Receipt - 0, Revenue Receipt - 22500
- B. Capital Receipt - 2500, Revenue Receipt - 20000
- C. Capital Receipt - 20000, Revenue Receipt - 2500
- D. Capital Receipt - 22500, Revenue Receipt - 0

Ans - c

.....

In comprehensive income statement we record ..... (i) Revenue receipt, (ii) Revenue income, (iii) Capital expenditure

- a. i & ii
- b. ii & iii
- c. i & iii
- d. ii

Ans - b

.....

Govind's income statement showed a loss for the year of Rs. 3500. It was later discovered that repairs to motor vehicles, Rs. 600, had been debited to motor vehicles. What was the actual loss for the year?

- a. Rs. 4700
- b. Rs. 2300
- c. Rs. 4100
- d. Rs. 2900

Ans - c

---

Babar is a wholesaler selling furniture to retailers. Which is a revenue receipt?

- a. Proceeds of sale of furniture at list price
- b. Proceeds from sale of old office equipment at book value
- c. Additional capital introduced to open a new furniture showroom
- d. Mid-term loan from the bank for working capital purpose

Ans - a

---

In statement of financial position we record ..... (i) Capital receipt, (ii) Revenue expenditure, (iii) Deferred Revenue expenditure

- a. i
- b. i & ii
- c. ii & iii
- d. i & iii

Ans - d

---

Which of the following are Deferred Revenue expenditure ..... (i) Paid Rs. 1,00,000 to Adv. Firm for publicity of goods for 3 years, (ii) Paid rent in advance for 3 months Rs. 15,000, (iii) Cost of Business transfer cost Rs. 25,000 from X to Y

- a. i
  - b. i & ii
  - c. ii & iii
-

d. i & iii

Ans - b

---

The cost of office equipment was debited to the purchases account in error. How this error affects the profit for the year and non-current assets?

- a. Profit for the year - Overstated, Non current assets - Overstated
- b. Profit for the year - Understated, Non current assets - Understated
- c. Profit for the year - Understated, Non current assets - Overstated
- d. Profit for the year - Overstated, Non current assets - Understated

Ans - b

---

A Computer system cost Rs. 9050. The price included Rs. 50 for cartridge refill. The total payment of Rs. 9050 was debited in the office equipment (computer) account. What is the effect of this error on the income statement and statement of financial position?

- a. Profit for the year - overstated by Rs. 50, Non current assets - overstated by Rs. 50
- b. Profit for the year - overstated by Rs. 50, Non current assets - understated by Rs. 50
- c. Profit for the year - understated by Rs. 50, Non current assets - overstated by Rs. 50
- d. Profit for the year - understated by Rs. 50, Non current assets - understated by Rs. 50

Ans - a

---

The features of Double Entry System are ..... (i) It has two parties; Receiver and Giver, (ii) Total amount of Debit will be equal to total amount of Credit, (iii) Receiver is Debit and Giver is Credit.

- a. i & ii
- b. ii & iii
- c. i & iii
- d. i, ii & iii

Ans - a

---

A company has accounts payable of Rs. 5 million with terms of 2% discount within 15 days, net 30 days (2/15 net 30). It can borrow funds from a bank at an annual rate of 12%, or it can wait until the 30th day when it will receive revenues to cover the payment. If it borrows funds on the last day of the discount period in order to obtain the discount, its total cost will be .....

- a. Rs. 51,000 less
- b. Rs. 75,500 less
- c. Rs. 100,000 less
- d. Rs. 24,500 more

Ans - b

---

Which of the following are limitations of ratio analysis?

- A) Ratio analysis may result in false results if variations in price levels are not considered
- B) Ratio analysis ignores qualitative factors
- C) Ratio Analysis ignores quantitative factors
- D) Ratio Analysis is historical analysis

- a. A, B and D
- b. A, C and D
- c. A, B and C
- d. A, B, C, D

Ans - a

---

Every 15 days a company receives Rs. 10,000 worth of raw materials from its suppliers. The credit terms for these purchases are 2/10, net 30, and payment is made on the 30th day after each delivery. Thus, the company is considering a 1-year bank loan for Rs. 9,800 (98% of the invoice amount). If the effective annual interest rate on this loan is 12%, what will be the net dollar savings over the year by borrowing and then taking the discount on the materials?

- a. Rs. 3,624
- b. Rs. 1,176
- c. Rs. 4,800
- d. Rs. 1,224

Ans - a

---

Generally, what type of accounts is not kept in Single entry system? (i) Asset, (ii) Income, (iii) Expense.

- a. i
- b. i & ii
- c. ii & iii
- d. i & iii

Ans - b

---

The following is also known as External Internal Equity ratio .....

- a. Current ratio
- b. Acid test ratio
- c. Debt Equity ratio
- d. Debt service coverage ratio

Ans - c

---

Double Entry System is a .....

- a. Reporting system
- b. Financial Statement preparation system
- c. Recording system
- d. Debit and Credit determining system

Ans - d

---

What type of transaction is Freight in word?

- a. Revenue
- b. Capital
- c. Deferred revenue
- d. Operating

Ans - a

---



Budgeting is difficult to apply in the following cases .....

- a. Products subjected to rapid changes
- b. Job order manufacturing
- c. Uncertain market conditions
- d. All of the above

Ans - d

.....

A Master Budget consists of .....

- a. Sales budget
- b. Production budget
- c. Material budget
- d. All of the above

Ans - d

.....

Which of the following statements is true?

- a. Cash is decreased when new debt is issued to purchase holiday merchandise
- b. Accepting the credit offered by a supplier is a source of cash
- c. Increasing the use of trade credit offered by a supplier is a use of cash
- d. Collecting an accounts receivable is a use of cash

Ans - b

.....

Which one of the following will increase the operating cycle?

- a. increasing the inventory period
- b. decreasing the cash cycle
- c. decreasing the accounts payable period
- d. increasing the accounts payable period

Ans - a

.....

Which one of the following actions should a manager take if he or she wants to decrease the operating cycle?

- a. decrease the period of time for which credit is granted to customers
- a. b.. decrease the rate at which the average inventory is sold
- b. delay payments to suppliers to decrease the cash cycle
- c. increase the inventory level while maintaining constant sales

Ans - a

.....

Lower the Debt Equity ratio .....

- a. Lower the protection to creditors
- b. Higher the protection to creditors
- c. It does not affect creditors
- d. None of the above

Ans - b

.....

A higher inventory ratio indicates .....

- a. Better inventory management
- b. Quicker turnover
- c. Both 'A' and 'B'
- d. None of the above

Ans - c

.....

Following is (are) the characteristic(s) of a budget .....

- a. It outlines projected activities
- b. Expressions are made in quantitative terms
- c. It is for a fixed period
- d. All of the above

Ans - d

.....

---

Sales expenditure budget is prepared by estimating the expense(s) of .....

- a. Advertisement
- b. Market analysis
- c. Salesman's salary
- d. All of the above

Ans - d

.....

When the concept of ratio is defined in respected to the items shown in the financial statements, it is termed as .....

- a. Accounting ratio
- b. Financial ratio
- c. Costing ratio
- d. None of the above

Ans - a

.....

The objectives of Cash Flow Statement are .....

- A) Analysis of cash position
- B) Short-term cash planning
- C) Evaluation of liquidity
- D) Comparison of operating Performance

- a. Both A and B
- b. Both A and C
- c. Both B and D
- d. A, B, C, D

Ans - d

.....

All else equal, which one of the following will decrease the cash cycle?

- a. increasing the operating cycle
  - b. decreasing the accounts receivable turnover rate
-

- c. decreasing the accounts payable period
- d. increasing the inventory turnover rate

Ans - d

.....

Which of the following would not be financed from working capital?

- a. Cash float
- b. Accounts receivable
- c. Credit sales
- d. A new personal computer for the office

Ans - d

.....

In assessing the loan value of inventory, a banker will normally be concerned about the portion of inventory that is work-in-process because

- a. WIP inventory is relatively easy to sell because it does not represent a raw material or a finished product.
- b. WIP inventory usually has the highest loan value of the different inventory types.
- c. WIP generally has the lowest marketability of the various types of inventories.
- d. WIP represents a lower investment by a corporation as opposed to other types of inventories.

Ans - c

.....

When a company analyzes credit applicants and increases the quality of the accounts rejected, the company is attempting to .....

- a. Maximize sales
- b. Increase bad-debt losses
- c. Increase the average collection period
- d. Maximize profits

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 ?

- a. 5000
- b. 4212.36
- c. 3125.65
- d. 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..

$$PV(90000,10\%,5) = \{ 90000 \times (1.10^5 - 1) / 0.10 \} / 1.1^5$$

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 deposit 2000/- each year for the next three years into an account that pays 8%.  
How much will you have in 3 years?

- a. 6492.80
- b. 6758.62
- c. 6521
- d. 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

$$\text{FV of annuity} = A/r \times \{(1+r)^n - 1\}$$

$$\text{Now FV} = 2000/0.08 \times \{(1+0.08)^3 - 1\}$$

i.e Rs 6492.80

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..

$$\begin{aligned} \text{PV}(90000, 10\%, 5) &= \{ 90000 \times (1.10^5 - 1) / 0.10 \} / 1.1^5 \\ &= 341171 \end{aligned}$$

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.

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

- a. 14734
- b. 14347
- c. 13437
- d. 13734

Ans – b

Explanation :

Here,

$$P = 1000000$$

$$R = 12\% \text{ monthly} = 0.01\% \text{ p.a.}$$

T = 10 Y = 120 months

$$EMI = P * R * [(1+R)^T / (1+R)^T - 1]$$

So,

$$EMI = 1000000 * 0.01 * (1+0.01)^{120} \div \{(1+0.01)^{120} - 1\}$$
$$= 14347$$

---

If rate of interest changes from 8% this year to 10% next year what is Future value of Rs 100 in 2 year

- a. 116.64
- b. 121.00
- c. 118.80
- d. none of these

Ans - c

Solution

$$FV = PV * (1+r)^n$$
$$= 100 * (1.08) * (1.10)$$
$$= 100 * 1.188$$
$$= 118.80$$

---

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.

- a. 81679
- b. 81769
- c. 81967
- d. 81976

Ans - c

Solution

$$FV = PV * (1+r)^n - 1/r$$
$$500000 = PV * (1+0.10)^5 - 1/0.10$$
$$500000 = PV * (1.61051 - 1) / 0.10$$

---

$$500000 = PV * (0.61051 / 0.10)$$
$$PV = 500000 / 0.61051$$
$$= 81967$$

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.

- a. 978
- b. 987
- c. 897
- d. 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,

$$PV = 20000 \div (1+0.00833)^{24}$$
$$= 16388.07$$

So, total amount = 25000 + 16388.07 = 41388.07

Now,  
 $P = 41388.07$ ,  
 $R = 10\% \div 12 = 0.00833$ ,  
 $T = 5 * 12 = 60$  months

$$EMI = P * R * [(1+R)^T / ((1+R)^T - 1)]$$
$$EMI = (41388.07 * 0.00833) * \{(1.00833)^{60} \div (1.00833)^{60} - 1\}$$
$$= 879$$



A person wants to receive Rs. 1250 every quarter for 5 years @ 12% roi. How much he should invest now?

- a. 18975
- b. 18795
- c. 18579
- d. 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?

- a. 986
- b. 968
- c. 896
- d. 869

Ans - a

Explanation :

Here,

$$P = 50000$$

$$R = 18\% = 18\% \div 12 = 0.015\% \text{ monthly}$$

---

T = 8 yrs = 96 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?

- a. 498489
- b. 498849
- c. 498948
- d. 498984

Ans - a

Explanation :

Here,

P = 40000  
R = 5% p.a.  
T = 20 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?

- a. 116153
- b. 111563
- c. 115163
- d. 111653

Ans - d

Explanation :

---

Here,

$$P = 9 \text{ lac}$$

$$R = 9\% \text{ p.a.}$$

$$T = 15 \text{ yrs}$$

$$\text{EMI} = P * R * [(1+R)^T / ((1+R)^T - 1)]$$

$$\begin{aligned} \text{EMI} &= 900000 * 0.09 * 1.0915 \div (1.0915 - 1) \\ &= 111653 \end{aligned}$$

A sum of Rs. 25, 000 is borrowed over 8 years. What will be the monthly repayments @ 18% compounded monthly?

- a. 439
- b. 493
- c. 394
- d. 349

Ans - b

Explanation :

Here,

$$PV = \text{Rs. } 25000$$

$$T = 8 \text{ years} = 8 \times 12 = 96 \text{ months}$$

$$R = 18\% = 18\% \div 12 = 0.015\% \text{ monthly}$$

$$PV = P / R * [(1+R)^T - 1] / (1+R)^T$$

$$25000 = P \times (1.01596 - 1) \div (0.015 \times 1.01596)$$

$$25000 = P \times 50.7017$$

$$P = 25000 / 50.7017$$

$$= 493$$

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?

- a. 12390
- b. 12093
- c. 12930
- d. 12039

Ans - c

Explanation :

Here,

P = Rs. 300

T = 4 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

- a. 454595
- b. 127628
- c. 162889
- d. 432948

Ans - d

Solution

$$PV = A/R * (1+r)^n - 1 / (1+r)^n \\ = (100000/0.05) * (1+0.05)^5 - 1 / (1+0.05)^5 \\ = 2000000 * 1.27628156 - 1 / 1.27628156 \\ = 2000000 * 0.27628156 / 1.27628156$$

---

$$=2000000*0.216474$$
$$=432948$$

---

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?

- a. 38520
- b. 38250
- c. 35820
- d. 35280

Ans - d

Solution

Here,

$$P = 65600$$

$$R = 5\% \text{ p.a.}$$

$$T = 2 \text{ yrs}$$

$$EMI = P * R * [(1+R)^T / ((1+R)^T - 1)]$$

$$= 65600 * 0.05 * ((1+0.05)^2 / ((1+0.05)^2 - 1))$$

$$= 3280 * (1.1025 / (1.1025 - 1))$$

$$= 3280 * (1.1025 / 0.1025)$$

$$= 3280 * 10.756097$$

$$= 35279.99$$

$$= 35280$$

---

Bobo LLC's has an asset base of Rs. 1 million. After a dividend payment of Rs. 40,000, Bobo added Rs. 50,000 to retained earnings. What is Bobo's internal growth rate?

- a. 1 percent
- b. 4 percent
- c. 5 percent
- d. 9 percent

Ans - c

---

.....  
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?

- a. Rs.16000
- b. Rs.18000
- c. Rs.24000
- d. 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. ....

- a. 45000
- b. 41000

- c. 39000  
d. 35000

Ans - a

(a) Credit balance of the pass book means it is a deposit account (b) credit balance of the cash book means it is an 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

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 = ?

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

Ans - c

Explanation :

$$600 / (200+100) = 2 : 1$$

---

2. Tangible Net Worth = ?

- a. 100
- b. 200
- c. 300
- d. 400

Ans - b

Explanation :

Only equity Capital i.e. = 200

---

3. Total Liabilities to Tangible Net Worth Ratio = ?

- a. 7:2
- b. 11:2
- c. 13:2
- d. 15:2

Ans - b

Explanation :

Total Outside Liabilities / Total Tangible Net Worth :  $(600+400+100) / 200 = 11 : 2$

---

4. Current Ratio = ?

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

- a. Original
- b. Final
- c. Daily
- d. 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?

- a. 101086  
b. 101186  
c. 110186  
d. 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

$$\begin{aligned} A &= P(1+r/100)^n \\ &= 10000 (1+4/100)^2 \\ &= 10000 (1.04)^2 \\ &= 10000 (1.0816) \\ &= 10816 \end{aligned}$$

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.

- a. Goodwill
- b. Liabilities
- c. Losses
- d. 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.

- A. 4%
- B. 5%
- C. 6%
- D. 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:

- a. Increase
- b. No effect
- c. Changes
- d. Decrease

Ans - d

.....

Decrease in asset is credited but decrease in capital

- a. Credited
- b. Debited
- c. Either a or b
- d. 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

- A. 4100
- B. 4200
- C. 4300
- D. 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:

- a. Debit
- b. Credit
- c. None
- d. 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:

- a. Pay-in-slip
- b. Deposit slip
- c. Cheque
- d. Cash

Ans - c

.....

When a cheque is deposited in bank, bank will our a/c:

- a. Credit
- b. Debit
- c. Add
- d. 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

$$\begin{aligned} \text{Gain of B} &= 3500 * 11.5 / 100 * 3 - 3500 * 10 / 100 * 3 \\ &= 1207.50 - 1050 \\ &= 157.50 \end{aligned}$$

.....

.....  
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)?

- a. 73.75
- b. 125
- c. 1.69
- d. 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...

- a. 167
- b. 333
- c. 500

d. 833

Ans - a

---

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

- a. Authorised
- b. Subscribed
- c. Both a & b
- d. 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 2nd year = 2640  
A 1st Year = 2640  
P 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

$$\begin{aligned} A &= P(1+r/100)^n \\ &= 5000 (1+5/100)^2 \\ &= 5000 (1.05)^2 \\ &= 5000 (1.1025) \\ &= 5512.50 \end{aligned}$$

$$\begin{aligned} CI &= \text{Amount} - \text{Principal} \\ &= 5512.50 - 5000 \\ &= 512.50 \end{aligned}$$

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.

- a. Annuities
  - b. Interest
  - c. Simple Interest
-

d. Compound Interest

Ans - d

In book keeping, Capital account is a .....account.

- a. nominal
- b. real
- c. personal
- d. 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 = Rs.  $128/1552 \times 97$  = Rs. 8

Dividend = 8%

When a currency is at discount in future or for a future value date, it is

- a. Costlier
- b. Cheaper
- c. Equal
- d. 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?

- a. 2000
- b. 2500
- c. 3000
- d. 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.....

- a. 1:1
- b. 1.5:1
- c. 2:1
- d. 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?

- a. 33348
- b. 33438
- c. 34348
- d. 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.

- a. 227000
- b. 235000
- c. 265000
- d. 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?

- a. 522563
- b. 525263
- c. 552563
- d. 555263

Ans - c

Solution:

$P = 1000000$

$R = 5\% \text{ p.a.}$

---

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,

$$FVOA = (100000 \div 0.05) * \{ \{1 + 0.05\}^5 - 1 \}$$
$$= 552563 \text{ Ans}$$

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?

- a. 508191  
b. 508911  
c. 580191  
d. 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:

- a. Payment
- b. Purchase
- c. Sale
- d. 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 .....

- a. half
- b. double
- c. one fourth
- d. 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?

- a. 1500
- b. 1800
- c. 2000
- d. 2500

Ans - c

.....

Audit of books of accounts is statutory requirement for-

- a. Companies
- b. Any business organization having annual turnover above Rs 40 lacs
- c. Any professional concern having professional income exceeding Rs 10 lacs in a year
- d. 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.

- a. 10000  
b. 20000  
c. 40000  
d. 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.

- a. 423498  
b. 423948  
c. 432498  
d. 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,

.....

$$PVOA = (100000 \div 0.05) \times \{(1+0.05)^5 - 1\} \div (1+0.05)^5$$
$$= 432948 \text{ Ans}$$

.....

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.

- a. 10000
- b. 23500
- c. 24000
- d. 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 .....

- a. 01.03.2014
- b. 06.03.2014
- c. 01.05.2014
- d. 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.

- a. 23004  
b. 23404  
c. 24003  
d. 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?

- a. 10%
- b. 20%
- c. 25%
- d. 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

---

Cash Flow Statement is based upon .....

- a. Cash basis of accounting
- b. Accrual basis of accounting
- c. Credit basis of accounting
- d. None of the above

Ans - a

.....

Which one of the following statements is correct concerning the accounts payable period?

- a. Managers generally prefer a shorter accounts payable period than a longer one
- b. The accounts payable period is equal to the cost of goods sold divided by the average accounts payable
- c. Extending the accounts payable period effectively decreases the cash needs of a firm
- d. Increasing the accounts payable turnover rate increases the accounts payable period

Ans - a

.....

Return on Investment Ratio (ROI) = .....

- a.  $(\text{Gross profit} / \text{Net sales}) \times 100$
- b.  $(\text{Gross profit} \times \text{Sales} / \text{Fixed assets}) \times 100$
- c.  $(\text{Net profit} / \text{Sales}) \times 100$
- d.  $(\text{Net profit} / \text{Total assets}) \times 100$

Ans - d

.....

A Low Return on Investment Ratio (ROI) indicates .....

- a. Improper utilization of resources
- b. Over investment in assets
- c. Both 'a' and 'b'
- d. None of the above

Ans - c

.....

---

.....  
A trader had the following transactions. Credit sales Rs. 50 000, cash receipt of Rs. 10 000 from the sale of the old motor vehicle at book value. How would these transactions be classified in the trader's books?

- a. Revenue Receipt - 0, Capital Receipt - 60000
- b. Revenue Receipt - 60000, Capital Receipt - 0
- c. Revenue Receipt - 50000, Capital Receipt - 10000
- d. Revenue Receipt - 10000, Capital Receipt - 50000

Ans - c  
.....

A bond with a coupon rate of 8%, paid annually, and a face value of Rs. 1,000 matures in 6 years. If the current annual market interest rate is 6%, what is the bond's market value?

- a. Rs. 1,098
- b. Rs. 1,089
- c. Rs. 998
- d. Rs. 1,198

Ans - a

Solution:

The interest annuity payment is  $0.08 * 1,000 = \text{Rs. } 80.00$   
Bond market value =  $PVIFA(6\%, 6 \text{ yrs}) * 80 + PVIF(6\%, 6 \text{ yrs}) * 1,000$   
 $= 4.9173 * 80 + 0.7050 * 1,000$   
 $= 393.39 + 704.96$   
 $= \text{Rs. } 1,098.35.$   
.....

All of the following are valid reasons for a business to hold cash and marketable securities except to .....

- a. Satisfy compensating balance requirements
- b. Maintain adequate cash needed for transactions
- c. Meet future needs
- d. Earn maximum returns on investment assets

Ans - d  
.....  
.....

Which of the following actions would not be consistent with good management?

- a. Increased synchronization of cash flows
- b. Minimize the use of float
- c. Maintaining an average cash balance equal to that required as a compensating balance or that which minimizes total cost
- d. Use of checks and drafts in disbursing funds

Ans - b

---

When managing cash and short-term investments, a corporate treasurer is primarily concerned with .....

- a. Maximizing rate of return
- b. Minimizing taxes
- c. Investing in Treasury bonds since they have no default risk
- d. Liquidity and safety

Ans - d

---

Accounts receivable turnover will normally decrease as a result of .....

- a. The write-off of an uncollectible account (assume the use of the allowance for doubtful accounts method)
- b. A significant sales volume decrease near the end of the accounting period
- c. An increase in cash sales in proportion to credit sales
- d. A change in credit policy to lengthen the period for cash discounts

Ans - d

---

Anu borrowed Rs.800 at rate of interest 10% . He repaid Rs.400 at the end of first year.What is the amount required to repay at the end of second year to discharge his loan which was calculated at compound interest?

- a. Rs.650
- b. Rs.528
- c. Rs.490



d. Rs.780

Ans - b

Solution:

Amount paid at the end of 1 year =  $800[1 + 10/100] = 880$

Amount left as principal for the second year =  $880 - 400 = 480$

Amount to be paid after 2nd year =  $480 [1 + 10/100] = \text{Rs.}528$

---

The goal of credit policy is to .....

- a. Extend credit to the point where marginal profits equal marginal costs
- b. Minimize bad debt losses
- c. Minimize collection expenses
- d. Maximize sales

Ans - a

---

The definition, "The term accounting ratio is used to describe significant relationship which exist between figures shown in a balance sheet, in a profit and loss account, in a budgetary control system or in a any part of the accounting organization" is given by .....

- a. Biramn and Dribin
- b. Lord Keynes
- c. J. Betty
- d. None of the above

Ans - c

---

The credit and collection policy of Amargo Co. provides for the imposition of credit block when the credit line is exceeded and/or the account is past due. During the month, because of the campaign to achieve volume targets, the general manager has waived the credit block policy in a number of instances involving big volume accounts. The likely effect of this move is .....

- a. Deterioration of aging of receivables only
  - b. Increase in the level of receivables only
  - c. Deterioration of aging and increase in the level of receivables
-

d. Decrease in collections during the month the move was done

Ans - c

.....

As per Accounting Standard-3, Cash Flow is classified into .....

- a. Operating activities and investing activities
- b. Investing activities and financing activities
- c. Operating activities and financing activities
- d. Operating activities, financing activities and investing activities

Ans - d

.....

An increase in sales resulting from an increased cash discount for prompt payment would be expected to cause .....

- a. An increase in the operating cycle
- b. An increase in the average collection period
- c. A decrease in the cash conversion cycle
- d. A decrease in purchase discounts taken

Ans - c

.....

A strict credit and collection policy is in place in Star Co. As Finance Director you are asked to advise on the propriety of relaxing the credit standards in view of stiff competition in the market. Your advise will be favorable if .....

- a. The competitor will do the same thing to prevent lost sales
- b. There is a decrease in the distribution level of your product, and a more aggressive stance in necessary to retain market share
- c. The projected margin from increased sales will exceed the cost of carrying the incremental receivables
- d. The account receivable level is improving, so the company can afford the carrying cost of receivables

Ans - c

.....

---

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

The balance in the accumulated provision for depreciation account of a company as at the beginning of the year 2017-2018 was Rs. 2,00,000 when the original cost of the assets amounted to Rs. 10,00,000. The company charges full 10% depreciation on a straight line basis for all the assets including those which have been either purchased or sold during the year. One such asset costing Rs. 5,00,000 with accumulated depreciation as at the beginning of the year of Rs. 1,00,000 was disposed of during the year.

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

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

Ans - d

---

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

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

Ans - b

---

The following are desirable in cash management except .....

- a. Cash is collected at the earliest time possible
- b. Most sales are on cash basis and receivables are aged "current"
- c. Post-dated checks are not deposited on time upon maturity
- d. All sales are properly receipted and promptly deposited intact

Ans - c

---

Which one of the following documents is not generated on EOD?

- a. Audit Trail
- b. Supplementary
- c. Balance Sheet
- d. 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 .....

- a. Interest
- b. Principal amount
- c. Amount
- d. 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 :

.....

.....  
 $D = \frac{n}{E(\sigma)n}(\text{cost} - \text{Residual Value})$   
 $E(\sigma)n = 1+2+3+4+5 = 15$   
Cost-Residual Value = 1600000 - 100000 = 1500000

1st year =  $\frac{5}{15}(1500000) = 500000$   
2nd year =  $\frac{4}{15}(1500000) = 400000$   
3rd year =  $\frac{3}{15}(1500000) = 300000$   
4th year =  $\frac{2}{15}(1500000) = 200000$   
5th year =  $\frac{1}{15}(1500000) = 100000$   
.....

Instruments payable to order can be transferred or negotiated by

- a. Endorsement & delivery
- b. Mere delivery
- c. Encashment
- d. 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 = Rs.  $100/10 \times 12 =$  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 ...

- a. Compensation
- b. Commission
- c. Omission
- d. 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 :

- a. Compulsory
- b. Important
- c. Optional
- d. 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.

- a. Rs. 80,250/-
- b. Rs. 75,000/-
- c. Rs. 90,000/-
- d. 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.

- a. Rs. 72,500/-
- b. Rs. 72,250/-
- c. Rs. 82,250/-
- d. 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.

- a. 1:1.5
- b. 1:3
- c. 1.5:1
- d. 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
- .....

- b. Rs.25,000  
c. Rs.27,500  
d. Rs 36,000

Ans - b

A man invests in a 4.5% stock at 96. The interest obtained by him is .....

- a. 0.5%  
b. 1%  
c. 4.5%  
d. 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

- a. LIFO
- b. FIFO
- c. WACM
- d. 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.

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

- a. 0.5
- b. 1
- c. 2
- d. 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
-

- b. 56760000
- c. 56785000
- d. None of the above

Ans - b

.....

Ideal ratio for "Fixed Asset Ratio" is

- a. 0.5
- b. 1
- c. 2
- d. 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?

- a. 8445
- b. 8454
- c. 8545
- d. 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 =

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

So,

$$\begin{aligned} \text{EMI} &= 500000 * 0.0075 * 1.0075^{120} \div (1.0075^{120} - 1) \\ &= (500000 * 0.0075 * 2.4514) \div 1.4514 \\ &= 12257 / 1.4514 \end{aligned}$$

= 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?

- a. 167894
  - b. 176984
  - c. 187964
-

d. 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,

$$\begin{aligned} \text{EMI} &= 1000000 * 0.12 * 1.12^{10} \div (1.12^{10} - 1) \\ &= (1000000 * 0.012 * 3.1058) \div 2.1058 \\ &= 372702 / 2.1058 \\ &= 176984 \end{aligned}$$

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 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 .....

- a. Provision  
b. Reserve  
c. Contingent Liability  
d. Current Liability

Ans - a

In retail business, widely followed method of inventory valuation is

- a. FIFO
- b. Weighted average
- c. Adjusted selling price
- d. 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 .....

- a. One-time project
- b. An ongoing process
- c. To be carried out every 2 years
- d. To be carried out every 5 years

Ans – b

.....

---

Joint venture account is

- a. Nominal
- b. personal
- c. Real
- d. 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 ...%

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

- b. 4.5
- c. 5.5
- d. 6.7

Ans - b

Explanation:

By investing Rs. 90,000, income = Rs. 4,500

By investing Rs. 90, income = Rs.  $4500/90000 \times 90$  = 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 principal 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

$$\begin{aligned} A &= P(1+r/100)^n \\ &= 4000 (1+8/100)^3 \\ &= 4000 (1.08)^3 \\ &= 4000 (1.2597) \\ &= 5039 \end{aligned}$$

CI = Amount - Principal

---

.....

$$= 5039 - 4000$$
$$= 1039$$

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 =  $400/10*100 = 4000$

Now let us calculate, compound interest on Rs. 4000 at 10% p.a for 4 years

$$A = P(1+r/100)^n$$
$$= 4000 (1+10/100)^4$$
$$= 4000 (1.1)^4$$
$$= 4000 (1.4641)$$
$$= 5856$$

$$CI = \text{Amount} - \text{Principal}$$
$$= 5856 - 4000$$
$$= 1856$$

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.

- a. Suspense
- b. Sundry Creditor
- c. Sundry Debtor
- d. Head Cashier

Ans – b

.....

Category-wise accounts for various types of transactions put through inter-branch accounts to be maintained wef .....

- a. 01.01.1998
- b. 01.04.1998
- c. 01.01.1999
- d. 01.04.1999

Ans - d

.....

Which of the following is not an example for credit voucher?

- a. Pay-in-Slips
- b. Challans for deposits into Govt Accounts
- c. Letters of authority signed by the customers, containing standing instructions
- d. Application for issue of DD, TD, RTGS/NEFT

Ans - c

.....

..... process is done for all the branches at one consolidated stretch.

- a. EOD/BOD
- b. EOD/SOD
- c. SOD/BOD
- d. 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...

- a. 16700
  - b. 33300
-

- c. 50000  
d. 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 .....

- a. Rs.20,000/- & above  
b. Rs.50,000/- & above  
c. Rs.75,000/- & above  
d. 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

$$\begin{aligned} A &= P(1+r/100)^n \\ &= 4000 (1+8/100)^3 \\ &= 4000 (1.08)^3 \\ &= 4000 (1.2597) \\ &= 5039 \end{aligned}$$

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
- c. YTM
- d. Redemption Value

Ans - c

.....

In exchange of currencies deal, "cash" is also called as

- a. TOM
- b. Ready
- c. Spot
- d. 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%?

- a. 121,000
- b. 100,500
- c. 110,000
- d. 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?

- a. 208.16
- b. 218.06
- c. 268.16
- d. 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 .....

- a. 10
- b. 18
- c. 21
- d. 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?

- a. 12390
- b. 12930
- c. 13290
- d. 13920

Ans - b

Hint:

Use FVOA formula to find FV. Here C is given.

Ans is 12930

---

.....

A financial services company offers savings vehicles, such as CDs, to its clients. CD A has an amount of Rs. 2,000, a term of 1 year, and an annual interest of 5% paid quarterly. CD B has an amount of Rs. 5,000, a term of 3 years, and an annual interest of 6% paid semi-annually. CD C has an amount of Rs. 8,000, a term of 4 years, and an annual interest of 7% paid semi-annually. CD D has an amount of Rs. 12,000, a term of 6 years, and an annual interest of 8% paid monthly. CD E has an amount of Rs. 15,000, a term of 10 years, and an annual interest of 10% paid semi-annually.

1. What is the future value of CD A?

- a. Rs. 2,102
- b. Rs. 2,100
- c. Rs. 2,110
- d. Rs. 2,000

Ans - a

Solution :

The FVIF is 1.051

The future value is Rs. 2,000 \* 1.051  
= Rs. 2,102

.....

2. What is the future value of CD B?

- a. Rs. 5,955
- b. Rs. 5,790
- c. Rs. 5,970
- d. Rs. 5,570

Ans - c

Solution :

The FVIF is 1.194

The future value is Rs. 5,000 \* 1.194  
= Rs. 5,970

.....

3. What is the future value of CD C?

- a. Rs. 10,536
- b. Rs. 10,955
- c. Rs. 10,844
- d. Rs. 10,488

Ans - a

Solution :

The FVIF is 1.317

The future value is Rs. 8,000 \* 1.317  
= Rs. 10,536

---

4. What is the future value of CD D?

- a. Rs. 19,632
- b. Rs. 19,044
- c. Rs. 19,362
- d. Rs. 19,326

Ans - c

Solution :

The FVIF is 1.6135

The future value is Rs. 12,000 \* 1.6135  
= Rs. 19,362

---

5. What is the future value of CD E?

- a. Rs. 39,810
- b. Rs. 39,910
- c. Rs. 38,900
- d. Rs. 39,800

Ans - d

Solution :

The FVIF is 2.6533

The future value is Rs. 15,000 \* 2.6533

= Rs. 39,800

---

In the books of D Ltd. the machinery account shows a debit balance of Rs. 60,000 as on April 1, 2016. The machinery was sold on September 30, 2017 for Rs. 30,000. The company charges depreciation @20% p.a. on diminishing balance method.

1. Depreciation for 2016-17 = .....

- a. Rs. 6,000
- b. Rs. 9,000
- c. Rs. 4,800
- d. Rs. 12,000

Ans - d

---

2. Depreciation for 2017-18 = .....

- a. Rs. 6,000
- b. Rs. 9,000
- c. Rs. 4,800
- d. Rs. 12,000

Ans - c

---

3. Profit / Loss on sale = .....

- a. Rs. 13,200 Profit
- b. Rs. 13,200 loss
- c. Rs. 6,800 profit
- d. Rs. 6,800 loss

Ans - b

---

A retail trader treated a capital expenditure item as revenue expenditure. What effect will this have on his accounting books?

- a. Assets and Liabilities totals will not balance in the statement of financial position.
- b. The trial balance will not balance
- c. The income statement will show a more gross profit for the year
- d. The Income statement will show a lower profit for the year

Ans - d

---

A business bought a new computer system for office use. Which of the following is treated as revenue expenditure?

- a. computer speaker
- b. computer software
- c. laser printer cartridge refill
- d. laser printer

Ans - c

---

Which one is correct?

- a. Opening capital = opening total assets - closing total assets
- b. Closing capital = opening total liabilities + closing total liabilities
- c. Opening capital = opening total assets - opening total liabilities
- d. Closing capital = opening total assets + closing total assets

Ans - c

---

Which one is used a rough working for financial statement?

- a. Trial balance
- b. Adjusting entries
- c. Closing entries
- d. Works sheet

Ans - d

---

Which of the following are revenue expenditure for an office equipment dealer? (1) sales promotion costs, (2) Warehouse extension costs, (3) purchase of office equipment for resale, (4) Purchase of delivery vehicle for sales department

- a. 1 and 2
- b. 1 and 3
- c. 2 and 4
- d. 3 and 4

Ans - b

If opening capital is Rs. 70,000 and closing capital is Rs. 90,000, what is the amount of profit or loss?

- a. Profit Rs. 20,000
- b. Loss Rs. 20,000
- c. Loss Rs. 70,000
- d. Profit Rs. 90,000

Ans - a

Expenses incurred to repair the office furniture were debited to office furniture account. How would this affect the profit for the year and the non-current assets?

- a. Profit for the year - Overstated, Non current assets - Overstated
- b. Profit for the year - Understated, Non current assets - Understated
- c. Profit for the year - Understated, Non current assets - Overstated
- d. Profit for the year - Overstated, Non current assets - Understated

Ans - a

Now-a-day's base of accounting is ..... (i) Cost accounting system, (ii) Single entry system, (iii) Double entry system

- a. i
- b. ii
- c. iii



d. i & iii

Ans - c

A bond with a coupon rate of 8%, paid quarterly, and a face value of Rs. 1,000 matures in 12 years. If the current annual market interest rate is 10%, what is the bond's market value?

- a. Rs. 861
- b. Rs. 877
- c. Rs. 816
- d. Rs. 961

Ans - a

Solution:

The interest annuity payment is  $0.08/4 * 1,000 = \text{Rs. } 20.00$  every 3 months  
Bond market value =  $PVIFA(2.5\%, 48 \text{ per}) * 80 + PVIF(2.5\%, 48 \text{ per}) * 1,000$   
 $= 27.7732 * 20 + 0.3057 * 1,000$   
 $= 555.46 + 305.67$   
 $= \text{Rs. } 861.13.$

A bond with a coupon rate of 8%, paid quarterly, and a face value of Rs. 1,000 matures in 12 years. If the current annual market interest rate is 7%, what is the bond's market value?

- a. Rs. 981
- b. Rs. 1,081
- c. Rs. 1,011
- d. Rs. 1,008

Ans - b

Solution:

The interest annuity payment is  $0.08/4 * 1,000 = \text{Rs. } 20.00$  every 3 months  
Bond market value =  $PVIFA(1.75\%, 48 \text{ per}) * 80 + PVIF(1.75\%, 48 \text{ per}) * 1,000$   
 $= 32.2938 * 20 + 0.4349 * 1,000$   
 $= 645.88 + 434.86$   
 $= \text{Rs. } 1,080.74$

Which one is the principle of Double Entry System?

- a. Purchase increases Debit, income decreases Credit
- b. Expense increases Debit, Income decreases Credit
- c. Receiver is Debit and Giver is Credit
- d. Receiver is Credit and Giver is Debit

Ans - c

.....

Which sequence is correct?

- a. Trial balance, adjusting entries, works sheet, financial statement
- b. Adjusting entries, trial balance, financial statement, works sheet
- c. Works sheet, trial balance, adjusting entries, financial statement
- d. Trial balance, works sheet, adjusting entries, financial statement

Ans - a

.....

The purchase of office furniture was wrongly recorded as repairs to furniture. What is the effect of this error?

- a. gross profit is overstated
- b. profit for the year is understated
- c. non-current assets are overstated
- d. current assets are understated

Ans - b

.....

A high turnover of accounts receivable, which implies a very short days-sales outstanding, could indicate that the firm .....

- a. Has a relaxed (lenient) credit policy
- b. Offers small discounts
- c. Uses a lockbox system, synchronizes cash flows, and has short credit terms
- d. Has an inefficient credit and collection department

Ans - c

.....

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

On October 1, 2014 two machines costing Rs. 20,000 and Rs. 15,000 respectively, were purchased. On March 31, 2018, both the machines had to be discarded because of damage and had to be replaced by two machines costing Rs. 25,000 and Rs. 20,000 respectively. One of the discarded machine was sold for Rs. 10,000 and against the other it was expected that Rs. 5,000 would be realized. The firm provides depreciation @15% on written down value method

1. Depreciation for the 2016-17 year = .....

- a. Rs. 2,625
- b. Rs. 4,856
- c. Rs. 4,128
- d. Rs. 3,509

Ans - c

.....

2. The total amount of depreciation written off on the two machines till they were discarded is .....

- a. Rs. 21,000
- b. Rs. 15,118
- c. Rs. 13,595
- d. Rs. 18,194

Ans - b

.....

It is held that the level of accounts receivable that the firm has or holds reflects both the volume of a firm's sales on account and a firm's credit policies. Which one of the following items is not considered as part of the firm's credit policies?

- a. The minimum risk group to which credit should be extended
- b. The extent (in terms of money) to which a firm will go to collect an account
- c. The length of time for which credit is extended
- d. The size of the discount that will be offered

Ans - d

.....

A firm that often factors its accounts receivable has an agreement with its finance company that requires the firm to maintain a 6% reserve and charges 1% commission on the amount of receivables. The net proceeds would be further reduced by an annual interest charge of 10% on the monies advanced. Assuming a 360-day year, what amount of cash (rounded to the nearest dollar) will the firm receive from the finance company at the time a Rs. 100,000 account that is due in 90 days is turned over to the finance company?

- a. Rs. 93,000
- b. Rs. 90,000
- c. Rs. 83,700
- d. Rs. 90,675

Ans - d

---

The ratios that refer to the ability of the firm to meet the short term obligations out of its short term resources .....

- a. Liquidity ratio
- b. Leverage ratios
- c. Activity ratios
- d. Profitability ratios

Ans - a

---

Which transaction is a capital receipt?

- a. cash received from sale of inventory
- b. bank interest received on deposits
- c. premises rent received from the tenant
- d. proceeds of sale of equipment

Ans - d

---

Building repairs, Rs. 3500, were debited to the Buildings account. Buildings were depreciated at 5% per annum on balance of the account at the year end. What is the effect of the error?

- a. Profit for the year - Overstated Rs. 3500, Non current assets - Overstated Rs. 3500
-

- b. Profit for the year - Overstated Rs. 3325, Non current assets - Overstated Rs. 3325
- c. Profit for the year - Understated Rs. 3500, Non current assets - Understated Rs. 3500
- d. Profit for the year - Understated Rs. 3325, Non current assets - Understated Rs. 3325

Ans - b

.....

Furniture repairs, Rs. 500, have been posted in error to the furniture account. What is the effect on the financial statements?

- a. Profit for the year - Understated, Non current assets - Overstated
- b. Profit for the year - Overstated, Non current assets - Understated
- c. Profit for the year - Understated, Non current assets - Understated
- d. Profit for the year - Overstated, Non current assets - Overstated

Ans - d

.....

Given revenues from sales of Rs. 1,200 and the cost of sales of Rs. 1,100, what would the average level of revenues that makes it worthwhile to extend credit to slow payers?

- a. Rs. 1,364.00
- b. Rs. 1,389.74
- c. Rs. 1,410.26
- d. Rs. 1,510.26

Ans - c

.....

A bond with a coupon rate of 8%, paid annually, and a face value of Rs. 1,000 matures in 6 years. If the current annual market interest rate is 10%, what is the bond's market value?

- a. Rs. 913
- b. Rs. 933
- c. Rs. 931
- d. Rs. 813

Ans - a

Solution:

.....

.....

The interest annuity payment is  $0.08 * 1,000 = \text{Rs. } 80.00$   
Bond market value =  $PVIFA(10\%, 6 \text{ yrs}) * 80 + PVIF(10\%, 6 \text{ yrs}) * 1,000$   
 $= 4.3553 * 80 + 0.5645 * 1,000$   
 $= 348.42 + 564.47$   
 $= \text{Rs. } 912.89.$

.....

The measure of how efficiently the assets resources are employed by the firm is called .....

- a. Liquidity ratio
- b. Leverage ratios
- c. Activity ratios
- d. Profitability ratios

Ans - c

.....

What is the effective annual interest rate on a 9% annual percentage rate automobile loan that has monthly payments?

- a. 9 percent
- b. 9.38 percent
- c. 9.81 percent
- d. 10.94 percent

Ans - b

.....

Mr. Chand bought a printer for office use through an e-commerce website. He also paid for the cost of delivering the printer, maintenance for one year and printing paper. What would be included in Chand's income statement?

- a. delivery cost, printing paper, maintenance
- b. delivery cost, printing paper, maintenance, printer
- c. maintenance, printing paper
- d. delivery cost, printer

Ans - c

.....

.....

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.

- A. 10%
- B. 20%
- C. 30%
- D. 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  $3x + x = 4x$ ]

$\Rightarrow r = 20\%$

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

- A. 750
- B. 700
- C. 650
- D. 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

In the process of balancing, if the debit side of an account is more than the credit side, the difference is put on .....

- a. debit side
- b. credit side
- c. either credit or debit side
- d. neither side.

Ans - b

---

Which method of depreciation provides greater tax shielding effect than the SLM method of depreciation?

- a. double declining balance method
- b. accelerated depreciation method
- c. WDV method
- d. sum of the years digits

Ans - b

---

The home currency price of one unit of foreign currency is called .....

- a. selling rate
- b. buying rate
- c. direct rate
- d. indirect rate

Ans - c

---

1 US D = Rs.45.90 is an example of .....

- a. selling rate
- b. buying rate
- c. direct rate
- d. indirect rate

Ans - c

---

Where an asset assumes higher depreciation and greater tax benefit in the early years of life of the asset, which of the following methods of depreciation is more suitable?

- a. double declining balance method
- b. accelerated depreciation method
- c. WDV method
- d. sum of the years digits

Ans - d

---

The foreign currency price of one unit of Home currency is called .....

- a. selling rate
- b. buying rate
- c. direct rate
- d. indirect rate

Ans - d

---

The forward points can be calculated as .....

- a.  $(\text{spot rate} \times \text{interest rate differential} / \text{forward period}) / (100 \times \text{no. of days in the year})$
- b.  $(\text{spot rate} / \text{interest rate differential} \times \text{forward period}) / (100 \times \text{no. of days in the year})$
- c.  $(\text{spot rate} \times \text{interest rate differential} \times \text{forward period}) / (100 \times \text{no. of days in the year})$
- d.  $(\text{spot rate} \times \text{interest rate differential} \times \text{forward period}) \times (100 \times \text{no. of days in the year})$

Ans - c

---

Forward differential is known as .....

- a. swap rate
- b. arbitrage rate
- c. forward rate
- d. spot rate

Ans - a

---

.....

Banks shall furnish to Financial Intelligence Unit-India (FIU-IND), referred to in Rule 3 of PML (Maintenance of Records) Rules, the counterfeit currency report .....

- a. on a monthly basis within 7 days
- b. on a monthly basis within 10 days
- c. on a monthly basis within 15 days
- d. on a monthly basis within 20 days

Ans - c

.....

As per RBI guidelines, Counterfeit notes, which are the subject matter of litigation in the court of law should be preserved with the branch concerned for a period of ..... years after conclusion of the court case

- a. 1 year
- b. 2 years
- c. 3 years
- d. 4 years

Ans - a

.....

What information about the correspondent bank must be available? (i) Major business activities, (ii) The bank's management, (iii) Level of AML/KYC compliance

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

Ans - d

.....

The registration of the partnership deed is done with ... & the registration of the firm is done with .....

- a. Registrar of firms & registrar of assurances
- b. Registrar of firms & registrar of firms
- c. Registrar of assurances & registrar of firms

d. ROC & Registrar of firms

Ans - c

---

Accounts opened under PMJDY are eligible for general accidental insurance cover for Rs. ....

- a. Rs. 5000
- b. Rs. 30000
- c. Rs. 50000
- d. Rs. 100000

Ans - d

---

Joint account is not allowed in the followings .....

- a. Pension payment
- b. Public Provident Fund
- c. Sr. citizen savings a/c
- d. NRE account

Ans - b

---

Which of the followings is true regarding Suspicious transactions as per PMLA- as a transaction whether or not made in cash which to a person acting in good faith ..... (i) Give rise to a reasonable ground of suspicion that it may involve the proceeds of crime, (ii) Appears to be made in circumstances of unusual or unjustified complexity, (iii) Appears to have no economic rationale or bona fide purpose

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

Ans - d

---

KYC guidelines take into account the recommendations of an international Financial Action Task Force ..... (i) On anti money laundering standards, (ii) on combating financing 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

---

If unsecured assets are classified as sub standard it will attract an additional provision of .....

- a. 2% of the total outstanding
- b. 5% of the total outstanding
- c. 10% of the total outstanding
- d. None of the above

Ans - c

---

A bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group, is called .....

- a. Universal Bank
- b. Narrow Bank
- c. Shell Bank
- d. Correspondent Bank

Ans - c

---

The accounting system that involves accounting for investment in people and replacement costs as well as the accounting for the economic values of people to an organisation, is called .....

- a. inflation accounting
  - b. human resources accounting
  - c. social responsibility accounting
-



d. management accounting.

Ans - b

---

When direct rate of a foreign currency is not available, the rate calculated through a common currency, is called .....

- a. floating rate
- b. cross rate
- c. fixed rate
- d. direct rate

Ans - b

---

The chain rule method is used in case of which of the following types of rates?

- a. floating rate
- b. cross rate
- c. fixed rate
- d. direct rate

Ans - b

---

The term value date means .....

- a. the date on which the bill or currency is actually purchased
- b. the date on which the exchange of currencies actually takes place.
- c. the date on which the bill or currency is actually sold
- d. none of the above

Ans - b

---

The cash flow statement consists of which of the following sections?

- a. Operating and non-operating
  - b. current and non-current
-

- c. operating, investing and financing
- d. trading and financial

Ans - c

---

Which of the following describes a record of the transactions?

- a. General ledger
- b. Income statement
- c. Balance sheet
- d. Journal

Ans - d

---

When the exchange of currencies takes place on next working day (T+1) i.e. tomorrow, which of the following type of exchange rate will be applicable?

- a. cash or ready rate
- b. TOM rate
- c. spot rate
- d. forward rate

Ans - b

---

When the exchange of currencies takes place after the spot date, which of the following type of exchange rate will be applicable?

- a. cash or ready rate
- b. TOM rate
- c. spot rate
- d. forward rate

Ans - d

---

The monetary value assigned to various assets is derived from .....

- a. money measurement concept
- b. cost concept
- c. business entity concept
- d. realization concept

Ans - b

.....

A currency is said to be at a premium, when .....

- a. future rate is lower and spot rate is higher
- b. future rate is higher and spot rate is lower
- c. future rate and spot rate are same
- d. none of the above

Ans - b

.....

To calculate a forward rate in case of direct quote, if there is premium .....

- a. the premium is added to purchase rate and deducted from selling rate
- b. the premium is deducted from purchase rate and added to selling rate
- c. the premium is added to purchase rate and selling rate
- d. the premium is deducted from purchase rate and selling rate

Ans - c

.....

To calculate a forward rate in case of direct quote, if there is discount .....

- a. the discount is added to purchase rate and deducted from selling rate
- b. the discount is deducted from purchase rate and added to selling rate
- c. the discount is added to purchase rate and selling rate
- d. the discount is deducted from purchase rate and selling rate

Ans - d

.....

---

The forward rate has ..... components namely .....

- a. two components, sale and purchase
- b. two components, spot rate and forward points
- c. three components, spot rate, premium and discount
- d. three components, spot rate, forward points, forward load

Ans - b

.....

Which of the following is not a factor that contributes to determine the forward points for calculation of forward rate?

- a. demand and supply position for the settlement date
- b. market expectation about the future developments
- c. interest rate differential between two countries
- d. none of the above

Ans - d

.....

..... is an operation, through which a person can make risk free profits by undertaking offsetting transactions (say borrow foreign currency in one market and lend in other market).

- a. swap
- b. arbitrage
- c. forward
- d. spot

Ans - b

.....

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. ....

- a. 45000
- b. 41000
- c. 39000

d. 35000

Ans - a

---

(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

---

A firm purchase old machinery for Rs.3 lac and incurs Rs.500 on its transportation, Rs.4500 on installation and Rs.15000 on its repair. Its expected life is estimated for 5 years and scrap value Rs.20000. what will be amount of annual depreciation on SLM basis?

- a. Rs.40000
- b. Rs.50000
- c. Rs.60000
- d. Rs.80000

Ans - c

---

..... accounting is concerned with the adjustment in the value of assets and of profits, in the light of changes in the price level.

- a. inflation accounting
- b. human resources accounting
- c. social responsibility accounting
- d. management accounting

Ans - a

---

The machinery is recorded in the books of a firm at the price paid to the supplier + the expenses of bringing and installing the machinery. This is due to application of .....

- a. money measurement concept
- b. cost concept
- c. business entity concept
- d. realization concept

Ans - b

---

Which of the following transaction is not covered by the application of going concern concept .....

- a. future income not to be taken into account
- b. fixed assets are valued at their cost and not the market value
- c. current assets are valued at market price or cost, whichever is less
- d. provisions are created to meet any future liability

Ans - a

---

The accounting concepts used in preparation of accounts are .....

- a. methods for presentation of financial statements
- b. broad assumption for preparation of accounts
- c. basic rules for preparation the accounts
- d. all the above

Ans - b

---

A small account allowed to be opened by a customer as per KYC procedure can be allowed .....

- a. up to 3 months
- b. up to 6 months
- c. up to one year
- d. up to two years

Ans - c

---

Banks shall furnish to Financial Intelligence Unit-India (FIU-IND), referred to in Rule 3 of PML (Maintenance of Records) Rules, the suspicious transaction report .....

- a. within 7 days
- b. within 10 days
- c. within 15 days
- d. within 20 days

Ans - a

---

The process of recording transaction in the ledger is called .....

- a. recording
- b. journalizing
- c. posting
- d. summarizing

Ans - c

---

In a business firm, the assets = capital + liability. It is due to .....

- a. going concern concept
- b. money measurement concept
- c. matching concept
- d. dual aspect concept

Ans - d

---

A business firm has to make all adjustments for prepaid expenses and outstanding expenses due to application of .....

- a. going concern concept
- b. accounting period concept
- c. matching concept
- d. dual aspect concept

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.?

- a. Rs. 1,700
- b. Rs. 1,740
- c. Rs. 1,750
- d. Rs. 1,760

Ans - a

---

Gold appears under

- a. Other assets
- b. Investments
- c. Fixed assets
- d. 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.

- a. 12000
- b. 18000
- c. 42000
- d. 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

---

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)
- b. In the process of production for such sale(work-in-process)
- c. For production in the production of goods or services for sale(raw materials)
- d. 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.....

- a. Rs.4,60,000
- b. Rs.1,80,000
- c. Rs.1,60,000
- d. 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

- a. immediately
- b. on presentation over counter
- c. on presentation in clearing
- d. 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

MMMFM - 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.

- a. (-) Rs. 10,000
- b. (-) Rs. 12,000
- c. Rs. 14,000
- d. 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,

$$\begin{aligned} \text{Time} &= (24+31+18) \text{ days} \\ &= 73/365 \text{ years} \\ &= 1/5 \text{ years} \\ P &= 2000 \\ R &= 25/4\% \\ \text{S.I.} &= 2000 * 25/4/5/100 \\ &= 25 \end{aligned}$$

---

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%.

- a. 50593
- b. 55093
- c. 50953
- d. 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
- c. Both
- d. None of these

Ans - b  
.....

Debt which is due to us is called...

- a. Active
- b. Passive
- c. Any of the above
- d. 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.

- a. Admission
- b. Submission
- c. Permission
- d. 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.

- a. 312000
- b. 424000
- c. 512000
- d. 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  
 $= \text{beginning book value} \times \text{depreciation rate}$

$8,00,000 \times 40\% = 3,20,000$

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  
 $= \text{beginning book value} \times \text{depreciation rate}$

$4,80,000 \times 40\% = 1,92,000$

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...

- a. debit Cash a/c and credit Salary a/c
- b. debit Salary a/c and credit Cash a/c
- c. debit Ravi's a/c and credit Cash a/c
- d. 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
- b. Rs.14,80,000
- c. Rs.15,40,000
- d. 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

- a. (-) Rs. 34,000
- b. (-) Rs. 24,000
- c. Rs. 32,600
- d. 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:

- a. High
- b. Moderate
- c. Low
- d. 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
- .....



- b. Credit
- c. Either a or b
- d. 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:

---

$$S.I. = 1000 * 10 / 100 * 4 = 400$$

$$C.I. = [1000(1 + 10/100)^4 - 1000] = 464.10$$

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
- b. Double entry book-keeping
- c. Financial Accounting
- d. 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

---

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.

- a. 445596
- b. 449556
- c. 454596
- d. 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,

$$PVAD = (100000 \div 0.05) \times \{ (1 + 0.05)^5 - 1 \} \times (1 + 0.05) \div (1 + 0.05)^5$$
$$= 454596 \text{ Ans}$$

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.

- a. 5,150
- b. 4,140
- c. 4,120
- d. 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 .....

- a. 1,600
- b. 1,450
- c. 1,650
- d. 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 .....

- a. 11,500
- b. 11,000
- c. 19,800
- d. 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  $2 = \text{total cost is rs } 8$  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

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

- a. Rs.60,000
- b. Rs.90,000
- c. Rs.1,35,000
- d. Rs.2,25,000

Ans - d

---

2. Quick Liabilities

- a. Rs.60,000
- b. Rs.90,000
- c. Rs.1,35,000
- d. Rs.2,25,000

Ans - a

---

3. Quick Assets

- a. Rs.60,000
- b. Rs.90,000
- c. Rs.1,35,000
- d. Rs.2,25,000

Ans - b

---

4. Stock

- a. Rs.60,000
  - b. Rs.90,000
  - c. Rs.1,35,000
-

d. Rs.2,25,000

Ans - c

5. Preference Capital

- a. Rs.60,000
- b. Rs.90,000
- c. Rs.1,35,000
- d. Rs.2,25,000

Ans - a

6. Equity Capital

- a. Rs.60,000
- b. Rs.90,000
- c. Rs.1,20,000
- d. 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

- b. low-cost information  
c. anonymity  
d. 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

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  
.....

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

- A. 750
- B. 700
- C. 650
- D. 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 .....

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---

.....  
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.

- a. 5%
- b. 4.63%
- c. 4.42%
- d. 6%

Ans - b

Solution

$$\begin{aligned} \text{Real rate of return} &= (r_1 + 1 / r_2 + 1) - 1 \\ &= (1.13 / 1.08) - 1 = 0.04629 \\ &= 4.63\% \end{aligned}$$

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

- a. 14.25
- b. 14.50
- c. 14.75
- d. 15.00

Ans - c

Solutions

$$\begin{aligned} \text{Effective rate} &= (1 + \text{Annual ROI} / N)^n - 1 \\ &= (1 + 14\% / 4)^4 - 1 \\ &= 1.035^4 - 1 = 1.1475 - 1 \\ &= 0.1475 = 14.75\% \end{aligned}$$

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

- a. 0.007711
- b. 129.68
- c. 0.002289
- d. 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?

- a. 106000
- b. 106160
- c. 106130
- d. 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 .....

- a. Bonds
- b. Stocks
- c. Goods
- d. 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. 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.

- a. 12496
- b. 12946
- c. 13496
- d. 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?

- a. 6000
- b. 7000
- c. 8000
- d. 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 = ?

- a. 180
-

- b. 200
- c. 250
- d. 300

Ans - b

Explanation :

Capital + Reserve = 200

---

2. Tangible Net Worth = ?

- a. 100
- b. 150
- c. 180
- d. 200

Ans - b

Explanation :

Net Worth - Goodwill = 150

---

3. Outside Liabilities = ?

- a. 200
- b. 400
- c. 600
- d. 800

Ans - c

Explanation :

TL + CC + Creditors + Provisions = 600

---

4. Net Working Capital = ?

- a. 50
  - b. 100
-



- c. 150
- d. 200

Ans - a

Explanation :

$$CA - CL = 350 - 300 = 50$$

---

5. Current Ratio = ?

- a. 1:1.33
- b. 1:1.17
- c. 1.33:1
- d. 1.17:1

Ans - d

Explanation :

$$\begin{aligned} CA / CL \\ &= 350 / 300 \\ &= 1.17 : 1 \end{aligned}$$

---

6. Quick Ratio = ?

- a. 0.33:1
- b. 0.66:1
- c. 1:0.33
- d. 1:0.66

Ans - b

Explanation :

$$\begin{aligned} \text{Quick Assets} / CL \\ &= 200/300 \\ &= 0.66 : 1 \end{aligned}$$

---

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

.....

In the year 2016-2017, C Ltd. purchased a new machine and made the following payments in relation to it:

Cost as per supplier's list - 5,20,000  
Less: Agreed discount - (50,000) - 4,70,000  
Delivery charges - 10,000  
Erection charges - 20,000  
Annual maintenance charges - 30,000  
Additional components to increase capacity of the machine - 40,000  
Annual insurance premium - 5,000

1. The cost of the machine is .....

- a. Rs. 5,40,000
- b. Rs. 5,45,000
- c. Rs. 4,70,000
- d. Rs. 5,50,000

Ans - a

---

2. If depreciation is provided @ 10% p.a. SLM, depreciation for 3rd year will be .....

- a. Rs. 54,000
- b. Rs. 54,500
- c. Rs. 47,000
- d. Rs. 55,000

Ans - a

---

3. If depreciation is provided @ 10% p.a. WDV, depreciation for 3rd year is .....

- a. Rs. 43,740
- b. Rs. 44,145
- c. Rs. 38,070
- d. Rs. 44,550

Ans - a

---

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. ....

- a. 32100
- b. 31900

- c. 27900  
d. 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

Budgeted sales (Rs. 10 per unit) Rs. 2,60,000 p.a.

Analysis of Costs (in Rs)

Raw Materials - 3.00

Direct Labour - 4.00

Overheads - 2.00

Total Cost - 9.00

Profit - 1.00

Sales - 10.00

It is estimated that

- (i) Raw materials are carried in stock for three weeks and finished goods for two weeks.
- (ii) Factory processing will take three weeks.
- (iii) Suppliers will give full five weeks credit.
- (iv) Customers will require eight weeks credit.

It may be assumed that production and overheads accrue evenly throughout the year.

From the above information, calculate

1. Number of Units

- a. 2600
- b. 26000
- c. 52000
- d. 260000

Ans - b

---

2. Value of finished goods

- a. 52000
- b. 78000
- c. 104000
- d. 234000

Ans - d

---

3. Value of Work in Progress

- a. 4500
- b. 9000
- c. 12000
- d. 13500

Ans - b

.....

4. Current Assets

- a. 40000
- b. 55000
- c. 62500
- d. 68500

Ans - c

.....

5. Current Liabilities

- a. 4500
- b. 6000
- c. 7500
- d. 9000

Ans - c

.....

6. Working Capital

- a. 40000
- b. 55000
- c. 62500
- d. 68500

Ans - b

.....

Solution :

1. b  
 $= 2,60,000 / 10$   
 $= 26000$

2. d  
Finished Goods = Raw Materials + Direct Labour + Overheads  
Raw Materials =  $26,000 \times 3 = 78,000$   
Direct Labour =  $26,000 \times 4 = 1,04,000$   
Overheads =  $26,000 \times 2 = 52,000$

Finished Goods =  $78000 + 104000 + 52000$   
 $= 2,34,000$

3. b  
Factory processing will take three weeks. So, Work in Progress = Value of finished goods \* 3 / 52. Normally finished goods and work in progress are taken as same value. Suppose wages and overheads accrue evenly throughout the year given in the problem, we have to find out the work in progress value separately. At that time of computing work in progress labour, overhead value is reduced to half.

Raw Material  $78,000 \times 3/52 = 4,500$   
Labour  $(1,04,000 \times 3/52) \times 1/2 = 3,000$   
Overhead  $(52,000 \times 3/52) \times 1/2 = 1,500$

Work in Progress =  $4500 + 3000 + 1500$   
 $= 9,000$

4. c  
Raw Materials =  $78,000 \times 3/52 = 4,500$   
Work in Progress = 9,000  
Finished Goods =  $2,34,000 \times 2/52 = 9,000$   
Debtors =  $2,60,000 \times 8/52 = 40,000$   
Current Assets = Raw Materials + Work in Progress + Finished Goods + Debtors  
 $= 4500 + 9000 + 9000 + 40000$   
 $= 62500$

5. c  
Current Liabilities = Trade Creditors

---



= Trade Creditors (5 weeks)  $5/52 \times 78,000 = 7,500$

6.

Working capital = current assets – current liabilities

Working Capital = 62500 - 7500

= 55,000

---

A bond with a coupon rate of 8%, paid quarterly, and a face value of Rs. 1,000 matures in 12 years. If the current annual market interest rate is 8%, what is the bond's market value?

- a. Rs. 965
- b. Rs. 1,106
- c. Rs. 1,050
- d. Rs. 1,000

Ans - d

Solution:

The interest annuity payment is  $0.08/4 \times 1,000 = \text{Rs. } 20.00$  every 3 months

Bond market value =  $PVIFA(2\%, 48 \text{ per}) \times 20 + PVIF(2\%, 48 \text{ per}) \times 1,000$

=  $30.6731 \times 20 + 0.3865 \times 1,000$

=  $613.46 + 386.54$

= Rs. 1,000.00.

---

What is the ratio of the simple interest earned by certain amount for 4 years and 8 years at the same rate of interest?

- a. 3:2
- b. 2:1
- c. 1:2
- d. 4:3

Ans - c

Solution:

Ratio =  $4PR / 8PR = 1 : 2$

---

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 :

$$\begin{aligned} A &= C+L \\ &= 120000 + 75000 \\ &= 195000 \end{aligned}$$

---

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

$$\begin{aligned} A &= P(1+r/100)^n \\ &= 6000 (1+6/100)^6 \\ &= 6000 (1.06)^6 \\ &= 6000 (1.4185) \\ &= 8511 \end{aligned}$$

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.

- a. Admission
- b. Submission
- c. Permission
- d. Retirement

Ans - d

---

..... means accounting performed by a computer.

- a. Accounting
- b. Computerised accounting
- c. Manual accounting
- d. None of the above

Ans - b

---

..... of a partner means joining of a new person into an existing partnership as a partner.

- a. Admission
- b. Submission
- c. Permission
- d. Retirement

Ans – a

---

The set of instructions written by a programmer for a computer is called .....

- a. Programme
- b. software programme
- c. Computer programmed - software programme
- d. 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?

- a. Debt-Equity Ratio
- b. Current Ratio
- c. Debtor's Turnover Ratio
- d. 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.

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

Ans – b

---



Let me Explain :

Let the principal be P and rate be R, then

$$\begin{aligned}\text{Ratio} &= [(P \cdot R \cdot 12/100):(P \cdot R \cdot 6/100)] \\ &= 12PR:6PR \\ &= 12:6 \\ &= 2:1\end{aligned}$$

---

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.

- a. 10000
- b. 20000
- c. 40000
- d. 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 .....

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

Ans - d

.....

At what rate percent per annum will the simple interest on a sum of money be  $\frac{3}{10}$ th of the amount in 5 years?

- a. 2%
- b. 4%
- c. 6%
- d. 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.

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

Ans- d

---

Explanation:

Let the principal be P and rate be R

then

$$\begin{aligned}\text{Ratio} &= [(P \cdot R \cdot 8 / 100) : (P \cdot R \cdot 12 / 100)] \\ &= 8PR : 12PR \\ &= 2 : 3\end{aligned}$$

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

$$\begin{aligned}\text{Gain of B} &= 80000 \cdot 12 \cdot 5 / 100 - 80000 \cdot 9 \cdot 5 / 100 \\ &= 48000 - 36000 \\ &= 12000\end{aligned}$$

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 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

.....

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 ?

- a. 110
- b. 120
- c. 130
- d. 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

- a. 6
- b. 9
- c. 12
- d. 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 .....

- a. Equity
- b. Preference
- c. Equity and Preference
- d. None of the above

Ans - c

---

Purchase book is an example of .....journal

- a. General
- b. Special
- c. Common
- d. 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 :

$$D = (nth/E(\sigma)n)(\text{cost}-\text{Residual Value})$$

$$E(\sigma)n = 1+2+3+4+5 = 15$$

$$\text{Cost}-\text{Residual Value} = 1600000 - 100000 = 1500000$$

$$1\text{st year} = 5/15(1500000) = 500000$$

$$2\text{nd year} = 4/15(1500000) = 400000$$

$$3\text{rd year} = 3/15(1500000) = 300000$$

$$4\text{th year} = 2/15(1500000) = 200000$$

$$5\text{th year} = 1/15(1500000) = 100000$$

.....

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 .....

- a. Rs.10,000/-
- b. Rs.25,000/-
- c. Rs.50,000/-
- d. 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 .....

- a. One-time project
- b. An ongoing process
- c. To be carried out every 2 years
- d. 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%
- .....



- .....
- b. 30%
  - c. 40%
  - d. 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 .....

- a. Drawee
- b. Drawer
- c. Payee
- d. 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, (ii) 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 .....

- a. Triplicate
- b. Duplicate
- c. Single
- d. 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 .....

- a. 992
- b. 1056
- c. 1112
- d. 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.

- a. fixed
- b. floating
- c. managed float
- d. 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 .....

- a. 4%
- b. 5%
- c. 8%
- d. 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

- a. 0.88
- b. 0.57
- c. 0.47
- d. 0.75

Ans - a

---

2. Debt-equity Ratio

- a. 0.88
- b. 0.57
- c. 0.47
- d. 0.75

Ans - b

---

3. Return on Capital Employed

- a. 24.88%
- b. 27.57%
- c. 27.3%
- d. 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.

- a. appreciation
- b. depreciation
- c. revaluation
- d. 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.

- a. 20%
- b. 30%
- c. 40%
- d. 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 .....

- a. 60000
- b. 90000
- c. 120000
- d. 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?

- a. 868
- b. 888
- c. 968
- d. 986

Ans - b

---

Solution:

$$P = 10000$$

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

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

The formula of EMI =

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

So,

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

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

- c. Both  
d. 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?

- a. 111365  
b. 111563  
c. 111653  
d. 116534

Ans - c

Solution:

P = 9 lac

R = 9% p.a.

(Note: SINCE HERE PAYMENT IS TO BE RECEIVED ANNUALLY, NOT Monthly, Rate IS NOT divided by 12)

T = 15 yrs

(Note: SINCE HERE PAYMENT IS TO BE RECEIVED 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.

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.....

- a. Consistency
- b. Going concern
- c. Separate entity
- d. 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 .....

- a. Two
- b. Seven
- c. Ten
- d. 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 .....

- a. 100600
- b. 106000
- c. 120600
- d. 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

- b. 2  
c. 5  
d. 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 .....

- a. 2%  
b. 2.5%  
c. 3%  
d. 4%

Ans - d

Which of these is not an essential feature of a bill of exchange?

- a. Unconditional  
b. Certainty of amount  
c. In writing  
d. 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.

- a. appreciation
- b. depreciation
- c. revaluation
- d. 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?

- a. 2%
- b. 3%
- c. 3.5%
- d. 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 .....

- a. Retirement
- b. Renewal
- c. Discount
- d. 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

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

Ans - c

---

2. Fixed assets

- a. Rs.1,00,000
- b. Rs.1,20,000
- c. Rs.1,40,000
- d. Rs.1,60,000

Ans - b

---

3. Closing Debtors

- a. Rs.1,00,000
- b. Rs.1,20,000
- c. Rs.1,40,000
- d. Rs.1,60,000

Ans - a

---

4. Closing Creditors

- a. Rs.90,000
- b. Rs.94,000
- c. Rs.96,000
- d. Rs.98,000

Ans - d

---

5. Closing Stock

- a. Rs.83,000
-

- b. Rs.85,000
- c. Rs.87,000
- d. Rs.89,000

Ans - a

---

6. Share capital

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

Ans - a

---

7. Cash Balance

- a. Rs.31,000
- b. Rs.33,000
- c. Rs.35,000
- d. Rs.37,000

Ans - b

---

8. Bank Balance

- a. Rs.31,000
- b. Rs.33,000
- c. Rs.35,000
- d. 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%?

- a. 6%
- b. 7%
- c. 9%
- d. 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/-
- c. Rs. 60,000/-
- d. Rs. 30,000/-

Ans - b

Let me explain :

$$D = (nth/E(\sigma)n)(\text{cost}-\text{Residual Value})$$

$$E(\sigma)n = 1+2+3+4 = 10$$

$$1\text{st year} = 4/10(300000) = 120000$$

$$2\text{nd year} = 3/10(300000) = 90000$$

$$3\text{rd year} = 2/10(300000) = 60000$$

$$4\text{th year} = 1/10(300000) = 30000$$

.....

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
- b. Re-registration of charge
- c. Satisfaction of charge
- d. 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.

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

Ans - c

Let me Explain :

Let the principal be P and rate be R, then

$$\text{Ratio} = [(P \cdot R \cdot 4 / 100) : (P \cdot R \cdot 10 / 100)]$$

$$= 4PR : 10PR = 4 : 10$$

$$= 2 : 5$$

---

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.

1. What is the amount of capital with which Mr. Vinod had started business?
2. What is the value of the fixed assets he bought?
3. What is the value of the goods purchased?
4. Who is the creditor and state the amount payable to him.
5. What are the expenses?
6. What is the gain he earned?
7. What is the loss he incurred?
8. Who is the debtor? What is the amount receivable from him?
9. What is the total amount of expenses and losses incurred?
10. 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 :

1. Rs. 5,00,000
  2. Rs. 1,00,000
  3. Rs. 2,00,000
  4. Mr. Reace, Rs. 1,50,000
  5. Rs. 5,000
  6. Rs. 5,000
  7. Rs. 30,000
  8. Mr. Ravi, Rs. 1,00,000
  9. Rs. 35,000
  10. Assets : debtors;  
Liabilities : creditors; drawings;  
Revenues : sales expenses, discount, salary.
-

The branches of commercial banks should report suspicious transactions to .....

- a. RBI
- b. Bank's respective authority
- c. Ministry of Finance
- d. None of the above

Ans – b

.....

Max permissible LTV ratio for individual housing Loans Above 75 Lacs is ..... %

- a. 75
- b. 80
- c. 85
- d. 90

Ans - a

.....

What annual rate of simple interest was paid if Rs. 10000 earned Rs. 1100 as interest in 2 Years and 9 months?

- a. 2%
- b. 3%
- c. 4%
- d. 5%

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

.....

The level of accounts receivable will most likely increase as .....

- a. Cash sales increase and number of says sales
- b. Credit limits are expanded, credit sales increase, and credit terms remain the same
- c. Credit limits are expanded, cash sales increase, and aging of the receivables is improving
- d. Cash sales increase, current receivables ratio to past due increases, credit limits remain the same

Ans - b

---

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

---

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.

- a. 1:2
  - b. 1:1.5
  - c. 2:1
-

d. 2:1.5

Ans - c

Explanation :

Rs.4,00,000/Rs.2,00,000 = 2 : 1

The ideal Current Ratio preferred by Banks is 1.33 : 1

---

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

---

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

---

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

---

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%

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:

Amount =  $[7500 \times (1 + 4/100)^2] = (7500 \times 2625 \times 2625) = 8112$

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:

$\Rightarrow (8000 \times (1 + 5/100)^2) \Rightarrow 8000 \times 2120 \times 2120 \Rightarrow 8820$

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:

$$(25000 \times (1 + 12/100)^3) \Rightarrow 25000 \times 2825 \times 2825 \times 2825 \Rightarrow 35123.20$$

So Compound interest will be 35123.20 - 25000

$$= \text{Rs } 10123.20$$

---

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

---

Max permissible LTV ratio for individual housing Loans Above 20 Lacs & upto 75 Lacs is ..... %

- a. 75
- b. 80
- c. 85
- d. 90

Ans - b

---

Which of the following accounts will have a balance on the credit side?

- a. Carriage Outwards account
- b. Motor vehicles account
- c. Return Outwards account
- d. Carriage Inwards account

Ans - c

---

ABC Ltd. Purchased a second hand machine for Rs. 56,000 on Oct 01, 2015 and spent Rs. 24,000 on its repair and installation and Rs. 5,000 for its carriage.

On December 01, 2016, it purchased another machine for Rs. 2,50,000 and spent Rs. 10,000 on its installation. Calculate the following if depreciation is provided on machinery @ 10% p.a. on written down value method annually on March 31.

1. Depreciation amount for the year ended 31.03.2016

- a. Rs. 4,250
- b. Rs. 8,650
- c. Rs. 12,456
- d. Rs. 16,742

2. WDV as on 31.03.2016

- a. Rs. 80,750
- b. Rs. 85,000
- c. Rs. 2,60,000
- d. Rs. 3,40,750

3. Depreciation amount for the year ended 31.03.2017

- a. Rs. 4,250
- b. Rs. 8,650
- c. Rs. 12,456
- d. Rs. 16,742

4. WDV as on 31.03.2017

- a. Rs. 80,750
- b. Rs. 2,60,000
- c. Rs. 3,24,008
- d. Rs. 3,40,750

5. Depreciation amount for the year ended 31.03.2018

- a. Rs. 16,742
  - b. Rs. 22,521
  - c. Rs. 29,161
  - d. Rs. 32,401
-

6. WDV as on 31.03.2018

- a. Rs. 2,31,326
- b. Rs. 2,62,446
- c. Rs. 2,72,446
- d. Rs. 2,91,607

7. Depreciation amount for the year ended 31.03.2019

- a. Rs. 16,742
- b. Rs. 22,521
- c. Rs. 29,161
- d. Rs. 32,401

8. WDV as on 31.03.2019

- a. Rs. 2,31,326
- b. Rs. 2,62,446
- c. Rs. 2,72,446
- d. Rs. 2,91,607

Solution:

1. a

Original Cost of the machine = Rs. 85,000

Depreciation amount (for 6 months @ 10%) = Rs. 4,250

2. a

WDV as on 31.03.2016 = Original Cost of the machine - Depreciation amount (for 6 months @ 10%)

= Rs. 85,000 - Rs. 4,250

= Rs. 80,750

3. d

Solution:

Cost of the 1st machine = Rs. 80,750

Cost of the machine purchased in December 2016 = Rs. 2,60,000

Total cost of the machines = Rs. 3,40,750

Depreciation for the year ended 31.03.2017 = Rs. 16,742

(10% on Rs. 80,750 + 10% on Rs. 2,60,000 for 4 months)

4. c

WDV as on 31.03.2017 = Rs. 3,40,750 - Rs. 16,742 = Rs. 3,24,008

5. d

Depreciation for the year ended 31.03.2018

(10% on 3,24,008) = Rs. 32,401

6. d

WDV as on 31.03.2018 = Rs. 3,24,008 - Rs. 32,401 = Rs. 2,91,607

7. c

Depreciation for the year ended 31.03.2019

(10% on 2,91,607) = Rs. 29,161

8. b

WDV as on 31.03.2019 = Rs. 2,91,607 - Rs. 29,161

= Rs. 2,62,446

---

(i) Credit balance of the pass book means it is a deposit account, (ii) credit balance of the cash book means it is and overdraft account, (iii) debit balance of the pass book means it is an overdraft account

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

Ans - d

---

A Credit Note issued to a customer .....

- a. informs the customer of the amount his account is to be debited with
- b. communicates to a customer the discount he is entitled to if he pays promptly
- c. reminds a customer of the offer of credit and the credit terms
- d. informs the customer of the amount his account is to be credited with

Ans - d

---

Mr. Gopal started business for buying and selling of readymade garments with Rs.8, 00,000 as an initial investment. Out of this he paid Rs.4,00,000 for the purchase of garments and Rs.50,000 for furniture and Rs.50,000 for computers and the remaining amount was deposited into the bank. He sold some of the ladies and kids garments for Rs.3,00,000 for cash and some garments for Rs.1,50,000 on credit to Mr. Rajesh. Subsequently, he bought men's garments of Rs.2,00,000 from Mr. Satish. In the first week of the next month, a fire broke out in his office and stock of garments worth Rs.1,00,000 was destroyed. Later on, some garments which cost Rs.1,20,000 were sold for Rs.1,30,000. Expenses paid during the same period were Rs.15,000. Mr. Gopal withdrew Rs.20,000 from business for his domestic use.

From the above, answer the following:

1. What is the amount of capital with which Mr. Gopal started the business?

- a. 1,50,000
- b. 2,00,000
- c. 6,00,000
- d. 8,00,000

2. What fixed assets did he buy?

- a. 15,000
- b. 20,000
- c. 1,00,000
- d. 1,50,000

3. What is the value of the goods purchased?

- a. 1,50,000
- b. 2,00,000
- c. 6,00,000
- d. 8,00,000

4. Who is the creditor and state the amount payable to him?

- a. 1,50,000
- b. 2,00,000
- c. 6,00,000
- d. 8,00,000

5. Who is the debtor and what is the amount receivable from him?

- a. 1,50,000
- b. 2,00,000
- c. 6,00,000
- d. 8,00,000

6. What is the total amount of expenses?

- a. 15,000
- b. 20,000
- c. 1,00,000
- d. 1,50,000

7. What is the amount of drawings of Mr. Gopal?

- a. 15,000
- b. 20,000
- c. 1,00,000
- d. 1,50,000

Solution:

1. d

Initial capital introduced by Mr. Gopal for starting the business of "Readymade Garments" is Rs.8,00,000.

2. c

He purchased two Fixed Assets i.e., Furniture and Computer. Therefore,

Total Fixed Assets bought by him

= Furniture + Computer

= Rs.50,000 + Rs.50,000 = Rs.1,00,000

3. c

Value of the goods purchased by Mr. Gopal (Proprietor) = Purchase of Garments + Purchase of Men's Garments

=4,00,000 + 2,00,000

= Rs.6,00,000

4. b

---



The creditor of the business is Mr. Satish with Rs. 2,00,000 being payable to him.

5. a

The debtor of the business is Mr. Rajesh with Rs. 1,50,000 being the amount to be received from him.

6. a

Total amount of expenses is Rs. 15,000.

7. b

The amount of drawings of Mr. Gopal is Rs. 20,000.

---

The double entry accounting system ..... (i) keeps a complete record of business transactions, (ii) it ensures arithmetical accuracy, (iii) balance sheet can be prepared at the end of year only by using this system

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

Ans - d

---

Bharat Bill Payment System (BBPS) - BBPS is an integrated bill payment system which will offer interoperable bill payment service to customers online as well as through a network of agents on the ground. The system will provide multiple payment modes and instant confirmation of payment.

Answer the following questions regarding BBPS.

1. Who has been identified to act as Bharat Bill Payment Central Unit (BBPCU)?

- a. RBI
  - b. SBI
  - c. NCPI
  - d. Govt of India
-

2. Banks and non-bank entities presently engaged in any of the above bill payment activities falling under the scope of BBPS and desirous of continuing the activity are .....

- a. mandatorily required to apply for approval/authorisation to become BBPOUs
- b. allowed to decide whether they want to become BBPOUs or not
- c. Any one of the above
- d. Neither of the above

3. Approval/authorisation to become BBPOUs should be applied to .....

- a. RBI
- b. SBI
- c. NCPI
- d. Govt of India

4. Net worth of the non-bank entities for seeking authorisation as BBPOUs should be at least .....

- a. Rs.10 crore
- b. Rs.50 crore
- c. Rs.100 crore
- d. Rs.200 crore

5. Whether the non-bank entities will be required to show upfront that they are meeting the capital requirement for BBPOUs?

- a. Yes
- b. Not required
- c. If an entity applying for authorisation for BBPOU does not have the required network, then they are required to demonstrate unequivocal commitment/sources for raising the funds and also specify the time period within which the funds will be raised
- d. If they don't show upfront that they are meeting the capital requirement for BBPOUs, their application will be rejected

Answers :

1-c, 2-a, 3-a, 4-c, 5-c

---

PRADHAN MANTRI JEEVAN JYOTI BIMA YOJANA (PMJJBY)

Answer the following questions regarding (PMJJBY)

1. What is the minimum and maximum age to subscribe for (PMJJBY)?

- a. Min-18, Max-40
- b. Min-18, Max-50
- c. Min-18, Max-60
- d. Min-18, Max-70

2. What is the premium payable?

- a. Rs. 12/- per month
- b. Rs. 12/- per annum
- c. Rs. 330/- per month
- d. Rs. 12/- per annum

3. What would be the amount payable on a subscriber's death due to any cause?

- a. Rs. 1 Lakh
- b. Rs. 2 Lakhs
- c. Rs. 3 Lakhs
- d. Rs. 5 Lakhs

4. What would be the premium to be appropriated towards Insurance Premium to LIC /other insurance company?

- a. Rs. 330/- per annum per member
- b. Rs. 289/- per annum per member
- c. Rs. 30/- per annum per member
- d. Rs. 11/- per annum per member

5. What would be the premium to be appropriated towards Reimbursement of Expenses to BC/Micro/Corporate/Agent?

- a. Rs. 330/- per annum per member
- b. Rs. 289/- per annum per member
- c. Rs. 30/- per annum per member
- d. Rs. 11/- per annum per member

6. What would be the premium to be appropriated towards Reimbursement of Administrative expenses to participating Bank?

- a. Rs. 330/- per annum per member
- b. Rs. 289/- per annum per member
- c. Rs. 30/- per annum per member
- d. Rs. 11/- per annum per member

7. Who offer/administer the scheme?

- a. United India Insurance Company
- b. LIC and other Life Insurance companies
- c. Any Non-Life Insurance company
- d. All of the above

8. Will this cover be in addition to cover under any other insurance scheme the subscriber may be covered under?

- a. Yes
- b. Yes, subject to conditions
- c. No
- d. None of the above

9. Does the PMJJBY cover death resulting from natural calamities such as earthquake, flood and other convulsions of nature?

- a. Yes
- b. Yes, subject to conditions
- c. No
- d. None of the above

10. Does the PMJJBY cover death resulting from suicide / murder?

- a. Yes
- b. Yes, subject to conditions
- c. No
- d. None of the above

Answers

1-b, 2-c, 3-b, 4-b, 5-c, 6-d, 7-b, 8-a, 9-a, 10-a

---

The net worth of a business, as reported on its Statement of financial position, is .....

- a. the capital plus its liabilities.
- b. its total assets minus its liabilities.
- c. the current assets minus the liabilities.
- d. its non current assets plus current assets.

Ans - b

.....

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

- 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 the effect if sales return of 50000 posted 48200 and purchase return of 46000 posted 47800?

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

Ans - b

.....

Bond is inversely proportional to .....

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

Ans - d

.....

---

Unified Payment Interface (UPI) is a unique payment solution as the recipient is empowered to initiate the payment request from a smart phone. It is expected to be functional in near future. It is indeed a significant step to move towards cashless economy. The interface is an advanced version of NCPI's Immediate Payment Service (IMPS). The UPI initiate will work on a single click 2 factor authentication mechanism and make mobile payments much simpler and faster. One can use UPI app instead of paying cash on delivery on receipt of product from on line shopping websites and can perform miscellaneous expenses like payment of utility bills, over the counter payments, bar code( scan and pay)based payments, donations, school fees and other such unique and innovative uses.

01. Which of the following features are more applicable for UPI?

- (i) provide privacy & promoting cashless economy
- (ii) it is a 24 X 7 X 365 funds transfer services
- (iii) It can perform multiple miscellaneous expenses payments
- (iv) UPI accomplishes its activities through a bank account opened for meeting its objectives

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

Ans - d

---

02. Identification of customer under UPI is through .....

- a. Account number
- b. Mobile Number
- c. Virtual address
- d. Email Id

Ans - b

---

03. what is the monetary ceiling for payments / withdrawal available in a single transaction under UPI payment solution?

- a. Rs.25000
  - b. Rs.50000
-

- c. Rs.100000
- d. No ceiling

Ans - c

---

04. The different channels for transferring funds using UPI are .....

- (i) transfer through virtual ID
- (ii) Account number+ IFSC
- (iii) collect / pull money basis virtual ID
- (iv) Mobile number with /without MMID

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

Ans - c

---

05. Which of the following statement is true in respect of UPI?

- a. UPI payment solution identifies the customer by their actual addresses
- b. Customer identification number is must for utilizing UPI payment solution
- c. UPI does not allow a customer to have multiple account in various bank
- d. UPI payment solution is independent from individual verification address and customer identification number

Ans - d

---

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 ..... (i) No journal entry if the correction is to be made before trial balance, (ii) Debit XYZ account and credit suspense account if trial balance has been made, (iii) Debit XYZ account and credit suspense account if trial balance has been made

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

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

Ans - d

.....

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

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

Ans - a

.....

(i) credit balance as per cash book means overdraft, (ii) direct deposit by a firm's debtor in the bank is first recorded by the bank, (iii) debit of bank charges by the bank reduce the balance. In the context of reconciliation, which of these is correct?

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

Ans - d

.....

What type of accounting error has occurred when an amount received from Raj Kiran is posted to Ravi Kumar?

- a. Error of duplication
- b. Error of commission
- c. Double entry error
- d. Error of principle

Ans - b

.....

---



Bharat QR - A QR code consists of black squares arranged in a square grid on a white background, which can be read by an imaging device such as a camera. QR contains information about the item to which it is attached.

Answer the following questions regarding Bharat QR.

1. Bharat QR is ..... Mobile payment solution
    - a. P2P (Person to Person)
    - b. P2M (Person to Merchant)
    - c. M2P (Merchant to Person)
    - d. M2M (Merchant to Merchant)
  
  2. Bharat QR is mutually derived among ..... payment networks. (i) NPCI, (ii) Visa, (iii) Mastercard
    - a. Only (i) and (ii)
    - b. Only (i) and (iii)
    - c. Only (ii) and (iii)
    - d. (i), (ii) and (iii)
  
  3. What are the charges for using Bharat QR?
    - a. No additional charges for making transaction through Bharat QR
    - b. Depends on the Bank
    - c. Depends on the App
    - d. Depends upon the transaction amount
  
  4. Can multiple bank cards be linked on same App?
    - a. No. Multiple cards can't be linked in a single app
    - b. Yes. Multiple cards of multiple banks can be linked in a single app
    - c. Yes. Multiple cards of the same bank can be linked in a single app
    - d. None of the above
  
  5. First factor of 2FA for Bharat QR is MPIN for the mobile application login. Second factor is taken as ..... (i) MPIN, (ii) OTP, (iii) ATM pin
    - a. Only (i) or (ii)
    - b. Only (i) or (iii)
-

- c. Only (ii) or (iii)
- d. (i) or (ii) or (iii)

6. What is the Daily transaction limit?

- a. Rs. 10000
- b. Rs. 20000
- c. Rs. 50000
- d. Set at Bank's end

7. How many Bharat QR transactions can be done in a day?

- a. 25
- b. There is no limit on number of transactions
- c. There is no limit on number of transactions but subject to daily transaction amount limits on your Debit/Credit Cards
- d. Set at Bank's end

Answers :

1-b, 2-d, 3-a, 4-c, 5-d, 6-d, 7-c

---

Which of the following would be an error of principle?

- a. A credit purchase of furniture for office use is entered in the Purchases Day Book
- b. A supplier's Credit Note is not entered in the Returns Outwards Day Book
- c. A sale of Rs. 21,400 has been entered in the Sales Day Book as Rs. 24,100
- d. A Credit Note issued to a customer has not been posted

Ans - a

---

Which of the following pairs of accounts will have their balances on the same side?

- a. Carriage Inwards account and Carriage Outwards account
- b. Purchases account and Return Outwards account
- c. Capital account and Drawings account
- d. Sales account and Return Inwards account

Ans - a

---

Answer the following questions regarding Education Loan

1. The minimum age of the student should be .....

- a. 14 years
- b. 16 years
- c. 18 years
- d. 21 years

2. The maximum age of the student should be .....

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

3. Students pursuing full-time courses need to have a co-applicant who can be ..... (i) Parent/guardian, (ii) Spouse (if married), (iii) Parent-in-law (if married)

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

4. Maximum Education Loan Amount can be Up to .....

- a. 80 % of educational expenses
- b. 85 % of educational expenses
- c. 90 % of educational expenses
- d. 100 % of educational expenses

5. What are the following courses in India for which education loans are available? (i) Courses such as SAP, ERP, GNIIT, Air Hostess Training programmes, (ii) Distance learning programs and online certifications, (iii) Degree/Diploma courses like Aeronautical, pilot training, shipping, etc.

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

6. Aside from the fee payable to the school/college, what other expenses can be covered by the loan? (i) Fees paid for Exams, Library, Laboratories, Hostel, (ii) Building fund, Caution deposit, Refundable deposit (must be supported by receipts/bills), (iii) Costs incurred in travel, for studies abroad

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

7. What is the Security required for availing Education Loan? (i) Upto Rs. 4 Lacs - No Collateral Security or third party guarantee, (ii) Upto Rs. 4 Lacs - Tangible collateral security, (iii) Above Rs. 7.5 Lacs - Tangible collateral security

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

Answers

1-b, 2-b, 3-d, 4-d, 5-d, 6-d, 7-b

---

What type of accounting error has occurred when a sale, entered in the Sales Day Book has not been posted?

- a. Entry error
- b. Double entry error
- c. Error of duplication
- d. Error of principle

Ans - b

---

A supplier's invoice for Rs. 1,500 less 10% trade discount has been entered in the Purchases Day Book as Rs. 1,500 instead of Rs. 1,350. What type of error would this be?

- a. Error of principle
  - b. Error of principle
  - c. Entry error
-

d. Error of commission

Ans - c

---

The expression 'Non Current asset' means .....

- a. assets other than those that cannot be seen or touched
- b. assets such as land and buildings fixed to the ground
- c. assets intended to be used continuously in the operations of a business
- d. assets transferred to the business by its owner rather than ones acquired by the business

Ans - c

---

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

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

Ans - d

---

The Sales Day Book is .....

- a. a book of prime entry for recording all sales
- b. a book of prime entry in which credit sales are first recorded
- c. a summary of sales of both goods held for sale and those acquired for use in business
- d. a book of prime entry in which cash sales are first recorded

Ans - a

---

The Return Inwards account would be found in .....

- a. the Purchases Returns ledger
  - b. the Sales ledger
-

- c. the Nominal ledger
- d. the Purchases ledger

Ans - c

---

A Credit Note would be issued by a business .....

- a. as evidence of the amount received as deposit in respect of a sale
- b. to cancel fully or partly amounts receivable from customers
- c. as evidence of goods sold on credit
- d. as reference for the credit worthiness of a long standing customer

Ans - b

---

In which of the following ledgers would you find the account of a supplier?

- a. Purchases ledger or Trade Payables ledger
- b. Sales ledger or Trade Receivables ledger
- c. Impersonal ledger
- d. Nominal ledger or General ledger

Ans - a

---

Bill Carmen commenced business introducing a vehicle worth Rs. 24,000, furniture valued at Rs. 8,000, and Rs. 5,000 in cash along with a bank loan of Rs. 2,500. His Capital account balance at commencement of business is:

- a. 34500
- b. 32000
- c. 24000
- d. 37000

Ans - a

---

Given

US\$1 = ¥ 123.25

£1 = US\$ 1.4560

A\$ = US\$ 0.5420

1. Calculate the cross rate for pounds in yen terms

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

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

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

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

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

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

Solutions :

1. ¥? = £1  
£1 = US\$ 1.4560  
US\$1 = ¥ 123.25  
£1 = 1.4560 x 123.25  
= ¥ 179.45

2. ¥? = A\$1  
A\$1 = US\$ 0.5420  
US\$1 = ¥ 123.25  
A\$1 = 0.5420 x 123.25

= ₹ 66.80

3. A\$? = £1  
£1 = US\$ 1.4560  
US\$ 0.5420 = A\$1  
A\$1 = 1.4560 / 0.5420  
= £2.6863

---

In a Statement of financial position the 'drawings' by the proprietor should be shown .....

- a. along with Trade Receivables balances
- b. as a deduction from the Capital account balance
- c. along with Trade Payables balances
- d. as an addition to the Capital account balance

Ans - b

---

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

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

Ans - b

Solution :

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

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

1st year =  $10/55 * 11,00,000 = 2,00,000$

2nd year =  $9/55 * 11,00,000 = 1,80,000$

3rd year =  $8/55 * 11,00,000 = 1,60,000$

Book Value at the end of 3rd year =  $12,00,000 - (2,00,000 + 1,80,000 + 1,60,000)$

=  $12,00,000 - 5,40,000$

= 6,60,000

---



Which of the following accounts is called valuation account or contra account? (i) provision for depreciation account, (ii) provision for doubtful debts account, (iii) stock reserve account

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

Ans - d

---

To reduce the workload of the Bookkeeper it is usual to post the total of the Return Inwards Day Book to .....

- a. the credit of the Purchases Returns account
- b. the debit of the Sales Returns account
- c. the debit of the Purchases account
- d. the credit of the Sales account

Ans - b

---

The balance in a Bank Account appearing in a two column Cash Book .....

- a. Will always be on the credit side
- b. Will always be on the debit side
- c. Will always be either on the debit side or credit side
- d. If it has a balance it could be on either side

Ans - d

---

The accounts you would find in a Sales ledger are those of .....

- a. Trade Receivables
- b. Assets
- c. Income and Expenses
- d. Trade Payables

Ans - a

---

As we know today private, public and foreign banks issues ATM to his customers. ATM is now 24 hour banking service provider. Customer use ATM not only to withdraw cash from machine but also to make shopping on various sites.

Some banks offer additional facilities on ATM card i.e Accidental cover and some give a facility to withdraw money beyond the limit. It has changed the banking scenario globally, today a person who don't have money in a foreign country can withdraw money from ATM.

Answer the following questions on ATM/Debit card

1. Max cash withdrawal limit for POS in Tier I and II centres?

- a. Rs.1000/- in one transaction
- b. Rs.1000/- can be withdrawn daily
- c. Rs.5000/- in one transaction
- d. Rs.5000/- can be withdrawn daily

2. Max withdrawal on other bank's ATM in one transaction?

- a. Rs 5,000/-
- b. Rs 10,000/-
- c. Rs 15,000/-
- d. Rs 20,000/-

3. Max free allowed limit in a month on other banks ATM Machine?

- a. 2
- b. 3
- c. 5
- d. 10

4. Max free allowed limit in a month on other banks ATM Machine located in the six metro centres?

- a. 2
- b. 3
- c. 5
- d. 10

5. The bank promote using of ATM because .....

- a. to reduce staffs
- b. to earn commission
- c. to avoid customers at banks
- d. to Reduce human cost on small payments

Ans

1-b, 2-b, 3-c, 4-b, 5-d

---

"Housing for All by 2022" aimed for urban areas with following components/options to States/Union Territories and cities:-

- a. Slum rehabilitation of Slum Dwellers with participation of private developers using land as a resource;
- b. Promotion of affordable housing for weaker section through credit linked subsidy;
- c. Affordable housing in partnership with Public & Private sectors and
- d. Subsidy for beneficiary-led individual house construction or enhancement.

Answer the following questions.

1. Central grant of Rs. .... per house, on an average, will be available under the slum rehabilitation programme.

- a. Rs. 1 lakh
- b. Rs. 1.5 lakhs
- c. Rs. 2.3 lakhs
- d. Rs. 2.7 lakhs

2. Under the Credit Linked Interest Subsidy component, what will be the interest subsidy on housing loans availed upto a tenure of 15 years will be provided to EWS/LIG categories?

- a. 5.6 percent
- b. 6.5 percent
- c. 5.8 percent
- d. 8.5 percent

3. Under the Credit Linked Interest Subsidy component, what will be the subsidy pay-out on NPV basis per house for both the categories?

---

- a. Rs. 1 lakh
- b. Rs. 1.5 lakhs
- c. Rs. 2.3 lakhs
- d. Rs. 2.7 lakhs

4. Central assistance at what rate per house for EWS category will be provided under the Affordable Housing in Partnership house construction or enhancement?

- a. Rs. 1 lakh
- b. Rs. 1.5 lakhs
- c. Rs. 2.3 lakhs
- d. Rs. 2.7 lakhs

5. Central assistance at what rate per house for EWS category will be provided under the Affordable Housing in Beneficiary-led individual house construction or enhancement

- a. Rs. 1 lakh
- b. Rs. 1.5 lakhs
- c. Rs. 2.3 lakhs
- d. Rs. 2.7 lakhs

Answers :

- 1. a - Rs. 1 lakh
  - 2. b - 6.5 percent
  - 3. c - Rs.2.3 lakhs
  - 4. b - Rs.1.5 lakhs
  - 5. b - Rs.1.5 lakhs
- 

Which of the following accounts will have a balance on the debit side?

- a. Return Inwards account
- b. Sales account
- c. Capital account
- d. Bank Loan account

Ans - a

---

Answer the following questions regarding Atal Pension Yojana

1. The minimum age of the APY subscriber should be .....

- a. 10 years
- b. 14 years
- c. 18 years
- d. 21 years

2. The maximum age of the APY subscriber should be .....

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

3. Government co-contribute will be available to who join the scheme during the period from ..... to ..... and who are not covered by any Statutory Social Security Scheme and are not income tax payers

- a. 01.06.2014, 31.03.2015
- b. 01.06.2015, 31.03.2016
- c. 01.06.2014, 31.03.2016
- d. 01.06.2015, 31.03.2017

4. Government co-contribution will be ..... % of the total contribution subject to a maximum of Rs. .... at the end of financial year

- a. 25%, 1000
- b. 50%, 1000
- c. 25%, 5000
- d. 50%, 5000

5. The contributions can be made at ..... intervals through autodebit facility from savings bank account/ post office savings bank account of the subscriber. (i) monthly, (ii) quarterly, (iii) half yearly

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

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

6. What will happen if a subscriber becomes non-citizen of the country?

- a. The APY account can continue
- b. The APY account will be closed and only his own contribution and interest on it will be returned
- c. The APY account will be closed and his own contribution and the Government co-contribution and interest on it will be returned
- d. None of the above

7. An existing subscriber of APY can change the auto debit mode once in a year during the month of .....

- a. January
- b. April
- c. July
- d. October

Answers

1-c, 2-c, 3-b, 4-b, 5-d, 6-c, 7-b

---

The bank statement reports a credit transfer of Rs. 400 from a customer on 29th July. Accounting entries for this are .....

- a. A debit in the Bank Account and a credit in the account of the customer concerned
- b. A debit in the Cash Account and a credit the account of the debtor concerned
- c. A debit in the account of the debtor concerned and a credit in the Bank Account
- d. A debit in the Bank Account and a credit in the Cash Account

Ans - a

---

If the Petty Cash Book is treated as merely a subsidiary book of accounts, Rs. 78 paid by the Cashier to restore the petty cash balance to the level of the imprest should be accounted for as .....

- a. Debit Petty Cash Book and credit Cash Account
  - b. Debit Petty Cash Account and credit Cash Account
-

- c. Debit Petty Cash Account and credit Bank Account
- d. Debit Cash Account and credit Petty Cash Account

Ans - b

---

The accounting entry required when the bank advises that a bank loan has been approved .....

- a. Debit Cash Account credit Bank Loan Account
- b. Debit Bank Account credit Bank Loan Account
- c. Debit Cash Account credit Bank Account
- d. Debit Bank Account credit Cash Account

Ans - b

---

The accounting entry to record bank charges deducted from the Bank Account of the business .....

- a. Debit Interest account credit Bank Account
- b. Debit Cash Account credit Bank Charges Account
- c. Debit Bank Charges Account credit Bank Account
- d. Debit Bank Charges Account credit Cash Account

Ans - c

---

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

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

Ans - b

Solution :

Debt equity ratios is 4:1 means 12 lac : 3 lac  
Asset = Current Liabilities + Debt + Equity i.e

---

20 Lac = Current Liabilities + 12 Lac + 3 Lac  
Current Liabilities = 20 Lac - 15 Lac = 5 Lac  
Current Ratio is 2 : 1  
Current Assets = 2 x 5 = 10 Lac

---

The owner of a shop draws a cheque on his personal bank account to pay for shop rent. This should be accounted for as .....

- a. Credit Bank account in the cash Book and debit Drawings account
- b. Credit Capital account and debit Rent account
- c. Credit Bank account in the Cash Book and debit Rent Account
- d. Debit Bank account and credit Capital Account

Ans - b

---

The gross profit is the amount by which .....

- a. the income earned in an accounting period exceeds expenses incurred in that period.
- b. the sales in an accounting period exceed the purchases in the same period.
- c. the sales in an accounting period exceed the cost of goods sold in that period.
- d. the profit made within an accounting period before deducting taxes.

Ans - c

---

(i) a non-recurring expenses is a capital expense, (ii) purchase of motor cars from the manufacturer by a dealer is a revenue expenses, (iii) purchase of machinery by a manufacturing firm for its use is a capital expenses.

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

Ans - d

---



Answer the following questions regarding Sukanya Samriddhi Yojana

1. SSY can be opened for ..... (i) Your girl child, (ii) Your boy child, (iii) your adopted girl child

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

2. Pre-Mature Withdrawal of up to 50% of the amount is allowed after the account holder turns ..... for the requirement of .....

- a. 18 year, marriage
- b. 18 year, marriage or higher education
- c. 21 year, marriage
- d. 21 year, marriage or higher education

3. .... on this account is also exempted from income tax. (i) Interest, (ii) Maturity amount

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

4. How many number of deposits permitted in a year? (i) No fixed number of deposits, (ii) The depositor can deposit a multiple of Rs 100 through out the year, (iii) Maximum 12 number of deposits in a year

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

5. The account is limited for ..... of the parents

- a. 1 Girl Child
- b. 2 Girl Children
- c. 3 Girl Children
- d. 2 girl children or 3 in case of twin girls as second birth or the first birth itself results in 3 girl children

6. After the maturity Period, you will get the interest rate of .....

- a. Savings Deposit
- b. 6%
- c. 7%
- d. No interest

7. List of documents required for opening a SSY Account are ..... (i) Certificate of Birth of the Girl child, (ii) Proof of Address of parents/guardians, (iii) Proof of identity of the parents/guardian

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

8. SSY account can be opened under the name of the girl child, till she attains an age of .....

- a. 10 years
- b. 11 years
- c. 12 years
- d. 14 years

9. The maximum limit for deposits in the SSY account is Rs. .... per year

- a. 1,00,000
- b. 1,50,000
- c. 2,00,000
- d. No limit

10. The maturity duration of the account is ..... from the date of opening the account

- a. 10 years
- b. 14 years
- c. 21 years
- d. 25 years

11. Maximum period upto which deposits can be made is ..... from the date of opening of the account

- a. 10 years
- b. 14 years
- c. 21 years
- d. 25 years

Answers :

1-b, 2-b, 3-d, 4-a, 5-d, 6-d, 7-d, 8-a, 9-b, 10-c, 11-b

---

Which of the following statements is incorrect?

- a. The gross profit less all expenses of operating a business is the Net Profit
- b. Sales minus the cost of goods sold minus all expenses incurred equals Net Profit
- c. The amount a business owes its proprietor decreases by the Net Profit it makes in the year
- d. The amount a business owes its proprietor decreases by the drawings he makes in the year

Ans - c

---

The entry to transfer a balance from the Sales account to the Revenue account is known as .....

- a. a closing entry
- b. a prime entry
- c. an unnecessary entry
- d. a double entry

Ans - a

---

The Statement of financial position of a business is intended to report .....

- a. the assets, liabilities, and capital of the business to the extent accounted for
- b. the earning power of the business
- c. the value at which the business may be sold
- d. how well the business has done until then

Ans - a

---

Debt Equity ratio is 3:1, the amount of total assets Rs. 20 lac, current ratio is 1.5:1 and owned funds Rs. 3 lac. what is the amount of current asset?

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

Ans - c

Solution :

Debt equity ratios is 3:1 means 9 lac : 3 lac  
Asset = Current Liabilities + Debt + Equity i.e  
20 Lac = Current Liabilities + 9 Lac + 3 Lac  
Current Liabilities = 20 Lac - 12 Lac = 8 Lac  
Current Ratio is 1.5 : 1  
Current Assets = 1.5 x 8 = 12 Lac

In gross trail balance, which of the following is taken ..... (i) total of debit columns of each ledger account, (ii) total of credit columns of each ledger account, (iii) total of payment 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

Which of the following best describes Current assets?

- a. Assets specifically set aside to discharge liabilities maturing within the next accounting period
- b. Assets which are readily convertible into cash on demand
- c. Assets expected to be converted to cash or be used up within the next accounting period
- d. Assets expected to be converted to cash within the next accounting period

Ans - c

Which of the following should not be reported on a Statement of financial position as a Non Current asset?

- a. Land and buildings
- b. Bank balance
- c. Office equipment
- d. Motor vehicles

Ans - b

---

Which of the following best describes "capital" in a business?

- a. Cash and other assets the proprietor brings in when he commences a business
- b. Assets introduced at commencement plus any profit the business makes
- c. Assets minus liabilities of the business on any date
- d. Total of fixed and current assets of a business

Ans - c

---

A cheque for Rs. 1,000 received from Rebecca Jones, a trade debtor, should be accounted for as .....

- a. Debit Rebecca Jones' Account credit Cash Account.
- b. Debit Cash Account and credit Rebecca Jones' Account
- c. Debit Bank Account and credit Rebecca Jones' Account.
- d. Debit Cash Account and credit Sales Account

Ans - b

---

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

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

Ans - c

---

1. Cost of replacement of defective parts of the machinery is .....
  - a. Capital expenditure
  - b. Revenue expenditure
  - c. Deferred revenue expenditure
  - d. None of the above
  
2. Loss of goods due to fire Rs.8000 is a revenue expenditure because .....
  - a. It is recurring
  - b. Amount involved is small
  - c. Loss is arising out of business operations
  - d. None of the above
  
3. Preliminary expenses , discount allowed on issue of shares are the examples of .....
  - a. Capital expenditure
  - b. Deferred revenue expenditure
  - c. Revenue expenditure
  - d. None of the above
  
4. Expenditure incurred in acquiring the patents rights for the business is an example of .....
  - a. Capital expenditure
  - b. Deferred revenue expenditure
  - c. Revenue expenditure
  - d. None of the above

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

---

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

- a. Rs.2500
- b. Rs.2750
- c. Rs.3125
- d. Rs.3500

Ans - c

---

Solution :

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

Generally 20% on Sales means 25% on Costs  
25% on sales means 33.33 % on Costs

---

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

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

Ans - d

Solution

$$\begin{aligned}\text{Semi-annual interest payable} &= 5,000 \times 10.75 \text{ per cent}/2 = 268.75 \\ \text{Principal repayment at the end of 4 years} &= \text{Rs. } 5,000 \\ \text{The value of the bond} \\ &= 268.75 (\text{PVIFA } 8\%/2, 8 \text{ pds}) + \text{Rs. } 5,000 (\text{PVIF } 8\%/2, 8 \text{ pds}) \\ &= 268.75 (6.7327) + 5,000 (0.7307) \\ &= 1809.41 + 3653.50 \\ &= 5462.91\end{aligned}$$

---

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 :

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

The credit entries in a Bank Account .....

- a. Will not be supported by a cheque number only when payment is by BACS or Standing Order
- b. Should each be supported by a cheque number which depends on when the cheque was posted
- c. Should each be supported by a sequential cheque number
- d. Will not be supported by a cheque number when payment is by BACS or Standing Order or when cash is drawn out from Cash Machine or when the bank recovers bank charges.

Ans - d

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

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

Ans - d

A cheque drawn by Dawn Toby, a trade debtor, is received back from the bank marked "r/d"  
.....

- a. Debit Bank account and credit Cash account
- b. Debit Dawn Toby's account and credit Bank account
- c. Debit Cash account and credit Bank account
- d. Debit Bank account and credit Dawn Toby's account

Ans - c



(i) when goods are sold, the 'sales account' is used, (ii) when goods are returned by the customers of the firm, the 'returns outward' is used, (iii) when the goods are returned by the firm to its suppliers, the 'purchases returns' is used. Which is correct ?

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

Ans - b

.....

A contra entry in the Cash Book means that .....

- a. Debit and credit entries are in any folio but in the Cash Book
- b. Debit and credit entries are on the same folio of the Cash Book
- c. Debit must be in the Cash Account and the credit in the Bank Account
- d. Debit must be in the Bank Account and the credit in the Cash Account

Ans - a

.....

The following differences between the Cash Book entries and information in the bank statement have been identified .....

- i) An amount incorrectly credited to the company's account by the bank
- ii) Lodgements into bank not reported in the bank statements
- iii) Dishonour of a cheque deposited into the bank
- iv) Bank loan interest recovered by the bank
- v) Cheques drawn by the company yet to be presented to bank

Which set of alternatives correctly analyses treatment of these?

- a. In Cash Book: i, iii, iv; In bank rec: ii, v
- b. In Cash Book: iii, iv; In bank rec: i, ii, v
- c. In Cash Book: ii, iv, v; In bank rec: i, iii
- d. In Cash Book: i, ii, iii; In bank rec: iv, v

Ans - b

.....

Which of the following statements is incorrect?

- a. In emergency the Petty Cashier may give staff loans of small amounts
- b. The Petty Cash Book could be either a subsidiary book or a main book of accounts
- c. Regularly Petty Cashier is reimbursed to make up his cash balance to the imprest
- d. Every payment made by the Petty Cashier should be supported by evidence

Ans - a

.....

Trial balance remains untallied due to errors. Various types of errors can be ..... (i) error of omission, (ii) error of commission, (iii) errors of principal

- 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 a traders in coal. the following figures have been taken from the books of accounts

Purchases - Rs.300000  
Purchase Returns - Rs.6000  
Sales - Rs.410000  
Sales Returns - Rs.10000  
Opening Stock - Rs.80000  
Carriage & frieght - Rs.12000  
Duty & cleaning charges - Rs.4000  
Wages - Rs.8000  
Closing stock - Rs.60000  
Administrative Expenses - Rs.25000  
Selling & Distribution expenses - Rs.15000  
Tax rate - 50%

The Gross profit is .....

- a. Rs.62000
- b. Rs.66000
- c. Rs.56000

d. Rs.72000

Purchases-294000  
Sales-400000  
Opening stock-80000  
Carriage -12000  
Duty and cleaning-4000  
Wages-8000  
Closing stock-60000

Hence its a trading account and as per P&L statement  
 $294000+80000+12000+4000+8000=398000$   
 $400000+60000=460000$   
 $460000-398000=62000$

Gross profit = sales- cost of sales

Cost of sales = opening stock + purchases - purchases return + expenses (carriage + cleaning chgs) + wages - closing stock

In this qn

Sales = 410000 - 10000 = 400000

Cost of sales = 300000-6000+80000+12000+4000+8000-60000  
= 338000/-

Gross profit = 400000- 338000  
= 62000/-

Net profit = 62000-25000-15000-tax

---

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

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

Ans - d

---

PRADHAN MANTRI SURAKSHA BIMA YOJANA (PMSBY)

Answer the following questions regarding (PMSBY)

1. What is the minimum and maximum age to subscribe for (PMSBY)?

- a. Min-18, Max-40
- b. Min-18, Max-50
- c. Min-18, Max-60
- d. Min-18, Max-70

2. What is the premium payable?

- a. Rs. 12/- per month
- b. Rs. 12/- per annum
- c. Rs. 330/- per month
- d. Rs. 12/- per annum

3. What would be the sum assured under the scheme in case of Death?

- a. Rs. 1 Lakh
- b. Rs. 2 Lakhs
- c. Rs. 3 Lakhs
- d. Rs. 5 Lakhs

4. What would be the sum assured under the scheme in case of Total and irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye and loss of use of hand or foot?

- a. Rs. 1 Lakh
- b. Rs. 2 Lakhs
- c. Rs. 3 Lakhs
- d. Rs. 5 Lakhs

5. What would be the sum assured under the scheme in case of Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot?

- a. Rs. 1 Lakh
- b. Rs. 2 Lakhs
- c. Rs. 3 Lakhs

d. Rs. 5 Lakhs

6. Who offer/administer the scheme?

- a. United India Insurance Company
- b. LIC and other Life Insurance companies
- c. Any Non-Life Insurance company
- d. All of the above

7. Will this cover be in addition to cover under any other insurance scheme the subscriber may be covered under?

- a. Yes
- b. Yes, subject to conditions
- c. No
- d. None of the above

Answers

1-d, 2-b, 3-b, 4-b, 5-a, 6-a, 7-a

---

Which of the following is revenue expenditure?

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

Ans - d

---

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

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

Ans - a

---

Bharat Interface for Money (BHIM) - BHIM is a UPI based payment interface which allows real time fund transfer using a single identity like your mobile number or name.

Answer the following questions regarding BHIM.

1. Which one is not correct regarding money sent to a wrong user?

- a. Matter can be referred to NCPI
- b. A successful transaction cannot be reversed
- c. You have to try and raise a collect request and hope that the user will return the same
- d. There is no guarantee that your amount will be reversed

2. What is correct in respect of BHIM? (i) You can't use BHIM outside India, (ii) You can use BHIM outside India to send and collect money for your local accounts, (iii) NRI/NRE accounts cannot be used for the same.

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

3. What are the methods available on BHIM for sending Money? (i) VPA/Mobile No (Registered on UPI), (ii) Aadhaar Number (Should be linked to a bank account), (iii) Account Number and IFS code

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

4. What are the charges to use BHIM?

- a. Depends upon the transaction limit
- b. Depends on the Bank
- c. Depends on the App
- d. NPCI does not charge any user for transacting on BHIM

5. Which is not correct regarding sending money using BHIM?

- a. Maximum of Rs. 10,000 per transaction
-

- b. Maximum of Rs. 20,000 per day
  - c. Limit is available per app from a mobile
  - d. Limit is available per bank account linked on BHIM
6. Which is correct regarding collect request using BHIM?
- a. Maximum of Rs. 10,000 per transaction
  - b. Maximum of Rs. 20,000 per transaction
  - c. Maximum of Rs. 10,000 per day
  - d. Maximum of Rs. 20,000 per day
7. A failed transaction amount should normally be reversed to you in .....
- a. T+1 days
  - b. T+2 days
  - c. T+3 days
  - d. T+4 days

Answers :

1-a, 2-c, 3-d, 4-d, 5-d, 6-a, 7-c

---

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

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

Ans - b

---

Which of the following is peculiar to a partnership firm?

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

Ans - c

---

Which of the following is the most appropriate description of cash discount .....

- a. A reduction in price permitted when items are purchased in bulk
- b. A reduction permitted for inducing someone to pay up ahead of permitted credit period
- c. A reduction in price allowed by one trader to another
- d. A refund of amount over-charged when the customer was invoiced

Ans - b

.....

The prime entry for reversing a discount allowed to a customer would be in .....

- a. The Journal
- b. The credit side of the Cash Book
- c. The Sales Day Book
- d. The debit side of the Cash Book

Ans - a

.....

Which of the following is a correct statement regarding a cash book? (i) it is book of original, (ii) it is subsidiary book and a ledger account also, (iii) it records all cash transactions

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

Ans - d

.....

Upon dishonour of a customer's cheque for Rs. 4,275 the accounting entries for reversing a 5% discount allowed would be .....

- a. Debit the Cash Account and credit the customer with Rs. 225
- b. Debit the customer's account and credit the Cash Account with Rs. 225
- c. Debit the Discount Allowed Account and credit the customer's account with Rs. 225
- d. Debit the customer's account and credit the Discount Allowed Account with Rs. 225

Ans - d

.....



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

Answer the following question:

01. RMLeA scheme has been promoted by .....

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

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

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

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

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

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

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

d.60%

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

- a. Scheduled Commercial Banks
- b. Housing finance Companies
- c. Life insurance Corporations
- d. All the above

Answers

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

---

A bill of Rs. 94769 is drawn by 'A' on 'B' for 3 months on 01.01.2016. A gets the bill discounted from the bank on 17.02.2016. How much rebate amount will be deducted if rate of interest is 11.5% pa?

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

Ans - b

---

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

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

Ans - d

---

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

- a. Cash A/c Rs. 24973 Dr/To Sales A/c Rs. 24973
  - b. Sales A/c Rs. 24973 Dr/To Suspence A/c Rs. 24973
-

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

Ans - c

.....

Limited company uses .....

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

Ans - a

.....

Bills are .....

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

Ans - b

.....

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

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

Ans - b

.....

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An individual has recently purchased a house worth Rs. 40 lakh for self-occupation by availing housing loan of Rs. 28 lakh at 9.25% p.a. rate of interest. The tenure of loan is 18 years. He has Rs. 12 lakh financial assets at present invested at 9% p.a. He is expected to save annually Rs. 2 lakh which he invests on a quarterly basis beginning a quarter from now in an instrument which is expected to provide return of 9% p.a.

1. What will be the EMI on housing loan?

- a. 25669
- b. 26659
- c. 26969
- d. 29669

2. What will be the Outstanding in his housing loan after five years?

- a. 21,14,624
- b. 24,14,624
- c. 24,41,624
- d. 24,44,624

3. What will be the value of his Financial assets after five years?

- a. 14,68,349
- b. 16,48,349
- c. 16,84,349
- d. 18,46,349

4. What will be the value of his Savings after five years?

- a. 12,36,614
- b. 13,26,614
- c. 13,62,614
- d. 16,26,614

5. What would be his net worth five years from now? The value of the house which is for consumption purposes is not considered in the net worth so arrived.

- a. 6,33,688
- b. 6,36,838
- c. 6,68,338

d. 6,86,338

Solution :

1 - b

Housing loan liability = 28,00,000

Tenure = 18 years

Rate of interest = 9.25% p.a.

Financial assets = 12,00,000

Annual savings = 2,00,000

Rate of investment growth in assets = 9% p.a.

EMI on housing loan = 26,659 {PMT (9.25%/12,18\*12,-2800000,0,0)}

2 - b

Outstanding housing loan = 24,14,624 {PV(9.25%/12,(18-5)\*12,-26659,0,0)}

3 - d

Financial assets = 18,46,349 {FV(9%,5,0,-1200000,0)}

4 - a

Savings = 12,36,614 {FV(((1+9%)^(1/4)-1,5\*4,-200000/4,0,0)}

5 - c

Net worth of the individual after 5 years = 6,68,338 (1846349+1236614-2414624)

Cash inflow - Rs. 55000

Useful life of the project - 5 years

IRR - 15%

Cost of capital - 11%

What is NPV of the project?

a. 19640

b. 20415

c. 18670

d. 17526

Ans - c

Mr X has been enjoying a credit card from ABC Bank. The bank has fixed a spending limit of Rs. 200000 lac on his card. During July 2016, he made purchase of Rs. 150000 and paid on due date (10 Aug 2016) Rs. 120000 being a part of the outstanding amount of Rs. 150000. On 11 Aug 2016, he made additional purchase of Rs. 70000. Rate of interest charged by bank is 2 % per month.

Answer the following questions

01. What would be the minimum payment requirement on credit card dues during any month?

- a. 3% of due
- b. 5% of due
- c. 8% of due
- d. 10% of due

02. As the bank charges interest at 2% per month, what would be the annual effective rate to the user?

- a. 24.52%
- b. 26.82%
- c. 27.92%
- d. 28.64%

03. Daily interest charged on outstanding balance as on 11 Aug 2016 will be .....

- a. Rs.60.50
- b. Rs.65.75
- c. Rs.70.10
- d. Rs.75.25

04. Total interest Charged on 10 Sep 2016 will be .....

- a. Rs.1865
- b. Rs.1908
- c. Rs.1973
- d. Rs.2036

Ans - c

05. If Mr A wants to clear all his dues on the due date on 10 Sept 2016, what amount would be required to pay .....

- a. Rs.30000
- b. Rs.70000
- c. Rs.100000
- d. Rs.101913

Solution

1-b

Minimum payment require 5%

2-b

Effective interest rate= $(1+r)^n-1$

$$= (1+0.02)^{12}-1$$

$$= 1.26824-1$$

$$= 0.26824$$

$$= 26.82\%$$

3-b

Daily interest charged=Due outstanding\* $\frac{12}{365}$ \*r

$$=(30000+70000)*\frac{12}{365}*0.02$$

$$=100000*\frac{12*0.02}{365}$$

$$=24000/365$$

$$=65.75$$

4-c

Total interest charged= no of days outstanding \* Daily interest

From 11 Jul 2016 to 10 Aug 2016 = 30 days

$$=30*65.75$$

$$=1973$$

5-d

outstanding amount+additional purchase+interest

$$= 30000+70000+1973$$

$$= 101973$$

---

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

1. What will be the population after 6 years?

- a. 1770810
- b. 1830943
- c. 2536873
- d. 3601753

2. What was the population before 4 years?

- a. 1770810
- b. 1830943
- c. 2536873
- d. 3601753

3. What is the difference in population between these years?

- a. 1770810
- b. 1830943
- c. 2536873
- d. 3601753

Solution :

1. d

Use Compound Interest Formula

Population after 6 years at 7% interest

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

2. b

Population before 4 years at 7% interest

$$\begin{aligned} \text{If } P(1+r)^t &= 2400000, \text{ find } P \\ P (1.07)^4 &= 2400000 \\ P (1.3108) &= 2400000 \\ P &= 2400000 / 1.3108 \end{aligned}$$



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P = 1830943

3. a

Difference between the 2

= 3601753 - 1830943

= 1770810

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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 shall not be responsible for any loss or damage, resulting from any action taken on the basis of the contents. We advise 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.

October 2019

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