

# JAIIB May 2025

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## Memory Based Question

AFM



**Must For Nov'25 Cycle**

Q1.

Which of the following best describes the Business Entity Concept in accounting?

- A. A business is treated as an inseparable extension of the proprietor.
- B. Transactions are recorded considering both business and owner's assets.
- C. Business and owner are distinct, and personal transactions are excluded from the books.
- D. Owner's capital is treated as an asset for the business.

Answer: C

Q2.

Under the Going Concern Assumption, which of the following treatments is most appropriate?

- A. Fixed assets are recorded at their current market value every year.
- B. All assets are liquidated annually to reflect true worth.
- C. Prepaid expenses are deferred and not treated as current period expenses.
- D. Profits are distributed even if losses exist.

Answer: C

Q3.

Which of these accurately reflects the Historical Cost Concept?

- A. Assets are revalued yearly based on inflation-adjusted price.
- B. Assets are recorded at the price paid, regardless of market value.
- C. Liabilities are shown at expected settlement value.
- D. The purchase cost includes only the invoice price.

Answer: B

Q4.

Which of the following concepts governs revenue recognition?

- A. Accrual Concept
- B. Matching Concept
- C. Realization Concept
- D. Cost Concept

Answer: C

Q5.

In double-entry bookkeeping, if a business buys machinery for ₹5,00,000 by cheque, what is the correct effect?

- A. Debit Cash; Credit Machinery
- B. Debit Machinery; Credit Bank
- C. Debit Capital; Credit Machinery
- D. Debit Purchase; Credit Bank

Answer: B

Q6.

Which of the following statements about the Matching Concept is accurate?

- A. It emphasizes matching transactions with banking cycles.
- B. It applies only to cash-based systems.
- C. It ensures expenses are recognized in the period when revenue is earned.
- D. It defers losses to future accounting periods.

Answer: C

Q7.

Choose the correct explanation of Convention of Conservatism:

- A. Record only anticipated profits but ignore losses.
- B. Ignore bad debts when projecting receivables.
- C. Recognize future losses but not future gains.
- D. Value closing inventory at market price.

Answer: C

Q8.

The Accrual Concept in accounting requires which of the following?

- A. Cash transactions are recorded as they happen.
- B. Only when cheques are cleared, entries are made.
- C. Revenue and expenses are recorded when earned or incurred, not when cash is received/paid.
- D. None of the above

Answer: C

Q9.

Which best explains the use of subsidiary books?

- A. They replace ledgers and journals completely.
- B. They classify data but don't help in posting to ledgers.
- C. They reduce workload by segregating recurring transactions.
- D. They are prepared at year-end only.

Answer: C

Q10.

Identify the correct statement regarding petty cash books:

- A. They record all cash transactions irrespective of amount.
- B. They're used for large one-time payments.
- C. They are managed by auditors.
- D. They handle minor day-to-day expenses like postage or conveyance.

Answer: D

Q11.

What does the double entry system ensure in accounting?

- A. It doubles the number of accounts.
- B. Each transaction affects a single side of the ledger.
- C. Every debit has a corresponding credit.
- D. Books are maintained in duplicates.

Answer: C

Q12.

Which statement is false about Trial Balance?

- A. It's prepared to check arithmetic accuracy.
- B. It includes all ledger balances.
- C. It guarantees error-free final accounts.
- D. It is prepared before final accounts.

Answer: C

Q13.

Accounting Standards in India are issued by:

- A. ICAI's Auditing Board
- B. Ministry of Corporate Affairs
- C. ASB of ICAI
- D. SEBI

Answer: C

Q14.

Which of the following concepts justifies treating prepaid insurance as an asset?

- A. Going Concern
- B. Money Measurement
- C. Accrual
- D. Historical Cost

Answer: A

Q15.

Which of the following types of depreciation method does not follow a straight-line reduction?

- A. SLM
- B. Written Down Value
- C. Units of Production
- D. Sum of Years Digit

Answer: B

Case 1:

A company bought machinery worth ₹4,00,000. It incurred ₹50,000 for transportation, ₹25,000 for installation, and a trade discount of ₹10,000 was allowed. It also paid ₹15,000 for maintenance during the first year.

Q16.

What will be the capitalized value of machinery as per cost concept?

- A. ₹4,75,000
- B. ₹4,65,000
- C. ₹4,85,000
- D. ₹4,90,000

Answer: A

Explanation:  $\text{₹}4,00,000 + \text{₹}50,000 + \text{₹}25,000 - \text{₹}10,000 = \text{₹}4,65,000$ . Maintenance is revenue expense.

Case 2:

A trial balance doesn't tally. On scrutiny, it was found that the purchase of furniture ₹20,000 was wrongly debited to the purchase account.

Q17.

This is an example of which type of error?

- A. Error of omission
- B. Error of principle
- C. Error of commission
- D. Compensating error

Answer: B

Case 3:

Company XYZ uses the Matching Concept for its financial statements. Salaries for March 2025, paid in April 2025, were recorded in March.

Q18.

Which principle justifies this treatment?

- A. Historical Cost
- B. Realization Concept
- C. Matching Concept
- D. Accrual Concept

Answer: D

Case 4:

During the year, Ravi purchased a van for ₹3,50,000 and paid ₹50,000 on insurance and registration. Van is depreciated using WDV @ 15%.

Q19.

What will be the depreciation amount in the first year?

- A. ₹52,500
- B. ₹60,000
- C. ₹45,000
- D. ₹70,000

Answer: B

Explanation: Capitalized cost = ₹4,00,000 × 15% = ₹60,000



Case 5:

ABC Ltd. borrowed ₹5,00,000 on 1st April at 10% p.a. Interest was paid on 31st March, but journal entry was missed.

Q20.

Which adjusting entry is required?

A. Interest A/c Dr ₹50,000

To Bank A/c ₹50,000

B. Bank A/c Dr ₹50,000

To Interest A/c ₹50,000

C. Interest A/c Dr ₹50,000

To Outstanding Interest A/c ₹50,000

D. No entry needed

Answer: C



Q21.

According to the Companies Act, 2013, which of the following best explains the reason for maintaining the distinction between different types of companies such as statutory, registered, foreign, and government companies?

A. This distinction determines the tax liabilities applicable to different classes of companies only.

B. These categories govern how dividends are calculated and distributed under the Companies Act.

C. The classification affects legal formation, operational governance, audit requirements, and compliance protocols defined under respective regulatory statutes.

D. The categories are symbolic and used primarily for internal classification without legal consequences.

Answer: C

Q22.

Which of the following attributes fundamentally differentiate a Statutory Company from other types of companies under Indian law?

- A. It is formed by a charter approved by a foreign head of state and has limited legal authority in India.
- B. It is created by a specific legislative Act, and its powers, rights, and responsibilities are governed primarily by that Act, not the Companies Act, 2013.
- C. It operates under the same compliance obligations as registered private companies and holds no special status.
- D. It is exempt from publishing audited financial statements under Indian law.

Answer: B

Q23.

Which characteristic best describes a Holding Company under Section 2(46) of the Companies Act, 2013?

- A. A company formed solely for the purpose of acquiring real estate and holding public infrastructure contracts.
- B. A company that automatically becomes liable for all debts of its subsidiaries regardless of the shareholding pattern.
- C. A company that controls the Board composition or owns more than half of the total share capital of another company.
- D. A company registered outside India, with its headquarters in India.

Answer: C

Q24.

Which of the following conditions must be fulfilled for a private limited company to retain its status under Indian Company Law?

- A. It must have at least 500 shareholders, a registered office, and no government involvement.

- B. It must limit its number of members to 200, restrict share transfer rights, and prohibit public invitations for capital.
- C. It must be incorporated under a state legislature act and offer shares to public only via bonus issue.
- D. It must trade on recognized stock exchanges but not exceed 100 employees.

Answer: B

Q25.

Which of the following accurately describes Redeemable Preference Shares as per the Companies Act?

- A. These are shares that must be converted into equity shares within a predetermined period.
- B. These shares cannot be redeemed under any circumstances and must be converted into bonds.
- C. These are shares that must be repaid to shareholders within a fixed period, with or without premium.
- D. These shares offer no dividends and are primarily used for capital structuring only.

Answer: C

Q26.

When a company issues shares at a premium, the amount of premium can be used for:

- A. Writing off fictitious assets or compensating bad debts.
- B. Issuing bonus shares, buying back shares, and writing off preliminary expenses.
- C. Meeting operational losses or repaying loans.
- D. Paying dividends directly to preference shareholders.

Answer: B

Q27.

Which of the following explains the correct accounting treatment of "Forfeiture of Shares"?

- A. The amount previously received on shares is refunded, and the remaining is expensed to Capital Reserve.
- B. Share Capital is debited, Forfeited Shares A/c is credited, and unpaid amounts are adjusted via Call in Arrears.
- C. Shares forfeited are immediately reissued at market value, with profits treated as extraordinary income.
- D. Forfeited Shares A/c is debited, and Share Capital A/c is credited back to restore prior balances.

Answer: B

Q28.

In the context of Reissue of Forfeited Shares, which of the following statements is accurate?

- A. Shares can only be reissued at par, and any excess is shown under Suspense Account.
- B. If shares are reissued at a discount, the discount must not exceed the amount previously forfeited.
- C. Reissue must be at original face value and requires a fresh prospectus each time.
- D. Discount on reissue is always charged to Share Capital Account.

Answer: B

Q29.

In banking, which of the following functions is part of the Principal Books of Account maintained under the Banking Regulation Act?

- A. FD Ledger, Dishonoured Cheques Register, Profit and Loss Ledger
- B. Ledger Book, Profit and Loss Ledger, General Ledger
- C. Securities Register, Demand Draft Register, Cash Deposit Vault
- D. Income C Expenditure Ledger, Share Allotment Register, Indemnity Ledger

Answer: B

Q30.

What is the correct treatment of Bad Debts and Provisions for Doubtful Debts in the financial statements of banks?

- A. Shown under Expenses in the Balance Sheet and Profit in Profit C Loss.
- B. Deducted from Gross Advances in the Balance Sheet and recorded under "Provisions and Contingencies" in PCL.
- C. Not disclosed separately in final accounts as per Schedule III.
- D. Included only in footnotes and never deducted from advances.

Answer: B

Q31.

Which of the following is true regarding "Rebate on Bills Discounted" in banking final accounts?

- A. It is shown on the asset side of the balance sheet as accrued income.
- B. It is always credited to customer's suspense account.
- C. It refers to discount received by customers for early repayment.
- D. It is an unearned income and shown on the liabilities side of the balance sheet.

Answer: D

Q32.

As per Ind AS-1, which of the following is not a required component of complete financial statements?

- A. Statement of Changes in Equity
- B. Comparative data of previous accounting period
- C. Notes on accounting policies
- D. Auditor's declaration certificate

Answer: D

Q33.

Which of the following cash flows is classified as Investing Activity under AS-3?

- A. Payment of interest on bank loan
- B. Purchase of machinery
- C. Proceeds from issuing shares
- D. Dividend paid to shareholders

Answer: B

Q34.

What distinguishes Funds Flow Statement from Cash Flow Statement under Indian GAAP?

- A. Cash flow focuses on working capital, funds flow focuses on liquidity.
- B. Funds flow tracks changes in working capital; cash flow categorizes cash by activity type.
- C. Funds flow is mandatory for banks under Schedule III; cash flow is not.
- D. Funds flow includes foreign currency transactions, cash flow excludes them.

Answer: B

Q35.

Which of the following ledgers is not classified as a core general ledger in the banking system?

- A. Loan Ledger
- B. RD Ledger
- C. Investment Ledger
- D. Income Ledger

Answer: D

Case 1:

XYZ Ltd issues 10,000 equity shares of ₹10 each at a premium of ₹2 per share. The company receives full payment and makes the following entries:

Q36.

Which journal entry is correct?

A. Bank A/c Dr. ₹1,20,000

To Share Capital A/c ₹1,00,000

To Share Premium A/c ₹20,000

B. Share Capital A/c Dr. ₹1,00,000

Share Premium A/c Dr. ₹20,000

To Bank A/c ₹1,20,000

C. Bank A/c Dr. ₹1,00,000

To Share Capital A/c ₹1,00,000

D. Share Application A/c Dr. ₹1,00,000

To Bank A/c ₹1,00,000

Answer: A

Case 2:

ABC Bank discounted a bill of ₹1,00,000 for 90 days at 12% p.a. The amount of rebate on bills discounted at the year-end is unexpired discount.

Q37.

What amount will be treated as rebate if 30 days remain?

A. ₹1,000

B. ₹900

- C. ₹1,200
- D. ₹2,000

Answer: B

Explanation:  $₹1,00,000 \times 12\% \times (30/365) = ₹986 \sim ₹900$  approx (rounded for simplification)

Case 3:

PQR Ltd issued shares at a discount violating Section 53 of Companies Act.

Q38.

What is the likely treatment under law?

- A. Issue is void and discount is shown as deferred revenue expenditure
- B. Discount is allowed if approved by SEBI
- C. Share issue is considered ultra vires and liable for penalties
- D. Discount is shown as asset in balance sheet

Answer: C

Case 4:

DEF Ltd incurred ₹5 lakhs on software purchase, ₹1 lakh on training, and ₹2 lakh on implementation. The asset has a 5-year useful life.

Q39.

What will be capitalized under Ind AS treatment?

- A. Only purchase cost
- B. Purchase + implementation
- C. Purchase + implementation + training
- D. Only implementation cost

Answer: B



Case 5:

Company ABC borrowed ₹10 lakhs. It paid ₹1 lakh as interest. As per AS-3, how will this be shown in Cash Flow Statement for a financial enterprise?

- A. Investing activity
- B. Operating activity
- C. Financing activity
- D. Cash equivalents

Answer: B

41.

Which of the following most accurately represents the primary objective of financial management from a shareholder wealth maximization perspective?

- A. Achieving consistent accounting profit and maintaining high reserves.
- B. Generating maximum revenue through sales irrespective of cost incurred.
- C. Ensuring timely payment of taxes and filing of statutory returns.
- D. Maximizing the net present value of expected future cash flows available to shareholders.

Answer: D

Q42.

How does the capital budgeting process facilitate better strategic decision-making in a manufacturing organization?

- A. It allocates all surplus cash equally among departments to maintain harmony.
- B. It identifies long-term investment opportunities, evaluates risks and returns, and recommends projects based on value maximization criteria such as NPV, IRR, and PI.
- C. It focuses solely on tax deduction advantages without regard to profitability.
- D. It is used to evaluate only recurring administrative and operational expenditures.

Answer: B

Q43.

Which of the following statements best defines Weighted Average Cost of Capital (WACC)?

- A. Average rate of return earned by the company on its equity capital.
- B. Return expected by investors on equity only.
- C. A firm's average rate of return on capital employed across all departments.
- D. The average cost of different sources of finance weighted by their proportion in the capital structure.

Answer: D

Q44.

Under the Net Operating Income (NOI) approach, which of the following is assumed about the value of a firm?

- A. It varies based on the leverage ratio.
- B. It is independent of the firm's capital structure and depends solely on EBIT and overall capitalization rate.
- C. It increases as the proportion of equity in the capital structure increases.
- D. It is maximized when the firm is fully equity financed.

Answer: B

Q45.

In the context of bond valuation, which of the following best defines Duration?

- A. Time left until a bond's maturity date.
- B. Weighted average time to receive the bond's cash flows, and a measure of interest rate risk.
- C. Market rate of interest adjusted for inflation.
- D. Frequency at which bond coupons are paid annually.

Answer: B

Q46.

Which factor decreases the duration of a bond?

- A. Lower coupon rate
- B. Longer maturity period
- C. Higher yield to maturity
- D. Increase in bond's market price

Answer: C

Q47.

What does CAPM (Capital Asset Pricing Model) primarily aim to calculate in investment decision-making?

- A. Book value of a company's capital structure
- B. Expected return on an asset based on its systematic risk
- C. Future value of a company's dividends
- D. Market share premium of a listed company

Answer: B

Q48.

Which of the following components are essential to apply CAPM?

- A. Beta, Risk-Free Rate, Market Return
- B. ROI, Dividend Yield, Price-Earnings Ratio
- C. Net Income, Depreciation, Market Capitalization
- D. Treasury Yield, Asset Turnover, Credit Score

Answer: A

Q49.

When a bond is callable, what right does the issuer hold?

- A. Right to transfer the bond to another investor before maturity.
- B. Right to redeem the bond before maturity, usually when interest rates decline.
- C. Right to increase the coupon rate on investor's demand.
- D. Right to convert bond into equity on predetermined dates.

Answer: B

Q50.

Which of the following defines Puttable Bond?

- A. A bond where the issuer can put back the bond to the investor.
- B. A bond that pays floating interest rate determined by RBI.
- C. A bond where the holder can sell it back to issuer before maturity.
- D. A bond that cannot be traded on public exchanges.

Answer: C

Q51.

What is the primary difference between systematic risk and unsystematic risk?

- A. Systematic risk can be fully diversified; unsystematic risk cannot.
- B. Systematic risk impacts the entire market; unsystematic is company-specific and can be diversified away.
- C. Unsystematic risk is inflation-based while systematic risk depends on management efficiency.
- D. Only systematic risk is relevant in decision-making under CAPM.

Answer: B

Q52.

Which of the following is a valid assumption of CAPM?

- A. All investors have different expectations about risk and return.
- B. Taxes and transaction costs are considered.
- C. Investors can borrow and lend at the same risk-free rate.
- D. The market is inefficient and prices are not reflective of intrinsic value.

Answer: C

Q53.

In the context of Forex, which of the following best defines a Tom Transaction?

- A. A deal settled on the same day of transaction.
- B. A deal settled two working days after trade date.
- C. A deal settled on the next working day following the trade date.
- D. A forward contract with settlement after 30 days.

Answer: C

Q54.

Which of the following best explains the term Forward Premium?

- A. When the spot rate is higher than the forward rate.
- B. When the forward rate is equal to the spot rate.
- C. When the forward rate is higher than the spot rate.
- D. When inflation decreases the nominal rate.

Answer: C

Q55.

Which of the following reflects Trading on Equity?

- A. Earning interest on equity capital
- B. Using equity capital to pay interest on debentures
- C. Use of fixed interest-bearing securities to enhance returns to equity shareholders
- D. Applying leverage in commodity trading for price gains

Answer: C

Case 1:

A company has the following financial data:

EBIT = ₹4,00,000

Debt = ₹10,00,000 @10%

Equity = ₹10,00,000

Tax rate = 30%

Q56.

What is the Earnings Per Share (EPS) if there are 50,000 equity shares?

- A. ₹3.60
- B. ₹4.00
- C. ₹3.20
- D. ₹2.80

Answer: C

Explanation:

Interest = ₹1,00,000 → EBT = ₹3,00,000 → PAT = ₹2,10,000

EPS = ₹2,10,000 ÷ 50,000 = ₹4.20 (Corrected Answer: B)

Case 2:

A bond of ₹1,000 face value pays ₹80 coupon and trades at ₹950.

Q57.

What is the approximate yield to maturity (YTM)?

A. 8.42%

B. 8.90%

C. 9.23%

D. 9.60%

Answer: C

Explanation:

$YTM \approx (\text{Annual Interest} + (FV - \text{Price})/n) \div ((FV + \text{Price})/2)$

Case 3:

Investor A is analyzing two portfolios.

Portfolio X:  $\beta = 1.2$ , Risk-free rate = 6%, Market return = 14%

Portfolio Y:  $\beta = 0.8$ , Risk-free rate = 6%, Market return = 14%

Q58.

What is the expected return of Portfolio X using CAPM?

A. 15.6%

B. 14%

C. 16.2%

D. 17.8%

Answer: A

Explanation:

$$E(R) = R_f + \beta(R_m - R_f) = 6 + 1.2(8) = 6 + 9.6 = 15.6\%$$

Case 4:

XYZ Ltd is considering a project with the following cash flows:

Initial outlay = ₹5,00,000; Annual inflow = ₹1,50,000 for 5 years

Using PVAF table:

A) 12% → 3.60

B) 14% → 3.43

C) 16% → 3.34

D) 15% → 3.27

Q59.

What is the approximate IRR?

A. 12%

B. 14%

C. 16%

D. 15%

Answer: A

Explanation:

$$NPV = ₹1,50,000 \times PVAF = ₹5,40,000 \approx \text{matches initial cost}$$

$$IRR = 12\%$$

Case 5:

A firm issues ₹10,00,000 of debentures at par with 12% coupon and 5% flotation cost, redeemable after 5 years at par. Tax rate = 30%



Q60.

What is the cost of debt after tax?

- A. 8.4%
- B. 9.0%
- C. 7.8%
- D. 10.2%

Answer: A

Explanation:

Cost of Debt =  $(\text{Coupon} \times (1-T)) / \text{Net Proceeds} = (12\% \times 0.7) / ₹9,50,000 = 8.4\%$

Q61.

Under the Income Tax Act, 1961, which of the following expenditures are specifically disallowed while computing income under the head "Profits and Gains of Business or Profession"?

- A. Depreciation charged as per books of account and interest on borrowed capital.
- B. Expenditure on CSR activities, illegal payments, or penalty for breach of law.
- C. Commission paid to agents in normal business course.
- D. Contributions to a recognized provident fund.

Answer: B

Explanation:

CSR expenses and penalties are specifically disallowed under Sections 37 and others.

Q62.

Which of the following defines the Reverse Charge Mechanism (RCM) under GST?

- A. The supplier charges GST and collects it from recipient.
- B. The government collects tax directly from the supplier regardless of the invoice.
- C. The liability to pay GST is shifted from supplier to recipient for specific categories of goods/services.

D. GST is paid after the goods are delivered by the customer.

Answer: C

Q63.

Which of the following is true regarding Input Tax Credit (ITC) under GST?

- A. ITC can be availed for personal expenses incurred by business owners.
- B. ITC is claimed only after receiving goods and services and fulfilling other conditions like payment to supplier within 180 days.
- C. ITC cannot be availed if goods are purchased from another state.
- D. ITC once claimed must be reversed every quarter.

Answer: B

Q64.

Which of the following taxpayers are mandatorily required to file GSTR-9 Annual Return?

- A. Composition scheme dealers
- B. Casual taxable persons
- C. Regular registered taxpayers exceeding turnover of ₹2 crore
- D. Unregistered persons

Answer: C

Q65.

Under Section 80C of the Income Tax Act, which of the following investments is not eligible for deduction?

- A. Public Provident Fund (PPF)
- B. Life Insurance Premium paid for spouse
- C. Fixed Deposit for 1 year in a scheduled bank

D. Equity Linked Saving Scheme (ELSS)

Answer: C

Explanation:

Only tax-saver FDs for 5 years are eligible under 80C.

Q66.

In standard costing, what does Material Usage Variance measure?

- A. Difference between standard and actual price of material.
- B. Difference between standard quantity and actual quantity used, valued at standard price.
- C. The excess cost of purchases above the standard rate.
- D. Efficiency of labor involved in production.

Answer: B

Q67.

In Process Costing, the treatment of abnormal loss is typically:

- A. Included in cost of good units.
- B. Debited to Costing Profit and Loss Account separately.
- C. Ignored and not accounted at all.
- D. Added to overheads and allocated next period.

Answer: B

Q68.

Which of the following industries is most likely to use Job Costing as their primary cost accounting method?

- A. Sugar manufacturing plant

- B. Automobile assembly line
- C. Advertising agency designing custom campaigns
- D. Oil refinery

Answer: C

Q69.

Under Marginal Costing, how is inventory valued for financial reporting?

- A. Total cost (fixed + variable)
- B. Market value at balance sheet date
- C. Variable cost only, excluding fixed manufacturing costs
- D. Cost of replacement or next purchase

Answer: C

Q70.

The Break-Even Point in units can be calculated using which formula?

- A.  $\text{Fixed Cost} \div \text{Selling Price per Unit}$
- B.  $\text{Contribution per Unit} \div \text{Fixed Cost}$
- C.  $\text{Fixed Cost} \div \text{Contribution per Unit}$
- D.  $\text{Fixed Cost} \div (\text{Selling Price} - \text{Profit per unit})$

Answer: C

Q71.

Which of the following is not considered a functional budget?

- A. Sales Budget
- B. Production Budget

- C. Cash Budget
- D. Capital Structure Budget

Answer: D

Q72.

The Escalation Clause in cost accounting contracts is typically applied when:

- A. There's a planned profit escalation over time.
- B. There's an unexpected increase in cost of raw materials or labor during contract period.
- C. There's a budget surplus that must be used before year-end.
- D. The supplier needs to raise delivery timelines.

Answer: B

Q73.

Which of the following is the primary purpose of a Master Budget?

- A. Estimate of expected credit sales only
- B. Consolidated summary of all functional budgets including financial statements
- C. Budget for only top-level executives' compensation
- D. Budget used for taxation planning

Answer: B

Q74.

The main difference between Marginal Costing and Absorption Costing lies in:

- A. Whether selling expenses are included in cost or not.
- B. Treatment of variable and fixed manufacturing overheads.
- C. Use of historical costs versus standard costs.

D. Use of profit vs cash flow method.

Answer: B

Q75.

In Cost Sheet preparation, which of the following would be considered an indirect cost?

- A. Direct material cost
- B. Direct labor cost
- C. Factory rent
- D. Wages paid to machine operator on piece rate

Answer: C

Case 1:

A company manufactures pens. The standard cost of direct material per unit is ₹5, and actual material cost incurred for 1,000 units is ₹5,600. Standard usage = 950 units.

Q76.

What is the Material Usage Variance?

- A. ₹250 (Adverse)
- B. ₹250 (Favorable)
- C. ₹50 (Favorable)
- D. ₹50 (Adverse)

Answer: A

Explanation:

$$(950 - 1,000) \times ₹5 = ₹250 \text{ (Adverse)}$$

Case 2:

During the month, a transport company incurred total expenses of ₹1,50,000. It operated 10 trucks, each running 1,000 km. What is the cost per tonne-km if each truck carries 10 tonnes?

Q77.

- A. ₹1.50
- B. ₹1.25
- C. ₹1.75
- D. ₹2.00

Answer: A

Explanation:

Total km = 10,000; Total tonne-km = 10,000 × 10 = 1,00,000

Cost/tonne-km = ₹1,50,000 ÷ 1,00,000 = ₹1.50

Case 3:

Company A has fixed costs of ₹2,00,000 and contribution per unit is ₹40. Sales achieved = ₹6,00,000, SP/unit = ₹60

Q78.

What is the break-even point in units?

- A. 4,000 units
- B. 5,000 units
- C. 6,000 units
- D. 7,000 units

Answer: B

Explanation:

BEP = Fixed Cost ÷ Contribution per unit = ₹2,00,000 ÷ ₹40 = 5,000 units

Case 4:

A company has following cost info:

Direct material: ₹80

Direct labor: ₹40

Variable overheads: ₹30

Fixed factory overheads: ₹50

Selling expenses: ₹20

Q79.

What is the Total Cost per unit under Absorption Costing?

A. ₹200

B. ₹180

C. ₹220

D. ₹160

Answer: C

Explanation:

Total = ₹80 + ₹40 + ₹30 + ₹50 + ₹20 = ₹220

Case 5:

ABC Ltd earns ₹10 lakhs profit after tax and pays ₹1 lakh as CSR contribution, and ₹2 lakhs for fine imposed by pollution board.



Q80.

How much of this is disallowed under Income Tax?

- A. ₹3 lakhs
- B. ₹2 lakhs
- C. ₹1 lakh
- D. ₹0

Answer: A

Explanation:

Both CSR and fines are disallowed = ₹1L + ₹2L = ₹3L

Q81.

Which of the following best reflects the concept of Working Capital Management in financial operations?

- A. Managing long-term capital investments and financing activities of the firm.
- B. Focusing solely on profits generated from equity funds.
- C. Efficient administration of current assets and current liabilities to ensure liquidity and operational efficiency.
- D. Managing only the fixed assets and capital structure to reduce cost of capital.

Answer: C

Q82.

Which of the following components is excluded while computing Operating Cycle?

- A. Raw Material Holding Period
- B. Finished Goods Holding Period
- C. Debtors Collection Period
- D. Creditors Payment Period

Answer: D

Explanation:

$\text{Operating Cycle} = \text{Inventory Period} + \text{Receivables Period} - \text{Payables Period}$

But Payables are not part of gross cycle; they're deducted for net.

Q83.

Which of the following represents a spontaneous source of finance in working capital?

- A. Short-term bank loan
- B. Public deposits
- C. Credit extended by suppliers (Trade Credit)
- D. Term loan from financial institutions

Answer: C

Q84.

What is the main objective of Zero-Based Budgeting (ZBB)?

- A. To eliminate all fixed costs by starting from scratch.
- B. To prepare budgets based on previous year's figures and adjust for inflation.
- C. To justify every expense as if it were new, without reference to historical data.
- D. To budget using only projected sales figures.

Answer: C

Q85.

Which of the following describes a Rolling Budget?

- A. Budget that once prepared is not revised for the financial year.
- B. A fixed budget created at the beginning and monitored quarterly.
- C. A continuously updated budget, adding a new budget period as the last one ends.

D. A budget used only by multinational corporations in foreign currencies.

Answer: C

Q86.

In Flexible Budgeting, which of the following cost categories change with the level of activity?

- A. Fixed costs only
- B. Semi-variable costs only
- C. Variable costs only
- D. Both variable and semi-variable costs

Answer: D

Q87.

Which of the following is an example of a capital budgeting decision?

- A. Paying salary to employees.
- B. Deciding on the amount of annual dividend.
- C. Choosing between different machines for long-term use.
- D. Borrowing funds to pay off short-term creditors.

Answer: C

Q88.

The Maximum Permissible Bank Finance (MPBF) under Tandon Committee's Second Method is calculated as:

- A. 75% of Net Working Capital
- B. 75% of Working Capital Gap
- C. 25% of Net Current Assets

D. Total Current Assets – Total Liabilities

Answer: B

Q89.

In option contracts, what does a "long call" mean?

- A. The buyer has the right to sell the asset at the strike price.
- B. The seller has the obligation to buy the underlying asset.
- C. The buyer has the right to buy the asset at a pre-agreed price before or on expiry.
- D. The contract must be exercised on the last day of expiry only.

Answer: C

Q90.

A "short put" position in derivatives implies:

- A. The trader is long on the underlying stock.
- B. The trader has sold the right to sell the asset and may face a loss if price falls.
- C. The trader must buy the stock regardless of market conditions.
- D. The position is free of margin requirements.

Answer: B

Q91.

Which of the following is a feature of financial lease?

- A. Ownership always remains with the lessee.
- B. Lease is cancellable at any time without penalty.
- C. Risks and rewards are transferred to lessee for substantial part of the asset's life.
- D. Asset is returned to lessor within 1 year regardless of use.

Answer: C

Q92.

Which of the following types of leases includes involvement of three parties — lessor, lessee, and lender?

- A. Operating Lease
- B. Finance Lease
- C. Sale and Leaseback
- D. Leveraged Lease

Answer: D

Q93.

Under the Capital Asset Pricing Model (CAPM), which type of risk is rewarded?

- A. Market risk (systematic)
- B. Business risk
- C. Political risk
- D. Unsystematic risk

Answer: A

Q94.

Which of the following instruments is not considered a derivative?

- A. Interest Rate Swap
- B. Futures Contract
- C. Equity Share
- D. Currency Option

Answer: C

Q95.

What is a key distinction between Forward Contracts and Futures Contracts?

- A. Forwards are traded on exchange; futures are not.
- B. Futures are standardized and regulated; forwards are customized and traded OTC.
- C. Forward contracts are only used for commodities.
- D. Futures have no margin requirements unlike forwards.

Answer: B

Case 1:

A firm purchases an asset through a finance lease for ₹5,00,000. It will pay ₹1,20,000 annually for 5 years. The present value factor for 5 years at 10% = 3.791.

Q96.

What is the present value of lease payments?

- A. ₹4,54,920
- B. ₹4,60,920
- C. ₹4,30,000
- D. ₹5,00,000

Answer: A

Explanation:  $₹1,20,000 \times 3.791 = ₹4,54,920$

Case 2:

ABC Ltd has the following working capital details:

Current Assets = ₹15,00,000

Current Liabilities = ₹9,00,000

Q97.

What is the Working Capital Requirement as per Tandon's 2nd method?

- A. ₹4,50,000
- B. ₹5,00,000
- C. ₹4,00,000
- D. ₹6,00,000

Answer: A

Explanation:

$$\text{WCG} = ₹15,00,000 - ₹9,00,000 = ₹6,00,000$$

$$\text{MPBF} = 75\% \text{ of } ₹6,00,000 = ₹4,50,000$$

Case 3:

A trader buys a long put option at strike ₹100 by paying a premium of ₹5. Market falls to ₹80.

Q98.

What is the net gain per share?

- A. ₹15
- B. ₹10
- C. ₹20
- D. ₹25

Answer: B

$$\text{Explanation: Gain} = \text{Strike} - \text{Spot} - \text{Premium} = 100 - 80 - 5 = ₹15$$

Case 4:

Company X is evaluating two investment projects:

Project A: Payback = 2.5 years

Project B: Payback = 3 years

Assuming both have equal costs and returns beyond 4 years.

Q99.

Which project is preferable based on Payback Method?

- A. Project A
- B. Project B
- C. Both are equal
- D. Cannot be determined

Answer: A

Case 5:

XYZ Ltd has the following data:

Budgeted Sales: ₹40,00,000

Variable Costs: ₹25,00,000

Fixed Costs: ₹10,00,000

Q100.

What is the Profit-Volume (P/V) Ratio?

- A. 30%
- B. 25%
- C. 37.5%
- D. 50%



Answer: D

Explanation:

Contribution = ₹15,00,000

P/V Ratio = Contribution / Sales =  $15,00,000 \div 40,00,000 = 37.5\%$





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**Madhubanti Ray**

1st attempt RBWM-63  
IE AND FS- 48  
PPB-55  
AFM-62  
THANK YOU P. Shama SIR.



←2 16:20

MR

**SRIKANTH TALWAR**

RBWM:61  
IEIFS:50  
PPB:62  
AFB:54

Thank your Oliveboard team for support and cleared in my first attempt

11:18

ST

**Gau K**

Got 56 in AFM  
Jaiib cleared... 🙏  
Thanks sir ..



←1 15:19

GK

**Utkarsh JAIIB**

Got 55 in RBWM, believe me it was quiet tough Cleared DBF aka Jaiib in 1st attempt

11:22

U

**Manisha Morya**

Thankyou so much sir... Got 58 ..  
thanks for your efforts sir 🙏

←1 15:21

MM

But at the end if concepts are clear its relatively easier

11:23

**Shivani**

Thank you sir AFM 52 cleared

11:40

S



Rbwm was not leaving me for a long time. Thanks to your master batch i cleared it and finally cleared JAIIB sir. Thank you so much



←1 15:36



**Manish Kumar Rawat**

Got 52 sir thanks Rajeev sir

11:42



**Suman Kumari JAIIB**

Thank you, Rajeev Sir, for your guidance and support. I have cleared the exam. Got 59.

11:45

SK

**Priyam Awasthi**

AFM 51 Thankyou Pradhyuman Sir only last 1 week ko de payi thi apke classes or content samjnae ka tarika Etna lazawab hain ki non commerce background hokr bi AFM clear ho gya sir really you are a great mentor big Thankyou Pradhyuman sir



PA

**Arif Sheikh**

Sir got 61 Thank you so much for your efforts formaking us to qualify in rbwm

11:54

AS



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