JAIIB Exam

(Practice Questions)

Accounting & Financial Management for Bankers

Physicswallah

Q1 The overdraft balance in the bank passbook is Rs. 15,000. A cheque is issued of Rs. 5,000 by the firm but it has not been presented for payment so far. Which of the following is the balance as per the cash book of the firm?
(A) Rs. 10,000 Favourable Balance
(B) Rs. 20,000 Overdraft Balance
(C) Rs. 10,000 Overdraft Balance
(D) Rs. 20,000 Favourable Balance

Q2 Which of the following statements is incorrect with respect to the Bank Reconciliation Statement?
(A) Preparing a Bank Reconciliation Statement requires making necessary corrections in the cash book and adjusting the cash book balance.
(B) A credit entry in a passbook is equivalent to a debit entry in a cash book.
(C) An overdraft in the passbook is a debit balance.
(D) A credit balance as per the cash book is a favourable balance.

Q3 Which of the following items in a BRS would not require an adjusting entry in the books of accounts of a company?
(A) Interest earned on bank deposit
(B) Bank fees
(C) Outstanding cheque
(D) Bills Receivables collected by the bank

Q4 Which of the following is not one of the steps in the preparation of a Bank Reconciliation statement?
(A) Gathering bank records as well as business records.
(B) Going over bank deposits and withdrawals and checking income & expenses in the books.
(C) Adjusting the bank statements & cash balances before comparing the end balances.
(D) All of the above are steps involved in the preparation of BRS.

Q5 A cheque that is returned by a bank and is marked NSF, means ________.
(A) lack of funds
(B) inability to verify identity
(C) it is a damaged cheque
(D) overwriting of cheque

Q6 The day-to-day business transactions in an accounting year are first recorded in which of the following?
(A) Balance Sheet
(B) Profit and Loss Account
(C) Ledger
(D) Journal

Q7 Which of the following principles of accounting assumes that the entity remains in operation sufficiently long to carry out its objects and plans?
(A) Going Concern
(B) Accrual
(C) Consistency
(D) Matching

Q8 A firm starts its business by raising 2 crore, to meet its requirement as under:
Equity Capital = 1.2 crore
Debt Capital = 80 Lakhs
The capital structure of the firm will be:
(A) Equity-50%, Debt-50%
(B) Equity-40%, Debt-60%
(C) Equity-60%, Debt-40%
(D) Equity-70%, Debt-30%

Q9 The concept which is based on the premise that the firm will earn more profit by deploying funds than the cost of those funds is known as?
(A) Norms prevailing in the financial system
(B) Degree of control
(C) Cost of Debt
(D) Trading on Equity

Q10 Each of the following are the assumptions in the approaches of Capital Strcucturing except

(A) The capital market is ideal, and every investor is sane.

(B) All firms distribute a portion of their profit to the equity holders

(C) There is no income tax, individual as well as on the firm

(D) The business conditions will remain same so that the operating profit is not changed.

Q11 If the yield on long term bonds of the firm is 15% p.a and the equity risk premium is 2.5%, what will be the required rate of return on firm's equity capital? (Under Bond Yield Plus Risk Premium Approach)

(A) 15% (B) 12.5%

(C) 17.5% (D) 7.5%

Q12 Which of the following is a semi-variable expense?

(A) Tax

(B) Audit expense

(C) Repair and maintenance of machine

(D) Salary of admin staff

Q13 Over the counter Derivatives and Exchange Traded Derivatives can be differentiated based on which of the following factors?

I. Risk Exposure

II. Regulations

III. Price transparency

IV. Liquidation

(A) I and II

(B) I, III and IV

(C) II and IV

(D) I, II, III & IV

Q14 What are the features of Forward rate agreements (FRA)?

(A) FRAs are used to hedge short term interest rate risk.

(B) FRAs are useful in Asset Liability Management.

(C) FRAs are less liquid.

(D) All of the above

Q15 Which of the following is not a feature of Interest rate option?

I. It allows the option purchaser to acquire or shed exposure to the underlying asset without necessity to purchase or sell the asset itself.

II. The option contract is a balance sheet item.

III. Under options contract the buyer has the ability to get asymmetric exposure to price fluctuations in the underlying asset.

(A) I, II and III (B) II and III

(C) Only II (D) Only I

Q16 Which Accounting standard guides about appropriate accounting policies and disclosures in relation to leases?

(A) As 17 (B) AS 19

(C) AS 20 (D) As 12

Q17 In which type of lease an option is available with the lessee to purchase the asset at the end of lease period?

(A) Leveraged lease

(B) Operating lease

(C) Finance lease

(D) Direct lease

Q18 For short term, a fin-tech company wants to get a printer on lease. Which lease will be beneficial to the company?

(A) Finance lease

(B) Hire purchase

(C) Leverage lease

(D) Operating Lease

Q19 What are tax benefits available with Finance Lease?

(A) Both Interest & Depreciation will be allowed as permissible expenses.

(B) Only Interest will be allowed as a permissible expense.

(C) No deduction will allowed and full tax needs to be paid.

(D) None of above

Q20 In case of a Finance lease, who is responsible for repair and maintenance of an asset?

(A) Lessor

(B) Insurance company

(C) Lessee

(D) Banker

Q21 In which lease the Risk of Obsolescence is to be borne by the Lessee himself?

(A) Finance lease
(B) Operating lease
(C) Both Finance and Operating Lease
(D) None of the two

Q22 What is the compound interest on Rs. 13,000 at 15% per annum over a period of two years, if interest is compounded yearly? (rounded off to nearest ten)
(A) Rs. 4190
(B) Rs. 4290
(C) Rs. 4390
(D) Rs. 4490

Q23 The equation of annuity $\frac{C[1+r]^n-1}{r(1+r)^n}$ where 'C' is the cash flow per period, 'r' is the annual interest rate and 'n' is the number of years, will help you determine __________.
(A) Future value of annuity
(B) Nominal value of annuity
(C) Sinking value of annuity
(D) Present value of annuity

Q24 Find the future value of a 500 rupee annuity paid over 7 years at a compound interest rate of 14%. Consider $1.14^2 = 2.5023$.
(A) Rs. 5135
(B) Rs. 5365
(C) Rs. 5665
(D) Rs. 5375

Q25 Which of the following cash books is maintained for transactions of small amounts?
(A) Minor Cash Book
(B) Petty Cash Book
(C) Trivial Cash Book
(D) Small Cash Book

Q26 _________ is similar to the cash account.
(A) Single Column Cash Book
(B) Double Column Cash Book
(C) Triple Column Cash Book
(D) Petty Cash Book

Q27 Which of the following transactions will be included in a cash book?
I: Cash sales of Rs. 10,000
II: Purchases of Rs. 50,000
III: Credit sales of Rs. 30,000
(A) I & II
(B) I & III
(C) II & III
(D) I, II & III

Q28

A debtor, Suresh, owed Rs. 5000 but became insolvent, and he pays 50 paise for a rupee in full settlement. Which of the following accounts will be debited?
(A) Cash A/c
(B) Bad debts A/c
(C) Suresh A/c
(D) Both Cash A/c and Bad debts A/c

Q29 An entry which is made on both sides of the cash book is known as the _______.
(A) Double entry
(B) Compound entry
(C) Contra entry
(D) None of the above

Q30 Which of the following is not an example of contra entry?
(A) Cash withdrawn from a bank account for office use
(B) Cash received and deposited from a customer
(C) Deposit made into a bank account
(D) Transfer of cash to petty cash

Q31 The rule of "Debit what comes in and Credit what goes out" applies to which of the following accounts?
(A) Real Account
(B) Nominal Account
(C) Personal Account
(D) None of the above

Q32 If cash is withdrawn from a bank account for the purpose of office use, what will be the entry in the cash book?
(A) Cash column will be credited
(B) Cash column will be debited
(C) Cash column will be credited and Bank column will be debited
(D) Bank column will be credited and cash column will be debited

Q33 Which of the following accounts will be debited if a machinery is purchased and a cheque is issued for the same?
(A) Bank A/c
(B) Cash A/c
(C) Machinery A/c
(D) Purchases A/c

Q34 The accounting system called the Imprest System is used to account for which of the following?

(A) Petty Cash Book

(B) Ledger

(C) Sales Book

(D) Purchase Book

Q35 Hindustan Unilever Ltd has incurred heavy advertisement expenditure on the launch of the new Shampoo. As an Accountant of HUL, how will you treat this advertisement expenditure?

(A) Capital Expenditure

(B) Revenue Expenditure

(C) Deferred Revenue Expenditure

(D) Operating expenditure

Q36 An organization prepares a Profit & Loss account to ascertain its:

(A) Gross profits/Gross loss

(B) Capital

(C) Net profit/Net loss

(D) Depreciation

Q37 Under section 194A, the rate of TDS on premature deduction (amount of withdrawal is more than 50,000) from Employees Provident Fund is ______.

(A) 10%

(B) 15%

(C) 5%

(D) No TDS needs to be deducted

Q38 What is rationale behind the setting up of CERSAI by the Government of India?

(A) To prevent the frauds

(B) To enhance the book of statistics with data of mortgage properties in India

(C) To earn more revenue

(D) None of above

Q39 Net working capital in business is:

(A) Fixed Assets - Current Liabilities

(B) Shareholders fund- Current assets

(C) Current Assets- Current liabilities

(D) Current assets + current liabilities

Q40 Which of the following is not a feature of Term Loan?

(A) TL is used for expansion of business

(B) TL is generally sanctioned for medium to long term duration.

(C) TL is used to meet day to day operational expenses of business.

(D) Fixed Assets can be acquired with TL.

Q41 Which of the following assets indicate the current assets for working capital?

(A) Marketable investments + cash + receivables

(B) Shares in Sister concern + prepaid expenses + cash

(C) Inventories + cash + Debtors

(D) Cash + Fixed assets + debtors

Q42 Siphoning of funds can be best defined as when -

(A) Funds are used effectively for the welfare of employees.

(B) Funds are used for related operations of business.

(C) Funds are used for Unrelated purpose and operations of the business.

(D) Funds are used for CSR activities of business with borrowed money.

Q43 Rahul, an enterprising individual, decides to start his own business. He is considering the structure of his business and is leaning towards a sole proprietorship.

What is a key advantage of a sole proprietorship for Rahul?

(A) Limited liability

(B) Minimal legal formalities

(C) Access to public capital markets

(D) Separate legal entity

Q44 Which of the following is a matter dealt with in a budget manual?

(A) Dates by which preliminary forecasts and/or plans are to be submitted

(B) Categorisation of expenses into fixed and variable costs

(C) Important factors to be considered for each forecast or plan

(D) All of the above

Q45 ABC Ltd purchased a building for 50 Lakhs. The amount due is paid to the vendor and the business acquires the place. The transaction is recorded in the books as and when the purchase was done. This is done due to which concept of accounting?

(A) Going concern concept
(B) Historical records concept
(C) Dual aspect concept
(D) Accounting Period Concept

Q46 ABC Investments, a prominent financial advisory firm, is tasked with assessing the risk associated with various investment options for its clients. They utilize tools like Standard Deviation to evaluate potential risks and determine appropriate required rates of return.
What is the relationship between risk premium and the level of risk associated with an investment?
(A) Higher risk leads to a higher risk premium
(B) Higher risk leads to a lower risk premium
(C) Risk premium is inversely related to the level of risk
(D) Risk premium is not influenced by the level of risk

Q47 In a Bank Reconciliation Statement, each of the following entries requires a change in the cash book except:
(A) Cheques issued but not presented for payment
(B) Interest on saving bank
(C) Amount paid by bank on Standing Instruction
(D) Bank charges

Q48 Shyam Lal is a newly hired accountant in the XYZ supermarket. He has wrongly posted Goods purchased worth 1000 from vendor ABC in the sales register account. Amit, his superior has been asked to help and rectify the error. What will be the correct rectification entry for the same?
(A) Sales account debit (2000), Purchase account credit (1000), ABC account credit (1000)
(B) Sales account debit (1000), Purchase account debit (1000), ABC account credit (2000)
(C) Sales account debit (1000), Purchase account credit (1000)
(D) Purchase account debit (1000), Sales account credit (1000)

Q49 Which of the following is an example of an extraordinary item in a company's financial statement?
(A) Rental income from regular operations.
(B) Gain from the sale of a subsidiary.
(C) Salaries paid to regular employees.
(D) Interest earned from core business activities.

Q50 Which of the following statements is correct?
(A) The passbook shows a credit balance when the cash book shows a credit balance.
(B) The passbook shows a credit balance when the cash book shows a debit balance.
(C) The passbook shows a debit balance when the cash book shows a debit balance.
(D) None of the above

Q51 Bonds that pay no regular interest and are issued at a discount to par value are known as?
(A) Fixed rate bonds
(B) Convertible bonds
(C) Zero coupon bonds
(D) High yield bonds

Q52 The cost of an item of PPE should be recognized as an asset if, and only if:
(a) it is probable that future economic benefits associated with the item will flow to the enterprise and
(b) ________.
Fill in the blank.
(A) the cost of the item can be measured reliably
(B) if item is purchased from a reputable vendor.
(C) if the item is insured against any potential damages.
(D) if the item has a long expected useful life.

Q53 In the realm of business accounting, what fundamental distinction sets management accounting apart from cost accounting?
A) Management accounting focuses exclusively on historical cost analysis, while cost accounting is oriented toward future cost projections.
B) The tools utilized in cost accounting, such as standard costing and marginal costing, are also employed in management accounting, along with additional tools like ratio analysis and cash flow analysis.
C) Cost accounting primarily pertains to long-range planning, whereas management

accounting is chiefly concerned with short-term decision-making.

D) The scope of cost accounting is broader, encompassing both historical and future cost aspects, whereas management accounting is confined to short-term planning and decision-making.

Select all the statements that are correct.

(A) A and C.

(B) Only D is true.

(C) Only B is true.

(D) B & D.

Q54 ABC Ltd. leases equipment to XYZ Ltd. for 10 years. The initial cost incurred by ABC Ltd. in negotiating and arranging the lease is 8 lakh. The lease rental is 15 lakh per year. The equipment's useful life is 10 years. The company follows the straight-line method of depreciation. The interest rate implicit in the lease is 10% p.a. How will ABC Ltd. treat this lease in its books? [PVIFA = 6.145]

(A) Rs. 110.65 lakh.

(B) Rs. 100.50 lakhs

(C) Rs. 92.175 lakhs

(D) Rs. 92.750 lakhs

Q55 XYZ Company operates a business and maintains its bank account with ABC Bank. At the end of the month, XYZ Company prepares a bank reconciliation statement to reconcile the balance shown in its records with the balance shown in the bank statement. During the reconciliation process, the following information is identified:

a. Outstanding cheques issued by XYZ Company, totalling Rs. 10,000, have not yet been presented for payment.

b. Bills receivable directly collected by bank amounting to Rs. 5,000.

c. The bank statement shows a service charge of Rs. 500 deducted by the bank.

Based on the above information, what adjustments should be made to the bank reconciliation statement?

(A) Add Rs. 10,000 for outstanding cheques, deduct Rs. 5,000 for bills receivable directly collected by bank, add Rs. 500 for the bank service charge.

(B) Deduct Rs. 10,000 for outstanding cheques, add Rs. 5,000 for bills receivable directly collected by bank, deduct Rs. 500 for the bank service charge.

(C) Add Rs. 10,000 for outstanding cheques, add Rs. 5,000 for bills receivable directly collected by bank, deduct Rs. 500 for the bank service charge.

(D) Deduct Rs. 10,000 for outstanding cheques, deduct Rs. 5,000 for bills receivable directly collected by bank, add Rs. 500 for the bank service charge.

Q56 Which of the following statements about the deduction under Section 80E of the Income Tax Act of India, 1961, for interest on education loans is correct?

(A) The deduction is available indefinitely until the loan is fully repaid.

(B) The deduction is available for a maximum of 8 years.

(C) There is a limit on the maximum amount of interest that can be claimed.

(D) None of the above is correct.

Q57 In financial reporting, which of the following statements sets apart the Cash Flow Statement from the Funds Flow Statement?

(A) Cash Flow Statement is an integral component of financial statements, and it is mandatory for organizations to include it in their reporting. On the other hand, unlike the Cash Flow Statement, the Fund Flow Statement is not obligatory and does not form part of financial statements.

(B) A Cash Flow Statement is prepared using a cash system of accounting, while a Fund Flow Statement is prepared using an accural system of accounting.

(C) The primary purpose of the Cash Flow Statement is to ascertain the cash position at the conclusion of the accounting period. The Fund Flow Statement aids in comprehending two vital aspects - (i) the origin of funds and (ii) the utilization of funds.

(D) All of the above

Q58

XYZ Corporation reported the following information for the year:
Net Income: Rs. 5,00,000
Dividends Paid: Rs. 1,00,000
Issued Bonds: Rs. 3,00,000
Repurchased Stock: Rs. 1,50,000
Proceeds from New Stock Issuance: Rs. 2,00,000
Calculate the net cash flow from financing activities.
(A) Rs. 3,50,000 (Inflow)
(B) Rs. 3,50,000 (Outflow)
(C) Rs. 2,50,000 (Inflow)
(D) Rs. 2,50,000 (Outflow)

Q59 Pass a rectification entry if cash sales of Rs. 16,000 were not posted to sales A/c.
(A) Debit: Suspense A/c; Credit: Sales A/c
(B) Debit: Commission A/c; Credit: Sales A/c
(C) Debit: Cash A/c; Credit: Sales A/c
(D) Debit: Sales A/c; Credit: Suspense A/c

Q60 A rectification entry, also known as a correcting entry, is a journal entry made to correct errors in accounting records. It is used when mistakes or inaccuracies are identified in the original entries, which can affect the accuracy of financial statements. Rectification entries are made to ensure that the books of accounts reflect the correct financial position and results of the business.
Mention the account, along with the amount, that will be debited in a rectification entry if ABC Company recorded a sales transaction of Rs. 5,000 as a credit sale to XYZ Enterprises, however, it was later discovered that the actual sale amount was Rs. 50,000.
(A) XYZ Enterprises A/c - Rs. 50,000
(B) XYZ Enterprises A/c - Rs. 45,000
(C) Sales A/c - Rs. 50,000
(D) Sales A/c - Rs. 50,000

Q61 A company's financial statements provide the following information for the year 2022:
- Net Income: Rs. 5,00,000.
- Depreciation Expense: Rs. 1,00,000.
- Increase in Accounts Receivable: Rs. 50,000.
- Decrease in Inventory: Rs. 30,000.
- Increase in Accounts Payable: Rs. 20,000.
- Capital Expenditures: Rs. 1,50,000.

Based on the given information, what is the company's operating cash flow for the year 2022?

(A) Rs.6,70,000. (B) Rs. 5,80,000.
(C) Rs. 6,00,000. (D) Rs. 6,20,000.

Q62 According to accounting standards, where should the aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses be classified?
(A) Operating activities
(B) Financing activities
(C) Investing activities
(D) Miscellaneous activities

Q63 According to Ind AS-7, which sets out requirements for the presentation and disclosure of cash flow information, an entity shall report cash flows from operating activities using:
(A) Only the direct method
(B) Only the indirect method
(C) Either the direct method or the indirect method
(D) Both the direct and indirect methods simultaneously

Q64 In the context of negotiable instruments, which of the following statements is correct?
(A) A promissory note is drawn by the debtor promising the debtor to pay a certain specified sum after a specific period.
(B) A bill of exchange is a conditional promise to pay made by a debtor.
(C) Noting by a notary public is required in the case of dishonored promissory notes.
(D) A cheque must always be payable to order and cannot be payable to the bearer.

Q65 What is the principle followed by income tax where individuals with higher incomes pay more taxes?
(A) Progressive tax principle
(B) Proportional tax principle
(C) Regressive tax principle
(D) Static tax principle

Q66 Rajesh is a business owner in India who is registered under the Goods and Services Tax (GST) regime. He is responsible for filing his

GST returns within the specified due dates. Failure to file returns on time can lead to additional financial obligations in the form of interest and late fees. Rajesh, being a diligent businessman, always strives to meet his tax obligations in a timely manner. However, due to unforeseen circumstances, he faced a delay in filing his GST returns.

When does the interest on delayed payment of tax start accruing?

(A) From the due date of return
(B) From the date of filing returns
(C) From the end of the financial year
(D) Next day of due date of return

Q67 XYZ Corporation reported the following information for the year:

- Purchase of Machinery: Rs. 1,50,000
- Sale of Investments: Rs. 80,000
- Acquisition of Subsidiary: Rs. 2,00,000
- Sale of Land: Rs. 50,000

What is the net cash flow from investing activities?

(A) Cash outflow of Rs. 2,20,000
(B) Cash inflow of Rs. 2,20,000
(C) Cash inflow of Rs. 2,10,000
(D) Cash inflow of Rs. 2,10,000

Q68 ABC Bank, a Scheduled Commercial Bank (SCB), has implemented the Risk-Based Internal Audit (RBIA) system as mandated by the RBI. This approach aims to:

(A) Allocate audit resources based on the historical performance of branches and corporate levels.
(B) Focus primarily on historical transaction testing to ensure accuracy in financial records.
(C) Shift from transaction testing to identifying and prioritizing risks for effective allocation of audit resources.
(D) Utilize RBIA for evaluating external communication channels and their impact on risk management.

Q69 There are several methods through which variances can be treated in accountancy. Which of the following methods helps smooth out variances over time and provide a buffer for future periods?

(A) Transfer to Costing Profit and Loss Account
(B) Allocation of Variances to Inventory Accounts
(C) Transfer to Reserve Account
(D) All of the above

Q70 A company, ABC Furniture Store, pre-pays a supplier for a shipment of furniture that is scheduled to arrive in the next accounting period. The supplier acknowledges the payment and agrees to deliver the furniture according to the agreed terms.

How is a payment made in advance treated in accounting?

(A) It is considered an expense in the current accounting period.
(B) It is treated as an expense in the subsequent accounting period when the goods are received.
(C) The supplier will be treated as debtor.
(D) Both B & C

Q71 Who developed International Financial Reporting Standards (IFRS)?

(A) International Accounting Standards Board (IASB)
(B) Financial Accounting Standards Board (FASB)
(C) Generally Accepted Accounting Principles (GAAP)
(D) International Monetary Fund (IMF)

Q72 According to RBI guidelines, what is the recommended procedure for handling credit entries outstanding for more than five years in inter-branch accounts?

(A) Combine them with the active accounts for simplified tracking
(B) Transfer them to a separate Blocked Account and disclose under 'Other liabilities and provisions–Others'
(C) Write them off immediately to avoid complications
(D) Seek approval from the account holder before taking any action

Q73 XYZ Bank, a well-established bank, has been focusing on enhancing its internal audit function in alignment with RBI's instructions. The bank ensures:

I. The Head of Internal Audit (HIA) can be any senior executive with relevant experience, regardless of their access to records.
II. The HIA has a reporting line to the Chief Financial Officer (CFO) to streamline communication.
III. Reporting relationships are designed to prevent any conflicts of interest and business targets, and the HIA reports directly to the Audit Committee of the Board (ACB), MD & CEO, or Whole Time Director (WTD).
IV. The HIA is not required to have independent judgment as long as they have authority over internal audit resources.
Select all that apply.
(A) Only III
(B) Only I & II
(C) Only I & III
(D) Only IV

Q74 ABC Corporation's financial statement shows the following details:

- Total Assets: ₹1,500,000
- Total Liabilities: ₹600,000
- Current Liabilities: ₹100,000
- Non-Current Liabilities: ₹500,000
- Capital: ₹400,000
- Reserves and Surplus: ₹200,000

What is the net worth of ABC Corporation?
(A) ₹600,000 (B) ₹800,000
(C) ₹600,000 (D) ₹1,500,000

Q75 XYZ Manufacturing estimated that it would take 1.5 kilograms of Material Y to produce one unit of Product B. However, due to various factors, 2 kilograms of Material Y were actually used to produce one unit of Product B. The quantity of Product B produced was 12,500 units.
The standard cost of Material Y is Rs. 13 per kilogram. Calculate the Material Usage Variance.
(A) Rs. 81,250 (Unfavourable)
(B) Rs. 85,250 (Unfavourable)
(C) Rs. 81,250 (Favourable)
(D) Rs. 85,250 (Favourable)

Q76 A construction project has an estimated contract cost of Rs. 5,00,000 and an estimated contract profit of Rs. 50,000. The cost of work completed on the project so far is Rs. 3,00,000. Calculate the profit to date.
(A) 30,000 (B) 83,333
(C) 35,000 (D) 50,000

Q77 ABC Corporation reported a net income of Rs. 5,00,000 for the fiscal year ended March 31, 2022. The company has 1,00,000 common shares outstanding. There are no preferred shares. Additionally, the market price of an equity share is Rs. 40.
Calculate the P/E ratio.
(A) 4 (B) 6
(C) 9 (D) 8

Q78 In financial reporting of banks, how are connected inter-office accounts typically handled when calculating the net balance of inter-office adjustments?
(A) Aggregated, with only the net balance shown
(B) Ignored, as they are considered immaterial
(C) Disclosed separately from the net balance
(D) Offset against each other, with no net balance shown

Q79 Company ABC is considering investing in a new project that requires an initial investment of Rs. 100,000. The project is expected to generate annual cash flows of Rs. 30,000 for the next 5 years. What is the payback period for this project?
(A) 2.2 years (B) 2.8 years
(C) 3.1 years (D) 3.3 years

Q80 ABC Manufacturing Company produces a variety of products in its factory. Each product requires different materials, labour, and overhead costs. The company uses a system of cost units to allocate these costs accurately.
Product A: This product is a high-end electronic device that requires specialized components and skilled labour for assembly. Additionally, it undergoes extensive quality testing before it is ready for the market.
Product B: This product is a standard consumer electronic device that shares some components with Product A, but requires less complex assembly and testing processes.
Product C: This product is a basic accessory that is packaged with both Products A and B. It is a simple item that incurs minimal production costs.

The company uses a combination of activity-based costing (ABC) and traditional costing methods to allocate costs to each product. This allows them to accurately assess the true cost of production for each item.

Based on the information provided, which product(s) would likely have the highest direct labor cost?

(A) Product A

(B) Product B

(C) Product C

(D) Both Product A and Product B

Q81 Revenue expenditure refers to the expenses incurred by a company in its day-to-day operations to generate revenue. These expenses are necessary for maintaining the normal operations of the business and are typically recurring in nature.

Which of the following is NOT classified as a revenue expenditure?

(A) Salaries and wages paid to employees

(B) Purchase of raw materials for production

(C) Cost of relocating all of an entity's operations

(D) Installation cost of a machinery

Q82 Which of the following statements is true regarding transactions in a bank?

(A) All transactions in a bank are classified as cash transactions.

(B) Non-cash transactions involve internal accounts of the bank exclusively.

(C) Transfer transactions involve only the accounts of bank customers.

(D) Non-cash transactions may involve internal accounts of the bank or accounts of bank customers.

Q83 If a company adopts a production policy of keeping production steady throughout the year without considering the peak and non-peak nature of the business, what is likely to happen?

(A) There will be a reduction in working capital requirements.

(B) There will be a surplus of cash flow during the off-peak season.

(C) There will be an accumulation of inventories in the off-peak season, requiring a larger working capital limit.

(D) There will be a decrease in the need for a working capital limit.

Q84 ABC Construction Company has been awarded a contract to build a new office building for XYZ Corporation. The total contract value is Rs. 10,00,000, and the contract specifies an amount of 10% to be withheld by XYZ Corporation until the project is completed.

During the construction process, ABC Construction Company encounters some delays due to unforeseen weather conditions, which impact the project timeline. However, they work diligently to overcome these challenges and complete the building as per the agreed-upon specifications.

Which of the following is correct if there would also have been a penalty clause?

(A) ABC Construction Company would be required to pay a certain amount as a penalty to XYZ Corporation for the delays in completing the project.

(B) ABC Construction Company would receive a bonus from XYZ Corporation for completing the building despite the delays.

(C) XYZ Corporation would be required to pay the withheld 10% amount to ABC Construction Company as compensation for the delays caused by unforeseen weather conditions.

(D) XYZ Corporation would waive the penalty clause considering the impact of unforeseen weather conditions on the project timeline.

Q85 ABC Bank, a prominent financial institution, is seeking to optimize its operations while maintaining the highest standards of internal audit. In this pursuit, the bank's management is considering the possibility of outsourcing certain audit functions to external experts. The intention is to tap into specialized knowledge and experience that might not be readily available within the bank's internal audit team.

However, the bank's Audit Committee of the Board (ACB) is cautious about maintaining the integrity and independence of the internal audit process. They believe that outsourcing the entire internal audit function could compromise the objectivity and effectiveness of the audit. What should be the bank's approach to outsourcing?

(A) The bank should outsource the entire internal audit function to external experts for greater efficiency.

(B) The bank should hire external experts for all audits and assessments to ensure specialized knowledge is always available.

(C) The bank should consider not outsourcing any audit functions, relying solely on its internal audit team for all assessments.

(D) The bank should adopt a hybrid approach, outsourcing specific audits to external experts while retaining ownership of audit reports with the internal audit function regulars.

Q86 Rahul, an e-commerce seller based in India, primarily sells electronic gadgets through an online platform. He has been actively selling his products online and has noticed the impact of the new GST deduction policy on his business.

Under the IGST, what is the total tax deduction percentage applied to online sales proceeds?

(A) 1% (B) 10%

(C) 2% (D) 5%

Q87 If an e-commerce seller's online sales revenue is Rs. 1,000,000, how much tax deduction can they expect under this policy? Also, what must the deducted tax be submitted to the government?

(A) 1,000, 10th of the following month.

(B) 10,000, 10th of the following month.

(C) 2000, 15th of the following month.

(D) 5000, 15th of the following month.

Q88 ABC Ltd. is a manufacturing company that supplies goods to various customers on credit. To ensure timely payment, ABC Ltd. often issues bills of exchange to its customers.

On January 1, 2022, ABC Ltd. sells goods worth Rs. 50,000 to XYZ Pvt. Ltd. on credit. As part of the transaction, ABC Ltd. prepares a bill of exchange for Rs. 50,000, with a payment due date of March 1, 2022. The bill of exchange is drawn by ABC Ltd. on XYZ Pvt. Ltd. and is payable to MNO Traders.

Who is a payee in the given scenario?

(A) ABC Ltd

(B) XYZ Pvt Ltd

(C) MNO Traders

(D) Both MNO Traders & ABC Ltd

Q89 ABC Company, a wholesale distributor, sells goods to XYZ Company on credit. As part of the transaction, ABC Company issues a bill of exchange to XYZ Company. The bill of exchange is drawn for a total amount of Rs. 1,00,000 on 1st March 2022 and has a period of one month from the date of issuance.

The due date of the bill is ______, and the date of maturity is calculated after adding ______ days of the grace period.

(A) 1st April, two

(B) 1st April, three

(C) 1st April, one

(D) 1st April, four

Q90 XYZ Electronics is a well-established electronics manufacturer based in City A, Country X. They have been supplying electronic components to various retailers, wholesalers, and manufacturers for many years. One of their regular customers is ABC Retailers, a leading retail chain with stores across the country. In their routine trade transactions, XYZ Electronics supplies electronic components to ABC Retailers on credit terms, typically using a bill of exchange as the payment instrument. What kind of bill of exchange will XYZ issue?

(A) Domestic Bill of Exchange

(B) Rebate Bill of Exchange

(C) Inland Bill of Exchange

(D) Discount Bill

Q91 The liability of the members of the joint stock company is limited to the ________.

(A) Value of their shares

(B) Value of company assets

(C) Total profits earned

(D) Outstanding debts of the company

Q92 Match the following goods & services with the GST rates applicable on them.

Goods & Services	Rates
1. Education Services	a. 0%
2. Footwear below Rs.500	b. 5%
3. Ice-cream	c. 18%

(A) 1: (a), 2: (b), 3: (c)
(B) 1: (b), 2: (a), 3: (c)
(C) 1: (a), 2: (c), 3: (b)
(D) 1: (b), 2: (c), 3: (a)

Q93 In banking, when there are a large number of accounts with similar types of transactions in the same ledger or group of ledgers, what is a common practice followed to streamline the recording process?
(A) Issuing individual vouchers for each transaction
(B) Creating a separate ledger for each account to avoid confusion
(C) Enclosing a summary report with the ledger entries for verification purposes
(D) Preparing a consolidated voucher along with an attached list of account details and transaction amounts

Q94 XYZ Manufacturing, a leading producer of high-precision electronic components, is considering implementing ideal standards in its production process. These standards are based on the concept of perfect performance and represent costs that can be achieved under absolutely ideal operating conditions.
However, the management is aware that these standards are idealistic.
Given this context, why are ideal standards considered less realistic in practical manufacturing environments?
(A) Because they don't account for any performance standards.
(B) Because they are based on perfect performance and may not align with real-world conditions.
(C) Because they are more attainable than practical standards.
(D) Because they are achievable under ideal operating conditions.

Q95 XYZ Company, a publicly traded organization, is preparing its annual financial statements for the fiscal year. The company follows the disclosure requirements set by the regulatory authorities. As part of the disclosure, they are required to provide additional information in the notes to the financial statements regarding various items, including employee benefits, depreciation, and significant income or expenditure. According to the disclosure requirements, which of the following items would require additional information to be disclosed in the notes to the financial statements?
(A) Any item of income or expenditure exceeding 2% of the revenue from operations or Rs. 2,00,000, whichever is lower.
(B) Any item of income or expenditure exceeding 2% of the revenue from operations or Rs. 2,00,000, whichever is higher.
(C) Any item of income or expenditure exceeding 1% of the revenue from operations or Rs. 1,00,000, whichever is lower.
(D) Any item of income or expenditure exceeding 1% of the revenue from operations or Rs. 1,00,000, whichever is higher.

Q96 Under the e-invoicing system in India, which of the following statements is accurate?
(A) The e-invoicing system was introduced in 2017.
(B) Businesses with an annual aggregate turnover of more than Rs. 100 crore were required to comply from January 1, 2021.
(C) The threshold for mandatory compliance with e-invoicing was initially set at Rs. 100 crore.
(D) The e-invoicing system applies to all businesses regardless of their annual turnover.

Q97 Given are the following details:
- Opening stock = Rs. 68,000
- Purchases = Rs. 61,000
- Purchase Returns = Rs. 6,400
- Sales = Rs. 4,00,000
- Wages = Rs. 67,000
- Salary = Rs. 1,20,000
- Electricity charges = Rs. 30,000
- Closing stock = Rs. 32,000

What is the Net profit/loss?
(A) Rs. 92,600 (B) Rs. 92,300
(C) Rs. 92,100 (D) Rs. 92,400

Q98 LMN Corporation, a manufacturing company, acquired a piece of land and a building for its operations five years ago. Since the acquisition, the real estate market in the area has experienced significant appreciation, and the current market value of the land and building far exceeds its historical cost. How should LMN Corporation account for the land and building according to the Cost Concept?

(A) LMN Corporation should revalue the land and building to reflect their current market values in the financial statements.

(B) LMN Corporation should continue to carry the land and building at their orginal cost in the financial statements.

(C) LMN Corporation should disclose the current market values of the land and building in the footnotes to the financial statements.

(D) LMN Corporation should adjust the historical cost of the land and building to an amount between the historical cost and the current market value.

Q99 Consider the following statements about Current Ratio:

I. It is also known as the quick ratio.

II. A current ratio of 4 is considered satisfactory.

III. Poor current ratio is indicative of a fact that a company is trading beyond its resources.

Choose the correct statements.

(A) Only I (B) Only II

(C) Only III (D) I & II

Q100 Which of the following statements is true regarding the Debt Collection Period Ratio?

(A) The ratio indicates the average time taken to collect debts and is crucial for assessing borrowers' collection efficiency.

(B) The ratio shows the extent to which lenders collect debts and helps borrowers manage their funds.

(C) A higher ratio is desirable as it signifies a longer debt collection period.

(D) The ratio indicates the total debtors and creditors of a company.

Q101 What type of account is a stock account in accounting?

(A) Personal account

(B) Nominal account

(C) Real account

(D) Temporary account

Q102 XYZ Corporation is a publicly traded company in the technology sector. It has a significant controlling shareholder who holds a 60% ownership stake in the company. The remaining 40% is owned by various minority shareholders. The company has been performing well in recent years, but concerns have arisen regarding potential agency problems between the controlling shareholders and the minority shareholders.

What is the primary concern of minority shareholders in this scenario?

(A) Maximizing the company's profits at any cost.

(B) Ensuring that the company remains competitive in the market.

(C) Avoiding situations where their interests are neglected by the controlling shareholder.

(D) All of the above

Q103 RBI has mandated that investment balances as per the bank's book should be reconciled at _____ intervals with the balances in the Public Debt Office's books.

(A) quarterly (B) monthly

(C) half-yearly (D) yearly

Q104 ABC Ltd. issued a bill of exchange for Rs. 5,000 to XYZ Ltd. as payment for goods purchased. Which of the following journal entries is correct for this transaction in the books of ABC Ltd.

(A) Debit: Bills Payable. Credit: Cash

(B) Debit: Bills Payable. Credit: XYZ Ltd

(C) Debit: Bills Payable. Credit: Accounts Receivable

(D) Debit: Bills Receivable. Credit: XYZ Ltd

Q105 Which of the following statements is/are correct in the context of revenue receipts/expenditure?

I. Revenue Expenditure is recurring in nature.

II. Revenue Expenditure incurred to generate revenue in the current accounting period.

III. Capital Receipts are routed through a Profit and Loss Statement.

(A) Only I

(B) Only I & III

(C) Only I & II

(D) Only II

Q106 Where would the provision for taxation be shown in the financial statements?

I. In the Profit and Loss Account under 'Provisions and Contingencies'

II. In the Balance Sheet under 'Other Assets'
III. In the Balance Sheet under 'Other Liabilities and Provisions'
(A) Only I & III
(B) Only III
(C) Only I
(D) None of the above options is correct

Q107 Which of the following Schedule of the Companies Act prescribes the forms in which the balance sheet and profit and loss account should be prepared?
(A) Schedule II (B) Schedule III
(C) Schedule IV (D) Schedule VI

Q108 In foreign banks operating in India as branches, who does the Head of Internal Audit (HIA) report to?
(A) The Reserve Bank of India
(B) The Board of Directors of the bank
(C) The internal audit function in the controlling office/head office
(D) The Chief Executive Officer of the bank

Q109 Which organization has issued Standard on Internal Audit (SA) 14 - Internal Audit in an IT Environment?
(A) The Institute of Chartered Accountants of India
(B) International Organization for Standardization (ISO)
(C) Information Systems Audit and Control Association (ISACA)
(D) Institute of Internal Auditors (IIA)

Q110 XYZ Corporation, a publicly traded company, is preparing its financial statements for the fiscal year ending on December 31, 2023. As part of the financial reporting process, the company needs to classify its liabilities into current and non-current categories based on specific criteria. XYZ Corporation has a liability that is expected to be settled within nine months after the reporting date. How should this liability be categorized in the financial statements?
(A) The liability should be classified as current.
(B) The liability should be classified as non-current.
(C) The liability should be classified as contingent.
(D) The liability can be classified as non-current or contingent.

Q111 Shivam issued a financial instrument to Riya, promising to pay her Rs. 10,000 on a specific date. Riya held the instrument until the due date, but Shivam failed to make the payment. In this scenario:
(A) The instrument is a bill of exchange, and it must be noted by a notary public.
(B) The instrument is a promissory note, and noting is not necessary.
(C) The instrument is a bill of exchange, and noting is not required.
(D) The instrument is a promissory note, and it must be noted by a notary public.

Q112 On January 1, 2023, XYZ Corporation purchased equipment for ₹50,000 in cash.
How does this transaction impact the company's assets and liabilities?
(A) Assets increase by ₹50,000; Liabilities decrease by ₹50,000
(B) Assets decrease by ₹50,000; Liabilities decrease by ₹50,000
(C) Assets increase by ₹50,000; Liabilities remain unchanged
(D) None of the above

Q113 ABC Manufacturing Company is known for its precision engineering. During a recent production run, unforeseen circumstances led to abnormal losses. The company had initially estimated a normal loss of 5% due to the nature of the raw material used. The total cost incurred was Rs. 60,000 to produce 1,200 units, and the estimated scrap value was Rs. 2,500.
Given that the actual production resulted in 1,150 units due to the abnormal losses, what is the value of the abnormal loss?
(A) 2396 (B) 2456
(C) 2687 (D) 2391

Q114 Fill in the given blank:
Depending upon the turnover of the company, the figures appearing in the Financial Statements may be rounded off. If the turnover is less than _______ crores, to the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(A) Rs. 1000 (B) Rs. 500

(C) Rs. 50 (D) Rs. 100

Q115 What does the abbreviation "URL" stand for?
(A) Universal Research Locator
(B) Uniform Resource Locator
(C) User Registration Link
(D) Ultra Responsive Layout

Q116 Sam borrows Rs. 5,000 from a bank at an annual interest rate of 8%. How much interest will he have to pay after 3 years?
(A) Rs. 1200 (B) Rs. 400
(C) Rs. 800 (D) Rs. 1000

Q117 A company purchases a building for Rs. 5,00,000 by paying Rs. 1,00,000 in cash and taking out a bank loan for the remaining amount. What is the impact on the accounting equation?
(A) Assets increase by Rs. 5,00,000, Liabilities increase by Rs.4,00,000, Equity increases by Rs. 1,00,000
(B) Assets increase by Rs. 4,00,000, Liabilities increase by Rs. 400,000, Equity remains unchanged
(C) Assets increase by Rs. 1,00,000, Liabilities increase by Rs. 4,00,000, Equity increases by Rs. 1,00,000
(D) None of the above

Q118 Company ABC produces a product with the following information:
Selling Price per Unit: Rs. 50
Variable Cost per Unit: Rs.30
Fixed Costs: Rs. 60,000
What is the break-even point in units for this product?
(A) 2000 units (B) 1500 units
(C) 1200 units (D) 3000 units

Q119 What is the relationship between price changes and the Profit-Volume (P/V) ratio?
(A) There is an inverse relationship between price changes and the P/V ratio.
(B) There is a direct relationship between price changes and the P/V ratio.
(C) The P/V ratio remains constant regardless of price changes.
(D) There is no relationship between price changes and the P/V ratio.

Q120 Credit sales to X Rs. 10,000 were posted to his account as Rs. 12,000. This is an error of ______, and the ________ A/c is debited in the rectification entry.
(A) commission, Suspense
(B) commission, X's
(C) principle, Suspense
(D) principle, X's

Q121 Balance Sheet as of 31st March 2023

Assets	Amount	Liabilities	Amount
Fixed assets	15,00,000	Share capital	10,00,000
Non-current investments	2,46,000	Reserves & Surplus	3,50,000
Current Assets	4,20,000	Long-term borrowings	5,60,000
		Current Liabilities	2,56,000
Total	21,66,000	Total	21,66,000

What is the capital employed?
(A) Rs. 9,10,000
(B) Rs. 15,60,000
(C) Rs. 19,10,000
(D) None of the above

Q122 Which of the following statements accurately describes the purpose and characteristics of sinking funds in financial management?
(A) Sinking funds are accumulated to meet the short-term working capital requirements of a business.
(B) Sinking funds are reserves set aside to finance expansion projects and strategic initiatives undertaken by a company.
(C) Sinking funds are specifically earmarked investments that are accumulated for the purpose of redeeming long-term debt or replacing fixed assets.
(D) Sinking funds are a type of reserve created by investing in securities to cover unexpected expenses or losses.

Q123 If an investment has been made in partially paid-up shares of another company, there is a possibility of incurring liability when a further call is made to collect the remaining unpaid amount. Where is this uncalled liability on shares partly paid shown in the balance sheet?

(A) Current Liabilities and Provisions
(B) Secured Loans
(C) Reserves and Surplus
(D) Contingent Liabilities

Q124 Balance Sheet as of 31st March 2023:

Assets	Amount	Liabilities	Amount
Fixed assets	15,00,000	Share capital	10,00,000
Non-current investments	2,46,000	Reserves & Surplus	3,50,000
Current Assets	4,20,000	Long-term borrowings	5,60,000
		Current Liabilities	2,56,000
Total	21,66,000	Total	21,66,000

Calculate the Overall Profitability Ratio if Profit before Interest & Tax is Rs. 6,80,000.
(A) 36.6% (B) 37.6%
(C) 38.6% (D) 35.6%

Q125 What do you understand by the term 'standing instructions' in banking terminology?
(A) It refers to the guidelines provided to bank staff on how to assist customers with their inquiries.
(B) It is a type of credit facility extended by a bank to its customers for a specified period.
(C) It is a set of pre-authorized instructions given by an account holder to a bank for routine, periodic transactions.
(D) It signifies the rules and regulations governing the conduct of a bank's board of directors.

Q126 In a network setup where a powerful server is installed at the centralized data center (Hub), with each branch having its own server, and users at each branch having terminals connected to the branch server, how are the branches and the 'Host' connected?
(A) Through a wireless connection
(B) Through a dedicated line
(C) Through a virtual private network (VPN)
(D) Through a shared internet connection

Q127 When a trial balance does not tally (that is, the totals of debit and credit columns are not equal), we know that:
(A) There must be multiple errors in the accounting records.
(B) There are no errors; the trial balance is correct.
(C) At least one error has occurred in the accounting records.
(D) The trial balance is only useful for small businesses.

Q128 XYZ Manufacturing estimated the production of 5,000 units of a product, with a standard material usage of 3 kilograms per unit. However, during the actual production, 16,500 kilograms of material were used to produce 5,000 units. The standard cost of material is Rs. 10 per kilogram.
Additionally, the standard time for producing one unit is 2 hours, with an estimated labor cost of Rs. 20 per hour. However, the actual production took 10,200 labor hours with a total cost of Rs. 2,05,000.
Calculate the Material Cost Variance and Labour Time (Efficiency) Variance.
(A) Material Cost Variance = Rs. 15,000 (Unfavourable); Labour Time (Efficiency) Variance = Rs. 4000 (Favourable)
(B) Material Cost Variance = Rs. 15,000 (Unfavourable); Labour Time (Efficiency) Variance = Rs. 4000 (Unfavourable)
(C) Material Cost Variance = Rs. 15,000 (Favourable); Labour Time (Efficiency) Variance = Rs. 4000 (Unfavourable)
(D) Material Cost Variance = Rs. 15,000 (Favourable); Labour Time (Efficiency) Variance = Rs. 4000 (Favourable)

Q129 XYZ Electronics, a company that manufactures and sells electronic gadgets, is considering its financial position. The company has provided the following financial data for the year:
- Total Sales: Rs. 10,00,000
- Sale price = Rs. 40
- Variable Costs: Rs. 20
- Fixed Costs: Rs. 3,00,000
- Net Profit: Rs. 1,00,000

Calculate the Margin of Safety for XYZ Electronics based on the provided data. What does the Margin of Safety indicate for XYZ Electronics?
(A) 45%, The company's fixed costs are too high.

(B) 40%, The company's fixed costs are too high.
(C) 40%, XYZ Electronics can afford a 40% drop in sales before it starts making losses.
(D) 45%, XYZ Electronics can afford a 45% drop in sales before it starts making losses.

Q130 What is the Required Rate of Return when the Risk-free Return is 4% and the Risk Premium is 6%?
(A) 10% (B) 2%
(C) 1.5% (D) 24%

Q131 ABC Corporation, a multinational corporation based in India, is actively considering using Forward Rate Agreements (FRAs) to manage their short-term interest rate risk. They are aware of the unique characteristics and challenges associated with FRAs. Here is some information regarding FRAs:
Statement 1: FRAs are commonly used to hedge short-term interest rate risk.
Statement 2: FRAs enjoy highly liquid markets, making them easy to buy or sell at competitive prices.
Statement 3: Cancellation of an FRA can be difficult in the absence of a ready market, especially in shallow markets.
Statement 4: A Forward Rate Agreement is a contract between two parties to settle the interest differential on a notional principal in the future.
Based on the provided information, which statements about Forward Rate Agreements (FRAs) are correct?
(A) Statement 1 and Statement 2
(B) Statement 1 and Statement 3
(C) Statement 3 and Statement 4
(D) None of the above options is correct.

Q132 Shivam has taken out a home loan of Rs. 20,00,000 at an annual interest rate of 5.5% for a term of 20 years. The loan is to be repaid in equated monthly installments (EMIs).
The formula for calculating EMI is: $EMI = P \times \frac{r(1+r)^n}{(1+r)^n - 1}$
What does 'r' in the given formula indicate when P stands for the principal loan amount, and n is the total number of payments?
(A) Monthly interest rate
(B) Annual interest rate
(C) Quarterly interest rate
(D) Half-yearly interest rate

Q133 Shivam has taken out a home loan of Rs. 20,00,000 at an annual interest rate of 12% for a term of 20 years. The loan is to be repaid in equated monthly installments (EMIs).
What is the outstanding loan amount after the second payment? Round off the EMI to nearest tens.
(A) 19,95,939.8 (B) 19,97,980
(C) 19,75,939.8 (D) 19,96,939.8

Q134 According to the regulations regarding Commercial Papers (CPs) and Non-Convertible Debentures (NCDs), who is eligible to invest in CPs and NCDs?
(A) Only residents are eligible to invest.
(B) Only non-residents are eligible to invest.
(C) Both residents and non-residents are eligible to invest.
(D) Only entities related to the issuer are eligible to invest.

Q135 According to RBI's framework for trade credit arrangements, what is the scope of trade credit that can be raised for import in Indian Rupees (INR)?
(A) Trade credit can be raised for import of all items, including gold.
(B) Trade credit can be raised for import of all items except gold, as per the extant Foreign Trade Policy.
(C) Trade credit can only be raised for specific items listed by the Reserve Bank of India.
(D) Trade credit can be raised for any items, subject to approval by the Ministry of Finance.

Q136 ABC Corporation recently acquired a piece of machinery for its production facility at a cost of Rs. 10,00,000. The company financed this purchase by taking out a bank loan. The terms of the loan state that it is to be paid back in equal instalments over the next five years.
Based on this scenario, analyze the impact of the machinery purchase on ABC Corporation's balance sheet immediately after the transaction.
(A) Assets increase by Rs. 10,00,000, Liabilities increase by Rs. 10,00,000

(B) Assets increase by Rs. 10,00,000, Equity increases by Rs. 10,00,000
(C) Assets increase by Rs. 10,00,000, Liabilities increase by the present value of the loan, and Equity remains unchanged
(D) Assets increase by Rs. 10,00,000, Liabilities increase by Rs. 10,00,000, and Equity decreases by Rs. 10,00,000

Q137 XYZ Corporation has a total requirement of current assets amounting to Rs. 150 lakhs. The company has obtained short-term finance of Rs. 120 lakhs from various sources. Calculate the amount of margin or Net Working Capital (NWC) that XYZ Corporation needs to bring in.
(A) Rs. 30 lakhs (B) Rs. 120 lakhs
(C) Rs. 150 lakhs (D) Rs. 160 lakhs

Q138 A company is considering an investment in a new project that requires an initial investment of Rs. 50,000. The expected cash flows from the project are as follows:
Year 1: Rs. 15,000
Year 2: Rs. 20,000
Year 3: Rs. 25,000
Year 4: Rs. 18,000
Year 5: Rs. 12,000
Calculate the payback period for this investment.

(A) 2.4 years (B) 2.5 years
(C) 2.6 years (D) 2.8 years

Q139 A company is considering the production of a new product. The fixed costs for setting up the production line are Rs. 1,00,000. The variable cost per unit is Rs. 20, and the product is expected to be sold for Rs. 50 each.
Calculate:
The break-even point in units and the revenue needed to reach the break-even point.
(A) 2000 units, Rs. 1,00,000
(B) 2000 units, Rs. 40,000
(C) 3,333 units, Rs. 1,66,650
(D) 3,333 units, Rs. 66,660

Q140 Mr. A, a supplier, had provided goods to Mr. Z, who accepted a bill of exchange for Rs. 50,000 payable after 60 days. As the due date approached, Mr. Z realized he might face difficulties in making the payment on time. He approached Mr. A and requested an extension.
Mr. A agreed to the request and decided to renew the bill with new terms of payment. They canceled the old bill and drew a fresh bill with extended terms, which Mr. Z duly accepted and delivered.
What action should Mr. Z and Mr. A take regarding the old bill and the new bill?
(A) Mr. A should dishonor the old bill, and Mr. Z should record it as bad debt. They should continue with the new bill.
(B) Mr. A should retain the old bill for his records, and Mr. Z should mark it as paid. They should continue with the new bill.
(C) Mr. A should cancel the old bill, and he should draw a new bill with extended terms, which Mr. Z will accept and deliver. The old bill does not require noting.
(D) Mr. Z and Mr. A should jointly decide whether to continue with the old bill or proceed with the new bill, and Mr. A should initiate the process of noting.

Q141 Which of the following statements is true regarding capital and revenue expenditure?
(A) Capital expenditure is incurred for acquiring or improving long-term assets, while revenue expenditure is for day-to-day operational expenses.
(B) Both capital and revenue expenditures are recorded in the income statement.
(C) Revenue expenditure always provides long-term benefits to the business.
(D) Capital expenditure is related to routine expenses, while revenue expenditure involves major investments in the business.

Q142 ABC Corporation has recently issued a 10-year bond with a face value of Rs. 1,000 at a coupon rate of 8%. The bond pays interest annually. The current market interest rate is 6%.
Scenario 1: If the market interest rates increase to 8% after the bond has been issued, what would be the impact on bond's market price?
Scenario 2: If market interest rates decrease to 4% after the bond has been issued, what would be the impact on bond's market price?
(A)

Scenario 1: The bond's market price will increase.
Scenario 2: The bond's market price will decrease.
(B) Scenario 1: The bond's market price will decrease.
Scenario 2: The bond's market price will increase.
(C) The bond's market price will remain the same in both scenarios.
(D) It is impossible to determine the impact without more information.

Q143 What does Net Present Value (NPV) represent in investment appraisal?
(A) The total cash inflows generated by an investment.
(B) The difference between the present value of cash inflows and the initial investment.
(C) The total profit earned from an investment.
(D) The percentage return on investment over a specified period.

Q144 A company is considering an investment project that requires an initial outlay of Rs. 50,000.
The expected cash flows from the project over the next five years are projected as follows:
Year 1: Rs. 20,000
Year 2: Rs. 15,000
Year 3: Rs. 10,000
Year 4: Rs. 8,000
If the discount rate is 8%, what is the Net Present Value (NPV) of the investment?
(A) - 5382.1 (B) - 5332.1
(C) - 5342.1 (D) - 5392.1

Q145 Given the exchange rate quotations:
- Spot Euro 1 = USD 1.2180/90
- 1 month forward 37–34

One can sell Euro one month forward at ________.
(A) USD 1.2143 (B) USD 1.2145
(C) USD 1.2142 (D) USD 1.2146

Q146 ABC Ltd., a company based in India, has recorded the following net profits over the past three financial years:
- Year 1: ₹10,00,000
- Year 2: ₹8,00,000
- Year 3: ₹12,00,000

According to statutory requirements, ABC Ltd. is required to allocate a certain percentage of its net profits towards Corporate Social Responsibility (CSR) activities.
Calculate the minimum amount that ABC Ltd. is required to spend on CSR activities in the current financial year.
(A) ₹16,000 (B) ₹24,000
(C) ₹32,000 (D) ₹20,000

Q147 Calculate the total of Capital and Liabilities side of the balance sheet of a bank using the following information.
Capital = Rs. 1,00,00,000
Minorities Interest = Rs. 12,00,000
Reserves & Surplus = Rs. 3,00,000
Cash and Balance with RBI = Rs. 10,00,000
Borrowings = Rs. 10,00,000
Advances = Rs. 71,00,000
Deposits = Rs. 75,00,000
Investments = Rs. 6,00,000
Fixed Assets = Rs. 90,00,000
Other Assets = Rs. 20,00,000
(A) Rs. 2,00,00,000
(B) Rs. 2,71,00,000
(C) Rs. 2,10,00,000
(D) None of the above

Q148 ABC Corporation, a multinational financial institution, is considering options for managing its foreign exchange risk. The company is exploring the use of Over-the-Counter (OTC) derivatives. Here is some information regarding OTC derivatives:
Statement 1: OTC derivatives contracts are traded directly between two eligible parties.
Statement 2: OTC derivatives contracts involve standardized parameters such as size and maturity.
Statement 3: OTC derivatives contracts always go through a formal exchange.
Statement 4: OTC derivatives contracts have parameters that are mutually agreed upon between the parties involved.
Based on the provided information, which statements about OTC derivatives are correct?
(A) Statement 1 and Statement 2
(B) Statement 1 and Statement 4
(C) Statement 2 and Statement 3

(D) Statement 2 and Statement 4

Q149 What is the characteristic feature of a cash/ready exchange rate?

(A) Exchange of currencies takes place on the date of the deal

(B) Exchange of currencies takes place at a future agreed-upon date

(C) It is determined by central banks

(D) It is fixed and does not change over time

Q150 Which of the following statements accurately reflects the disclosure requirements in financial reporting?

(A) Dividends proposed to equity shareholders should be combined with those proposed to preference shareholders.

(B) Dividends proposed to equity and preference shareholders should be disclosed separately, including the amount per share. Arrears of fixed cumulative dividends on preference shares should also be disclosed separately.

(C) Dividends proposed to equity shareholders should be disclosed, but dividends proposed to preference shareholders are not required to be disclosed.

(D) None of the given statements is correct.

Q151 Which of the following is considered a Capital Receipt in financial accounting?

(A) Dividend income from long-term investments

(B) Rental income from a property owned by the company

(C) Interest earned from a bank deposit

(D) None of the above

Q152 The aggregate amount of Trade Receivables outstanding for a period exceeding _______ from the date they are due for payment should be separately stated in the Balance Sheet under Trade Receivables.

(A) three months

(B) six months

(C) twelve months

(D) None of the above

Q153 Fill in the given blanks:

A reserve specifically represented by earmarked investments shall be termed as ____(a)____.

Where bonds/debentures are redeemable by instalments, the date of maturity for this purpose must be reckoned as ____(b)____.

Share application money ___(c)___ advances towards allotment of share capital.

(A) (a): Funds, (b): the date on which the first instalment becomes due, (c): excludes

(B) (a): Funds, (b): the date on which the first instalment becomes due, (c): includes

(C) (a): Funds, (b): the date on which the last instalment becomes due, (c): excludes

(D) (a): Funds, (b): the date on which the last instalment becomes due, (c): includes

Q154 ABC Ltd. incurred the following expenditures during the financial year:

1. Purchase of new machinery: ₹300,000
2. Repair and maintenance of existing machinery: ₹50,000
3. Construction of a new factory building: ₹500,000
4. Salaries and wages of factory workers: ₹120,000
5. Research and development expenses for a new product: ₹80,000

What is the total capital expenditure incurred by ABC Ltd. during the financial year?

(A) ₹300,000

(B) ₹500,000

(C) ₹800,000

(D) None of the above

Q155 Which of the following is NOT one of the basic blocks of the modern approach to corporate finance function?

(A) Monitoring

(B) Controlling

(C) Decision-Making

(D) Planning

Q156 Mr. S, the proprietor of a small trading business, received a bill of exchange from his customer, Mr. B, for Rs. 60,000, payable after 60 days. In need of immediate funds, Mr. S decided to discount the bill with Bank X.

What would be the journal entry in the books of Mr. Smith after he discounts the bill with the bank?

(A)

Bank A/c Dr.	Rs. 60,000

Discount A/c Dr.	Rs. 2,000
Bills Receivable A/c	Rs. 62,000

(B)

Bank A/c Dr.	Rs. 60,000
Discount A/c Dr.	Rs. 2,000
To Bills Payable A/c	Rs. 62,000

(C)

Bank A/c Dr.	Rs. 58,000
Discount A/c Dr.	Rs. 2,000
To Bills Payable A/c	Rs. 60,000

(D)

Bank A/c Dr.	Rs. 58,000
Discount A/c Dr.	Rs. 2,000
To Bills Receivable A/c	Rs. 60,000

Q157 ABC Corporation issued a bond with a face value of Rs. 1,000 at a coupon rate of 8%, and a maturity period of 5 years. The required rate of return in the market is 10%.
Considering the given scenario, which of the following statements is true?
(A) When the bond's required rate of return is greater than the coupon rate, the discount on the bond increases as maturity approaches.
(B) When the bond's required rate of return is greater than the coupon rate, the discount on the bond declines as maturity approaches.
(C) When the bond's required rate of return is less than the coupon rate, the discount on the bond declines as maturity approaches.
(D) The discount on the bond remains constant regardless of the required rate of return.

Q158 A bond, with a face value of Rs. 1,000, offers an annual coupon rate of 8%, paid semi-annually, and matures in 5 years. The required rate of return is 6%. What is the approximate value of this bond?
Given:
PVIFA 4%, 10 pds = 8.1109
PVIF 4%, 10 pds = 0.6756
(A) 1000 (B) 8138
(C) 1036 (D) 2189

Q159 Which type of process costing differentiates between the costs of output from the previous process and the output from the current process, involving complex calculations and creating different layers of costs for various stages of production?
(A) Average Costing
(B) First-in First-out (FIFO) Costing
(C) Weighted Average Costing
(D) Specific Identification Costing

Q160 XYZ Manufacturing Co. is seeking a loan from a bank to bolster its working capital. The bank employs three distinct methods to calculate the contribution required from the business towards its Net Working Capital (NWC). These methods are as follows:
First Method of Lending: According to this method, XYZ Manufacturing Co. must invest in NWC equivalent to 25% of the working capital gap.
Second Method of Lending: Under this method, XYZ Manufacturing Co. is obligated to allocate NWC equal to 25% of the total current assets.
Third Method of Lending: As per this method, XYZ Manufacturing Co. must contribute NWC equal to 100% of "core assets" among current assets, along with a minimum of 25% of the remaining current assets.
Given this scenario, if XYZ Manufacturing Co.'s current ratio is 1.20, core assets are equal to Rs. 1,00,000 and the working capital gap is Rs. 2,00,000, which method of lending would require the highest contribution from the business?
(A) First Method of Lending
(B) Second Method of Lending
(C) Third Method of Lending
(D) Both Second Method of Lending and Third Method of Lending

Q161 In which of the following industries is the job costing method typically applied?
(A) Supermarkets
(B) Law Firms
(C) Mass Production Manufacturing
(D) Fast Food Chains

Q162 What will the rectification entry be if wages paid for the installation of Machinery Rs. 500 were posted to the wages account?
(A) Debit: Wages A/c. Credit: Machinery A/c
(B) Debit: Suspense A/c. Credit: Machinery A/c

(C) Debit: Suspense A/c. Credit: Wages A/c
(D) Debit: Machinery A/c. Credit: Wages A/c

Q163 Calculate the interest of the customer for the month of March if the debit balances are given in the following table:

Date	Balance	Number of days
1-March-2023	Rs. 44,000	10
11-March-2023	Rs. 56,000	5
16-March-2023	Rs. 34,000	12
28-March-2023	Rs. 36,000	4

The savings rate of interest is 3.5%.
(A) Rs. 129 (B) Rs. 122
(C) Rs. 194 (D) Rs. 134

Q164 ABC Company holds a bill of exchange with a face value of Rs. 35,000, maturing in 3 months. A bank offers to discount the bill at an annual discount rate of 8%. What amount will ABC receive after discounting the bill?
(A) Rs. 35,000
(B) Rs. 32,200
(C) Rs. 34,300
(D) None of the above

Q165 Which of the following functions of the back office can be grouped into 'e-banking'?
I: Mobile Banking
II: Calculation of EMIs
III: Transaction processing
IV: Card based payments
(A) I & II (B) II & III
(C) III & IV (D) I & IV

Q166 A company offers 1000 shares for public subscription of Rs. 10 each (Rs. 5 payable on application and the rest Rs. 5 payable on allotment). The total number of applications received was 2000.
Which of the following accounts will be credited in the journal entry of receipt of application money?
(A) Bank A/c
(B) Share Applications A/c
(C) Share Capital A/c
(D) Share Allotment A/c

Q167 Which of the following sections of the Companies Act states that a share issued by the company at a discounted price is void?
(A) 44 (B) 50
(C) 42 (D) 53

Q168 Which of the following is the formula of Profit-volume ratio?
(A) $\frac{\text{Contribution}}{\text{Sales price per unit}} \times 100$
(B) $\frac{\text{Contribution}}{\text{Sales}} \times 100$
(C) $\frac{\text{Contribution}}{\textit{Total Sales}} \times 100$
(D) $\frac{\text{Sales}}{\text{Contribution}} \times 100$

Q169 Which of the following is a basic formula of CVP (Cost-Volume-Profit) analysis?
(A) Profit = Sales Volume - Variable Costs
(B) Profit = Sales Volume - Fixed Costs
(C) Profit = Sales Volume – Costs
(D) None of the above

Q170 If the useful life of an asset is 5 years, what will be the depreciation provided for the first year according to the sum of years' digits method?
(A) $\frac{1}{2}$ (B) $\frac{1}{3}$
(C) $\frac{1}{15}$ (D) $\frac{2}{15}$

Q171 Which of the following is NOT an internal factor affecting the Weighted Average Cost of Capital?
I: Prevailing market interest rates
II: Market risk premium
III: Personal tax rates
(A) I & II
(B) II & III
(C) I & III
(D) I, II & III

Q172 Which of the following indicates that making an investment is a good decision?
(A) NPV > 0
(B) NPV < 0
(C) NPV = 0
(D) Either (a) or (b)

Q173 If the current ratio of a company is 2, then what will be the impact on the same if the company issues new shares?
(A) Increase in current ratio
(B) Decrease in the current ratio

(C) No change in the current ratio
(D) Either (a) or (c)

Q174 A company's inventory data for a particular product, based on the FIFO (First-In-First-Out) method, is given below. The company had an opening inventory of 50 units at the beginning of the month (which were purchases at Rs. 90 per unit), and the following transactions occurred during the month:
A. Purchase on Day 5: 100 units at Rs. 100 per unit.
B. Purchase on Day 15: 80 units at Rs. 120 per unit.
C. Sales on Day 20: 110 units
What is the value of the ending inventory using the FIFO method at the end of the month?
(A) 9600 (B) 10,000
(C) 19,600 (D) 13,600

Q175 Which of the following Indian Accounting Standards provides for the preparation of financial statements?
(A) IND AS-1 (B) IND AS-2
(C) IND AS-3 (D) IND AS-4

Q176 Which of the following accounts will be debited for the issue of fully paid bonus shares?
(A) Equity Share Capital A/c
(B) Profit & Loss A/c
(C) Bonus to shareholders A/c
(D) General Reserve A/c

Q177 Which of the following is NOT a method of depreciation recognised under the Indian Accounting Standards?
(A) Diminishing Balance Method
(B) Straight Line Method
(C) Units of Production Method
(D) Sum of Years' Digits Method

Q178 A firm has a capital structure of 30% debt and the remaining equity. The cost of debt is 10%, while the same of equity is 15%. Calculate the Weighted Average Cost of Capital.
(A) 10.5% (B) 13.5%
(C) 15.5% (D) 8.5%

Q179 A consolidated financial statement is a comprehensive financial report that combines the financial information of a parent company and its subsidiary or subsidiaries. The purpose of a consolidated financial statement is to present the overall financial position, performance, and cash flows of a group of companies as if they were a single entity.
Which of the following Accounting Standards mentions the standards of preparation of the consolidated financial statements?
(A) AS-01 (B) AS-10
(C) AS-21 (D) AS-31

Q180 There are how many types of GST in India?
(A) 2 (B) 3
(C) 4 (D) 5

Q181 A firm which is called a highly leveraged firm has high ________.
(A) Assets (B) Liabilities
(C) Debt Capital (D) Equity

Q182 Which of the following methods of depreciation is used when an asset is expected to provide a consistent performance throughout its life?
(A) Straight Line Method
(B) Written Down Value Method
(C) Units of Production Method
(D) Sum of Years' Digits Method

Q183 Calculate the Accounting Rate of Return of the following project:

Year	Net Profit
1	31,000
2	33,000
3	35,000

Initial investment = 8,00,000
(A) 8% (B) 8.25%
(C) 8.5% (D) 8.75%

Q184 Which of the following statements is correct:
I: Direct Taxes enhance inflation.
I: Direct Taxes enhance inflation.
II: Indirect Taxes enhances inequality
II: Indirect Taxes enhances inequality
III: Direct Taxes are regressive.
(A) Only I
(B) Only II
(C) Only III
(D) None of the statements are correct

Q185

When a fixed asset purchaser does not make payment to the supplier immediately, instead pays according to the repayment schedule. When the bank guarantees this repayment, it is called DPG. What does 'D' in DPG stand for?

(A) Discounted (B) Depreciation

(C) Different (D) Deferred

Q186 ___________is a way to figure out the exchange rates for currency pairs that aren't actively traded on the market.

(A) Spot rate

(B) Arbitrage

(C) Forward Points

(D) Cross rate mechanism

Q187 A person who has not filed returns on time is liable to pay an interest of _____ on the amount of tax liability.

(A) 10% (B) 12%

(C) 18% (D) 20%

Q188 Which of the following can be considered an advantage of a Bank Reconciliation Statement?

I: Helps in detection of errors and check accuracy of entries in cash book.

II: Helps reveals frauds that might have been committed by staffs that handle cash and cheques.

III: It is a control technique of management

(A) I & II

(B) I & III

(C) II & III

(D) I, II & III

Q189 What initiative has the Government of India introduced to promote GST billing?

(A) GST Compliance Drive

(B) Goods and Services Tax (GST) Awareness Campaign

(C) Invoice Incentive Scheme (Mera Bill Mera Adhikaar)

(D) Tax Rebate Program for Small Businesses

Q190 Mr. Sharma owns two residential properties, one in Mumbai and another in Pune. He lives in Pune and has rented out his property in Mumbai. What category of income would Mr. Sharma derive from his rented-out property in Mumbai?

(A) Business Income

(B) Income from House Property

(C) Income from Salary

(D) Income from Capital Gains

Q191 Which of the following is NOT feature of IND AS 16?

I: It is applicable on property, plant, and equipment.

II: It does not apply to mineral rights and reserves (like oil, natural gas, and similar resources).

III: It is applicable on intangible assets.

(A) Only I

(B) Only II

(C) Only III

(D) All the statements are correct.

Q192 A machine was purchased for Rs. 50,000 with a salvage value of Rs. 5,000 and an estimated useful life of 10 years. Using the straight-line method of depreciation, what would be the annual depreciation expense for the machine?

(A) Rs. 4,000 (B) Rs. 4,500

(C) Rs. 5,000 (D) Rs. 5,500

Q193 A company purchased a machine for Rs. 50,000 with a useful life of 5 years. The company uses the Written-down Value (WDV) method of depreciation, with a depreciation rate of 30%. What would be the book value of the machine at the end of the third year?

(A) Rs. 17,150 (B) Rs. 22,400

(C) Rs. 24,640 (D) Rs. 34,720

Q194 What are the two kinds of vouchers used in banking transactions?

(A) Debit vouchers and credit vouchers

(B) Composite vouchers and debit vouchers

(C) Credit vouchers and composite vouchers

(D) Composite vouchers and balance vouchers

Q195 Which of the following types of transactions may result in an inter-office debit or credit entry?

(A) Issue of remittance instruments

(B) Payment of remittance instruments

(C) Transactions from overseas branch

(D) All of the above

Q196 Which of the following statements is true regarding IND AS 1 (Presentation of Financial

Statements)?

(A) IND AS 1 provides guidance on the recognition and measurement of financial instruments.

(B) IND AS 1 requires the presentation of a statement of changes in equity.

(C) IND AS 1 applies only to publicly listed companies.

(D) IND AS 1 does not require the disclosure of accounting policies.

Q197 John, an experienced investor, is considering purchasing a corporate bond with a fixed maturity date. He is aware that the bond's price is influenced by changes in its Yield to Maturity (YTM). John has come across an interesting observation regarding the relationship between bond prices and changes in YTM.
What observation has John made regarding the relationship between bond price and changes in Yield to Maturity (YTM)?

(A) Price movements are always symmetrical regardless of changes in YTM.

(B) The change in bond price will be greater with a decrease in the bond's YTM than the change in bond price with an equal increase in the bond's YTM.

(C) Bond price remains constant regardless of changes in YTM.

(D) None of the above

Q198 In addition to the specified guidelines, what are Indian banks required to make extra disclosures about?

I. Securitisation Exposures in the Trading Book

II. Sponsorship of Off-Balance Sheet Vehicles

III. Valuation of Securitisation Exposures

IV. Pipeline and Warehousing Risks related to Securitisation Exposures

(A) Only I & II

(B) Only II & III

(C) Only I, II & III

(D) I, II, III & IV

Q199 Which of the following methods of costing is suitable for industries that perform work or manufacture according to customer specifications?

(A) Job Costing

(B) Process Costing

(C) Contract Costing

(D) Batch Costing

Q200 Which of the following statements is true regarding contract costing?

(A) Contract costing is applicable only to small-sized contracts.

(B) Contract costing is primarily used in industries with continuous production processes.

(C) Each contract is treated as a separate cost unit in contract costing.

(D) All the above statements are true

Q201 Consider the given data and answer the questions that follow.

Fixed Expenses = Rs. 80,000

Variable Cost per unit:

Direct Material = Rs. 25

Direct Labour = Rs. 20

Direct Overheads = 100% of Direct Labour

Selling Price per unit = Rs. 100

Calculate the P/V ratio.

(A) 35% (B) 25%

(C) 45% (D) 55%

Q202 Which of the following statements best describes the relevance of the P/V (Profit-Volume) ratio in business analysis and decision-making?

(A) The P/V ratio helps determine the breakeven point and assess the impact of changes in sales volume on profitability.

(B) The P/V ratio is used to calculate the total variable costs incurred in producing a unit of a product or providing a service.

(C) The P/V ratio helps in comparing the actual sales revenue with the budgeted sales revenue for a specific period.

(D) The P/V ratio is a measure of a company's ability to generate profit from its fixed assets.

Q203 What does the swap rate represent in a currency swap agreement?

(A) The fixed interest rate paid by one party in the currency swap

(B) The variable interest rate received by one party in the currency swap

(C) The difference between the fixed and variable interest rates in the currency swap

(D)

The market's assessment of the relative attractiveness of the two currencies involved

Q204 If a suspense account does not balance off even after rectification of errors it implies that:
(A) There are no errors in the accounts.
(B) The original error has not been identified or corrected.
(C) The accounts are in perfect balance.
(D) The suspense account is not being used correctly.

Q205 Which of the following statements is true regarding Section 43 of the Companies Act?
(A) Section 43 deals with the appointment of auditors for the company.
(B) Section 43 specifies the maximum number of directors that a company can have.
(C) Section 43 outlines the process for conducting board meetings in a company.
(D) Section 43 governs the issue of shares and securities by a company.

Q206 Work-in-progress is classified under which head in the Balance Sheet?
(A) Non-current Assets
(B) Current Assets
(C) Trade Receivables
(D) Inventories

Q207 Which of the following statements is true regarding revenue expenditure and deferred revenue expenditure?
I: Revenue expenditure increases the earning capacity of a company.
II: Deferred revenue expenditure provides benefits only for the current accounting period.
III: Deferred revenue expenditure is classified as capital expenditure.
IV: Deferred revenue expenditure provides benefits for more than one accounting period.
(A) Only I (B) II & IV
(C) I & IV (D) Only IV

Q208 Which of the following best describes a principle error in a trial balance?
(A) A mistake in recording transactions that doesn't affect the fundamental accounting principles.
(B)
An error arising from a violation of accounting principles, such as recording revenue before it's earned.
(C) A clerical mistake that doesn't impact the financial statements.
(D) A mathematical error in the trial balance calculation.

Q209 Which of the following vouchers is prepared to record cash receipts in accounting?
(A) Debit Voucher
(B) Credit Voucher
(C) Cash Voucher
(D) Transfer Voucher

Q210 ABC Corporation is a multinational company that imports raw materials from various countries to manufacture its products. Recently, the company has noticed significant fluctuations in the exchange rates, which have been impacting its profitability. To mitigate the currency risk, ABC Corporation decides to implement a hedging strategy.
Which of the following actions is ABC Corporation most likely to take to hedge against currency risk?
(A) Purchasing foreign currency options to protect against adverse exchange rate movements.
(B) Increasing its exposure to foreign currency to maximize potential gains.
(C) Diversifying its portfolio by investing in various industries to offset currency risk.
(D) Ignoring the currency risk and relying solely on market conditions.

Q211 XYZ Ltd. purchased a machine for Rs. 80,000 on January 1, 2018. The machine has an estimated useful life of 5 years and an estimated residual value of Rs. 10,000. The company uses the written-down value method of depreciation, with a depreciation rate of 20%. Calculate the depreciation expense of the third year.
(A) 8,960 (B) 14,000
(C) 16,000 (D) 7,960

Q212 The debt-equity ratio of ABC Corporation is 0.7: 1. Which of the following actions would not change the debt-equity ratio?

(i) Issuing bonds to raise capital
(ii) Paying off a bank loan
(iii) Purchasing new machinery on credit
(iv) Declaring a dividend to shareholders
(A) (i) and (iii) (B) (ii) and (iv)
(C) (iv) (D) (ii)

Q213 A company prepares its financial statements using the accrual basis of accounting. It recognizes income and expenses in its financial statements as per accounting standards. However, for tax purposes, certain income and expenses are recognized at different times. This creates temporary differences between accounting profit and taxable profit. How are these temporary differences related to deferred tax?

I. Temporary differences give rise to deferred tax assets.

II. Temporary differences give rise to deferred tax liabilities.

III. Temporary differences do not have any impact on deferred tax.

(A) Only I
(B) Only II
(C) Only III
(D) Both I & II

Q214 The total assets of a company are Rs. 5,00,000, and its total liabilities are Rs. 2,00,000. Calculate the equity of the company.
(A) Rs. 3,00,000 (B) Rs. 2,00,000
(C) Rs. 1,00,000 (D) Rs. 7,00,000

Q215 Assertion: Estimated useful life is one of the factors affecting the amount of depreciation.
Reason: The estimated useful life of an asset determines the period over which it is expected to contribute to the business, and the depreciation expense is allocated accordingly.
(A) Both the assertion and reason are true, and the reason is the correct explanation of the assertion.
(B) Both the assertion and reason are true, but the reason is not the correct explanation of the assertion.
(C) The assertion is true, but the reason is false.
(D) The assertion is false, but the reason is true.

Q216 How many cost accounting standards have been issued by the Institute of Cost Accountants of India?
(A) 20 (B) 21
(C) 23 (D) 24

Q217 XYZ Manufacturing uses three standards in its production process: Basic Standard, Ideal Standard, and Currently Attainable Standard. Which of the following options correctly defines each standard?
(A) Basic Standard is based on historical data, Ideal Standard represents the best possible performance, and Currently Attainable Standard considers realistic limitations and current operating conditions.
(B) Basic Standard represents the best possible performance, Ideal Standard is based on historical data, and Currently Attainable Standard considers realistic limitations and current operating conditions.
(C) Basic Standard considers realistic limitations and current operating conditions, Ideal Standard is based on historical data, and Currently Attainable Standard represents the best possible performance.
(D) Basic Standard is based on historical data, Ideal Standard considers realistic limitations and operating conditions, and the Currently Attainable Standard represents the best possible performance.

Q218 What is the duration of a perpetual bond if the current yield is 5%?
(A) 10 years
(B) 21 years
(C) 24 years
(D) It is perpetual and cannot be determined

Q219 Which of the following statements is true regarding bank inter-office entries?
(A) Inter-office entries involve the transfer of funds between different banks.
(B) Inter-office entries are made to adjust balances between different accounts within the same bank.
(C) Inter-office entries are only used for debit transactions within a bank.
(D) Inter-office entries are not necessary for maintaining accurate bank accounting

records.

Q220 XYZ Company, a manufacturing firm, is considering leasing a piece of machinery for its production facility. They have two lease options available:

I: A lease agreement with a duration of 10 years, where the lessor will transfer the ownership of the machinery to XYZ Company at the end of the lease term. XYZ Company will be responsible for all risks and rewards associated with the machinery.

II: A lease agreement with a duration of 3 years, where the lessor will provide maintenance and service for the machinery throughout the lease period. XYZ Company will not have the option to purchase the machinery at the end of the lease term.

Which lease option best fits the description of a finance lease?

(A) Only I
(B) Only II
(C) Both I & II
(D) Neither I & II

Q221 Consider the following items:

I. Transfer to general reserve

II. Net Profit of the Year

III. Surplus transferred to Balance Sheet

IV. Balance of the surplus bought from the previous year

Which of the above items will be recorded in the debit side of P&L Appropriation A/c?

(A) I & II
(B) II & III
(C) II & IV
(D) I & IV

Q222 A company estimated its sales for the year to be Rs. 20,00,000. The break-even sales for the company are Rs. 15,00,000. However, due to unforeseen circumstances, the actual sales for the year turned out to be Rs. 18,00,000. What is the Margin of Safety for the company?

(A) 10%
(B) 20%
(C) 30%
(D) None of the above

Q223 A business pays Rs. 1000 for rent and salary each. The cash will be reduced by Rs. 2000, but no asset is there to show for it. The owner will bear the cost, and to that extent, the surplus will get reduced. How will this transaction affect the balance sheet of the business?

(A) Assets will increase by Rs. 1000, and liabilities will remain unaffected.
(B) Assets will decrease by Rs. 1000, and liabilities will remain unaffected.
(C) Assets will remain unaffected, and liabilities will decrease by Rs. 1000.
(D) Assets will decrease by Rs. 1000, and liabilities will decrease by Rs. 1000.

Q224 What is the minimum ratio prescribed for banks for current and permanent investments?

(A) 70:30 (B) 30:70
(C) 75:25 (D) 25:75

Q225 ABC Limited issued a 10-year bond with a price of Rs 5000 and a coupon amount of Rs 200. The yield on the bond was initially calculated to be 4%. Due to strong investor demand, the price of the bond increased to Rs 5500, which is 10% above the issue price. However, the coupon amount remained the same at Rs 200.
What will be the new yield on the bond?

(A) 3.64% (B) 4.00%
(C) 4.36% (D) 4.65%

Q226 What is the annual depreciation expense for an asset with an original cost of Rs. 3,50,000, additional freight and installation charges of Rs. 50,000, a useful life of 10 years, and a net residual value of Rs. 50,000, assuming the asset was acquired on January 1, 2022? [Assume Straight Line Method of Depreciation]

(A) 35,000 (B) 25,000
(C) 30,000 (D) 40,000

Q227 A company reported a net income of Rs. 5,00,000 for the year. It has 200,000 common shares outstanding and paid preferred dividends of Rs. 50,000. What is the earnings per share (EPS) for the company?

(A) Rs. 2 (B) Rs. 2.5
(C) Rs. 2.75 (D) Rs. 2.25

Q228

ABC Trading Company is a financial services firm that provides investment products to its clients. The company offers various options to its customers, including call options and put options. ABC Trading Company offers call options, which give the holder the right to buy an underlying asset at a specified price, known as the strike price, before or on the expiry date. On the other hand, put options provide the holder with the right to sell an underlying asset at the strike price before or on the expiry date.
ABC Trading Company offers both American options and European options to its clients. Which of the following best describes the difference between the two?

(A) American options can only be exercised on the expiry date, while European options can be exercised before or on the expiry date.
(B) American options can be exercised at any time before or on the expiry date, while European options can only be exercised on the expiry date.
(C) American options can be exercised before the expiry date, while European options can only be exercised on the expiry date.
(D) American options and European options can both be exercised at any time before or on the expiry date.

Q229 Which of the following accounts is credited in the books of a drawer if he endorses the bill to his creditor (third party)?
(A) Bank A/c
(B) Creditor's A/c
(C) Bills Receivable A/c
(D) None of the above

Q230 What is one of the primary purposes of Nostro accounts in banking?
(A) To earn interest on foreign currency holdings.
(B) To minimize foreign exchange rate fluctuations.
(C) To facilitate international transactions for customers.
(D) None of the above

Q231 The Income Tax department has classified income into how many main heads?
(A) 2 (B) 3
(C) 4 (D) 5

Q232 Section 135 of the Companies Act provides for CSR. Companies are required to spend at least ________ of their net profit over the preceding three years as CSR.
(A) 1% (B) 2%
(C) 3% (D) 4%

Q233 Consider a European call option with a strike price (K) of Rs. 5000 and a final price of the underlying asset (S_t) of Rs. 6000. What is the payoff from the long position in this European call option?
(A) 1000 (B) 5000
(C) 6000 (D) 0

Q234 Given are the types of adjusting accounting entries. Which of the following record non-cash items, like depreciation expense or inventory obsolescence reserve?
(A) Accruals
(B) Deferrals
(C) Estimates
(D) None of the above

Q235 GST, which stands for Goods and Services Tax, is a comprehensive indirect tax system implemented in India. It was introduced on July 1, 2017, replacing various indirect taxes levied by the Central and State Governments. GST is a destination-based tax that is levied on the supply of goods and services.
GST was introduced in India through which amendment?
(A) 100^{th} (B) 101^{st}
(C) 102^{nd} (D) 103^{rd}

Q236 Which Accounting Standard requires the cash flows to be classified into three heads?
(A) AS 1 (B) AS 2
(C) AS 3 (D) AS 4

Q237 A company purchases a machine for Rs. 5,00,000 with an estimated useful life of 5 years and a residual value of Rs. 50,000. The company uses the Written Down Value (WDV) method of depreciation. The depreciation rate is 30% per annum. After 3 years, the company decides to sell the machine for Rs. 3,00,000. What will be the profit or loss on the sale of the machine?

(A) Profit of Rs. 1,35,550
(B) Loss of Rs. 1,45,650
(C) Profit of Rs. 1,45,650
(D) Loss of Rs. 1,35, 550

Q238 ABC Manufacturing Company has a standard variable overhead rate of Rs. 5 per direct labor hour. The company expected to produce 1,000 units and budgeted 4 hours of direct labor per unit, resulting in a total of 4,000 direct labor hours for the expected production. The actual production for the period was 900 units, and the actual direct labor hours incurred were 3,600 hours.

Calculate the variable overhead variance using the standard costing approach.
(A) Rs. 2,000 Favorable
(B) Rs. 2,000 Unfavorable
(C) Rs. 1,000 Favorable
(D) Rs. 1,000 Unfavorable

Q239 XYZ Manufacturing Company produces a single product called "Widget X." The company incurs the following costs for manufacturing 1,000 units of Widget X:
Direct materials cost: Rs. 20,000
Direct labor cost: Rs. 15,000
Variable overhead cost: Rs. 8,000
Fixed overhead cost: Rs. 12,000
What is the unit or single output cost of Widget X using the unit or single output costing?
(A) Rs. 45 (B) Rs. 65
(C) Rs. 35 (D) Rs. 55

Q240 Rakesh is planning to take out a loan of Rs. 1,00,000 with an annual interest rate of 5% to be repaid over 3 years. If he chooses to pay the loan through Equated Monthly Installments (EMIs), how much will his monthly EMI be? Given, $1.00417^{36} = 1.1616$.
(A) Rs. 2978 (B) Rs. 2995
(C) Rs. 2997 (D) Rs. 2991

Q241 Under Section 80DDB of the Income Tax Act, an individual or HUF can get a deduction for money spent on medical treatments for himself/herself or dependents. The maximum amount of deduction allowed for individual aged below 60 years is _______.
(A) Amount paid or 40,000, whichever is less
(B) Amount paid or 50,000, whichever is less
(C) Amount paid or 60,000, whichever is less
(D) Amount paid or 70,000, whichever is less

Q242 XYZ Corporation is a manufacturing company that operates in a cyclical industry. The company needs to finance a new project that requires a significant amount of funds. They have two financing options: long-term debt and short-term debt. The company's management is aware of the principle of reducing asset-liability mismatch and wants to align its funding sources accordingly.
Which financing option should XYZ Corporation prioritize based on the principle of reducing asset-liability mismatch?
(A) Long-term debt
(B) Short-term debt
(C) Both long-term and short-term debt equally
(D) None of the above

Q243 1 USD = 81.99 Indian Rupee is an example of ________.
(A) cross rate
(B) indirect quote
(C) direct quote
(D) All of the above

Q244 XYZ Corporation, a technology company, is in need of office space for its expanding operations. They have found a suitable office building and are considering their options for acquiring it. After careful consideration, XYZ Corporation decides to lease the office building for a fixed term of 10 years. The lease agreement includes maintenance and insurance responsibilities assigned to the lessor.
Based on the given scenario, what type of lease is XYZ Corporation entering into?
(A) Financial lease
(B) Operating lease
(C) Direct lease
(D) Sale and leaseback

Q245 Consider the following statements and choose the correct ones:

I. A company's net assets are calculated by subtracting its total liabilities from its total assets.

II. Security deposit from the tenant is not listed under current assets.

III. Inventories are listed under current assets.

(A) Only I
(B) Only I & II
(C) Only II & III
(D) I, II & III

Q246 The GST Council has a total of 33 members, out of which ______ members are from centre.

(A) 1 (B) 2
(C) 3 (D) 4

Q247 ABC Electronics is a leading technology company that designs and manufactures consumer electronics.

It originally budgeted to produce 10,000 units of their latest smartphone model, 'TechPro X1'. However, due to unexpected demand, they ended up producing and selling 12,000 units during the period. The original budgeted production cost for 10,000 units was Rs. 50,00,000.

What was the actual production cost incurred by ABC Electronics for producing 12,000 units of 'TechPro X1'? Which budgeting approach allows ABC Electronics to adjust its budgeted figures to reflect the actual level of activity achieved?

(A) Rs. 60,00,000, Master Budget
(B) Rs. 55,00,000, Flexible Budget
(C) Rs. 60,00,000, Flexible Budget
(D) Rs. 55,00,000, Master Budget

Q248 ABC Corporation issued a 10-year bond with a face value of Rs. 1,000 and a coupon rate of 8%. The bond is currently trading at Rs. 950 in the market. Calculate the current yield. What does it represent?

(A) 8.5%, It represents the annual interest payment as a percentage of the current market price.
(B) 8.4%, It represents the annual interest payment as a percentage of the current market price.
(C) 8.5%, It represents the annual interest payment as a percentage of the face value.
(D) 8.4%, It represents the annual interest payment as a percentage of the face value.

Q249 ABC Corporation has issued a bond with a face value of Rs. 1,000 and a coupon rate of 6%. The bond is currently trading in the market at a price of Rs. 950. What is the current yield of the bond?

(A) 6.4% (B) 6.1%
(C) 6.7% (D) 6.3%

Q250 The spot rate, also known as the spot exchange rate, is the current exchange rate at which a currency pair can be bought or sold for immediate delivery. It represents the prevailing market rate for immediate transactions. The forward rate is the rate agreed upon in a forward contract between two parties to exchange currencies at a future date.

Which of the following formulas is correct in this context?

(A) Forward Differential = Forward Rate – Spot Rate
(B) Forward Rate = Spot Rate – Forward Differential
(C) Spot Rate = Forward Differential - Forward Rate
(D) Forward Differential = Spot Rate – Forward Rate

Q251 Which of the following formulas correctly represents the intrinsic value or the current value of a bond?

(A) $\sum_{t=1}^{n} \frac{I}{(1+kd)^t} - \frac{F}{(1+kd)^n}$
(B) $\sum_{t=1}^{n} \frac{I}{(1+kd)^t} + \frac{F}{(1+kd)^n}$
(C) $\frac{I}{(1+kd)^t} + \frac{F}{(1+kd)^n}$
(D) $\frac{I}{(1+kd)^t} - \frac{F}{(1+kd)^n}$

Q252 Which of the following with respect to Banks' GST Provisions is correct?

I. Banks are required to obtain a separate registration for each state they operate in.

II. A taxpayer is adjudged by a single adjudicating authority on an issue involved. Hence, assessment and adjudication have become easier.

III. Under GST, half of the CENVAT, which is availed against inputs is to be reversed.

(A) Only I (B) Only II
(C) I & II (D) I & III

Q253 Why is an escalation clause typically included in contracts?

(A) To ensure the contractor is compensated for any changes in material and labor prices.

(B) To allow the client to terminate the contract without penalties.

(C) To protect the contractor from liability in case of accidents or injuries.

(D) To provide additional incentives for the contractor to complete the project on time.

Q254 ABC Inc. and XYZ Ltd. are two companies in the same industry. ABC Inc. has a P/E ratio of 15 and XYZ Ltd. has a P/E ratio of 25. Both companies have similar growth prospects and operate in a stable market.

Considering this information, which of the following statements is most likely true?

(A) ABC Inc. is undervalued compared to XYZ Ltd.

(B) XYZ Ltd. is undervalued compared to ABC Inc.

(C) Both companies are equally valued.

(D) It's not possible to determine the relative value based solely on P/E ratios.

Q255 Which of the following options would not explain the disparity between the bank balance recorded in the cash book and the passbook?

(A) Cheques issued but not yet presented for payment worth Rs. 3,000

(B) Credit sales of Rs. 20,000

(C) Bank charges of Rs. 300

(D) All of the above will lead to disparity in the cash book and the passbook.

Q256 Company XYZ is a manufacturing company that produces and sells electronic goods. They follow the historical cost concept for their accounting practices. Company XYZ purchased a piece of machinery for its production line at a cost of Rs. 50,000 five years ago. The machinery has a useful life of ten years and no salvage value. Over the past five years, the market value of similar machinery has increased to Rs. 80,000.

Which of the following statements best represents the application of the cost concept in this scenario?

(A) The machinery should be valued at its current market value of Rs. 80,000 on the balance sheet.

(B) The machinery should be reported at its original cost, adjusted for depreciation, on the balance sheet

(C) The machinery should be reported at its original cost of Rs. 50,000, adjusted for inflation, on the balance sheet.

(D) The machinery should be reported at its net realizable value, considering any impairments, on the balance sheet.

Q257 An investor notices an arbitrage opportunity in the stock market. Company ABC is trading on the New York Stock Exchange (NYSE) at $75 per share, while the same company is trading on the London Stock Exchange (LSE) at £60 per share after accounting for the exchange rate. The investor decides to take advantage of this price discrepancy. If the investor purchases 1,000 shares of ABC from the NYSE and simultaneously sells them on the LSE, what would be their potential profit? (Assuming $1 = £0.80)

(A) $29,000

(B) $28,000

(C) $27,000

(D) There is no potential profit

Q258 The Rule of 72 is a formula used to estimate the time it takes for an investment to double based on a fixed annual interest rate. Which of the following options best describes how to calculate the estimated time using the Rule of 72?

(A) Divide the annual interest rate by 72.

(B) Divide 72 by the annual interest rate.

(C) Multiply the annual interest rate by 72.

(D) Multiply 72 by the annual interest rate.

Q259 Consider the given information:

	31st March 2022	31st March 2021
Plant, and Machinery	15,20,000	10,90,000

Note: A machinery of the book value of Rs. 80,000 (depreciation provided thereon Rs. 24,000) was sold at a loss of Rs. 12,000.

What is the amount of cash inflow from the sale of machinery?

(A) 45,000 (B) 24,000

(C) 34,000 (D) 44,000

Q260 ABC Ltd. is a successful manufacturing company that is looking to raise additional capital for its expansion plans. ABC Ltd. offers 1,000 preference shares to investors at a face value of Rs. 100 per share. The dividend rate on these shares is fixed at 8% per annum. The company's profits before tax for the year amount to Rs. 10,00,000. The company has also issued ordinary shares to its existing shareholders.

The terms of the preference shares state that in addition to the fixed dividend rate, the shareholders of these shares are entitled to participate in the company's profits after the ordinary shareholders have received a certain amount of dividend. The preference shareholders are entitled to a further dividend equal to 20% of the excess profits remaining after the ordinary shareholders' dividend has been paid.

Which type of preference shares is being referred to in this case study?

(A) Cumulative Preference Shares

(B) Participating Preference Shares

(C) Convertible preference shares

(D) Non-participating Preference Shares

Q261 From the given balance sheet, prepare a cash flow statement for cash flow from financing activities.

Liabilities	2020	2021	Assets	2020	2021
Share Capital	4,00,000	5,00,000	Land and Building	3,00,000	4,20,000
12% Debentures	80,000	55,000	Machinery	1,00,000	1,20,000
Reserve	75,000	1,30,000	Debtors	60,000	90,000
Bills Payables	6,000	40,000	Stock	1,06,000	1,20,000
Outstanding Expenses	50,000	70,000	Cash	50,000	70,000
Creditors	20,000	26,000	Goodwill	15,000	1,000
	6,31,000	8,21,000		6,31,000	8,21,000

(A) Inflow - 1,00,000

(B) Outflow - 25,000

(C) Inflow - 75,000

(D) Outflow - 1,25,000

Q262 Which of the following is a part of the core banking component?

I. Core Bank Product Build

II. Core Bank Payments

III. Core Bank Account Administration

(A) Only I & II

(B) Only II & III

(C) I, II, & III

(D) Only I & III

Q263 Calculate the cost of equity from the following information:

Proportion of equity = 50%

WACC = 17.5%

Cost of debt = 12%

(A) 20% (B) 19%

(C) 25% (D) 23%

Q264 Fill in the blanks:

I. The Branch Adjustment A/c will appear on the ___(A)___ side of the balance sheet if there is a debit balance.

II. Lockers or safe deposit vaults are included under ___(B)____ in the balance sheet.

III. Gold appears under ___(C)___ head in the balance sheet.

(A) A - assets; B - other assets; C - other assets

(B) A - assets; B - furniture; C - investment

(C) A - liabilities; B - other assets; C - other assets

(D) A - liabilities; B - furniture; C - investment

Q265 Company XYZ is a manufacturing company that produces and sells furniture. Company XYZ has a long-term contract with a client to supply custom-made furniture. As per the contract terms, the company estimates that they will incur a loss on the project due to unforeseen cost overruns and delays. However, there is a possibility that the situation may improve in the future.

Which of the following options best represents the application of the convention of conservatism in this scenario?

(A) The estimated loss on the project should be recognized immediately in the financial statements.

(B) The possibility of the situation improving in the future should be considered and recognized as potential profit.

(C) The estimated loss on the project should be ignored until it is confirmed and realized.

(D) The potential profit from the project should be recognized, considering the possibility of the situation improving in the future.

Q266 A partnership is a type of business arrangement in which two or more individuals enter into a formal agreement to become co-owners and jointly manage an organization. They share the responsibility for running the business and distribute the generated income or losses among themselves.

In India, the regulations and operations of partnerships are governed by 'The Indian Partnership Act 1932'.

According to the Companies Act 2013 and The Companies (Miscellaneous) Rules, 2014, a partnership can contain a maximum of _______ members.

(A) 200 (B) 150

(C) 20 (D) 50

Q267 ABC Company is a newly incorporated entity looking to raise capital for its business operations. The following are the details furnished by the company:

- Maximum amount of capital that the company is authorized to issue: Rs. 10 crores
- Capital that the company has actually issued to shareholders: Rs. 5 crores
- The portion that the shareholders have agreed to subscribe or buy: Rs. 4 crores
- The amount that the company has actually demanded or "called up" from shareholders: Rs. 3 crores
- The amount that the shareholders have already transferred to the company's bank account: Rs. 2.5 crores

What is the paid-up capital of the company?

(A) Rs. 5 crores (B) Rs. 4 crores

(C) Rs. 3 crores (D) Rs. 2.5 crores

Q268 Which of the following is NOT correctly matched with the nature of expenditure?

I. Cost of day-to-day servicing of assets – Capital expenditure

II. Cost involved in introducing a new product or service – Revenue expenditure

III. Installation and assembly costs of an asset – Capital expenditure

(A) Only I

(B) Only II

(C) Only III

(D) All are correctly matched

Q269 There are several ways of classifying revenue and capital expenditure. If the benefit of expenditure is _________, it is a revenue expenditure.

(A) Short-term or immediate

(B) Long-term or future-oriented

(C) Tangible or physical

(D) Variable or uncertain

Q270 XYZ Company is a manufacturing company that maintains a detailed accounting system. The company's accountants diligently compare the trial balance with the general ledger control accounts periodically to ensure accuracy. In this case, what is the term commonly used in banking parlance to describe the process of matching the trial balance with general ledger control accounts?

(A) Balancing the books

(B) Reconciliation

(C) Journalizing

(D) Auditing

Q271 Majority of the banking transactions (like account creation, financial transactions, enquires, and maintenance) are processed online.

Which of the following is not a benefit of online processing?

(A) Flexibility

(B) Optimises transactions

(C) Caters to all types of institution requirements

(D)

Ensures database is only available for a limited period of time

Q272 For a company engaged in real estate development, purchase of land, construction of buildings, and sale of completed properties is classified as:

(A) Operating activities
(B) Investing activities
(C) Financing activities
(D) Non-operating activities

Q273 Bonus shares are additional shares issued to existing shareholders of a company without any additional cost. The purpose of issuing bonus shares is to reward existing shareholders and increase the liquidity of the company's shares in the market.
A company may NOT issue fully paid-up bonus shares to its shareholders out of:

(A) Profits
(B) Securities Premium Account
(C) Capital Redemption Reserve Account
(D) Free Reserves

Q274 Consider the given information:

Particulars	31st March, 2022	31st March, 2021
8% Debentures	2,00,000	5,00,000

8% debentures were redeemed on 1st August, 2021.
What is the interest paid on debentures?

(A) 14,000 (B) 24,000
(C) 8,000 (D) 16,000

Q275 Under the indirect method of depreciation, which of the following accounting entries is passed?

(A) Depreciation A/c
To Asset A/c
(B) Depreciation A/c
To Provision for Depreciation A/c
(C) Asset A/c
To Depreciation A/c
(D) Provision for depreciation A/c
To Depreciation A/c

Q276 If GST returns are not filed on time, a person will be liable to pay interest and late fee of _______ on the amount of tax liability.

(A) 1% per month (B) 12% per annum
(C) 2% per month (D) 18% per annum

Q277 ABC Corporation reports the following information on its balance sheet as of December 31, 2022:
Total Assets: Rs. 500,000
Total Liabilities: Rs. 200,000
What is the owner's equity?

(A) Rs. 100,000 (B) Rs. 200,000
(C) Rs. 300,000 (D) Rs. 400,000

Q278 According to Section 29 of the Companies Act, the financial statements of banking companies should be signed by the manager/principal officer of the banking company along with at least _______ directors.

(A) 3 (B) 4
(C) 5 (D) 6

Q279 ABC Company reported gross sales of Rs. 5,00,000 during the accounting period. Sales returns amounted to Rs. 50,000, and discounts and allowances totaled Rs. 20,000. The cost of goods sold was Rs. 3,00,000.
Calculate the net sales and the gross profit of ABC Company.

(A) Net Profit = 5,00,000; Gross Profit = 2,00,000
(B) Net Profit = 4,50,000; Gross Profit = 1,50,000
(C) Net Profit = 4,30,000; Gross Profit = 1,30,000
(D) Net Profit = 4,30,000; Gross Profit = 1,00,000

Q280 Suppose a company had preliminary expenses totaling Rs. 10,000 and chose to distribute the amount evenly over five years. At the conclusion of the first year, Rs. 2,000 will be recorded as an expense on the Profit & Loss Account, and ______ will be presented as an asset on the Balance Sheet.

(A) Rs. 2000 (B) Rs. 10,000
(C) Rs. 8,000 (D) Rs. 12,000

Q281 Consider the given information of two products A & B:

	A	B
Direct Material	3	4
Direct Labour	2	3
Selling Price	15	20
Output	1000 units	1000 units

The total overheads are Rs. 12,000 out of which Rs. 9,000 are fixed and the rest are variable. These costs are apportioned on the basis of their ratio of output.

The profit on the sale of Good B as per absorption costing is ______.

(A) Rs. 4000 (B) Rs. 5000

(C) Rs. 6000 (D) Rs. 7000

Q282 Akanksha Ltd was formed with Rs. 7 lakhs as Authorised Share Capital (divided into 7000 shares of Rs. 100 each).

The company issued a prospectus inviting applications for 6,000 shares @ Rs. 100 each payable as Rs. 40 on the Application, Rs. 15 on Allotment, Rs. 20 on First Call, and Rs. 25 on the Second & Final Call.

Applications were received for 5,000 shares.

Which of the following accounts will be debited on receipt of the first call amount?

(A) Share First Call A/c

(B) Bank A/c

(C) Share Capital A/c

(D) Share Allotment A/c

Q283 Calculate the cost of debt if a company has issued 10% debentures at par and the tax rate is 50%.

(A) 10% (B) 20%

(C) 2% (D) 5%

Q284 Match the following items with the headings they will be included in the balance sheet.

Items	Headings
A. Debentures	1. Assets – Miscellaneous Expenditure
B. Preliminary Expenses	2. Liabilities – Current Liabilities
C. Unclaimed Dividends	3. Assets – Current Assets
	4. Liabilities – Secured Loans

(A) A – 4; B – 2; C – 3

(B) A – 4; B – 1; C – 2

(C) A – 4; B – 3; C – 2

(D) A – 2; B – 1; C – 3

Q285 Alpha Corporation, a multinational company, is considering entering into an interest rate swap agreement to manage its interest rate risk. The company currently has a floating-rate loan with an interest rate based on LIBOR (London Interbank Offered Rate) plus a spread. However, due to the expectation of rising interest rates in the future, Alpha Corporation is concerned about the potential increase in its interest expense.

Beta Bank, a financial institution, offers Alpha Corporation a fixed-rate loan with a fixed interest rate of 5% per annum. In return, Alpha Corporation agrees to pay Beta Bank a floating interest rate based on LIBOR plus a spread.

The primary motive for Alpha Corporation to enter into this interest rate swap agreement is to:

(A) Hedge against interest rate risk

(B) Speculate on future interest rate movements

(C) Reduce its borrowing costs

(D) Generate additional income from the swap

Q286 Given are the average figures of previous quarters. Prepare manufacturing overhead budget for the quarter ending March 2022.

The budgeted output of the quarter – 10,000 units

Figures of previous quarter:

Fixed overheads = Rs. 50,000

Variable overheads = Rs. 5 per unit

Semi-variable = Rs. 20,000 (50% fixed and 50% Rs. 4 per unit)

(A) 1,50,000 (B) 1,20,000

(C) 1,00,000 (D) 1,40,000

Q287 ABC Company is evaluating a potential investment project with the following information:

- The project requires an initial investment of Rs. 1,00,000.
- The expected cash flows from the project are as follows:

Year 1: Rs. 30,000

Year 2: Rs. 40,000

Year 3: Rs. 50,000

- The company's cost of debt is 8% per annum.
- The company's cost of equity is 12% per annum.
- The company's capital structure consists of 60% debt and 40% equity.
- The tax rate is 30%.

What is the Weighted Average Cost of Capital of ABC Company?

(A) 7.16% (B) 10.6%
(C) 5.78% (D) 8.16%

Q288 A trial balance is a financial statement that lists the balances of all general ledger accounts at a specific point in time.

A trial balance is given below:

Account	Debit	Credit
Bank	1950	–
Cash	2000	–
Salaries	10,000	–
Sales	–	5000
Rent	5000	
Long term loan	–	13,950
Total	18,950	18,950

The given trial balance is an example of ________.

(A) Net trial balance
(B) Equal trial balance
(C) Double column trial balance
(D) Gross Trial balance

Q289 A manufacturing company produces a single product, Product X, using a single production process. The following information is available for the company's production and cost data:

Total fixed costs: Rs. 50,000
Variable costs per unit: Rs. 20
Total units produced: 2,000 units

Which of the following methods of costing will be appropriate in this case?

(A) Job Costing
(B) Batch Costing
(C) Process Costing
(D) Unit Costing

Q290 A manufacturing company produces a single product, Product X, using a single production process. The following information is available for the company's production and cost data:

Total fixed costs: Rs. 50,000
Variable costs per unit: Rs. 10
Total units produced: 2,000 units

If the selling price per unit of Product X is Rs. 40, what is the total profit earned from producing and selling 2,000 units?

(A) 5000 (B) 10,000
(C) 12,000 (D) 15,000

Q291 ABC Construction Company is considering the construction of a new highway project that connects major cities. The project involves significant investment in land acquisition, construction equipment, labor, and materials. The company expects the highway to generate toll revenues over a period of 10 years

To assess the financial feasibility of the project, ABC Construction Company performs an analysis, which will help identify the impact of changes in key variables such as construction costs, traffic volume, toll rates, and economic factors on the project. The goal is to evaluate the project's viability under different scenarios and mitigate risks associated with uncertain factors.

This analysis is termed as _________.

(A) Cost-Benefit Analysis
(B) Risk Analysis
(C) Feasibility Analysis
(D) Sensitivity Analysis

Q292 _______ is the first part of the income statement or profit and loss statement and is used to calculate the gross profit or gross loss of a business.

(A) Balance sheet
(B) Cash flow statement
(C) Trading account
(D) Retained earnings statement

Q293 ABC Trading Company has successfully negotiated a contract with a buyer in another country to supply industrial machinery. The contract specifies that the buyer will make payments to ABC Trading Company in installments over a specified period, typically after the delivery of the machinery.

ABC Trading Company arranges with its bank to issue a guarantee letter to the buyer's bank. The guarantee letter assures the buyer's bank that ABC Trading Company will honor the deferred payment terms and fulfill its financial obligations under the contract. In the event of default by ABC Trading Company, the buyer's bank can make a claim against the guarantee to receive the outstanding payment.

Which of the following is being defined here?

(A) Export Contract
(B) Payment Schedule

(C) Deferred Payment Guarantee
(D) None of the above

Q294 XYZ Corporation is a large multinational company that operates in multiple countries. The company has a board of directors responsible for overseeing the management and decision-making processes. The board represents the shareholders' interests and ensures that the company's actions align with their expectations.
According to stakeholder theory, which of the following statements is true?
(A) The primary focus of the company should be on maximizing shareholder value.
(B) The company should prioritize the interests of its employees over other stakeholders.
(C) The company should consider the interests of all stakeholders, including shareholders, employees, customers, suppliers, and the community.
(D) The company should only consider the interests of its shareholders.

Q295 Calculate Capital Employed in the company:
Profit Before Interest and Tax = Rs. 50,00,000
ROI = 25%
(A) 20,00,000 (B) 2,00,00,000
(C) 1,00,00,000 (D) 80,00,000

Q296 ABC Corporation is a large multinational company in the manufacturing industry. To fund its expansion plans, the company decides to issue a series of putable bonds to raise capital from the market. The bonds include a put option that allows bondholders to sell the bonds back to the company before maturity.
ABC Corporation issues putable bonds with a maturity period of 10 years. The bonds include a put option that allows bondholders to sell the bonds back to the company at the end of each year.
What is the primary benefit of including the put option in the bonds?
(A) It allows ABC Corporation to raise capital quickly and easily.
(B) It provides bondholders with the ability to exit the investment before maturity.
(C) It guarantees a fixed rate of return for bondholders throughout the life of the bonds.
(D) It ensures that the market value of the bonds remains stable

Q297 In the system of budgetary control, the actual performances are analyzed and compared to the budgeted performances to identify any variances or deviations. These variances can be either favourable or unfavourable and can be expressed as absolute figures or ratios. This comparison allows for a comprehensive assessment of the extent to which actual results align with the budgeted expectations. One such ratio is the Capacity Ratio, which is defined as Actual Hours divided by Actual hours worked, multiplied by 100.
Product X takes 6 hours to make and Y requires 10 hours. In a month of 24 effective days of 8 hours a day, 1,000 units of X and 600 units of Y were produced. The company employs 60 workers in the production department. The budgeted hours are 1,20,000 for the year.
Calculate Capacity Ratio.
(A) 100% (B) 120%
(C) 115% (D) 110%

Q298 The production budget of a factory contains the following information:
I. 1000 units of a product need to be produced in the next month (within 24 working days)
II. Each product takes 2 hours to manufacture
III. Each worker works for 8 hours in a day
Calculate the number of workers required to complete the job.
(A) 10 (B) 11
(C) 12 (D) 13

Q299 Contingent liabilities are potential obligations or liabilities that may arise in the future, depending on the occurrence or non-occurrence of certain uncertain events. These liabilities are not yet certain or confirmed, but they have the potential to become actual liabilities in the future.
Which of the following is NOT one of the contingent liabilities?
(A) Pending legal claims against the company
(B) Bank loans taken by the company
(C) The estimated amount of contracts remaining to be executed on capital account and not provided for
(D) Arrears of fixed cumulative dividends

Q300 Equipment leasing companies are financial institutions that specialize in providing equipment leasing services to businesses. These companies allow businesses to acquire the necessary equipment and machinery for their operations without the need for large upfront investments or borrowing funds for outright purchase.

Which of the following is the regulatory body of equipment leasing companies in India?

(A) Reserve Bank of India (RBI)

(B) Securities and Exchange Board of India (SEBI)

(C) Ministry of Finance

(D) National Association of Leasing Companies (NALC)

Answer Key

Q1	(B)
Q2	(D)
Q3	(C)
Q4	(D)
Q5	(A)
Q6	(D)
Q7	(A)
Q8	(C)
Q9	(D)
Q10	(B)
Q11	(C)
Q12	(C)
Q13	(D)
Q14	(D)
Q15	(C)
Q16	(B)
Q17	(C)
Q18	(D)
Q19	(A)
Q20	(C)
Q21	(A)
Q22	(A)
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Q25	(B)
Q26	(A)
Q27	(A)
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Q293 (C)
Q294 (C)
Q295 (B)
Q296 (B)
Q297 (C)
Q298 (B)
Q299 (B)
Q300 (A)

Hints & Solutions

Q1 Text Solution:

- The overdraft balance (or the debit balance) as per the bank passbook is Rs. 15,000. The firm had issued a cheque, but not presented it for payment. It means that the firm would have an additional entry of Rs. 5,000.
- The firm's cash book would have an overdraft balance of Rs. 20,000.

Q2 Text Solution:

- The bank reconciliation statement (BRS), commonly referred to as the bank passbook, is a record book of the transactions of a bank account that aids account holders in maintaining a record of their funds and updating previous transactions. The cash book's balance must match the bank passbook's balance on the statement. All deposits are listed in the credit column of the BRS, while all withdrawals are listed in the debit column. It will display a debit balance (overdraft) if the withdrawal is more than the deposits.
- The BRS can be prepared in two manners, first by documenting the bank reconciliation statement without adjusting the cash book balance, and second by filing the BRS after adjusting the cash book balance.
- It is also true that a credit entry in a passbook is equivalent to a debit entry in a cash book. An overdraft in the passbook is also a debit balance.
- However, a credit balance as per the cash book is not a favourable balance.

Q3 Text Solution:

- Some items in the bank reconciliation statement require a journal entry, and they are noted as adjustments to books. In other words, while these transactions show up on the bank statement, they are not reflected in the company's ledger accounts.
- Some examples of such items include:

a. Bank service charges
b. Cheque printing charges
c. Cheques deposited but returned due to NSF or not sufficient funds
d. Charges of a returned cheque
e. Bill receivables collected
f. Bill payable met
g. Interest earned on deposits

Thus, out of the given options, 'outstanding cheque' does not need an adjusting entry in the books of accounts.

Q4 Text Solution:

- The Bank Statement is received periodically, which can be checked for clerical errors, and if any errors are found, a revised statement containing no errors can be formulated.
- The steps involved in the preparation of a BRS are:

a. Getting bank records & business records. Bank records are obtained through online banking or a bank statement. The business records are maintained in the company's ledger or books.

b. Going over bank deposits and withdrawals and checking income & expenses in the books. Books of account will be matched against the bank statements to make sure that every transaction is properly accounted for. If there is an unmatched item, the reason for the same will need to be found.

c. Adjusting the bank statements & cash balances before comparing the end balances. Once the records are matched and the adjustments are made, one will need to confirm that the end balances are the same.

Q5 Text Solution:

- There are several reasons why a bank might return a cheque.
- NSF stands for non-sufficient funds, and it is a term used to indicate that a cheque is returned due to insufficient funds in the account on which it is drawn.

Q6 Text Solution:

- A businessman undertakes several transactions, like purchase, sale, manufacturing, and selling, in the course of running a business. These transactions are recorded regularly in books of accounts.

- Following is a procedure taken for recording transactions:

1. The day-to-day business transactions of an accounting year along with opening balances, are first recorded in a journal.
2. The transactions are then transferred periodically to the concerned accounts in the ledger.
3. The accounts are balanced at the end of the accounting year, and a trial balance is prepared.
4. Final accounts, like trading and P&L accounts, are prepared.
5. The balance sheet is prepared finally, which gives the financial position of a business at the end of a financial year.

Q7 Text Solution:

- The rules and guidelines that companies must follow while reporting financial data are called accounting principles. These rules standardise the terms and methods, making it easier to examine financial data.
- The principle of going concern assumes that the business will continue to exist for an indefinite period, or sufficiently long to carry out its objectives.
- This principle enables the deferment of certain expenses and assets in the financial reports.

Q8 Text Solution:

The capital structure of a corporation refers to the amount of debt and/or equity utilised to fund its operations and finance its assets.

A firm's capital structure will be

Equity=$\frac{1.2\ crore}{2\ crore}\times$100= 60%

Debt=$\frac{80\ lakhs}{2\ crore}\times$100= 40%

Q9 Text Solution:

The decision on proportion of debt and equity, as also the instruments through which these two are to be sourced, is influenced by variou factors:

1)Norms prevailing in the financial system:The banks and financial institutions of the country , which are the prominent source of debt financing , have their lending policies and norms based on the ong experience gained in this field.They will not permit borrowing firm to violate the prescribed debt equity norms.

2) Degree of control:If the promotors of a company, do not want to dilute heir voting rights beyond a point, they will not issue further equity capital to outsiders.In such a case, they will prefer to meet company's need for additional funds by issuing debt instruments like debentures.

3)Trading on Equity:This concept is based on the premise that the firm will earn more profit by deploying funds than the cost of those funds.Trading on equity means means taking advantage of equity capital to borrow funds on reasonable basis.

4)Cost of Debt:This is one of the most important considerations in deciding the capital structure of a firm.Neglect of this aspect has resulted in down fall of many large and well-known business houses of India.

Q10 Text Solution:

Assumptions in the Approaches on Capital Structuring

1) Both net income and net operating income approach assume that the increase in debt will not affect the risk perception of the creditors, and the rate of interest (cost) of debt will not change with leverage. However, the traditional approach assumed otherwise.

2) All firms distribute the entire profit to the equity holders.

3) For the sake of simplicity, total capital is assumed to be comprised of only debt capital and equity capital

4) There is no income tax, individual as well as on the firm

5) The business conditions will remain the same so that the operating profit is not changed.

6) There is no transaction cost, and the firm can change its capital structure whenever it wants.

7) There are no redeemable sources in the capital composition of the firm, and this will continue for a long time.

8) The capital market is perfect, and all investors are rational.

Q11 Text Solution:

Under Bond Yield plus Risk Premium Approach,an equity risk premium is added to the yield on long term bonds of the firm.While the yield on long term bonds of the firm are known in the market, decision on equity risk premium is a matter of individual investor perception.

Under this approach required rate of return will be:

15+2.5= 17.5%

Q12 Text Solution:

Repair and maintenance of machine is a semi-variable expense because it has both fixed and variable components. The fixed component is the cost of the maintenance contract, which is incurred regardless of the level of production. The variable component is the cost of repairs, which increases as the level of production increases.

Q13 Text Solution:

Differences between Exchange Traded Derivatives and OTC Derivatives:

	Exchange traded derivatives (ETDs)	Over the counter derivatives (OTDs)
Nature of transaction	By acting as an intermediary, the stock market facilitates bilateral trading.	This is a private transaction between two or more people.
Margin in trade	The margin is determined in accordance with stock exchange regulations.	The collateral, which can be any amount or asset, is arranged between the parties.
Process of liquidation	The liquidation procedure is straightforward.	Negotiation and agreement between the two parties are required for liquidation.
Risk exposure	There is no default risk	Credit/default risk exists between the parties concerned.
Price transparency	Transparency in pricing.	There is no price transparency.
Regulation	Listed on stock exchanges under uniform terms and conditions.	Because no stock exchanges or other formal intermediaries are involved, there is little regulation.

Q14 Text Solution:

The features of Forward Rate Agreements (FRAs) include:

A) FRAs are used to hedge short-term interest rate risk.

- This is true. FRAs are financial contracts that allow parties to hedge against or speculate on future interest rate movements.

B) FRAs are useful in Asset Liability Management.

- This is true. FRAs can be an important tool in managing the interest rate risk that arises from the maturity mismatch between assets and liabilities.

C) FRAs are less liquid.

- This is generally true. Compared to more standardized and widely traded instruments like futures or options, FRAs can be less liquid because they are customized contracts traded over-the-counter (OTC) between two parties.

Q15 Text Solution:

An interest rate option is a financial derivative that allows the holder to profit from interest rate fluctuations. With interest rate options, investors can speculate on the direction of interest rates. It's comparable to an equity option in that it might be a put or a call.

Features of Interest rate options

1) Separation of liquidity from return exposure.

2) Allows the option purchaser to acquire or shed exposure to the underlying asset without the necessity to purchase or sell the asset itself.

3) The option contract is also inherently leveraged in that the full face value of the underlying asset is controlled through the payment of a premium that represents a percentage of the face value.

4) The key element of the option contract is the ability of an option to get asymmetric exposure to price fluctuations in the underlying asset.

5) The option contract is off balance sheet to the parties entering the transaction.

Q16 Text Solution:

AS 19 "Leases" describes lessor and lessee, the appropriate accounting policies to be followed and disclosure requirements in relation to finance lease and operating leases.

Q17 Text Solution:

In finance lease, the lessee is having an option to purchase the asset after the end of lease period. However this option is not available to operating lease.

Q18 Text Solution:

Operating lease provides the benefit for the short term, as renting proves to be much cheaper than buying the asset. It provides benefits to small businesses who have liquidity crunch with them.

Q19 Text Solution:

Finance lease is considered as ownership, hence allowed to be capitalized, the assets and liabilities will increase and debt equity ratio will improve.

Interest and Depreciation are also permissible deductions from profits.

Q20 Text Solution:

In Finance lease the lessee is responsible for all risk associated with an asset. All repair and maintenance costs will also be borne by the lessee himself.

Q21 Text Solution:

In case of Financial lease agreement the Risk of Obsolescence of an asset will be borne by the lessee (tenant) himself. He cannot escape just by saying that asset is obsolete and cannot be used.

Q22 Text Solution:

$Amount = P\left(1 + \frac{r}{100}\right)^n = 13,000\left(1 + \frac{15}{100}\right)^2$

$Amount = 13,000(1.15)^2 = 17,192$

Compound Interest = 17,192 - 13,000 = 4192

Q23 Text Solution:

It is the formula for calculating an annuity's present value.

The terms "future value" and "present value" are often used in annuity contracts.

The future value of an annuity is the amount that will be accumulated over time as opposed to its present value, which is the quantity that must be paid now in order to get a desired payment in the future

Q24 Text Solution:

Annual payment A = Rs. 500; n = 7; i=14%=0.14

Future value of annuity $=C\frac{(1+r)^n-1}{r}$

Future value of annuity $=500\frac{(1.14)^7}{0.14}=5365$

Q25 Text Solution:

- A cash book is a record of transactions involving cash receipts and payments. Thus, all transactions are recorded as they take place.
- A cash book records only cash transactions, and all receipts are recorded on the debit side, while the payments are on the credit side.
- There are three types of cash books, simple cash book or single-column cash book, two-column cash book, and three-column cash book.
- Several transactions also happen for very small amounts on a daily basis, like expenses for postage, food, and stationery. These transactions are recorded in the petty cash book, which is maintained by the petty cashier.
- There are two types of petty cash books, simple and columnar.

Q26 Text Solution:

- A record of transactions involving cash receipts and payments is known as the cash book. A cash book records only cash transactions, with all receipts on the debit side, and the payments on the credit side.
- There are three types of cash books:

1. Simple cash book (single-column cash book): This cash book will only record cash transactions, with the receipts on the left and the cash payments on the right. Since a single-column cash book records only cash receipts and payments, it is similar to a cash account. A cash account cannot show a credit balance, and hence always shows a debit balance or a nil balance.
2. Two-column cash book: There is an additional column for discounts, which will also record the discounts received and given in the same cash book.
3. Triple-column cash book: This cash book has three columns, cash, discount, and bank.

Q27 Text Solution:

- A cash book is a record of transactions which involve cash receipts and payments. A cash book records only cash transactions, and all receipts are recorded on the debit side, while the payments are on the credit side.
- The cash book records one aspect of the transaction only, which is cash.
- Cash sales of Rs. 10,000 and purchases worth Rs. 50,000 will be recorded in the cash book, however, credit sales will not be recorded.
- If the sales are done on credit, they are recorded in the sales journal or the sales daybook.

Q28 Text Solution:

- Since the debtor became insolvent, he will be able to repay only Rs. 2500 (50 paise for a rupee).
- The journal entry for the same is:

Cash A/c	Dr	Rs 2500	
Bad Debt A/c	Dr	Rs. 2500	
	To Suresh A/c		Rs. 5000

Q29 Text Solution:

- Contra entry is used to record transactions that have an impact on both cash and bank balances. This entry has no impact on a company's financial standing.
- A contra entry is entered in the cash and bank columns on both sides of a triple-column cash book, and it is identified by the letter "C" in the ledger folio column.
- Contra entry involves the transfer of cash from:

a. One cash a/c to another
b. One bank a/c to another
c. One bank a/c to cash a/c
d. One cash a/c to bank a/c

Q30 Text Solution:

- Contra entry, also known as contra vouchers, is the term for financial transactions involving both cash and bank accounts.
- Simply put, a contra entry is any transaction that involves moving money from one bank

account to another, from one cash account to another, or even from one cash account to another.

- From the above options, cash received and deposited from a customer is not a contra entry since only one account, either bank or cash, will be affected.

Q31 Text Solution:

- Personal accounts show the transactions with customers, suppliers, banks, moneylenders, and the owner. Some examples of personal accounts are Bank A/c, Salary Outstanding A/c, and Tata Iron & Steel Co A/c. The rule that applies to such accounts is "Debit the receiver and Credit the giver".
- Real accounts can be of either tangible things (Land A/c, Cash A/c) or intangible things (Trademarks A/c, Goodwill A/c). The rule that applies to real accounts is "Debit what comes in and Credit what goes out".
- Nominal Accounts relate to business expenses, losses, gains and incomes. Examples of such accounts include interest a/c, salary a/c, rent a/c, and insurance a/c. The rule of the nominal account is "Debit all the expenses or losses and Credit all the incomes, gains or profits".

Q32 Text Solution:

- Contra entry is used to record transactions that have an impact on both cash and bank balances and has no impact on a company's financial standing.
- A contra entry is noted by the letter "C" in the ledger folio column and is entered in the cash and bank columns on both sides of a triple-column cash book.
- In the given question, if cash is withdrawn from a bank account for office use, the journal entry will be as follows:

Cash A/c	Dr
	To Bank A/c

Hence, the bank column will be credited and the cash column will be debited.

Q33 Text Solution:

- Journalizing is the practice of systematic, condensed recording of commercial transactions in a journal. It refers to the process of recording the debit and credit impacts of transactions in the journal.
- If machinery is purchased and a cheque is issued for the same, the journal entry will be:

Machinery A/c	Dr
	To Bank A/c

Q34 Text Solution:

- The Imprest system is an accounting tool used to monitor a company's financial transactions.
- Petty cash (a small sum of money used for spending on minor products, such as office supplies, catered lunches, cards for customers, etc.) is typically accounted for using the Imprest System.
- The Imprest system's essential component is the need that all expenses be reported. This offers you more control over the cash outlays that a business makes.

Q35 Text Solution:

The benefit of such advertisement will be taken by the company over the next few financial years hence it will be treated as Deferred revenue expenditure. Its estimated benefit will be split into estimated years and will be charged proportionally to the P & L account. And balance will be shown in Assets in the balance sheet as an asset.

Q36 Text Solution:

Profit & loss account is prepared using the Accrual system of accounting. In this Gross profit and other operating incomes are credited and all operating expenses are debited. If total Gross profit plus operating income is more than the total of operating expenses then the residual amount will be called Net profit else Net loss.

Q37 Text Solution:

TDS needs to be deducted @ 10% in case of premature withdrawal from EPF before the expiry of 5 years of service (except termination case, ill health) or where he fails to apply for transfer of account to new employer.

Q38 Text Solution:

The main aim to set up CERSAI is to prevent frauds in loan cases involving multiple lending from different banks on the same immovable property. CERSAI maintains central database for mortgage properties after 31 March 2011.

Q39 Text Solution:

Working capital means the gap between Current Assets and Current liabilities of an entity. It means the day to day monetary requirement of business for running its daily operations.

Q40 Text Solution:

Term loan is used for expansion of business and for purchase of fixed assets involving heavy investment, these are generally of long duration from 5 years to 10 years. In contrast to it Working capital loans (CC,OD) are used to meet day to day expenses.

Q41 Text Solution:

The most liquid assets are used for describing current assets. Hence only marketable investments, Cash and Debtors, that are most liquid that can be quickly converted to money are taken here.

Q42 Text Solution:

Siphoning means diversion of funds, specially in cases where stocks are hypothecated to cash credit limits and funds are utilized for unrelated purposes other than for what loan has been sanctioned.

Q43 Text Solution:

A sole proprietorship is the simplest form of business structure. It is a business owned and operated by one person. There is no need to create a separate legal entity or register the business with the government. This makes it a very easy and inexpensive way to start a business.

The other options are not advantages of a sole proprietorship:

- Limited liability: Sole proprietors have unlimited liability, meaning that they are personally responsible for all of the debts and liabilities of the business.
- Access to public capital markets: Sole proprietorships cannot raise capital from the public by issuing shares.
- Separate legal entity: Sole proprietorships are not separate legal entities from their owners. This means that the owner's personal assets are at risk if the business is sued.

Q44 Text Solution:

- A budget manual is a comprehensive document that provides guidelines and instructions for preparing and using budgets within an organization.
- Dates by which preliminary forecasts and/or plans are to be submitted: It defines the timelines and deadlines for submitting preliminary forecasts and plans to ensure that the budgeting process is carried out efficiently.
- Categorization of expenses into fixed and variable costs: Budget manuals often include guidelines on how expenses should be categorized, distinguishing between fixed and variable costs. This helps in better budget allocation and cost management.
- Important factors to be considered for each forecast or plan: Budget manuals provide guidance on the factors that need to be considered while preparing forecasts and plans. This ensures that the budgeting process takes into account all relevant variables and factors.

Q45 Text Solution:

The transaction is recorded in the books as and when the purchase was done, which aligns with the historical record's concept of accounting. This concept states that transactions should be recorded based on their actual occurrence and should be supported by source documents. In this case, the purchase of the building is recorded when it actually happened, and this historical record forms the basis for accurate financial reporting.

Q46 Text Solution:

The risk premium is the extra return that investors expect to receive as compensation for taking on additional risk. It is calculated by subtracting the risk-free rate from the expected return of an investment.

The risk-free rate is the return that investors can expect to receive on an investment that has no risk. The expected return of an investment is the return that investors expect to receive over a given period of time, based on their assessment of the risks and potential rewards of the investment.

Investors are generally willing to take on more risk in exchange for the potential of higher returns. This is because investors are compensated for taking on additional risk in the form of a higher risk premium.

Q47 Text Solution:

Entries that require changes in the cash book are:

1) Interest on savings bank

2) Amount paid by the bank on Standing Instruction

3) Interest on overdraft

4) Bank charges

5) Amount collected by the bank on Standing Instruction

6) Amount paid by the bank on Standing Instruction

7) Direct Payments into the bank made by Trader's Customers

Note: The above entries originate in the passbook first and then from the pass book, the trader makes necessary entries in the cash book.

Q48 Text Solution:

In the above question, the sales account is wrongly credited and the purchase account is not debited. Therefore, both these accounts are required to be debited. ABC account is wrongly debited instead of credited.Therefore, ABC's account will be credited with double the amount of Rs 1000 (i.e. 2000)

Wrong entry:

ABC a/c Dr 1000
    To sales a/c 1000

Correct entry:

Purchases a/c Dr 1000
    To ABC 1000

Rectification Entry:

Sales a/c Dr 1000
Purchase a/c Dr 1000
    To ABC 2000

Q49 Text Solution:

Extraordinary items are gains or losses that are unusual and infrequent in nature and that are not expected to recur in the future. The sale of a subsidiary is an example of an extraordinary item because it is not a normal part of a company's business operations.

Some other examples of extraordinary items:

- Loss from a major natural disaster
- Gain or loss from a lawsuit
- Gain or loss from the sale of a major asset
- Restructuring costs

Q50 Text Solution:

In accounting, the passbook is a statement provided by the bank to the account holder that shows the transactions made in the bank account. The passbook shows the actual balance in the bank account, including all deposits, withdrawals, and interest earned or charged.

On the other hand, the cashbook is a book maintained by the account holder to record all the transactions related to cash inflows and outflows. It is a journal that records cash receipts and payments made by the account holder.

When the passbook shows a debit balance, the cash book shows a debit balance and vice versa.

Q51 Text Solution:

Zero coupon bonds pay no interest on a regular basis. They are issued at a discount to par value, allowing the interest to be effectively rolled up to maturity (and hence taxed as such). On the redemption day, the bondholder receives the whole principal amount.

Q52 Text Solution:

The cost of an item of PPE should be recognized as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the enterprise and

(b) the cost of the item can be measured reliably.

This is as per Accounting Standard AS-10 Property, Plant and Equipment.

Q53 Text Solution:

Compared to cost accounting, management accounting makes use of more tools and strategies. Standard costing and marginal costing are methods that are used by both cost accounting and management accounting, but management accounting goes further by combining other tools like ratio analysis, cash flow analysis, trend analysis, etc. These additional management accounting tools support decision-making for both short- and long-term planning by examining various elements of the organization's performance and financial health.

Q54 Text Solution:

The present value of the lease rentals is 15 lakh per year, for 10 years is $6.145 \times 15 = Rs.92.175$ lakh at the discount rate of 10% p.a. (by using the Annuity table, PVIFA = 6.145) Therefore, in the balance sheet of ABC Ltd, an amount of 92.175 lakh will be shown as receivables from the leased asset.

Q55 Text Solution:

The bank reconciliation statement is prepared to reconcile the differences between the balance shown in the company's records and the balance shown in the bank statement.

In this case, the outstanding cheques issued by XYZ Company need to be added to the company's records, as they have not yet been presented for payment by the recipients. Bills receivable directly collected by the bank amounting to Rs. 5,000 need to be added. The bank service charge deducted by the bank needs to be deducted from the company's records.

Q56 Text Solution:

The deduction under Section 80E of the Income Tax Act of India, 1961 allows taxpayers to claim a deduction for the interest paid on education loans. The deduction is available for a maximum of 8 years, or until the interest is fully repaid, whichever is earlier.

Q57 Text Solution:

The major differences are:

Cash Flow Statement	Fund Flow Statement
Integral part of financial statements and is mandatory	Not a mandatory requirement and not a part of financial statements
Cash flows from operating, financing and investing activities to be shown separately	No such segregation is required.
Determines the cash position at the end of the accounting period	Determines the changes in working capital through a specified period.
Uses the cash system of accounting	Uses the accrual system of accounting
Helps in understanding the liquidity position of a business	Helps in assessing the long term financial the strategy of a business

Q58 Text Solution:

The net cash flow from financing activities is calculated as the sum of cash inflows and outflows related to financing activities. In this case, we have:

Cash Inflows: Proceeds from New Stock Issuance + Issued Bonds = Rs. 2,00,000 + Rs. 3,00,000 = Rs. 5,00,000

Cash Outflows: Dividends Paid + Repurchased Stock = Rs. 1,00,000 + Rs. 1,50,000 = Rs. 2,50,000

Net Cash Flow from Financing Activities = Cash Inflows - Cash Outflows = Rs. 5,00,000 - Rs. 2,50,000

Cash Inflow from Financing Activities = Rs. 2,50,000

Q59 Text Solution:

Cash sales not posted to the sales account will be rectified using the following journal entry:

Suspense A/c	Dr	16,000	
To Sales A/c			16,000

Q60 Text Solution:

In the rectification entry, the account "XYZ Enterprises A/c" will be debited with an amount of Rs. 45,000 (the rest of the amount) to correct the error in recording the sales transaction. This entry will reflect the correct sale amount of Rs. 50,000 in the books of accounts.

The rectification entry will be the same as the original entry, except the amount will be different.

Q61 Text Solution:

Particulars	Amount (Rs.)
Cash flow from operating activities	
Net income	5,00,000.
Add: Depreciation	1,00,000
Cash flow before working capital changes	6,00,000
Less: Increase in accounts receivable	50,000
Add: Decrease in inventories	30,000
Add: Increase in accounts payable	20,000
Net cash flow from operations	6,00,000

- Any increase in the current asset is reduced from the cash flow before working capital changes, where any reduction in the value of the current assets is added to compute cash flow.
- Similarly, the current liability increments are added, whereas the decrements are subtracted from the cash flow before working capital changes.
- Capital expenditure does not form part of operating activity hence it is ignored in the calculation.

Q62 Text Solution:

According to accounting standards, the aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses are classified as investing activities. This is because these transactions involve acquiring or disposing of long-term assets or investments, which falls under the category of investing activities in the statement of cash flows.

Q63 Text Solution:

As per the Ind AS- 7, which sets out requirements for the presentation and disclosure of cash flow information, an entity shall report cash flows from operating activities using either:

(a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or

(b) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Q64 Text Solution:

A written undertaking by the buyer to make a payment on a specified date can take the form of a bill of exchange or a promissory note. A bill of exchange is drawn by the creditor and accepted by the debtor. A promissory note, on the other hand, is written by the debtor (buyer) promising the creditor (seller) to pay a specified sum after a specified period.

Q65 Text Solution:

Tax System	Tax Rate
Progressive tax	Increases as income increases
Proportional tax	Same for all taxpayers
Regressive tax	Decreases as income increases

Income Tax is an example of Progressive Tax.

Q66 Text Solution:

If GST Returns are not filed within time, there is a liability to pay interest and a late fee. At present, interest on delayed payment of tax is payable @ 18% per annum. It has to be calculated on the amount of tax liability from the next day of the due date of return till the date of payment.

Q67 Text Solution:

Cash Inflows:

- Sale of Investments: Rs. 80,000
- Sale of Land: Rs. 50,000

Cash Outflows:

- Purchase of Machinery: Rs. 1,50,000
- Acquisition of Subsidiary: Rs. 2,00,000

Net Cash Flow from Investing Activities = (Cash Inflows) - (Cash Outflows)
= (Rs. 80,000 + Rs. 50,000) - (Rs. 1,50,000 + Rs. 2,00,000)
= Rs. 1,30,000 - Rs. 3,50,000
= -Rs. 220,000

Q68 Text Solution:

RBIA is a risk-based approach to internal auditing. This means that the audit plan is developed based on an assessment of the risks faced by the organization. The goal of RBIA is to ensure that the audit resources are allocated in a way that maximizes the impact on risk mitigation.

Option A is incorrect because RBIA does not focus on the historical performance of branches and corporate levels. Instead, it focuses on the risks that these entities face.

Option B is incorrect because RBIA does not focus primarily on historical transaction testing. Instead, it focuses on identifying and prioritizing risks.

Option D is incorrect because RBIA is not used for evaluating external communication channels. Instead, it is used for evaluating the risks faced by the organization.

Q69 Text Solution:

A reserve account is a contra-asset account that is used to absorb unexpected costs or losses. When a variance is transferred to a reserve account, it is effectively being set aside to cover future costs or losses. This helps to smooth out the variances over time and provides a buffer for future periods.

Q70 Text Solution:

Under the accrual basis of accounting, revenues and expenses are recognized when they are earned or incurred, regardless of when cash is received or paid. This means that when ABC Furniture Store makes an advance payment to its supplier, it records the payment as a prepaid expense on its balance sheet. The expense is then recognized in the subsequent accounting period when the goods are received and the liability to the supplier is satisfied.

The supplier will be treated as a creditor because ABC Furniture Store owes the supplier money for the goods that have been ordered but not yet received.

Q71 Text Solution:

International Financial Reporting Standards (IFRS) are globally recognized accounting standards established by the IFRS Foundation and the International Accounting Standards Board (IASB). These standards provide a uniform framework for presenting a company's financial performance and position, ensuring that financial statements are comprehensible and comparable on an international scale.

Q72 Text Solution:

Banks have been advised by RBI to segregate the credit entries outstanding for more than five years in inter-branch accounts and transfer them to a separate Blocked Account which should be shown in the balance sheet under the head 'Other liabilities and provisions–Others' (Schedule 5). While arriving at the net amount of inter-branch transactions for inclusion in the balance sheet, the aggregate amount of Blocked Account should be excluded and only the amount representing the remaining credit entries should be netted against debit entries. Banks have been advised that any adjustment from the Blocked Account should be permitted only with the authorisation of two officials, one of whom should be from outside the branch concerned, preferably from the controlling/head office if the amount exceeds a particular amount.

Q73 Text Solution:

The RBI instructions on internal audit function state that the HIA should report directly to the ACB, MD & CEO, or WTD. This is to ensure that the HIA has the necessary independence to carry out their duties effectively. The HIA should also have unrestricted access to records, which is necessary for them to conduct their audits effectively.

Q74 Text Solution:

Net Worth = Capital + Reserves & Surplus
Net Worth = ₹400,000 + ₹200,000 = ₹600,000

Q75 Text Solution:

Standard Quantity = 1.5 kilograms of Material Y per unit of Product B

Actual Quantity Used = 2 kilograms of Material Y

Material Usage Variance = (Standard Quantity - Actual Quantity Used) $\times$Standard Cost per kilogram $\times$ Units of Product B produced

Material Usage Variance = 0.5 $\times$13$\times$12,500 = Rs. 81,250

Q76 Text Solution:

$$Profit\ to\ date = \frac{Cost\ of\ work\ completed}{Total\ estimated\ contract\ \cos t} \times Estimated\ contract\ profit$$

$$Profit\ to\ date = \frac{3{,}00{,}000}{5{,}00{,}000} \times 50,000 = 30,000$$

Q77 Text Solution:

Earnings per Share = Rs. 5

P/E Ratio = $\frac{Market\ Price\ per\ Share}{Earnings\ Per\ Share} = \frac{40}{5} = 8$

Q78 Text Solution:

Connected inter-office accounts are typically aggregated, with only the net balance shown when calculating the net balance of inter-office adjustments in financial reporting of banks.

This means that all transactions between interconnected inter-office accounts are netted out, and only the net balance is shown in the bank's financial statements. This is done to avoid double counting and to present a more accurate view of the bank's financial position.

Q79 Text Solution:

To calculate the payback period, we divide the initial investment by the annual cash flow:

Payback period = $\frac{Initial\ investment}{Annual\ cash\ flow} = \frac{1{,}00{,}000}{30{,}000} = 3.3\ years$

Therefore, the payback period for the project is 3.3 years. This means that it will take 3.3 years for the company to recover its initial investment.

Note: The payback period is a simple metric that does not take into account the time value of money. This means that it does not consider the fact that money today is worth more than money in the future. Therefore, the payback period is not the most accurate way to evaluate an investment. However, it can be a useful tool for making quick decisions about investments with relatively short payback periods

Q80 Text Solution:

Product A is a high-end electronic device that requires specialized components and skilled labour for assembly. Additionally, it undergoes extensive quality testing before it is ready for the market. Both of these factors will contribute to a higher direct labour cost for Product A.

Product B is a standard consumer electronic device that shares some components with Product A, but requires less complex assembly and testing processes. This will result in a lower direct labour cost for Product B than for Product A.

Product C is a basic accessory that is packaged with both Products A and B. It is a simple item that incurs minimal production costs. Therefore, Product C will have the lowest direct labour cost of the three products.

Q81 Text Solution:

Revenue expenditures are expenses incurred in the normal course of business to generate revenue and are typically recurring in nature. Capital expenditures are typically associated with long-term investments and are not expensed immediately but rather capitalized and amortized over their useful life.

Out of given options, salaries and wages paid to employees, purchase of raw materials for production, and cost of relocating all of an entity's operations are treated as revenue expenditure. Thus, installation cost of a machinery is a capital expenditure.

Q82 Text Solution:

Transactions in a bank are of two types: cash and non-cash. In the latter case, also called ‘transfer transactions’, one or both of the accounts concerned may be of the customers or the internal accounts of the bank. For example, if ‘A’ deposits a cheque drawn in his favor by ‘B’, who is also a customer of the branch, the accounts of the two customers will be affected. On the other hand, if ‘A’ deposits a draft drawn on the branch, the ‘Draft, account, an internal account of the bank, will be debited. Likewise, on payment of interest on deposit accounts, the

'Interest Account' at the branch will be debited and many personal accounts credited.

Q83 Text Solution:

If a company adopts a production policy of keeping production steady throughout the year without considering the peak and non-peak nature of the business, it is likely to have an accumulation of inventories in the off-peak season, requiring a larger working capital limit.

This is because the company will be producing goods at a constant rate throughout the year, even during the off-peak season when demand is lower. This will lead to an accumulation of inventories, which will tie up the company's cash and increase its working capital requirements.

Q84 Text Solution:

A penalty clause is a provision included in a contract that imposes a financial penalty or consequence on one party if they fail to meet certain obligations or deadlines specified in the contract. It is intended to incentivize the party to fulfill their responsibilities and to deter any potential breaches or delays.

Q85 Text Solution:

The best approach for ABC Bank would be to adopt a hybrid approach, outsourcing specific audits to external experts while retaining ownership of audit reports with the internal audit function regulars. This would allow the bank to tap into specialized knowledge and experience while still maintaining the integrity and independence of the internal audit process.

Q86 Text Solution:

Under GST law, e-Commerce aggregators are mandated to deduct and remit a 1% tax from every transaction. This tax comprises 0.5% CGST and 0.5% SGST, or alternatively, 1% IGST. Consequently, dealers or traders engaged in online sales will receive their payments after this 1% tax deduction.

Q87 Text Solution:

Under GST law, e-Commerce aggregators are mandated to deduct and remit a 1% tax from every transaction. This tax comprises 0.5% CGST and 0.5% SGST, or alternatively, 1% IGST. Consequently, dealers or traders engaged in online sales will receive their payments after this 1% tax deduction.

In the given question, 1% of 1 lakhs = 1000.

The deducted tax must be submitted to the government by the 10th day of the subsequent month.

Q88 Text Solution:

In the given scenario, ABC Ltd. sells goods to XYZ Pvt. Ltd. and prepares a bill of exchange for Rs. 50,000. The bill of exchange is drawn by ABC Ltd. on XYZ Pvt. Ltd., which means ABC Ltd. is the drawer of the bill. The bill is payable to MNO Traders, which makes MNO Traders the payee of the bill.

As the payee, MNO Traders is the party to whom the payment mentioned in the bill of exchange is due. They have the right to receive the amount of Rs. 50,000 from XYZ Pvt. Ltd. on the due date mentioned in the bill, which is March 1, 2022.

Q89 Text Solution:

The due date of the bill is 1st April, and the date of maturity is calculated after adding three days of the grace period.

The due date of a bill of exchange is the date on which the payment of the bill is expected or required to be made. It represents the deadline for the drawee (the party obligated to make the payment) to settle the bill.

The grace period refers to an additional period of time granted beyond the due date during which the drawee can make the payment without incurring any penalty or default. It is essentially a grace period provided to the drawee as a courtesy or allowance for delays or unforeseen circumstances.

Q90 Text Solution:

In the given scenario, XYZ Electronics issues an Inland Bill of Exchange. This is because the bill of exchange is drawn and made payable within the same country (Country X) where both parties (XYZ Electronics and ABC Retailers) are located or reside. An Inland Bill of Exchange is commonly used for trade transactions within a country and represents a legally binding payment instrument for the credit terms between the supplier (XYZ Electronics) and the buyer (ABC Retailers).

Q91 Text Solution:

In a joint-stock company, the liability of the members (shareholders) is limited to the value of the shares they hold. This means that if the company faces financial difficulties or goes bankrupt, the shareholders are only liable to the extent of the value of their shares and are not personally responsible for the company's debts beyond that. Option A correctly describes the limited liability aspect of a joint-stock company.

Q92 Text Solution:

Education Services - 0%
Footwear below Rs.500 - 5%
Ice-cream - 18%

Q93 Text Solution:

The common practice followed to streamline the recording process in banking when there are a large number of accounts with similar types of transactions in the same ledger or group of ledgers is to prepare a consolidated voucher along with an attached list of account details and transaction amounts (Option D).

This involves grouping the transactions by account number and then creating a single voucher that summarizes the total deposits, withdrawals, and net balance for each account. This can be done manually or using accounting software.

Q94 Text Solution:

Ideal standards are based on the concept of perfect performance, which means that they assume that there will be no errors, defects, or delays in the production process. However, in reality, there will always be some level of imperfection in the production process. This is because there are many factors that can affect the production process, such as the availability of raw materials, the condition of machinery, and the skill level of workers.

As a result, ideal standards are often unrealistic in practical manufacturing environments. Even if a company is able to achieve ideal standards for a period of time, it is unlikely that they will be able to maintain those standards indefinitely.

Q95 Text Solution:

XYZ Company is required to disclose additional information in the notes for the following items any item of income or expenditure exceeding one per cent of revenue from operations or Rs. 1,00,000, whichever is higher.

Q96 Text Solution:

The e-invoicing system, implemented from October 1, 2020, applies to businesses with an annual aggregate turnover exceeding Rs. 500 crore in any preceding financial years (from 2017-18). From January 1, 2021, this system extended to those with an annual aggregate turnover of over Rs. 100 crore. These businesses need to obtain a unique invoice reference number for each business-to-business invoice through the GSTN's invoice registration portal. The portal verifies and authorizes the invoice using a digital signature and a QR code. E-invoicing enables seamless invoice handling and reduces data entry errors. It facilitates direct transmission of invoice information to the GST portal and e-way bill portal, eliminating the need for manual data entry in GSTR-1 and aiding e-way bill generation.

Q97 Text Solution:

Particulars	Amount (Dr.)	Particulars	Amount (Cr.)
To opening stock	68,000	By Sales	4,00,000
To purchases (less returns) [61,000 - 6,400]	54,600	By Closing Stock	32,000
To wages	67,000		
To salary	1,20,000		
To electricity charges	30,000		
Net Profit (balance)	92,400		

	4,32,000		4,32,000

Q98 Text Solution:

The cost concept is an accounting principle that states that assets should be recorded at their historical cost. This means that the land and building should be carried on the balance sheet at the amount that LMN Corporation paid for them, even though the current market value is higher.

There are a few reasons why the cost concept is used. First, it is a conservative approach that provides a more accurate measure of the company's financial position. Second, it is easier to apply consistently over time. Third, it is more objective than other methods of valuation, such as fair value.

Q99 Text Solution:

- The first statement is incorrect as it is the liquidity ratio that is also known as the quick ratio or acid test ratio.
- The second statement is also incorrect as the current ratio of 1.2 to 2 is considered satisfactory (not 4).
- The third statement is correct as a poor current ratio is indicative of the fact that a company is trading beyond its resources. It is, thus, a poor signal of management.

Q100 Text Solution:

The Debt Collection Period Ratio indicates the average time taken to collect debts. It's a crucial measure for lenders to assess borrowers' collection efficiency. A higher ratio may indicate funds blocked in debtors. A more extended collection period indicates a credit collection process that is overly lenient and inefficient. To assess a company's credit and collection efficiency, its average collection period should be evaluated in comparison to the industry average. Striking a balance is important, avoiding both excessive leniency and excessive strictness. An overly strict policy can lead to decreased sales, ultimately impacting profits negatively.

Q101 Text Solution:

A stock account is categorized as a 'Real' account in accounting. Real accounts represent assets, and stock is considered an asset.

Q102 Text Solution:

Agency problems arise when there is a separation of ownership and control. In this case, the controlling shareholder owns the majority of the shares in the company, but the minority shareholders own the remaining shares. This means that the controlling shareholder has more control over the company than the minority shareholders.

The minority shareholders are concerned that the controlling shareholder will make decisions that benefit themselves at the expense of the minority shareholders. For example, the controlling shareholder could pay themselves a higher dividend, or they could invest in projects that are not in the best interests of the company.

Q103 Text Solution:

The RBI has mandated that investment balances as per the bank's book should be reconciled quarterly with the balances in the Public Debt Office's books. If the number of transactions warrants, such reconciliation should be undertaken more frequently, say on a monthly basis.

This is to ensure that the records of the banks and the Public Debt Office are in agreement and to prevent any discrepancies.

Q104 Text Solution:

In case of the issue of the bill, the following entries are passed:

Drawer's Books:	Drawee's or the Payer's Books:
Bills Receivable A/c Dr. To Drawee's A/c	Drawer's A/c Dr. To Bills Payable A/c

Hence, option D is the correct one in the given question.

Q105 Text Solution:

Statement I is correct: Revenue expenditure is recurring in nature, meaning that it is incurred on a regular basis, such as salaries, rent, and utilities.

Statement II is also correct: Revenue expenditure is incurred to generate revenue in the current accounting period. This means that the expenditure is directly related to the revenue generated during the same period.

Statement III is incorrect: Capital receipts are not routed through a profit and loss statement. Instead, they are routed through a balance sheet.

Q106 Text Solution:

The provision for taxation is shown in the following financial statements:

Profit and Loss Account under 'Provisions and Contingencies'

Balance Sheet under 'Other Liabilities and Provisions'

Q107 Text Solution:

Schedule III of the Companies Act 2013 prescribes the forms in which the balance sheet and profit and loss account should be prepared. This schedule also provides general instructions for preparation of the financial statements.

Q108 Text Solution:

The Head of Internal Audit (HIA) in foreign banks operating in India as branches reports to the Internal Audit function in the controlling office/head office. This is in accordance with the Reserve Bank of India (RBI) guidelines for foreign banks operating in India.

The RBI guidelines are designed to ensure that the internal audit function in foreign banks is independent and effective. The requirement for the HIA to report to the Internal Audit function in the controlling office/head office helps to ensure that the internal audit function is not subject to undue influence from the local management of the branch.

Q109 Text Solution:

The Institute of Chartered Accountants of India (ICAI) has issued Standard on Internal Audit (SA) 14 - Internal Audit in an IT Environment.

SA 14 provides guidance to internal auditors on how to plan, conduct, and report on internal audits of information technology (IT) environments. It covers a wide range of topics, including:

- The role of internal audit in an IT environment
- The risks associated with IT environments
- The controls that should be in place to mitigate these risks
- How to audit IT controls
- How to report on the findings of IT audits

Q110 Text Solution:

Liability shall be classified as current when it satisfies any of the following criteria:

1. it is expected to be settled in the company's normal operating cycle;
2. it is held primarily for the purpose of being traded;
3. it is due to be settled within twelve months after the reporting date; or
4. the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. All other liabilities shall be classified as non-current.

Q111 Text Solution:

A promissory note is a written promise by one party (the maker) to pay another party (the payee) a certain sum of money on a specified date. It is a simple contract and does not require any special formalities. In this case, Shivam has promised to pay Riya Rs. 10,000 on a specific date. This is a promissory note, and noting is not necessary.

A bill of exchange, on the other hand, is a written order by one party (the drawer) to another party (the drawee) to pay a certain sum of money to a third party (the payee). It is a more formal instrument than a promissory note and must be in a specific format. If a bill is dishonoured (not paid) on the maturity date, it may be noted by a notary public, and a formal protest may be made.

Q112 Text Solution:

When XYZ Corporation purchases equipment for ₹50,000 in cash, the company's assets increase by ₹50,000 (the cost of the equipment), and its liabilities remain unchanged. This is because the company has paid for the equipment in full, so it does not owe any money to anyone. At the same time, the assets will also be reduced by ₹50,000 (cash paid). Hence, both the assets and the liabilities will remain unchanged.

Q113 Text Solution:

Value of Abnormal Loss = $\frac{(Total\ Cost - Sale\ Value\ of\ Scrap)}{(Input\ Units - Normal\ Loss\ Units)} \times Units\ of\ abnormal\ loss$

Value of Abnormal Loss = $\frac{60{,}000 - 2{,}500}{1200 - 0} \times 50$

Note: Assuming that there is no normal loss.

Value of Abnormal Loss = $\frac{57{,}500}{1200} \times 50 = 2395.83$

Q114 Text Solution:

Turnover	Rounding off
< Rs. 100 crores	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
> Rs. 100 crores	To the nearest lakhs, millions or crores, or decimals thereof

Q115 Text Solution:

A URL, or Uniform Resource Locator, is a reference or address used to access resources on the internet. It is a string of characters that provides the means to access a specific resource, such as a webpage, image, video, or file. URLs are used to locate resources on the World Wide Web and are essential for linking to websites and web pages.

Q116 Text Solution:

Simple Interest = $\frac{Principal \times rate\ of\ interest \times time}{100}$

Simple Interest = $\frac{5000 \times 8 \times 3}{100} = Rs.\ 1200$

Q117 Text Solution:

When a company purchases a building, it is acquiring an asset. The asset is recorded on the balance sheet at its cost, which is Rs. 5,00,000. The company financed the purchase of the building by paying Rs. 1,00,000 in cash and taking out a bank loan for the remaining amount. This means that it has incurred a liability. The liability is also recorded on the balance sheet at Rs. 4,00,000. The assets will also decline by Rs. 1,00,000 due to payment of cash.

Thus, assets increase by Rs. 4,00,000 (5,00,000 - 1,00,000) and liabilities increase by Rs. 4,00,000.

Q118 Text Solution:

$Break - even\ point = \frac{Fixed\ Costs}{Contribution} = \frac{60{,}000}{50-30}$

$= \frac{60{,}000}{20} = 3000\ units$

Q119 Text Solution:

The answer is B. There is a direct relationship between price changes and the P/V ratio.

The profit volume (P/V) ratio is a financial metric that measures the relationship between a company's profit and its sales volume. It is calculated by dividing the contribution margin by the sales price. The contribution margin is the difference between the sales price and the variable cost per unit.

When the price of a product increases, the contribution margin per unit increases, which leads to an increase in the P/V ratio. Conversely, when the price of a product decreases, the contribution margin per unit decreases, which leads to a decrease in the P/V ratio.

Therefore, there is a direct relationship between price changes and the P/V ratio.

Q120 Text Solution:

An error of commission occurs when an action is taken, but it is the wrong action. In accounting, this often refers to mistakes made in recording financial transactions. For example, if an accountant records a transaction in the wrong account or applies the wrong amount, it would be considered an error of commission. This type of error can lead to inaccuracies in financial statements.

The correct should've been:

X's A/c	10,000	
To Sales A/c		10,000

However, the entry that passed was of Rs. 12,000. The rectification entry will be:

Suspense A/c 2000

To X's A/c 2000

Q121 Text Solution:

Capital employed = Shareholders' Funds + Long-term borrowings =

Capital employed = Share capital + Reserves & Surplus + Long-term borrowings = 10,00,000 + 3,50,000 + 5,60,000 = Rs. 19,10,000

Q122 Text Solution:

A sinking fund is a dedicated fund established with the specific intention of repaying debt. The fund holder regularly sets aside a predetermined sum of money solely for this purpose. Typically utilized by corporations, a sinking fund is used to buy back issued bonds or portions of bonds before their maturity date. This practice helps instil confidence in investors by assuring them that the issuer is committed to meeting its financial obligations and reduces the risk of default.

Q123 Text Solution:

The uncalled liability on partly-paid shares are shown under the head 'contingent liabilities'.

Contingent liabilities are liabilities that are uncertain and dependent on future events. These liabilities are not recognized as actual obligations on the balance sheet date but may arise later if specific events occur. To disclose contingent liabilities, they are typically mentioned as footnotes in the financial statements after listing all other liabilities.

Q124 Text Solution:

Overall Profitability Ratio = $\frac{Operating\ Profit}{Capital\ Employed} \times 100$

Operating Profit is Profit Before Interest & Tax

Overall Profitability Ratio = $\frac{Rs.\ 6{,}80{,}000}{Rs.\ 19{,}10{,}000} \times 100 = 35.6\%$

Q125 Text Solution:

Standing instructions in banking terminology refer to a set of pre-authorized instructions given by an account holder to a bank for routine, periodic transactions.

Standing instructions are a convenient way to automate regular payments, such as rent, mortgage, or utility bills. They can also be used to transfer money between accounts on a regular basis.

Q126 Text Solution:

The best way to connect branches to a centralized data center in a network setup is through a dedicated line. A dedicated line is a private, point-to-point connection between two locations. It is the most reliable and secure way to connect two networks, and it offers the best performance.

Q127 Text Solution:

If a trial balance does not tally, it indicates that there is at least one error in the accounting records. The trial balance is a tool used to identify discrepancies in the accounting records, and an unequal total of debits and credits indicates that there is an issue that needs to be investigated and corrected.

Q128 Text Solution:

Material Cost Variance = (Actual quantity used - Standard quantity allowed) $\times$ Standard price

Material Cost Variance = (16,500 - 15,000) $\times$ 10 = Rs. 15,000 (Unfavourable)

Labour Time (Efficiency) Variance = (Actual hours worked - Standard hours allowed) $\times$ Standard rate

Labour Time (Efficiency) Variance = (10,200 - 10,000) $\times$20 = Rs. 4000 (Unfavourable)

Q129 Text Solution:

Break-even sales = $\frac{Fixed\ Costs}{Contribution} = \frac{3{,}00{,}000}{40-20} = \frac{3{,}00{,}000}{20} = 15{,}000$ $units$

Margin of Safety = $\frac{(Current\ Sales - Break{-}even\ sales)}{Current\ Sales} \times 100 = \frac{25{,}000-15{,}000}{25{,}000}$ $\times$ 100 = 40%

Current Sale = $\frac{10{,}00{,}000}{40} = 25{,}000$

A Margin of Safety of 40% indicates that XYZ Electronics can afford a 40% drop in sales before it starts making losses. This means that the company has a relatively strong financial position and is well-cushioned against downturns in the market.

Q130 Text Solution:

Required Rate of Return = Risk-free Return + Risk Premium

Plugging the values in this equation,

Required Rate of Return = 4% + 6% = 10%

Q131 Text Solution:

Forward Rate Agreements are used to hedge short-term interest rate risk.

FRAs do not enjoy very liquid markets. At times, it may become difficult to dispose of an FRA in the market at competitive prices. This is very true in shallow markets, as prevailing in India. Cancellation of an FRA, too, would be difficult in the absence of a ready market.

A Forward Rate Agreement is a contract between two parties by which they agree to settle between them the interest differential on a notional principal on a future settlement date for a specified future period.

Hence, Statements 1, 3 & 4 are correct.

Q132 Text Solution:

- EMI represents the equated monthly installment.
- P stands for the principal loan amount (in this case, Rs. 20,00,000).
- 'r' refers to the monthly interest rate.
- 'n' is the total number of payments, which is the loan term in months (in this case, 20 years = 240 months).

In the context of this formula:

- 'r' is the monthly interest rate. We need to convert the annual interest rate (5.5%) into a monthly interest rate to calculate it. This is done by dividing the annual interest rate by 12 (the number of months in a year) and then converting it to a decimal.

Q133 Text Solution:

Payment Number	Periodic Payment or EMI	Interest Payment @ 1%	Principal Repaid	Outstanding Loan Amount
1	22,020	1% of 20 lakhs = 20,000	2020	19,97,980
2	22,020	1% of 19,97,980 = 19,979.8	2040.2	19,95,939.8

EMI = $P \times \frac{r(1+r)^n}{(1+r)^n-1}$

EMI = $20,00,000 \times 0.01 \times \frac{1.01^{240}}{1.01^{240}-1}$

$20,00,000 \times 0.01 \times \frac{10.89}{9.89}$

$22,022.24$

Assuming an EMI of 22,020.

Q134 Text Solution:

As per the regulations, both residents and non-residents (subject to provisions of FEMA, 1999) are eligible to invest in Commercial Papers (CPs) and Non-Convertible Debentures (NCDs). However, it's important to note that no entity can invest in CPs issued by related parties, either in the primary market or through the secondary market.

Q135 Text Solution:

According to RBI's framework for trade credit arrangements, a resident importer in India can raise trade credit in Indian Rupees (INR) for the import of all items, except gold, in accordance with the extant Foreign Trade Policy.

Q136 Text Solution:

When ABC Corporation purchases machinery, it is acquiring an asset. The asset is recorded on the balance sheet at its cost, which is Rs. 10,00,000.

ABC Corporation financed the purchase of the machinery by taking out a bank loan. This means that it has incurred a liability. The liability is also recorded on the balance sheet at Rs. 10,00,000.

Therefore, the impact of the machinery purchase on ABC Corporation's balance sheet immediately after the transaction is that Assets increase by Rs. 10,00,000 and Liabilities increase by Rs. 10,00,000.

Q137 Text Solution:

Net working capital (NWC) is a measure of a company's liquidity and its ability to meet short-term obligations. It is calculated as the difference between a company's current assets and current liabilities.

Net Working Capital = Current Assets - Current Liabilties = 150 - 120 = 30 lakhs

Q138 Text Solution:

To calculate the payback period, we'll sum the cash flows until we recover the initial investment.

Initial Investment = Rs. 50,000

Year 1: Rs. 15,000 (Remaining Investment: Rs. 35,000)

Year 2: Rs. 20,000 (Remaining Investment: Rs. 15,000)

Year 3: Rs. 25,000 (Remaining Investment: - Rs. 10,000, i.e., recovered excess)

The payback period falls between Year 2 and Year 3. To find the exact payback period:

Payback Period = Year 2 + $\frac{Remaining\ Investment}{Cash\ Flow\ in\ Year\ 3}$

Payback Period = Year 2 + $\frac{15{,}000}{25{,}000}$

Payback Period = 2.6 years

Q139 Text Solution:

Break-even Point in Units:

Break-even Point (in units) = $\frac{Fixed\ Costs}{(Selling\ Price\ per\ Unit - Variable\ Cost\ per\ Unit)}$

Break-even Point = $\frac{Rs.1{,}00{,}000}{(Rs.\ 50 - Rs.\ 20)} = \frac{1{,}00{,}000}{30} = 3,333$ units

Revenue Needed to Reach Break-even Point:

Revenue = Break-even Point × Selling Price per Unit

Revenue = 3,333 units × Rs. 50 = Rs. 1,66,650

Q140 Text Solution:

The correct answer is (C) Mr. A should cancel the old bill, and he should draw a new bill with extended terms, which Mr. Z will accept and deliver. The old bill does not require noting.

When a bill of exchange is renewed, the old bill is canceled and a new bill is drawn with new terms of payment. The old bill no longer has any value, so it does not need to be noted.

The new bill should be drawn in accordance with the new terms of payment agreed upon by Mr. Z and Mr. A.

Q141 Text Solution:

The correct answer is (A) Capital expenditure is incurred for acquiring or improving long-term assets, while revenue expenditure is for day-to-day operational expenses.

Capital expenditure is incurred for the acquisition or improvement of long-term assets, such as land, buildings, plant and machinery, and vehicles. These assets are expected to be used by the business for more than one year and provide benefits over the long term. Capital expenditure is capitalized in the balance sheet and depreciated over the useful life of the asset.

Revenue expenditure is incurred for the day-to-day operations of the business, such as salaries and wages, rent, utilities, and advertising. These expenses are incurred on a regular basis and do not provide any long-term benefits to the business. Revenue expenditure is expensed in the income statement in the period in which it is incurred.

Q142 Text Solution:

The price of a bond is inversely related to interest rates. This means that when interest rates rise, bond prices fall, and vice versa. This is because investors can buy new bonds with higher coupon rates, making older bonds with lower coupon rates less attractive.

In Scenario 1, if market interest rates increase to 8%, investors will be able to buy new bonds with higher coupon rates. This will make ABC Corporation's bond with a coupon rate of 8% less attractive, and its market price will decrease.

In Scenario 2, if market interest rates decrease to 4%, investors will be able to buy new bonds with lower coupon rates. This will make ABC Corporation's bond with a coupon rate of 8% more attractive, and its market price will increase.

Q143 Text Solution:

Net Present Value (NPV) is a financial metric used in investment appraisal to evaluate the profitability of an investment or project. It represents the difference between the present value of cash inflows (revenues or benefits) and the initial investment (outlay or cost). This calculation takes into account the time value of money, reflecting that a rupee received in the future is worth less than a rupee received today.

Q144 Text Solution:

$NPV = \sum \frac{CF_t}{(1+r)^t}$ − Initial Investment

CF_t is cash flow in year t, and r is the discount rate.

NPV= $\frac{20,000}{1.08^1} + \frac{15,000}{1.08^2} + \frac{10,000}{1.08^3} + \frac{8000}{1.08^4} - 50,000$

NPV = $\frac{20,000}{1.08} + \frac{15,000}{1.17} + \frac{10,000}{1.26} + \frac{8000}{1.36} - 50,000$

NPV = 18,518.5 + 12,820.5 + 7,396.5 + 5882.4 - 50,000

NPV = 44,617.9 - 50,000 = - 5382.1

Q145 Text Solution:

One can sell 1 Euro one month forward at:

USD 1.2180 − 0.0037 = 1.2143

Q146 Text Solution:

According to the Companies Act, 2013, companies in India are required to spend 2% of their average net profit over the past three financial years on CSR activities.

To calculate the minimum amount that ABC Ltd. is required to spend on CSR activities in the current financial year, we first need to calculate the average net profit over the past three financial years:

Average net profit = $\frac{(8+10+12)\ lakhs}{3} = 10\ lakhs$

Minimum CSR spend = Average net profit × 2%

= 2% of 10 lakhs = 20,000

Q147 Text Solution:

Capital and Liabilities

Capital	Rs. 1,00,00,000
Minorities Interest	Rs. 12,00,000
Reserves & Surplus	Rs. 3,00,000
Borrowings	Rs. 10,00,000
Deposits	Rs. 75,00,000
	Rs. 2,00,00,000

Q148 Text Solution:

The correct statements about OTC derivatives are:

- Statement 1: OTC derivatives contracts are traded directly between two eligible parties.
- Statement 4: OTC derivatives contracts have parameters that are mutually agreed upon between the parties involved.

Therefore, the correct answer is B. Statement 1 and Statement 4.

Statement 2 is incorrect because OTC derivatives contracts do not have standardized parameters. Instead, the terms of the contract are negotiated between the two parties.

Statement 3 is incorrect because OTC derivatives contracts do not go through a formal exchange. Instead, they are traded directly between the two parties.

Q149 Text Solution:

The characteristic feature of a cash/ready exchange rate is that exchange of currencies takes place on the date of the deal.

Therefore, the correct answer is A. Exchange of currencies takes place on the date of the deal.

Q150 Text Solution:

The disclosure of the proposed dividends intended for distribution to both equity and preference shareholders during the period, along with the corresponding amount per share, must be made separately. Furthermore, any outstanding fixed cumulative dividends on preference shares should also be separately revealed.

Q151 Text Solution:

Capital Receipts involve funds generated from activities related to the issuance of capital instruments (such as shares), sale or disposal of fixed assets or long-term investments, and grants received for building capital assets. Dividend income, rental income, and interest earnings, on the other hand, are typically considered Revenue Receipts and are part of the Profit and Loss statement.

Q152 Text Solution:

Trade Receivables:

(i) Aggregate amount of Trade Receivables outstanding for a period exceeding six months from the date they are due for payment should be separately stated.

(ii) Trade receivables shall be sub-classified as: (a) Secured, considered good; (b) Unsecured, considered good; (c) Doubtful.
(iii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.
(iv) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

Q153 Text Solution:

A reserve specifically represented by earmarked investments shall be termed as Funds.
Where bonds/debentures are redeemable by instalments, the date of maturity for this purpose must be reckoned as the date on which the last instalment becomes due.
Share application money includes advances towards allotment of share capital.

Q154 Text Solution:

The following expenditures incurred by ABC Ltd. are capital expenditures:

- Purchase of new machinery: ₹300,000
- Construction of a new factory building: ₹500,000
- Research and development expenses for a new product: ₹80,000

Therefore, the total capital expenditure incurred by ABC Ltd. during the financial year is ₹8,80,000 (₹300,000 + ₹500,000 + ₹80,000).
The repair and maintenance of existing machinery is considered an operating expense, as it does not increase the value of the asset. Salaries and wages of factory workers are also considered operating expenses.

Q155 Text Solution:

Monitoring is not one of the basic blocks of the modern approach to corporate finance function.
The modern approach to corporate finance function is built up on the four basic blocks of planning, decision making, organizing and directing, and controlling.

Q156 Text Solution:

When Mr. S discounts the bill with the bank, he receives the amount of the bill minus the discount. The discount is the interest that the bank charges for advancing the money to Mr. S before the bill is due.
In this case, Mr. S receives Rs. 58,000 from the bank after the discount. This means that the discount is Rs. 2,000.
Thus, the entry should be:

Bank A/c Dr.	Rs. 58,000
Discount A/c Dr.	Rs. 2,000
To Bills Receivable A/c	Rs. 60,000

Q157 Text Solution:

A bond is a debt security that represents a loan made to a company or government. The issuer of the bond promises to repay the principal amount of the loan on the maturity date and to pay the holder of the bond a fixed rate of interest, known as the coupon rate.
The price of a bond is determined by a number of factors, including the coupon rate, the required rate of return, and the time to maturity. The required rate of return is the minimum rate of return that investors require on an investment in order to be compensated for the risk of the investment.
When the bond's required rate of return is greater than the coupon rate, the bond is said to be trading at a discount. This means that the price of the bond is below its face value. As the bond approaches maturity, the discount on the bond declines. This is because the bondholder is guaranteed to receive the face value of the bond on the maturity date, even though the bond is currently trading at a discount.

Q158 Text Solution:

Semi-annual interest payable = 1,000 × 8%/2 = 40
Principal repayment at the end of 5 years = Rs. 1,000
The value of the bond:
40 (PVIFA 4%, 10 pds) + Rs. 1,000 (PVIF 4%, 10 pds)
40 (8.1109) + 1000 (0.6756) = 324.436 + 675.6 = 1000.036

Q159 Text Solution:

First-in First-out (FIFO) costing involves distinguishing between the costs associated with the output of the preceding process and the output of the current process. It is more intricate compared to weighted average costing as it creates distinct layers of costs for different stages of production. FIFO is preferred in scenarios where there are ongoing and significant changes in product costs from one process or period to another process or period.

Q160 Text Solution:

Current Ratio = $\frac{Current\ Assets}{Current\ Liabilities} = 1.2 = \frac{12}{10} = \frac{6}{5}$

Working Capital = Current Assets – Current Liabilities = 2,00,000

Using the above data, we can calculate current assets as Rs. 12,00,000 and current liabilities as Rs. 10,00,000

Calculation of Contribution of Net Working Capital:

A. First Method of Lending: 25% of 2 lakhs = Rs. 50,000

B. Second Method of Lending: 25% of 12,00,000 = Rs. 3,00,000

C. Third Method of Lending: 100% of 1,00,000 + 25% of 11,00,000 = 1,00,000 + 2,75,000 = Rs. 3,75,000

Q161 Text Solution:

The job costing method is typically applied in industries where each product or service is unique and requires different amounts of resources. This includes industries such as:

- Law firms: Each case that a law firm handles is unique and requires different amounts of time and resources.
- Construction: Each construction project is unique and requires different amounts of materials, labor, and equipment.
- Printing: Each printing job is unique and requires different amounts of paper, ink, and labor.
- Custom manufacturing: Each custom manufacturing job is unique and requires different amounts of materials, labor, and equipment.

Supermarkets, fast food chains, and mass-production manufacturing industries typically produce standardized products in large quantities. Therefore, they do not typically use the job costing method.

Q162 Text Solution:

The correct journal entry should have been:

Debit: Machinery A/c. Credit: Cash A/c

The journal entry (wrong) that was actually passed:

Debit: Wages A/c. Credit: Cash A/c

Rectification entry:

Debit: Machinery A/c. Credit: Wages A/c

Q163 Text Solution:

Date	Balance	Number of days	Product
1-March-2023	Rs. 44,000	10	4,40,000
11-March-2023	Rs. 56,000	5	2,80,000
16-March-2023	Rs. 34,000	12	4,08,000
28-March-2023	Rs. 36,000	4	1,44,000
			Sum = 12,72,000

Interest = $12,72,000 \times \frac{3.5\%}{365} = Rs.\ 121.97$

Q164 Text Solution:

Discount = $Amount\ of\ Bill \times rate\ of\ discount \times \frac{remaining\ period\ to\ maturity}{12}$

Discount = $35,000 \times \frac{8}{100} \times \frac{3}{12} = 700$

Amount that ABC company will receive = 35,000 - 700 = 34,300

Q165 Text Solution:

The functions that can be grouped into the 'e-banking' category are:

1. Mobile Banking
2. Card based payments
3. Handling transactions conducted through the internet

Q166 Text Solution:

The journal entry will be:

Bank A/c	Dr	10,000	
To Share Application A/c			10,000

Q167 Text Solution:

A corporation is prohibited from issuing shares at a discount, according to Section 53 of the 2013 Companies Act. Any such shares will be void.

Q168 Text Solution:

A profit-volume ratio, which is an important concept in marginal costing, represents the ratio between contribution of each unit to sales price.

P/V Ratio = $\frac{\text{Contribution}}{\text{Sales price per unit}} \times 100$

It gives an idea regarding the profitability of the product.

Q169 Text Solution:

Cost-volume-profit (CVP) analysis is a method for analysing how changes in variable and fixed costs affect a company's profit. Companies can use CVP to calculate the number of units they must sell to break even (cover all costs) or reach a certain minimum profit margin. The consistency of the sales price, fixed expenses, and variable costs per unit are a few of the assumptions made by CVP analysis.

The basic formula of CVP analysis is:

Profit = Sales Volume - Costs

(Costs = Variable + Total)

Q170 Text Solution:

According to the sum of years' digits method:

Total useful life is 5 years, then:

1 + 2 + 3 + 4 + 5 = 15

15 will be the denominator, and the depreciation in the first year will be equal to $\frac{5}{15} = \frac{1}{3}$

Q171 Text Solution:

The internal factors affecting WACC are:

1. Policy of Capital Structure
2. Policy of capital investment
3. Policy of Dividend

While, the external factors are:

1. Prevailing market interest rates
2. Market risk premium & risk perception
3. Personal tax and corporate tax rates

Q172 Text Solution:

NPV is a method to assess whether a project will be profitable or not. It takes into account the interest rate, which is often similar to the rate of inflation. As a result, the real value of money at the beginning of each year of operation is taken into account.

If NPV > 0 (good investment) Cash inflows are worth more than cash outflows at the current time.

If NPV < 0 (not a good investment) Cash inflows have a lower current value than cash outflows do.

If NPV = 0 (indifferent) Money invested and money earned from the investment are equal

Q173 Text Solution:

If shares were issued for cash, it will result in an increase in the current assets.

Since = $\frac{\text{Current assets}}{\text{Current liabilities}}$ an increase in current assets will increase the current ratio.

However, if the shares issued in consideration of fixed assets or conversion of debentures, there will be no impact on the said ratio.

Q174 Text Solution:

Cost of 50 units = $50 \times 90 = 4500$

Cost of 100 units purchased at Rs. 100 unit each = $100 \times 100 = 10,000$

The 110 units sold will be first from opening inventory and the remaining (110 - 50 = 60) from units purchased at Rs. 100 each.

The cost of ending inventory:

40 units at Rs. 100 each = $40 \times 100 = 4000$

80 units at Rs. 120 each = $80 \times 120 = 9600$

Total value of ending inventory = 13,600 (4000 + 9600)

Q175 Text Solution:

IND AS-1 provides for the preparation of the financial statements. Financial statements are a systematic portrayal of an entity's financial condition and financial performance, according to IND AS 1.

The financial statement's goal is to give relevant details concerning the:

- Financial Position
- Financial Performance
- Flows of Cash and Cash Equivalent

Q176 Text Solution:

The journal entry for the issue of fully paid bonus shares is:

Bonus to Shareholders A/c	Dr	
	To Machinery A/c	

Q177 Text Solution:

There are three methods of calculating depreciation that are recognised under the Accounting Standards of India (IND AS 10 & 16). They are:

1. Straight Line Method
2. Written Down Value Method
3. Units of Production Method

Q178 Text Solution:

WACC can be calculated through the following formula :

WACC = (Cost of debt × Proportion of debt) + (Cost of equity × Proportion of equity)

WACC = (10 × 0. 3) + (15 × 0. 7) = 3 + 10. 5 = 13. 5%

Q179 Text Solution:

AS 21 mentions the manner to make a good consolidated financial statement, which includes the profit and loss statement and balance sheet of both the parent company and the subsidiary company.

AS 21 says very clearly that if it's not possible to use the same accounting policies when putting together consolidated financial statements, that fact must be made clear, along with the percentage of items in a consolidated financial statement for which different accounting policies are used.

Q180 Text Solution:

The four types of GST in India are:

1. SGST (State GST)
2. CGST (Central GST)
3. IGST (Integrated GST)
4. UGST (Union Territory GST)

Intrastate supply is when both the place where the things or services are sold and where the buyer lives are in the same state. In intrastate deals, the seller must charge the buyer both CGST and SGST. The CGST goes to the Central Government, while the SGST goes to the State Government. When both the place where the goods or services are being sold and where they are being sold are in different states, this is called an interstate sale. In an interstate sale, the buyer has to pay IGST to the seller. While, the GST applicable for Union Territories is UGST.

Q181 Text Solution:

If the ratio of debt capital is quite high in the capital structure of a firm, it is called a highly leveraged firm, while if the same is less, it is called a low geared firm. Debt capital includes debentures, term loans, and corporate deposits.

Q182 Text Solution:

It is the SLM, or the Straight Line Method, that is used when an asset is expected to provide a consistent performance throughout its life. Under this method, the depreciation amount is the same throughout its life, and the charge to the account is spread evenly over its life.

Q183 Text Solution:

The average accounting profit

$$ARR = \frac{Average\ Net\ Profit}{Average\ Investment} \times 100$$

Assuming the scrap value to be nil, the average investment , $\frac{8,00,000}{2} = 4,00,000$

$$ARR = \frac{33,000}{4,00,000} \times 100 = 8.25\%$$

Q184 Text Solution:

It is an indirect tax that enhances inflation as it is added to the final prices of goods & services.

Direct taxes are considered to be progressive, and on the other hand, indirect taxes are regressive.

Indirect taxes also enhance inequality.

Q185 Text Solution:

When a fixed asset purchaser does not make paymentto the supplier immediately, instead pays according tothe repayment schedule. When the bank guaranteesthis repayment, it is called DPG (Deferred PaymentGuarantees). But if the buyer doesn't pay, the bankwill have to pay the seller, and the exposure is fundbased until the amount is paid back by the client.

Q186 Text Solution:

When we trade in a market where the rates for a certain currency pair are not directly available, we use that currency pair.

Let's say we want to get a price for Euro/INR, but no one in the market is willing to give a direct quote.

Through the Euro/USD and USD/INR quotes, we can figure out the Euro/INR rate. On the foreign mark, we can get a useful Euro/Rs. quote by crossing out USD in both quotes.

Q187 Text Solution:

Every person who is registered under the GST has to file returns, and if they are not filed on time, he/she is liable to pay a late fee and interest @ 18% of the amount of tax liability.

Q188 Text Solution:

There are several advantages of a Bank Reconciliation Statement. They are:

1. A BRS can check accuracy of entries and helps in detection of errors, if any.
2. It is an important control technique of the management of any company.
3. Helps in revealing fraud committed by staffs that are handeling cash & cheques.

Q189 Text Solution:

The Government of India has introduced the Invoice Incentive Scheme (Mera Bill Mera Adhikaar) to promote GST billing. The scheme encourages consumers to demand bills for all their purchases. Consumers who demand bills are eligible to participate in a lottery and win prizes.

Q190 Text Solution:

Income from House Property is the income that is derived from the letting out of a residential property. It is taxable under the head "Income from House Property" under the Income Tax Act of India, 1961.

In Mr. Sharma's case, he is renting out his property in Mumbai, so the income that he derives from this property will be considered as Income from House Property.

Q191 Text Solution:

The third statement is incorrect as the IND AS 16 is not applicable on intangible assets, instead it is applicable on property, plant & equipment. It does not apply to:

1. Assets that are held for sale and assets of discontinued operations
2. Assets for exploration and evaluation of mineral resources
3. Biological assets other than bearer plants
4. Mineral rights and mineral reserves (like oil, natural gas and similar resources)

Q192 Text Solution:

Explanation: The formula for calculating annual depreciation expense using the straight-line method is:

Depreciation Expense = $\frac{(Cost - Solvage\ value)}{useful\ Lite}$

Depreciation Expense = $\frac{50{,}000-5{,}000}{10} = \frac{45{,}000}{10}$

Depreciation Expense = Rs. 4,500

Q193 Text Solution:

The Written-down Value (WDV) method of depreciation calculates the annual depreciation expense based on a fixed percentage applied to the book value of the asset at the beginning of each year. The book value is reduced by the depreciation expense each year.

To calculate the depreciation expense for each year, we multiply the depreciation rate (30%) by the book value of the machine at the beginning of the year. The book value at the beginning of the first year is the cost of the machine.

Year 1 depreciation expense: Rs. 50,000 × 30% = Rs. 15,000

Year 2 depreciation expense: (Rs. 50,000 - Rs. 15,000) × 30% = Rs. 10,500

Year 3 depreciation expense: (Rs. 50,000 - Rs. 15,000 - Rs. 10,500) × 30% = Rs. 7,350

At the end of the third year, the accumulated depreciation would be Rs. 15,000 + Rs. 10,500 + Rs. 7,350 = Rs. 32,850.

The book value of the machine at the end of the third year would be Rs. 50,000 - Rs. 32,850 = Rs. 17,150.

Q194 Text Solution:

In banking transactions, there are two kinds of vouchers used to record debit and credit operations on all accounts. These two kinds of vouchers are debit vouchers and credit vouchers. A debit voucher is used to evidence only a debit entry made to an account, while a credit voucher is used to evidence only a credit entry made to an account. These vouchers serve as supporting documents that provide details of the transaction, including the account involved, the amount, the date, and any relevant references or explanations.

Q195 Text Solution:

Inter-office debit or credit entries typically occur when there is a transfer of funds or financial transactions between different departments or accounts within the same organization. Issue of remittance instruments, payment of remittance instruments, and transactions from overseas branches are all examples of such transactions.

Q196 Text Solution:

IND AS 1 sets out the overall requirements for the presentation of financial statements, including the structure and content of the statements. One of the key requirements of IND AS 1 is the presentation of a statement of changes in equity, which shows the changes in the equity of an entity during a reporting period.

IND AS 1 does not specifically provide guidance on the recognition and measurement of financial instruments. This is covered by other accounting standards such as IND AS 32 and IND AS 109.

Q197 Text Solution:

The correct answer is: B. The change in bond price will be greater with a decrease in the bond's YTM than the change in bond price with an equal increase in the bond's YTM.

This is because bond prices and YTM have an inverse relationship: when YTM increases, bond prices decrease, and vice versa. However, the magnitude of the change in bond price is not always symmetrical. This is because bond prices are also influenced by other factors, such as credit quality and the time to maturity.

For example, if a bond's YTM increases by 1%, the bond price may only decrease by 0.5%. However, if the bond's YTM decreases by 1%, the bond price may increase by 1.5%. This is because investors are more willing to buy bonds with lower YTMs, especially if the bonds have high credit quality and a long time to maturity.

Q198 Text Solution:

In addition to the specified guidelines, Indian banks are required to make extra disclosures about the following related to securitization exposures:

1. Securitisation Exposures in the Trading Book
2. Sponsorship of Off-Balance Sheet Vehicles
3. Valuation of Securitisation Exposures
4. Pipeline and Warehousing Risks Related to Securitisation Exposures

These extra disclosures are required to provide greater transparency and accountability to the public and to help in the assessment of the risks associated with securitization activities.

Q199 Text Solution:

- Job costing is a costing method that tracks costs and revenues by "work" or job. It is commonly used in industries where products or services are customized or produced to customer specifications.
- Job costing allows for the allocation of job numbers to specific expenses and revenues, enabling uniform profitability reporting by the job.

This method is particularly useful in industries such as construction, custom manufacturing, and professional services where each job has unique characteristics and cost requirements

Q200 Text Solution:

One of the key features of contract costing is that each contract is treated as a separate cost unit. In contract costing, an account is opened for each contract in the books of the contractor to ascertain profit or loss on each contract. This allows for the specific costs and revenues associated with each contract to be tracked separately.

Q201 Text Solution:

The P/V ratio, also known as the Profit-Volume ratio or Contribution Margin ratio, is a financial metric that represents the relationship between the contribution margin and sales revenue of a business. It is expressed as a percentage and is used to analyze the impact of changes in sales volume on the profitability of a company.

The formula to calculate the P/V ratio is:

$$P/V\ ratio = \frac{Contribution}{Sales} \times 100$$

To calculate the P/V ratio, we need to determine the contribution per unit and the selling price per unit.

- Contribution per unit = Selling price per unit - Variable cost per unit
- Variable cost per unit = Direct Material + Direct Labour + Direct Overheads
- Variable cost per unit = Rs. 25 + Rs. 20 + Rs. 20 = Rs. 65
- Contribution per unit = Rs. 100 - Rs. 65 = Rs. 35

P/V Ratio=35100100=35

P/V Ratio is 35%.

Q202 Text Solution:

The P/V ratio, also known as the Profit-Volume ratio or Contribution margin ratio, is a financial metric that indicates the profitability of a company in relation to its sales volume. It is calculated by dividing the contribution margin (selling price per unit minus variable cost per unit) by the selling price per unit.

The relevance of the P/V ratio lies in its ability to determine the breakeven point, which is the level of sales at which the company neither makes a profit nor incurs a loss. By analyzing the P/V ratio, a business can assess the impact of changes in sales volume on its profitability. If the sales volume increases, the P/V ratio can help determine the increase in profit. Similarly, if the sales volume decreases, the P/V ratio can indicate a decrease in profit or the potential loss

Q203 Text Solution:

The swap rate represents the fixed interest rate paid by one party in a currency swap agreement. In a currency swap, two parties agree to exchange principal amounts and interest payments in different currencies over a specific period of time. The fixed interest rate is predetermined and remains constant throughout the duration of the swap. This rate is used to calculate the interest payments made by the party paying the fixed rate.

Q204 Text Solution:

If a suspense account does not balance off even after rectification of errors, it means that there is still at least one error in the accounts that has not been identified or corrected. The suspense account is used to balance the trial balance when errors are detected, but it is only a temporary account. Once all of the errors have been identified and corrected, the suspense account should balance off to zero.

Q205 Text Solution:

Section 43 of the Companies Act pertains to the issuance of shares and securities by a company. It provides guidelines and regulations regarding the issuance, allotment, and transfer of shares, as well as the issuance of securities such as debentures, bonds, and other financial instruments. This section ensures transparency and accountability in the process of raising capital through share issuance by companies.

Q206 Text Solution:

Inventories head under current assets include the following:

- Raw materials
- Work-in-progress
- Stock-in-trade
- Finished Goods
- Stores and Spares
- Loose Tools

- Others (nature to be specified)

Q207 Text Solution:

- Revenue expenditure refers to the amount spent on goods and services consumed during the accounting period. It does not increase the earning capacity but maintains the existing earning capacity.
- On the other hand, deferred revenue expenditure is a type of revenue expenditure that provides benefits for more than one accounting period. Deferred revenue expenditure is not classified as a capital expenditure, as it is still an expense and does not result in the creation of assets.

Q208 Text Solution:

A principle error in a trial balance is an error that occurs when an accountant violates a fundamental accounting principle. This can happen for a variety of reasons, such as a lack of understanding of accounting principles, carelessness, or fraud.

Some common examples of principle errors include:

- Recording revenue before it's earned
- Recording expenses after they've been incurred
- Misclassifying assets, liabilities, or equity

Q209 Text Solution:

- A credit voucher is prepared to record cash receipts in accounting. It is a type of cash voucher that is used when cash is received in a transaction.
- On the other hand, a debit voucher is prepared to record cash payments, and a transfer voucher is used for non-cash transactions.

Q210 Text Solution:

- Hedging is a risk management strategy used to protect against potential losses from adverse price movements or market fluctuations.
- In the case study, ABC Corporation is facing currency risk due to fluctuating exchange rates. To mitigate this risk, they are likely to take actions that provide protection against adverse exchange rate movements.

Q211 Text Solution:

Amount of deprection for first year =(80,000 - 10,00)$\times$20% = 14,000

Amount of depreciation for second year = (70,000 - 14,000) $\times$ 20% = 11,200

Amount of depreciation for third year = (56,000 - 11,200) $\times$ 20% = 8,960

Q212 Text Solution:

(i) Issuing bonds to raise capital:

- This increases the total debt and total equity, so it would affect the debt-equity ratio.

(ii) Paying off a bank loan:

- This decreases the total debt, so it would affect the debt-equity ratio.

(iii) Purchasing new machinery on credit:

- This increases the total debt, so it would affect the debt-equity ratio.

(iv) Declaring a dividend to shareholders:

- This does not affect the total debt or total equity, so it would not affect the debt-equity ratio.

Q213 Text Solution:

- Deferred tax liabilities are created when temporary differences result in taxable amounts in future periods. This means that the company will have to pay additional taxes in the future due to these temporary differences.
- On the other hand, temporary differences that result in deductible amounts in future periods give rise to deferred tax assets. Deferred tax assets represent future tax benefits that the company can utilise to offset future taxable income.

Q214 Text Solution:

Assets = Liabilities + Equity.

Using the equation we can calculate the equity of the company:

5,00,000 - 2,00,000 = Equity

Equity = 3,00,000

Q215 Text Solution:

- The estimated useful life of an asset is an important factor in determining the amount of depreciation.
- Depreciation is allocated over the estimated useful life of an asset to reflect its gradual wear and tear, obsolescence, or depletion.
- The reason correctly explains that the estimated useful life determines the period over which the asset will contribute to the business, and the depreciation expense is allocated accordingly.

Q216 Text Solution:
- The cost accounting standards in India are issued by the Institute of Cost Accountants of India (ICoAI), formerly known as the Institute of Cost and Works Accountants of India (ICWAI).
- It is responsible for setting the cost accounting standards that provide guidelines for cost accounting practices in various industries and sectors. As of now, 24 cost accounting standards have been issued by ICoAI.

Q217 Text Solution:
- Basic Standard: It is based on historical data and represents the expected level of performance under normal operating conditions. It serves as a benchmark for comparison and evaluation of actual performance.
- Ideal Standard: It represents the best possible performance that can be achieved under perfect conditions. It does not account for any limitations or inefficiencies and sets a high target for performance.
- Currently Attainable Standard: It considers realistic limitations and operating conditions such as workforce capacity, machinery limitations, and other factors affecting performance. It represents a standard that can be realistically achieved considering the existing constraints.

Q218 Text Solution:
Duration of a perpetual bond = $\frac{(1+r)}{r} = \frac{(1+0.05)}{0.05} = 21\ years$

Q219 Text Solution:
Inter-office entries in banks refer to the internal accounting entries between different branches or departments within the same bank. These entries are made to transfer funds or adjust balances between different accounts or branches.

Q220 Text Solution:
- A finance lease is characterised by a longer duration sufficient to amortise the capital invested by the lessor and leave some profit.
- It also involves transferring all risks and rewards associated with the ownership of the assets to the lessee, and the title may or may not be transferred at the end of the lease period.
- aligns with these features as it specifies a lease agreement with a duration of 10 years and the transfer of ownership to XYZ Company at the end of the lease term.

Q221 Text Solution:
- The Profit and Loss Appropriation Account is a financial statement showing how a company's net profit or loss is allocated among various stakeholders.
- In the debit side of the P&L Appropriation Account, the items typically recorded are the Net Profit of the Year (Item II) and the Balance of the surplus brought forward from the previous year (Item IV).
- Items I & III are recorded on the credit side.

Q222 Text Solution:
Margin of safety = $\left[\frac{Estimated\ Sales - Break\ Even\ sales}{Estimated\ Sales}\right]$

$$Margin\ of\ safety = \left[\frac{20{,}00{,}000 - 15{,}00{,}000}{20{,}00{,}000} \times 100\right]$$

$$margin\ of\ safety = \frac{5{,}00{,}000}{20{,}00{,}000} \times 100$$

$$margin\ of\ safety = 25\%$$

Q223 Text Solution:
The Cash under the asset side will reduce by Rs. 2000, while Reserves & Surplus under liabilities will be reduced by Rs. 2000.

Q224 Text Solution:

- The banks are required to classify their SLR securities into current and permanent.
- The minimum ratio that is prescribed for current and permanent investments is 75:25.

Q225 Text Solution:

- The yield on a bond is calculated by dividing the annual interest (coupon) on the bond by its market price and then multiplying by 100%.
- Initially, the yield on the bond was calculated as (200/5000) x 100% = 4%.
- When the price of the bond increases to Rs 5500, the new yield can be calculated as (200/5500) x 100% = 3.64%.

Q226 Text Solution:

Annual Depreciation Expense $= \frac{3,50,000+50,000-50,000}{10} = \frac{3,50,000}{10}$

Annual Depreciation Expense = 35,000

Q227 Text Solution:

To calculate EPS, we need to subtract preferred dividends from net income and then divide it by the number of common shares outstanding.

Earnings available to common shareholders = Net income - Preferred dividends

Earnings available to common shareholders = Rs. 5,00,000 - Rs. 50,000 = Rs. 4,50,000

$$EPS = \frac{Earning\ available\ to\ common\ shares\ holdar}{Number\ of\ common\ shares\ outstinding}$$

$$= \frac{4,50,000}{2,00,000} = 2.25$$

Q228 Text Solution:

The main difference between American options and European options is the exercise period. American options give the holder the flexibility to exercise the option at any time before or on the expiry date. On the other hand, European options can only be exercised on the expiry date itself. This means that American options offer more flexibility to the option holder, allowing them to choose the most advantageous time to exercise the option.

Q229 Text Solution:

If the drawer endorses the bill to a third party (creditor, in this case), the journal entry will be:

Creditor's A/c Dr

To Bill Recievable A/c

Q230 Text Solution:

- NOSTRO accounts serve as a means for banks to handle their exposure to foreign currencies and enable smooth international transactions for their customers.
- The term "NOSTRO" in banking is derived from the Latin word meaning "ours."
- A NOSTRO account refers to a bank account held by one bank in a foreign country's currency at another bank in that country.
- Banks utilize NOSTRO accounts to facilitate foreign exchange transactions and hold funds belonging to their customers who have accounts in foreign currencies.

Q231 Text Solution:

The Income Tax department has classified income into five main heads.

1. Income from Salary
2. Income from Business and Profession
3. Income from Capital Gains
4. Income from House Property
5. Income from Other Sources

Q232 Text Solution:

- As per the Companies Act, 2013, under section 135, it is mandatory for certain companies to comply with Corporate Social Responsibility (CSR) provisions in India.
- These provisions require companies to spend a minimum of 2% of their net profit over the preceding three years on CSR activities.

Q233 Text Solution:

If K is the strike price and S_t is the final price of the underlying asset, then the payoff from a long position in a European call option is max (S_t – K, 0)

Here, $S_t - K = 6000 - 5000 = 1000$

The payoff from a long position in a European call option is max (1,000, 0) = 1000.

Q234 Text Solution:

- Accruals: These entries record revenues or expenses that have been earned or incurred but have not yet been recorded in the accounting period. For example, accrued revenues represent income earned but not yet received, while accrued expenses represent expenses incurred but not yet paid.
- Deferrals: These entries involve the postponement or prepayment of revenues or expenses to future accounting periods. Deferred revenues arise when cash is received in advance for goods or services that will be delivered or performed in the future. Deferred expenses occur when cash is paid in advance for expenses that will be incurred over time.
- Estimates: Adjusting entries based on estimates are made when the exact amounts are not known but can be reasonably estimated. For example, adjusting entries may be required for estimated bad debts, depreciation expenses, or inventory obsolescence.

These types of adjusting accounting entries are made at the end of an accounting period to ensure that financial statements accurately reflect the financial position and operating results of the business in accordance with the accrual basis of accounting.

Q235 Text Solution:

- The Goods and Services Tax (GST) was introduced in India through the Constitution (One Hundred and First Amendment) Act, 2016.
- This amendment was passed by the Indian Parliament and received Presidential assent on 8th September 2016.
- It enabled the implementation of the GST regime and brought significant changes to the taxation system in the country.

Q236 Text Solution:

- AS 3, issued by the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI), provides guidance on the preparation and presentation of cash flow statements.
- It requires entities to classify cash flows into three main categories: operating activities, investing activities, and financing activities.

Q237 Text Solution:

Depreciation for the first year = (5,00,000-50,000) × 30% = 1,35,000

Book value at the end of the first year = 3,15,000 (4,50,000-1,35,000)

Book value at the end of the second year = 3,15,000 – (3,15,000 × 30%) = 2,20,500

Book Value at the end of third year = 2,20,500 – (2,20,500 × 30%) = 1,54,350

As the book value is less than the sale price, there is a profit.

Profit on sale of machine = 3,00,000 – 1,54,350 =1,45,650

Q238 Text Solution:

Budgeted expenses = Rs. 5 4000 = Rs. 20,000

Actual Expenses = Rs. 53,600=Rs. 18,000

Variance = Rs. 20,000 - Rs. 18,000 = Rs. 2,000 (Favorable)

Q239 Text Solution:

To calculate the unit or single output cost, we add up the total costs and divide it by the number of units produced.

Total costs = Direct materials cost + Direct labor cost + Variable overhead cost + Fixed overhead cost

Total cost = 20,000 + 15,000 + 8,000 + 12,000 = 55,000

Unit or single output cost $= \frac{\text{Total cost}}{\text{Number of units produced}} = \frac{55{,}000}{1{,}000}$ $= \text{Rs. } 55$

Q240 Text Solution:

$$EMI = \left(P \times r\right)\frac{(1+r)^n}{(1+r)^n-1}$$

where,

P - Principal

r - rate of interest per instalment period

n - number of instalment in the tenure

EMI = $1,00,000 \times 0.00417\frac{1.00417^{36}}{1.00417^{36}-1} = 417$

$\times \frac{1.1616}{0.1616} = 2997.45$

Q241 Text Solution:

Section 80DDB of the Income Tax Act provides a deduction for expenses incurred on medical treatment of specified diseases or ailments. The deduction is available to individuals and Hindu Undivided Families (HUFs) for the amount actually paid for the medical treatment of themselves, their spouse, children, parents, and siblings.

The deduction is limited to the actual amount paid for the treatment or Rs. 40,000, whichever is less. For senior citizens (aged 60 years or above), the maximum deduction allowed is Rs. 1,00,000.

Q242 Text Solution:

- The principle of reducing asset-liability mismatch suggests that long-term funds should be met from long-term sources, while short-term funds should be met from short-term sources.
- By choosing long-term debt as the financing option, XYZ Corporation aligns its long-term project with a long-term funding source.
- This helps reduce the risk of an asset-liability mismatch, as long-term assets are backed by long-term liabilities.

Q243 Text Solution:

- Direct Quote: A direct quote is a foreign exchange rate quoted as the domestic currency per unit of a foreign currency. For example, if 1 USD is quoted as 81.99 Indian Rupees, it is a direct quote.
- Indirect Quote: An indirect quote is a foreign exchange rate quoted as the foreign currency per unit of the domestic currency. Using the same example, if 1 Indian Rupee is quoted as 0.0122 USD, it is an indirect quote.
- Cross Rate: It is derived from the exchange rates of the currencies involved, usually through their respective exchange rates with a common third currency. Cross rates are used when direct exchange rates are not available or for currency pairs that are not commonly traded.

Q244 Text Solution:

- In a financial lease, the lessee (business owners) assumes both the risk and the return when leasing assets for their businesses.
- Conversely, an operating lease is a lease in which the lessor retains both the risk and the return associated with the leased assets.
- In this case, XYZ Corporation is leasing the office building for a fixed term of 10 years and the lease agreement includes maintenance and insurance responsibilities assigned to the lessor.
- This indicates that the lessor (owner of the office building) retains the risks associated with ownership, such as property maintenance and insurance costs.

Q245 Text Solution:

All the given statements are correct.

- Net assets, also known as shareholders' equity or owner's equity, represent the residual interest in a company's assets after deducting its liabilities. In simple terms, net assets are the remaining value of a company's assets once all debts and obligations have been settled.
- A security deposit is classified as a non-current asset and is not included in current assets. This is because when tenants intend to stay for a period longer than a year, the security deposit is considered a long-term asset. As a result, it is categorized under "Other Assets" in the balance sheet.
- Inventories are also listed under current assets.

Q246 Text Solution:

The Goods and Services Tax (GST) Council is a constitutional body in India responsible for making key decisions related to the GST regime. It is a joint forum that consists of the Central Government, represented by the Union Finance Minister, and the State Governments, represented by their respective Finance Ministers.

The body is composed of 33 members, including 2 members from the central government and 31 members from 28 states and 3 union territories with legislative authority.

Q247 Text Solution:

The actual production cost incurred by ABC Electronics for producing 12,000 units of 'TechPro X1' is Rs. 60,00,000 (Rs. 500 $\times$12,000)

Cost per unit = $\frac{50\ lakhs}{10,000} = Rs.\ 500$

The budgeting approach that allows ABC Electronics to adjust its budgeted figures to reflect the actual level of activity achieved is Flexible Budgeting.

A flexible budget is a budget that is adjusted based on the actual level of activity achieved. This means that the budget is updated to reflect the actual number of units produced or sold, or the actual level of revenue or expenses incurred.

In this case, ABC Electronics originally budgeted to produce 10,000 units of 'TechPro X1' at a total cost of Rs. 50,00,000. However, due to unexpected demand, they ended up producing and selling 12,000 units.

Q248 Text Solution:

$Current\ Yield = \frac{Annual\ Coupon\ Interest}{Current\ Market\ Price} \times 100$

$Current\ Yield = \frac{1000 \times 8\%}{950} \times 100 = \frac{80}{950} \times 100 = 8.42\%$

The current yield represents the annual interest payment as a percentage of the current market price of the bond. It is a measure of the income that an investor can expect to receive from a bond over the next year.

Q249 Text Solution:

Current yield= $\frac{\text{Annual coupon payment}}{\text{Current bond price}}$

Current yield $= \frac{6\% \times 1000}{950} = \frac{60}{950}$ =0.063 or 6.3%

Q250 Text Solution:

- Forward differential, also known as the Swap Rate, can be calculated using this formula = Spot Rate – Forward Rate.
- Spot Rate represents the prevailing market rate for immediate transactions.
- Forward Rate is the rate agreed upon in a forward contract between two parties to exchange currencies at a future date.

Q251 Text Solution:

The correct formula for calculation of the current value of a bond is: $\sum_{t=1}^{n} \frac{I}{(1+kd)^t} + \frac{F}{(1+kd)^n}$

Where:

I – Annual interest payable on bond

F – Redeemable Value of bond

n - maturity period of bond

kd – cost of capital

Q252 Text Solution:

- The first statement is correct, as banks are required to obtain a separate registration for each state they operate in. Thus, registration has become a hassle.
- The second statement is incorrect as assessment and adjudication have become bothersome due to GST. This is because there is more than one adjudicating authority involved.
- The third statement is also correct. Half of the CENVAT, which is availed against inputs is to be reversed, which reduces a credit of 50% on capital goods, thereby increasing the cost of capital.

Q253 Text Solution:

- An escalation clause is included in contracts to safeguard the contractor against any potential changes in the prices of materials and labor.
- It provides that in case the prices of inputs specified in the contract change beyond a specific limit, the contract price will be suitably adjusted.

Q254 Text Solution:

The P/E ratio is a measure of how much investors are willing to pay for each dollar of earnings generated by a company. A higher P/E ratio suggests that investors have higher expectations for future growth and are willing to pay more for the stock.

In this case, since both companies have similar growth prospects and operate in a stable market, a lower P/E ratio indicates that ABC Inc. is trading at a lower multiple of its earnings compared to XYZ Ltd. This suggests that ABC Inc. may be relatively undervalued compared to

XYZ Ltd., making option A the most likely true statement.

Q255 Text Solution:

- Credit sales do not directly impact the bank balance as per the cash book and the passbook.
- The cash book records cash transactions, while credit sales involve accounts receivable and do not immediately affect the bank balance.

Q256 Text Solution:

- The cost concept states that assets should be recorded at their original cost at the time of acquisition.
- According to this concept, the machinery should be reported at its original cost of Rs.50,000 on the balance sheet after accounting for depreciation.
- The cost represents the actual amount paid for the asset when it was acquired and provides a reliable and verifiable basis for financial reporting.

Q257 Text Solution:

To find the potential profit, we first need to calculate the cost of buying 1,000 shares of ABC on the NYSE and then selling them on the LSE.

Cost on NYSE: 1,000 shares $\times$ \$75/share = \$75,000

Revenue on LSE: 1,000 shares $\times$ £60/share = £60,000

Since \$1 = £0.80, £60,000 is equivalent to 60,000 $\times$ 0.80 = \$48,000.

Profit = Revenue on LSE - Cost on NYSE

= \$48,000 - \$75,000 = -\$27,000

There is no potential profit; the investor would incur a loss.

Q258 Text Solution:

The Rule of 72 is a simple mathematical formula used to estimate the time it takes for an investment to double in value based on a fixed annual interest rate. The formula is calculated by dividing 72 by the interest rate.

The Rule of 72 can be expressed as:

Number of years to double = $\frac{72}{\text{Interest Rate}}$

Q259 Text Solution:

Book Value	80,000
Less: Accumulated Depreciation	(24,000)
Less: Loss on Sale of Plant	(12,000)
Cash inflow from the sale of machinery	44,000

Q260 Text Solution:

Participating Preference Shares have the characteristic of providing their shareholders with the right to participate in the company's profits beyond the fixed dividend rate. In this case, the preference shareholders are entitled to receive a further dividend equal to 20% of the excess profits remaining after the ordinary shareholders have received their dividend.

Q261 Text Solution:

Cash flow from financing activities	Cash Inflow/Outflow
Issue of shares	1,00,000
Redemption of debentures	(25,000)
Cash inflow from financing activities	75,000

Q262 Text Solution:

Core banking is a centralized system that links various branches of a bank to facilitate real-time operations such as loan management, withdrawals, deposits, and payments.

Core banking has the following components:

a. Core Bank Financial Institution Infrastructure

b. Core Bank Product Build

c. Core Bank Account Administration

d. Core Bank Payments

e. Core Bank Customer Management and Customer Overview

f. Core Bank Management Information

Q263 Text Solution:

Cost of equity = $\frac{\text{WACC} - (\text{Cost of debt} \times \text{proportion of debt})}{\text{proportion of equity}}$

$= \frac{17.5 - (0.5 \times 12)}{0.5} = 23\%$

Q264 Text Solution:

- The branch adjustment a/c appears on the asset account if it has a debit balance, but if it has a credit balance, it will appear on the liabilities side.
- Lockers or safe deposit vaults are assets that are included under the head 'furniture'.
- Gold appears under the 'investment' head, while silver appears under the head 'other assets'.

Q265 Text Solution:

- According to the convention of conservatism, all probable losses should be taken into consideration, however, all anticipated profits should be ignored.
- In the given scenario, as there is a probability of loss, it should be taken into consideration while formulating the financial statements. A provision or reserve can be formed in this case.

Q266 Text Solution:

- 'The Indian Partnership Act 1932' governs the regulations and operations of partnerships in India. However, the same does not mention anything about the maximum number of members.
- According to the Companies Act 2013 and The Companies (Miscellaneous) Rules, 2014, a partnership can contain a maximum of 50 members. A company can also become a partner.

Q267 Text Solution:

- Paid-up capital represents the amount that shareholders have actually transferred to the company's bank account or the portion of the called-up capital that shareholders have actually paid to the company.
- In this case, the shareholders have transferred Rs. 2.5 crores to the company, which corresponds to the paid-up capital.

Q268 Text Solution:

- The option "Cost of day-to-day servicing of assets – Capital expenditure" is not correctly matched with the nature of expenditure. The cost of day-to-day servicing of assets is typically classified as revenue expenditure.
- Capital expenditure refers to expenses incurred for acquiring or improving long-term assets, whereas revenue expenditure pertains to day-to-day operating expenses necessary to maintain the assets and generate revenue.

Q269 Text Solution:

- Revenue expenditure refers to expenses incurred for day-to-day operational activities that provide immediate benefits or benefits in the short term.
- These expenses are necessary for the normal functioning of the business and are typically recurring in nature. Examples include salaries, rent, utilities, and repairs.

Q270 Text Solution:

- The term used to describe the process of matching the trial balance with general ledger control accounts is the balancing of books.
- This process helps identify any discrepancies or errors in the accounts and ensures the accuracy of the financial records.

Q271 Text Solution:

Majority of the banking transactions (like account creation, financial transactions, inquiries, and maintenance) are now processed online.

Such online processing ensures several benefits:

a. Flexibility

b. Optimises transactions

c. Caters to all types of institution requirements

d. Ensures database is always available

e. No downtime for day-end or batch processing

f. Basic functions are separated into certain areas

Q272 Text Solution:

- Operating activities refer to the primary revenue-generating activities of a business that are directly related to its core operations.

- For a company engaged in real estate development, the activities of purchase of land, construction of buildings, and sale of completed properties are classified as operating activities.

Q273 Text Solution:

According to the Section 63 of the Companies Act, 2013:

A company may issue fully paid-up bonus shares to its members, in any manner whatsoever, out of—

a. its free reserves

b. the securities premium account; or

c. the capital redemption reserve account

No company shall capitalise its profits or reserves for the purpose of issuing fully paid-up bonus shares under sub-section (1), unless—

(a) it is authorised by its articles ;

(b) it has, on the recommendation of the Board, been authorised in the general meeting of the company;

(c) it has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it;

(d) it has not defaulted in respect of the payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus;

(e) the partly paid-up shares, if any outstanding on the date of allotment, are made fully paid-up;

(f) it complies with such conditions as may be prescribed.

Q274 Text Solution:

Interest paid = 8% × 2,00,000 + 3,00,000 × 8% × $\frac{4}{12}$

Interest paid = 16,000 + 8,000 = 24,000

Q275 Text Solution:

There are two methods of depreciation accounting:

(1) Direct Method - The journal entry will be:

Depreciation A/c

To Asset A/c

The asset will appear at its written down value (Cost – Depreciation) in the Balance Sheet.

(2) Indirect Method – The journal entry will be:

Depreciation A/c

To Provision for depreciation A/c

Under this method, the asset will appear at cost in the balance sheet and the amount of depreciation will be transferred to the P&L account.

Q276 Text Solution:

- A supplier of goods and services is liable to pay GST if the threshold limit is above Rs. 20 lakhs (or Rs. 10 lakhs for north-eastern states).
- A person registered under GST will have to file a return, and if he fails to do so within time, he will be liable to pay an interest and late fee of 18% per annum on the amount of tax liability.

Q277 Text Solution:

The Balance Sheet Equation is given by:

Assets = Liabilities + Owner's Equity

5,00,000 = 2,00,000 + Owner's equity

Owner's equity = 3,00,000

Q278 Text Solution:

According to Section 29 of the Companies Act:

(1) The financial statements of banking companies should be signed by the manager/principal officer of the banking company along with at least three directors (or by all directors if the number is less than 3).

(2) The financial statements of foreign banking companies are to be signed by the manager/agent of the principal office in India.

Q279 Text Solution:

Net Sales = Gross Sales – Sales Returns – Discount and Allowances

Net Sales = 5,00,000 – 50,000 – 20,000

Net Sales = 5,00,000 – 70,000 = 4,30,000

Gross Profit = Net Profit – Cost of Goods Sold

Gross Profit = 4,30,000 – 3,00,000 = 1,30,000

Q280 Text Solution:

- According to the given case study, the company decided to distribute the preliminary expenses evenly over five years. Therefore, each year, an equal portion of the expenses will be charged to the Profit & Loss Account and the remaining amount will be shown as an asset on the Balance Sheet.

- In the first year, the company will charge Rs. 2,000 (10,000/5) to the Profit & Loss Account as an expense. This represents the portion of the preliminary expenses allocated for the first year.
- The remaining amount of preliminary expenses, which is Rs. 8,000 (10,000 - 2,000), will be shown on the asset side of the Balance Sheet. This represents the unamortized portion of the preliminary expenses that will be gradually amortized over the remaining four years.

Q281 Text Solution:

	A	B
Direct Materials	3000	4000
Direct Labour	2000	3000
Overheads: Fixed	4500	4500
Overheads: Variable	1500	1500
Total Cost	11,000	13,000

Revenue on sale of Good B = 20,000

Profit = Rs. 20,000 - Rs. 13,000 = Rs. 7000

Q282 Text Solution:

The following journal entries will be passed:

(1) Application money received

Bank A/c Dr 2,00,000

To Share Application A/c 2,00,000

Share application money transferred to share capital account:

Share Application A/c Dr 2,00,000

To Share Capital A/c 2,00,000

Share allotment money due:

Share Allotment A/c Dr 75,000

To Share Capital A/c 75,000

Share allotment money received:

Bank A/c Dr 75,000

To Share Allotment A/c 75,000

First call amount due:

Share First Call A/c Dr 1,00,000

To Share Capital A/c 1,00,000

First Call amount received:

Bank A/c Dr 1,00,000

To Share First Call A/c 1,00,000

Second and final call amount due:

Share Second and Final Call A/c Dr 1,25,000

To Share Capital A/c 1,25,000

Second call amount received:

Bank A/c Dr 1,25,000

To Share Second and Final Call A/c 1,25,000

Q283 Text Solution:

The formula for calculating cost of Long Term debt at par is:

$K\ d = (1 - t)\ R$

Kd - Cost of long-term debt

t - Marginal Tax Rate

R - Debenture Interest Rate

Kd = (1 - 0.5)10 = 5%

Q284 Text Solution:

(1) Debentures are shown under the heading ‘Secured Loans’ on the Liabilities side.

(2) Preliminary Expenses are shown under the head ‘Miscellaneous Expenditure’ to the extent they are not written off.

(3) Unclaimed Dividends are shown under Current Liabilities.

Q285 Text Solution:

In this case study, Alpha Corporation is seeking to manage its interest rate risk by entering into an interest rate swap. By exchanging its floating-rate loan for a fixed-rate loan through the swap agreement, Alpha Corporation can hedge against potential increases in interest rates. If interest rates rise, Alpha Corporation will benefit from paying the fixed rate, while Beta Bank will receive the floating rate.

Q286 Text Solution:

Fixed overheads	Rs. 50,000

Variable overheads (Rs. 5 10,000)	Rs. 50,000
Semi-variable overheads (Fixed)	Rs. 10,000
Semi-variable overheads (Variable)	Rs. 40,000
Total overheads	Rs. 1,50,000

Q287 Text Solution:

The cost of debt is given as 8% per annum. Since the tax rate is 30%, we need to calculate the after-tax cost of debt.

After-tax cost of debt = Cost of debt (1 - Tax rate)

After-tax cost of debt = 8% (1 - 0.30) = 5.6%

$$W \text{ WACC } =(\text{Weight of debt} \times \text{Cost of debt}) +(\text{Weight of equity} \times \text{Cost of equity})$$

$$WACC = (5.6 \times 0.6) + (0.4 \times 12)$$

$$WACC = 3.36 + 4.8 = 8.16\%$$

Q288 Text Solution:

- Gross Trial Balance: This approach involves recording the sum of debit and credit amounts from a company's ledger in the trial balance sheet. The given trial balance is a gross trial balance.
- Net Trial Balance: The method entails adding up the values in the ledger accounts on both the debit and credit sides and then equalizing the totals by placing the balance on the side with the lesser amount.

Q289 Text Solution:

- If a company produces a single type of product through continuous production activity, the appropriate method of costing will be Unit Costing or Single-output costing.
- In this case, a company only produces a single product, Product X, and hence unit costing method will be appropriate.

Q290 Text Solution:

Total Cost = 50,000 + 2000 × 10 = 50,000 + 20,000 = 70,000

Total Revenue from sales = 2000 × 40 = 80,000

Total Profit = 80,000 – 70,000 = 10,000

Q291 Text Solution:

The specific type of analysis described here is known as sensitivity analysis. Sensitivity analysis helps in understanding the project's sensitivity to variations in variables such as construction costs, traffic volume, toll rates, and economic factors. It provides valuable insights into the project's financial performance and aids decision-making.

Q292 Text Solution:

- A trading account is a financial statement that reflects the buying and selling activities of a business entity. It is prepared by trading companies to determine the gross profit or loss generated from the purchase and sale of goods.
- Trading account lists the details related to total purchases, sales, and direct expenses related to both.
- The trading account is typically prepared for a specific accounting period, such as a month, quarter, or year. It is the first part of the income statement or profit and loss statement and is used to calculate the gross profit or gross loss of a business.

Q293 Text Solution:

- This scenario defines a deferred payment guarantee, which is a form of financial security provided by the exporter to assure the buyer that payment obligations will be fulfilled as per the agreed terms.
- A Deferred Payment Guarantee is a type of financial instrument or arrangement provided by a bank or financial institution to guarantee payment obligations between a buyer and a seller in a transaction.
- In the event of default by the buyer, the seller can present the Deferred Payment Guarantee to the issuing bank and make a claim for the outstanding payment. The bank will then be responsible for reimbursing the seller for the amount specified in the guarantee.

Q294 Text Solution:

- Stakeholder theory is a management and ethical framework that suggests that businesses and organizations should consider the interests of all stakeholders rather than solely focusing on the interests of shareholders.
- Stakeholders include individuals or groups who are directly or indirectly affected by the actions and decisions of the organization, such as employees, customers, suppliers, local communities, government bodies, and the environment.
- It suggests that businesses should strive to create value for all stakeholders, maintain open and transparent communication, and engage in responsible and sustainable practices.
- Stakeholder theory promotes the idea that the long-term success and sustainability of an organization are closely tied to the positive relationships and mutual benefits established with stakeholders.

Q295 Text Solution:

$$\mathrm{ROI} = \frac{\text{Net Profit Before Interest, Tax and Dividend}}{\text{Capital Employed}} \times 100$$

$$\frac{25}{100} = \frac{50{,}00{,}000}{\text{Capital Employed}}$$

Capital employed = 2,00,00,000

Q296 Text Solution:

- The primary benefit of including the put option in the puttable bonds is that it provides bondholders with the ability to sell the bonds back to the company before maturity. This feature offers bondholders flexibility and downside protection.
- If market conditions change or if their investment objectives shift, bondholders can exercise the put option and retrieve their principal investment. This enhances the attractiveness of the investment and provides an element of security for bondholders.
- While the inclusion of the put option may make the bonds more attractive to investors, it does not guarantee quick and easy capital raising for ABC Corporation.

Q297 Text Solution:

Budgeted Hours of a month = $\frac{1{,}20{,}000}{12} = 10,000$

Actual Hours worked in a month = $24 \times 8 \times 60 = 11,520$

$$Capacity\ Ratio = \frac{Actual\ Hours}{Budgeted\ Hours} \times 100 = \frac{11{,}520}{10{,}000} \times 100$$

$$Capacity\ Ratio = 115.2\%$$

Q298 Text Solution:

Total labour hours required to manufacture 1000 units of product = 1000$\times$2 = 2000

Number of workers required = $= \frac{2000}{8 \times 24} = 10.41 \approx 11$

Q299 Text Solution:

Bank loans taken by the company are not considered contingent liabilities. Bank loans are actual liabilities that the company has already incurred and is obligated to repay.

Items under this heading are:

a. Claims against the company acknowledged as debts

b. Uncalled liability on shares partly paid

c. Arrears of fixed cumulative dividends

d. The estimated amount of contracts remaining to be executed on capital account and not provided for

e. Any other amount for which the company is contingently liable

f. Pending legal claims against the company

Bank loans by the company are not a part of contingent liabilities.

Q300 Text Solution:

- Equipment leasing companies are specialized financial institutions that primarily focus on providing equipment leasing services.
- They belong to the category of Non-Banking Finance Companies (NBFCs). As per the Reserve Bank of India Act, 1934, the Reserve Bank of India (RBI) serves as the regulatory

authority for all NBFCs, including equipment leasing companies.

- These companies are required to obtain a Certificate of Registration from the RBI in order to conduct their business operations.