JANBI MODEL QUESTIONS

Accounting & Finance For Bankers

1. A person invests Rs. 5,600 at 14 per cent p.a. compound interest for 2 years. Calculate:
   a. the interest for the first year.
   b. the amount at the end of the first year.
   c. the interest for the second year, correct to the nearest rupee
   d. None of the above

2. The net present value (NPV) rule can be.. best stated as:
   a. An investment should be accepted if, and only if, the NPV is exactly equal to zero.
   b. An investment should be rejected if the NPV is positive and accepted if it is negative.
   c. An investment should be accepted if the NPV is positive and rejected if it is negative.
   d. An investment with greater cash inflows than cash outflows, regardless of when the cash flows occur, will always have a positive NPV and therefore should always be accepted.

3. Cost recovery using MACRS is calculated by
   a. Rate divided by cost
   b. Rate × cost
   c. Rate + cost
   d. None of the above

4. Which of the following is true ?
   a. The materiality concept refers to the state of ignoring small items and values from accounts.
   b. The generally accepted accounting principles prescribe a uniform accounting practice.
   c. The conservatism concept leads to the exclusion of all unrealised profits.
   d. All are true.

5. Accounting concepts are:
   a. Broad assumptions
   b. Methods of presenting financial accounts
   c. Bases selected to prepare a specific set of accounts
   d. None of the above

6. For nominal accounts, the fundamental rule of debit and credit is, debit expenses and losses and credit
   a. The giver
   b. What goes out
   c. Incomes and gains
   d. None of the above

7. Where should a withdrawal of cash from business by the proprietor be credited?
   a. Drawings

b. Proprietor's A/c
c. Capital A/c
d. Cash A/c

8. What is a Nominal Account?
   a. An account of each person or firm with whom the trader deals
   b. An account of each head of expense or source of income
   c. An account of each property or possession dealt in by the trader in his business
   d. None of these

9. What is the fundamental rule of debit and credit with regard to assets or real accounts?
   a. Debit the receiver and credit the giver
   b. Debit what comes in and credit what goes out
   c. Debit expenses and losses and credit gains
   d. All of the above

10. How do profits made from normal operations retained in business appear in the balance sheet?
    a. Under capital
    b. Under capital, reserves and surplus
    c. Under cash in hand, at the bank
    d. None of the above

11. Where does the net profit appear in the balance sheet?
    a. Liabilities side
    b. Assets side
    c. Either (a) or (b)
    d. None of these

12. In double entry bookkeeping, entry is balanced with a corresponding ___________ entry.
    a. Reverse entry
    b. Adjusting entry
    c. Contra entry
    d. Double entry

13. The transactions in the bank column on the credit side of the 'Three Columnar Cash Book' indicates
    a. Amount withdrawn from the bank
    b. Amount deposited into the bank
    c. Both (a) and (b) given
    d. None of the above

14. What does the 'Three Column Cash Book record'?
    a. Cash transactions only
    b. Both cash and bank transactions excluding discounts
    c. Both cash and bank transactions including discounts
    d. None of the above

15. What is a journal?
    a. Original entry
    b. Double entry

c. Duplicate entry
d. Wrong entry

16. The statement showing debit or credit balances of ledger accounts at the end of the year is called…
    a. Trial Balance
    b. Net Trial Balance
    c. Gross Trial balance
    d. Suspense Account

17. As per NRB Directives how much shall be the minimum Tier 1 capital?
    a. 11% of Overall Risk Weighted Assets
    b. 10% of Overall Risk Weighted Assets
    c. 6% of Overall Risk Weighted Assets
    d. 8% of Overall Risk Weighted Assets

18. Payments in Ordinary Annuity are required
    a. At the beginning of each period
    b. At the end of each period
    c. At the mid of each period
    d. At agreed date

19. If a debtor is absconded then the loans and advances given to that debtor shall be classified under……… category
    a. Watch List
    b. Sub-standard
    c. Doubtful
    d. Loss

20. How much minimum provision you are required to provide for Watch List loans on Ashwin 2073?
    a. 3.5%
    b. 4%
    c. 4.5%
    d. 5%

21. A situation in which taking one investment prevents the taking of another, is called:
    a. Net present value profiling
    b. Operational ambiguity
    c. Mutually exclusive investment decisions
    d. Multiple rate of return

22. The net present value (NPV) rule can be best stated as:

a. An investment should be accepted if the NPV is exactly equal to zero
b. An investment should be rejected if the NPV is positive and accepted if it is negative
c. An investment should be accepted if the NPV is positive and rejected if it is negative
d. An investment with greater cash inflows than cash outflows, regardless of when the cash flows occur, will always have a positive NPV and therefore should always be accepted

23. A truck costs Rs.6,000 with a residual value of Rs.2,000. The truck is expected to have a useful life of 50,000 miles. By assuming the truck is driven 20,000 miles the first year, the depreciation expenses would be:
    a. 2,400
    b. 240
    c. 16,000
    d. 1,600
    e. None

24. The purpose and the objective of accountancy is
    a. To keep a systemic record
    b. To ascertain the results of the operations
    c. To ascertain the financial position of the business
    d. To satisfy the requirements of law
    e. All of above

25. "Anticipate no profit, provide all possible losses" is the
    a. Money measurement concept
    b. Going concern concept
    c. Business entity concept
    d. Concept of prudence
    e. None of above

26. What is a Real Account?
    a. An account of each person or firm with whom the trader deals
    b. An account of each head of expense or source of income
    c. An account of each property or possession dealt in by the trader in his business
    d. None of above

27. For Nominal Account the fundamental rule of accounting is
    a. Debit the receiver, credit the giver
    b. Debit all expenses and losses, credit all incomes and gains
    c. Debit what comes in, credit what goes out
    d. All of above

28. How do profits made from normal operations retained in business appear in the balance sheet?

a. Under Capital
b. Under capital, reserves and surplus
c. Under cash in hand/at the bank
d. None of the above

29. The amount brought in by the proprietor in the business should be credited to
    a. Proprietor's account
    b. Drawings account
    c. Capital Account
    d. None of above

30. Reporting Standards are statements prescribed by:
    a. Law
    b. Government regulatory bodies
    c. Bodies of shareholders
    d. Professional accounting bodies
    e. All of above

31. Error of Omission is
    a. Clerical error
    b. Principle error
    c. None of above
    d. Both a & b

32. Amount received towards Endowment Fund is
    a. Revenue receipt
    b. Capital receipt
    c. Deferred revenue receipt
    d. Advance payment receipt

33. Which of the following may not be part of the Bank reconciliation process.
    a. Interest on overdraft
    b. Dishonour of cheque
    c. *Cash* drawn from bank
    d. Cheque deposited but not collected

34. Reconciliation of overcasting on receipts side of cash book
    a. Increases the balance in the cash book.
    b. Increases the balance in the passbook.
    c. *Decreases* the balance in the cash book.
    d. Decreases the balance in the passbook.

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35. Goods worth Rs.2000 sold to Vijay was entered in purchase account;
The rectification is

a. Credit purchases and credit sales to the extent of Rs.2000 each & debit Vijay by Rs.2000
b. Debit purchases and debit sales to the extent of Rs.2000 each & credit Vijay.
c. Debit sales to the extent of Rs.4000.
d. Credit purchases to the extent of Rs.4000.

36. Machinery worth (WDV) 1000/- sold for 1200/- is entered in sales register. The rectification is
a. Credit sales 1200/-, debit machinery 1000/- and debit P&L a/c 200/-.
b. *Debit* sales 1200/- , credit machinery 1000/- and credit P&L a/c 200/-.
c. Credit machinery 1200/-, debit sales 1000/- and debit P&L a/c 200/-.
d. Debit machinery 1200/-, credit sales 1000/- and credit P&L a/c 200/-.

37. Sales return of amount Rs.1000 from Vijay was wrongly entered in purchase book.

The rectification is

a. Debit sales to the extent of Rs.2000.
b. Credit purchases to the extent of Rs.2000
c. Credit Vijay Rs.2000, debit sales and purchases to the extent Rs.1000, each.
d. *Debit* sales return by Rs.1000 and credit purchases by Rs.1000

38. Which of the following will not affect Trial Balance

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

39. Suspense a/c is not used in which of the following cases.

a. *before* trial balance.
b. after trial balance.
c. before final accounts.
d. none of the above.

40'. Which of the following is true

a. Trial balance ensures arithmetical accuracy.
b. Trial balance errors are not located then the difference is sent to suspense a/c.
c. Trial balance is base for final accounts.
d. *All* of the above.

41. Freight expenses for moving new machinery to factory is

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

42. Which of the following is false

a. Replacement of defective part of machinery is revenue expenditure
b. Daily wages paid for erection /installing of machinery is capital expenditure
c. *Underwriting* commission for issue of shares is revenue expenditure
d. Excess of sale price of Machinery over its W D Value but less than cost price is treated as revenue receipt

43. Which of the following is not a deferred revenue expenditure

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

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

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

45. Cost of goods sold is

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

46. In LIFO method of inventory valuation

a. *Issue* of stocks to production is at latest price
b. Closing stock is at latest price

c. Both a) & b)
d. Neither a) nor b)

47. In FIFO method of inventory valuation

a. Closing stock is at latest price
b. Issue of stocks to production is at earliest price
c. *Both* a) & b)
d. Neither a) nor b)

48. Which of the following is most desirable

a. *Pricing* issue of goods to match current material costs
b. Overstating profits
c. Understating profits
d. none of the above

49. As per accounting standards which of the following is not a preferred method

a. *LIFO*
b. FIFO
c. WACM
d. All of them

50. Goods lost in transit is

a. *Nominal* loss
b. Abnormal loss
c. Casual loss
d. Conditional loss

51. Due to heavy flooding a truck carrying consignment goods sinks. This loss is called

a. contingent loss
b. Nominal loss
c. *Abnormal* loss
d. Casual loss

52. Which of the following is true for leasing and hire purchase

a. Lessor and vendor can claim depreciation.
b. *Lessor* and hirer can claim depreciation.
c. Lessee and hirer can claim depreciation.
d. Lessee and vendor can claim depreciation.

53. Which of the following is true

a. Total lease rent = cost of asset - total finance income + residual value
b. *Total* finance income = total lease rent – cost of asset + residual value
c. Total finance income = cost of asset – total lease rent + residual value
d. Cost of the asset = total lease rent + residual value + total finance income

54. Receipts and payments statement shows

a. Only revenue receipts and payments during a year.
b. Only capital receipts & payments during a year.
c. *Both* capital and revenue receipts during a year.
d. 'Cash Only' transactions.

55. For a Non- Trading Organization, a P & L A/c called an Income & Expenditure A/c because.

a. They often make losses.
b. They are forbidden by statute to make profits
c. *By* object of their association they are non profit making bodies.
d. Their income & expenditure statement are a combination of capital & revenue receipts.

56. Which of the following is not true

a. Depreciation is an expense charged to the P & L a/c.
b. *Depreciation* is not a part of the operating costs.
c. Assets that are depreciated are tangible assets.
d. Depreciation is like an insurance expense.

57. Expenses of the following nature are treated as a Revenue expenses except….

a. Expenses for day to day running of the business
b. Putting the new asset in working condition
c. Depriciation
d. Purchase of raw material

58. Calculate the Future value of present value of Rs 10,000 after 4 years if the rate of interest is 10%.

a. 13310
b. 14641
c. 14461
d. 13130

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59. Which of the following statements is true ?
    a. Cash is decreased when new debt is issued to purchase holiday merchandise
    b. Accepting the credit offered by a supplier is a source of cash
    c. Increasing the use of trade credit offered by a supplier is a use of cash
    d. Collecting an accounts receivables is a use of cash

60. Which one of the following will increase the operating cycle ?
    a. Increasing the inventory period
    b. Decreasing the cash cycle
    c. Decreasing the accounts payable period
    d. Increasing the accounts payable period

61. An increase in sales resulting from an increased cash discount for prompt payment would be expected to cause ......
    a. An increase in the operating cycle
    b. An increase in the average collection period
    c. A decrease in the cash conversion cycle
    d. A decrease in purchase discounts taken

62. What will the ratio of simple interest earned by certain amount at the same rate of interest for 6 years and that for 9 years.
    a. 1:2
    b. 2:1
    c. 2:2
    d. 2:3

63. Solvency Ratio is not ...... (i) Current Assets/Liabilities, (ii) Total tangible assets/outside liabilities, (iii) Total net worth/total assets
    a. Only (i) and (ii)
    b. Only (i) and (iii)
    c. Only (ii) and (iii)