

JAIIB May 2026

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Memory Based Question

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JAIIB AFM May 2026 Memory Based Paper

Q1. Which of the following best describes a Forensic Audit?

- A) An audit conducted to verify tax compliance
- B) An audit performed to gather evidence admissible in a court of law
- C) An internal audit focused on process efficiency
- D) An audit aimed at detecting errors in financial statements only

Answer: B

Explanation: Forensic Audit is specifically conducted to gather evidence that can be presented in a court of law. It is used in cases of fraud, embezzlement, or financial disputes.

Q2. As per Accounting Standard 26, internally generated goodwill should be:

- A) Capitalized at cost
- B) Amortized over 10 years
- C) Not recognized as an asset
- D) Recognized at fair value

Answer: C

Explanation: AS 26 (Intangible Assets) clearly states that internally generated goodwill shall not be recognized as an asset because it is not an identifiable resource controlled by the enterprise that can be reliably measured at cost.

Q3. Under CAPM, if the risk-free rate is 6%, market return is 12%, and Beta is 1.5, what is the expected return?

- A) 13%
- B) 15%
- C) 18%
- D) 12%

Answer: B

Explanation: Using CAPM: Expected Return = $RF + (RM - RF) \times \text{Beta} = 6\% + (12\% - 6\%) \times 1.5 = 6\% + 9\% = 15\%$.

Q4. An Accommodation Bill is one where:

- A) A commercial transaction takes place between parties
- B) The bill is drawn to finance a trade transaction
- C) No commercial transaction is involved; the bill is drawn to raise funds
- D) The bill is discounted by a foreign bank

Answer: C

Explanation: An Accommodation Bill is drawn not for a genuine trade transaction but purely to raise funds. No actual commercial transaction underlies it. Both parties accommodate each other to obtain credit from banks.

Q5. Prime Cost in cost accounting is calculated as:

- A) Direct Material + Factory Overhead + Selling Expenses
- B) Direct Material + Direct Labour + Direct Expenses

- C) Direct Labour + Factory Overhead
- D) Sales - Gross Profit

Answer: B

Explanation: Prime Cost = Direct Material + Direct Labour + Direct Expenses. It represents the total of all direct costs of production and forms the base for cost sheet preparation.

Q6. Under the Gordon Growth Model, if $D_1 = ₹5$, $P_0 = ₹50$, and growth rate = 4%, the required rate of return is:

- A) 12%
- B) 10%
- C) 14%
- D) 8%

Answer: C

Explanation: Gordon Growth Model: Required Rate = $(D_1/P_0) + g = (5/50) + 0.04 = 0.10 + 0.04 = 0.14 = 14\%$.

Q7. A company earns PAT of ₹10,00,000. It has 80,000 equity shares and 20,000 preference shares with a dividend of ₹2 per share. What is the EPS?

- A) ₹12.00
- B) ₹12.50
- C) ₹11.00
- D) ₹10.00

Answer: A

Explanation: $EPS = (PAT - \text{Preference Dividend}) / \text{No. of Equity Shares} = (10,00,000 - 40,000) / 80,000 = 9,60,000 / 80,000 = ₹12$.

Q8. Which Accounting Standard deals with Contingent Liabilities and Contingent Assets?

- A) AS 26
- B) AS 19
- C) AS 29
- D) AS 15

Answer: C

Explanation: AS 29 deals with Provisions, Contingent Liabilities and Contingent Assets. It prescribes when and how to recognize provisions and disclose contingent items.

Q9. Under Section 135 of the Companies Act, CSR spending is mandated at:

- A) 2% of average net profits of the last 5 years
- B) 1% of turnover of the preceding year
- C) 2% of average net profits of the last 3 financial years
- D) 5% of distributable profits

Answer: C

Explanation: Section 135 of the Companies Act, 2013 mandates companies meeting specified criteria to spend at least 2% of their average net profits of the immediately preceding three financial years on CSR activities.

Q10. In a Bank Reconciliation Statement, if the passbook shows an

overdraft balance of ₹10,000 and a cheque of ₹2,000 issued has not been presented for payment, the balance as per cash book will be:

- A) Overdraft of ₹12,000
- B) Overdraft of ₹8,000
- C) Overdraft of ₹10,000
- D) Credit balance of ₹2,000

Answer: B

Explanation: When a cheque issued has not been presented, the cash book will show a lower overdraft. Cash book OD = Passbook OD - Unpresented cheque = 10,000 - 2,000 = ₹8,000 overdraft.

Q11. The standard income tax deduction under the New Tax Regime for salaried employees is:

- A) ₹50,000
- B) ₹1,00,000
- C) ₹40,000
- D) ₹75,000

Answer: D

Explanation: Under the New Tax Regime, the standard deduction for salaried employees is ₹75,000. Under the Old Tax Regime, it was ₹50,000.

Q12. Under Section 194A of the Income Tax Act, the TDS threshold limit on interest for senior citizens is:

- A) ₹10,000
- B) ₹40,000
- C) ₹50,000
- D) ₹1,00,000

Answer: D

Explanation: Section 194A provides that TDS on interest (other than interest on securities) is deductible above ₹50,000 for normal taxpayers and ₹1,00,000 for senior citizens.

Q13. The intrinsic value of a bond with face value ₹1,000, coupon rate 12%, discount rate 10%, and 5-year maturity is approximately:

- A) ₹1,075.82
- B) ₹1,000.00
- C) ₹950.00
- D) ₹1,025.00

Answer: A

Explanation: Bond Value = PV of coupons + PV of face value. Annual coupon = ₹120. PV of annuity (5 yrs, 10%) = 3.7908; PV of face value = $1000/1.1^5 = 620.92$. Value = $120 \times 3.7908 + 620.92 \approx 454.90 + 620.92 = ₹1,075.82$.

Q14. Which of the following is a 'Plain Vanilla' financial instrument?

- A) Interest Rate Swap with exotic features
- B) Standard fixed-rate bond with no embedded options
- C) Convertible debenture
- D) Callable bond

Answer: B

Explanation: Plain Vanilla instruments are the most basic or standard versions of

financial instruments with no special or unusual features. A standard fixed-rate bond is a classic example.

Q15. Zero Based Budgeting (ZBB) differs from traditional budgeting because:

- A) It uses last year's budget as a base
- B) It only considers capital expenditure
- C) Every expense must be justified from scratch for each new period
- D) It focuses only on variable costs

Answer: C

Explanation: In Zero Based Budgeting, every activity is re-evaluated every year and budgets are built from zero. Unlike traditional incremental budgeting, no prior year figures are taken as a base.

Q16. Under Marginal Costing, fixed costs are treated as:

- A) Product cost and included in inventory valuation
- B) Period cost and charged to the profit and loss account in full
- C) Deferred cost carried forward to the next period
- D) Part of prime cost

Answer: B

Explanation: Under Marginal Costing, fixed costs are treated as period costs and are written off entirely to the Profit & Loss Account in the period they are incurred. They are not included in product/inventory valuation.

Q17. A Deferred Payment Guarantee (DPG) is typically issued for:

- A) Guaranteeing payment of import duties
- B) Guaranteeing payments as per a submitted schedule for deferred credit transactions
- C) Guaranteeing export advances
- D) Guaranteeing the performance of a contractor

Answer: B

Explanation: A Deferred Payment Guarantee (DPG) is issued by a bank on behalf of its customer to guarantee payment of instalments under a deferred payment arrangement, typically for machinery imports or capital goods.

Q18. Under the Reverse Charge Mechanism (RCM) in GST, if the seller is unregistered and the buyer is registered, who pays GST?

- A) Seller pays GST to the government
- B) Both buyer and seller pay 50% each
- C) Buyer pays GST directly to the government
- D) No GST is applicable in such a case

Answer: C

Explanation: Under RCM, when goods/services are supplied by an unregistered person to a registered person, the liability to pay GST shifts to the registered recipient (buyer), who pays it directly to the government.

Q19. The Debt Service Coverage Ratio (DSCR) is calculated as:

- A) Net Profit / Total Debt
- B) EBIT / (Principal Repayment + Interest)
- C) Gross Profit / EMI
- D) Net Cash Flows / Interest Expense

Answer: B

Explanation: $DSCR = \frac{EBIT}{\text{Principal Repayment} + \text{Interest Payment}}$. A DSCR above 1 indicates the borrower has sufficient income to cover debt obligations. It is a key credit appraisal metric.

Q20. Under Absorption Costing as compared to Marginal Costing, the profit will be higher when:

- A) Production equals sales
- B) Sales exceed production
- C) Production exceeds sales (closing stock > opening stock)
- D) Fixed costs are higher than variable costs

Answer: C

Explanation: Under Absorption Costing, fixed overheads are included in inventory. When production exceeds sales (i.e., closing stock > opening stock), some fixed costs are carried forward in inventory, resulting in higher profit than Marginal Costing.

Q21. Section 63 of the Companies Act, 2013 deals with:

- A) Buyback of shares
- B) Issue of bonus shares
- C) Issue of shares at a discount
- D) Preferential allotment

Answer: B

Explanation: Section 63 of the Companies Act, 2013 specifically deals with the issue of Bonus Shares. A company may issue fully paid-up bonus shares from its free reserves, securities premium account, or capital redemption reserve account.

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Q22. Which of the following correctly represents the accounting treatment for forfeiture of shares?

- A) Dr Share Capital, Cr Calls in Arrears, Cr Forfeited Shares Account
- B) Dr Calls in Arrears, Cr Share Capital
- C) Dr Forfeited Shares Account, Cr Share Capital
- D) Dr Share Capital, Cr Bank Account

Answer: A

Explanation: On forfeiture: Dr Share Capital A/c (with called-up amount), Cr Calls in Arrears A/c (unpaid amount), Cr Forfeited Shares A/c (amount already received). This cancels the shares and credits received amounts to forfeiture.

Q23. Expected Credit Loss (ECL) model is prescribed under:

- A) AS 13
- B) Ind AS 109 / IFRS 9
- C) AS 30
- D) Ind AS 32

Answer: B

Explanation: The Expected Credit Loss (ECL) model is prescribed under Ind AS 109 (equivalent to IFRS 9). It requires entities to recognise credit losses based on expected future losses rather than incurred losses.

Q24. A Suspense Account is opened when:

- A) There is an error of principle in the books
- B) The trial balance does not tally and the difference is temporarily placed in a suspense account
- C) A compensating error is detected
- D) All errors have been located and corrected

Answer: B

Explanation: A Suspense Account is a temporary account opened to make the trial balance agree when it does not tally. The difference is posted to the suspense account until the one-sided errors are found and corrected.

Q25. Under Ind AS 107, which of the following disclosures are required?

- A) Only quantitative disclosures about financial instruments
- B) Significance of financial instruments for financial position and performance, and nature and extent of risks arising from them
- C) Only disclosures about derivative instruments
- D) Disclosure of hedging transactions only

Answer: B

Explanation: Ind AS 107 (Financial Instruments: Disclosures) requires entities to disclose the significance of financial instruments for their financial position/performance, AND the nature and extent of risks (credit, liquidity, market risks) arising from those instruments.

Q26. If the PE ratio is 15 and EPS is ₹20, what is the market price of the share?

- A) ₹250
- B) ₹300
- C) ₹200
- D) ₹350

Answer: B

Explanation: Market Price = PE Ratio \times EPS = 15 \times ₹20 = ₹300. The PE ratio indicates how much investors are willing to pay per rupee of earnings.

Q27. Inventory Turnover Ratio is calculated as:

- A) Net Sales / Closing Inventory
- B) Cost of Goods Sold / Average Inventory
- C) Gross Profit / Average Inventory
- D) Sales / Opening Inventory

Answer: B

Explanation: Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory (where Average Inventory = Opening Stock + Closing Stock / 2). It measures how efficiently a company manages its inventory.

Q28. In a Finance Lease, as per accounting standards, the asset is recognized in the books of:

- A) Lessor, as the owner retains title
- B) Lessee, as substantially all risks and rewards are transferred
- C) Both lessor and lessee equally
- D) Neither, it remains off-balance-sheet

Answer: B

Explanation: In a Finance Lease, substantially all risks and rewards incidental to ownership are transferred to the lessee. Therefore, the asset is capitalized in the lessee's books, not the lessor's, even though legal title may not transfer.

Q29. Under WDV (Written Down Value) method, depreciation is charged on:

- A) Original cost every year
- B) Replacement cost of the asset
- C) Book value (cost less accumulated depreciation) at the beginning of each year
- D) Average of opening and closing book value

Answer: C

Explanation: Under the WDV method, depreciation is calculated on the book value (written down value) at the beginning of each year, not on the original cost. As a result, depreciation amount decreases year after year.

Q30. In an Arbitrage strategy involving forex, an investor borrows in Country A at 5% and invests in Country B at 9%. The net theoretical gain is approximately:

- A) 14%
- B) 5%
- C) 9%
- D) 4%

Answer: D

Explanation: In interest rate arbitrage, the net gain = Return from high-interest country - Cost of borrowing in low-interest country = 9% - 5% = 4% (before transaction costs and exchange rate adjustments).

Q31. The Debtor Turnover Ratio formula is:

- A) Total Sales / Average Debtors

- B) Credit Sales / Average Debtors
- C) Credit Purchases / Average Creditors
- D) Net Profit / Total Debtors

Answer: B

Explanation: Debtor Turnover Ratio = Net Credit Sales / Average Trade Debtors. It indicates how many times trade debtors are collected during an accounting period. Higher ratio means faster collection.

Q32. Under the Going Concern concept in accounting, it is assumed that:

- A) The business will be liquidated in the near future
- B) The business will continue operations for the foreseeable future
- C) Assets should be valued at market price each year
- D) All liabilities must be paid within one year

Answer: B

Explanation: The Going Concern concept assumes that the business entity will continue to operate indefinitely into the future. It justifies carrying assets at cost (not liquidation value) and spreading expenses over their useful life.

Q33. Capital Expenditure differs from Revenue Expenditure in that:

- A) Capital expenditure is charged to P&L in the current year
- B) Capital expenditure provides benefit for more than one accounting period and is capitalized
- C) Revenue expenditure is recorded in the Balance Sheet
- D) Both are treated the same way in accounts

Answer: B

Explanation: Capital Expenditure provides benefits extending beyond the current accounting period and is capitalized as an asset on the Balance Sheet. Revenue Expenditure is incurred for current period operations and is charged to the P&L Account.

Q34. For a Zero Coupon Bond with face value ₹10,000 maturing in 5 years, at a discount rate of 8%, the present value is approximately:

- A) ₹6,000
- B) ₹6,806
- C) ₹7,500
- D) ₹8,000

Answer: B

Explanation: PV of Zero Coupon Bond = Face Value / $(1 + r)^n = 10,000 / (1.08)^5 = 10,000 / 1.4693 \approx ₹6,806$. Zero coupon bonds pay no periodic interest and are issued at a deep discount.

Q35. Under Schedule III of the Companies Act, the Balance Sheet format requires classification of assets as:

- A) Fixed and Current Assets only
- B) Non-current Assets, Current Assets, and Miscellaneous Expenditure
- C) Tangible, Intangible, and Financial Assets
- D) Short-term and Long-term Assets

Answer: B

Explanation: Schedule III of the Companies Act, 2013 requires the Balance Sheet to present assets in two main categories: Non-Current Assets and Current Assets. Earlier formats also included Miscellaneous Expenditure under the older

Companies Act.

Q36. In the cash flow statement, interest paid by a financial institution (bank) is classified under:

- A) Investing Activities only
- B) Financing Activities only
- C) Operating Activities, as it relates to the primary business
- D) It can be disclosed separately as per entity policy

Answer: C

Explanation: For financial institutions (banks), interest paid is classified under Operating Activities because lending and borrowing at interest is their primary business activity, unlike manufacturing companies where it may be classified under Financing Activities.

Q37. An error of principle arises when:

- A) A transaction is recorded twice in the books
- B) A wrong amount is posted to the correct account
- C) A transaction is recorded in the wrong class of account (e.g., capital vs revenue)
- D) An account is totaled incorrectly

Answer: C

Explanation: An Error of Principle occurs when a transaction is recorded contrary to the fundamental principles of accounting — for example, recording a capital expenditure as a revenue expense. Such errors do not affect trial balance agreement.

Q38. A bill of exchange is discounted by a bank for the drawer. What is the accounting entry in the books of the bank?

- A) Dr Bills Discounted A/c, Cr Customer A/c (net of discount)
- B) Dr Customer A/c, Cr Bills Payable A/c
- C) Dr Cash/Bank A/c, Cr Discount Income A/c
- D) Dr Bills Purchased & Discounted A/c, Cr Customer's Current A/c (net amount) and Cr Discount/Interest A/c (discount)

Answer: D

Explanation: When a bank discounts a bill, it debits 'Bills Purchased & Discounted A/c' with the face value, credits the customer's account with the net (discounted) amount, and credits Discount/Interest Income with the discount charged.

Q39. The concept of Agency Conflict in corporate finance refers to:

- A) Disputes between government agencies and companies
- B) Conflict between promoters and external auditors
- C) Conflict of interest between shareholders (principals) and managers (agents)
- D) Conflict between debtors and creditors of a company

Answer: C

Explanation: Agency Conflict (or Agency Problem) arises when there is a divergence of interest between the principals (shareholders) and agents (managers). Managers may pursue personal goals at the cost of shareholder wealth maximization.

Q40. Cumulative Preference Shares differ from Non-cumulative Preference Shares in that:

- A) Cumulative preference shareholders get higher voting rights
- B) Unpaid dividends on cumulative preference shares accumulate and must be paid before any equity dividend
- C) Cumulative preference shareholders can convert to equity any time
- D) Cumulative preference shares carry a fixed redemption date only

Answer: B

Explanation: In Cumulative Preference Shares, if dividends are not paid in a year due to insufficient profits, they accumulate (called 'arrear of dividend') and must be paid out in future years before any dividend is paid to equity shareholders.

Q41. Section 80E of the Income Tax Act provides deduction for:

- A) Repayment of housing loan principal
- B) Interest paid on education loan for higher studies
- C) Medical insurance premium
- D) Donation to charitable institutions

Answer: B

Explanation: Section 80E allows deduction for interest paid on loans taken for higher education (for self, spouse, children, or student for whom the taxpayer is the legal guardian). The deduction is available for a maximum of 8 years.



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Q42. Forward points in a forex quote are used to:

- A) Determine spot exchange rates
- B) Adjust the spot rate to arrive at the forward exchange rate
- C) Calculate interest on foreign currency deposits
- D) Determine the minimum reserve requirements

Answer: B

Explanation: Forward Points represent the difference between the spot rate and the forward rate for a currency pair. They are added to or subtracted from the spot rate to arrive at the forward exchange rate, reflecting the interest rate differential between two countries.

Q43. Which of the following costs would be included in 'Multiple Costing' as applied to an assembly-type business?

- A) Only the cost of the final assembled product
- B) Cost of individual components plus assembly costs
- C) Only direct labour costs of assembly
- D) Only costs incurred after assembly

Answer: B

Explanation: Multiple Costing (also called Composite Costing) is used where a product is assembled from different components. It combines the cost of manufacturing individual components plus the cost of assembling them into a final product.

Q44. Under NPA Provisioning, a Sub-Standard Asset (outstanding for up to 12 months after becoming NPA) requires provisioning of:

- A) 10% on secured and 25% on unsecured exposures
- B) 100% of the outstanding balance
- C) 5% provisioning uniformly
- D) 50% on secured and 100% on unsecured

Answer: A

Explanation: For Sub-Standard Assets (up to 12 months as NPA), RBI guidelines require 10% provisioning on secured exposures and 25% on unsecured exposures. Doubtful and Loss assets attract higher provisioning requirements.

Q45. Accounting Standard 19 (AS 19) deals with:

- A) Accounting for Investments
- B) Leases
- C) Provisions and Contingent Liabilities
- D) Revenue Recognition

Answer: B

Explanation: AS 19 deals with Leases. It prescribes accounting policies and disclosures for both Finance Leases and Operating Leases, applicable in the books of both lessors and lessees.

Q46. A Promissory Note differs from a Bill of Exchange because:

- A) A promissory note involves three parties
- B) A promissory note is an unconditional promise to pay by the maker to the payee; there is no need for acceptance
- C) A bill of exchange is always payable on demand
- D) A promissory note requires a drawer and drawee

Answer: B

Explanation: A Promissory Note contains an unconditional promise to pay by the maker (debtor) and involves only two parties (maker and payee). A Bill of Exchange involves three parties (drawer, drawee, payee) and requires acceptance by the drawee.

Q47. Risk-Based Internal Audit focuses primarily on:

- A) Checking arithmetical accuracy of all vouchers
- B) Audit of high-risk areas that have the greatest potential for loss or non-compliance
- C) Physical verification of all assets annually
- D) Tax audit procedures

Answer: B

Explanation: Risk-Based Internal Audit (RBIA) prioritises audit resources on areas with the highest risk exposure. It evaluates the adequacy and effectiveness of internal controls in high-risk business processes rather than adopting a uniform approach.

Q48. Gross Profit in a Trading Account is calculated as:

- A) Net Sales - Total Expenses
- B) Net Sales - Cost of Goods Sold (Opening Stock + Purchases - Closing Stock)
- C) Total Revenue - Operating Expenses - Tax
- D) Sales - Direct Labour Cost only

Answer: B

Explanation: Gross Profit = Net Sales - Cost of Goods Sold. COGS = Opening Stock + Net Purchases + Direct Expenses - Closing Stock. The Trading Account reveals the Gross Profit/Loss before deducting indirect expenses.

Q49. Unearned Income received in advance is recorded in the Balance Sheet as:

- A) An asset under Current Assets
- B) A liability under Current Liabilities (Income received in advance)
- C) Credited directly to Reserves and Surplus
- D) Offset against the related expense

Answer: B

Explanation: Unearned income (income received in advance) represents an obligation to provide goods/services in future. It is classified as a Current Liability in the Balance Sheet until the service is rendered or the period elapses.

Q50. Securities premium collected by a company under Section 52 of the Companies Act may be used for:

- A) Payment of dividends to shareholders
- B) Meeting revenue losses of the company
- C) Writing off preliminary expenses, issue expenses, or providing for premium on redemption of debentures/preference shares
- D) Any general corporate purpose decided by the Board

Answer: C

Explanation: Section 52 of the Companies Act, 2013 restricts the use of Securities Premium Account. It can only be used for specified purposes: issuing bonus shares, writing off preliminary/issue expenses, providing for premium

payable on redemption of debentures or preference shares.

Q51. A machine costs ₹1,00,000 with a useful life of 5 years and no residual value. Under WDV method at 20%, what is the depreciation in Year 2?

- A) ₹20,000
- B) ₹16,000
- C) ₹18,000
- D) ₹14,000

Correct Answer: B

Explanation: Year 1 depreciation = $20\% \times 1,00,000 = ₹20,000$. WDV at end of Year 1 = ₹80,000. Year 2 depreciation = $20\% \times 80,000 = ₹16,000$. Under WDV, depreciation is on the reducing book value each year.

Q52. What is the EMI for a loan of ₹1,00,000 at 12% p.a. (1% per month) for 12 months? (Annuity factor for 1%, 12 periods = 11.2551)

- A) ₹8,333
- B) ₹9,456
- C) ₹8,885
- D) ₹10,000

Correct Answer: C

Explanation: EMI = Loan Amount / Annuity Factor = $1,00,000 / 11.2551 \approx ₹8,885$. The annuity factor (PVIFA) is used to determine the equated monthly instalment for a given loan, rate, and tenure.

Q53. A population of 10 lakh grows at a compound rate of 5% per annum. What will it be after 2 years?

- A) 11,00,000
- B) 11,02,500
- C) 11,05,000
- D) 10,50,000

Correct Answer: B

Explanation: Compound Growth = $10,00,000 \times (1.05)^2 = 10,00,000 \times 1.1025 = 11,02,500$. Compound growth applies interest on the accumulated amount each period, unlike simple interest.

Q54. Forward rate is calculated from spot rate using forward points. If spot rate is ₹82.50/\$ and forward points are +0.75, what is the forward rate?

- A) ₹81.75/\$
- B) ₹83.25/\$
- C) ₹82.50/\$
- D) ₹82.75/\$

Correct Answer: B

Explanation: Forward Rate = Spot Rate + Forward Points = $82.50 + 0.75 = ₹83.25/\$$. Positive forward points indicate the forward currency is at a premium, reflecting the interest rate differential between the two countries.

Q55. Under Marginal Costing, if Fixed Cost = ₹50,000, Selling Price per unit = ₹30, Variable Cost per unit = ₹20, what is the Break-Even Point (in units)?

- A) 1,667 units
- B) 5,000 units
- C) 2,500 units

D) 3,000 units

Correct Answer: B

Explanation: Contribution per unit = SP - VC = 30 - 20 = ₹10. BEP (units) = Fixed Cost / Contribution per unit = 50,000 / 10 = 5,000 units. At BEP, total contribution equals fixed costs and profit is zero.

Q56. Section 43 of the Companies Act, 2013 deals with:

- A) Issue of debentures
- B) Kinds of share capital — equity and preference shares
- C) Buyback of shares
- D) Reduction of share capital

Correct Answer: B

Explanation: Section 43 of the Companies Act, 2013 defines and classifies share capital into two types: Equity Share Capital and Preference Share Capital. It also defines the rights attached to each class of shares.

Q57. The Sales Book is a type of:

- A) Principal Book
- B) Subsidiary Book (Book of Original Entry)
- C) Ledger Account
- D) Balance Sheet item

Correct Answer: B

Explanation: The Sales Book (Sales Day Book) is a Subsidiary Book (also called Book of Original Entry or Sub-journal). It records all credit sales of goods. Cash sales are recorded in the Cash Book, not the Sales Book.

Q58. Under IFRS 9 / Ind AS 109, the three-stage ECL model classifies financial assets based on:

- A) Asset size and borrower's income
- B) Significant increase in credit risk since initial recognition
- C) Geography of the borrower
- D) Type of collateral pledged

Correct Answer: B

Explanation: Ind AS 109 / IFRS 9 classifies financial assets into 3 stages based on whether there has been a significant increase in credit risk since origination: Stage 1 (no significant increase), Stage 2 (significant increase), Stage 3 (credit-impaired/NPA). ECL recognition differs for each stage.

Q59. What is the Audit Risk formula?

- A) Audit Risk = Inherent Risk + Control Risk + Detection Risk
- B) Audit Risk = Inherent Risk × Control Risk × Detection Risk
- C) Audit Risk = Detection Risk / (Inherent Risk × Control Risk)
- D) Audit Risk = Control Risk + Detection Risk

Correct Answer: B

Explanation: Audit Risk = Inherent Risk × Control Risk × Detection Risk. Inherent risk is the susceptibility to material misstatement; control risk is the failure of internal controls; detection risk is the auditor failing to detect a misstatement. All three multiply to give overall audit risk.

Q60. In a Forward Transaction used for hedging forex risk, the key benefit is:

- A) Speculative profit from currency movements
- B) Locking in a fixed exchange rate today for a future transaction, eliminating exchange rate uncertainty

- C) Earning interest on foreign currency deposits
- D) Avoiding RBI reporting requirements

Correct Answer: B

Explanation: A Forward Transaction (Forward Contract) in forex is used for hedging. Its key benefit is locking in a fixed exchange rate today for a future transaction, thus eliminating exchange rate uncertainty for importers and exporters.

Q61. Debtor Turnover Ratio of a company is 6 times. What is the Average Collection Period (in days, assume 360-day year)?

- A) 45 days
- B) 60 days
- C) 72 days
- D) 30 days

Correct Answer: B

Explanation: Average Collection Period = $360 / \text{Debtor Turnover Ratio} = 360 / 6 = 60$ days. It indicates the average number of days a company takes to collect its receivables. A lower collection period reflects better credit management.

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Q62. A company's EBIT is ₹5,00,000. Annual loan repayment (principal + interest) = ₹4,00,000. What is the DSCR and is it satisfactory?

- A) DSCR = 1.25; satisfactory as it is above 1
- B) DSCR = 0.80; not satisfactory as it is below 1
- C) DSCR = 1.50; satisfactory
- D) DSCR = 2.00; highly satisfactory

Correct Answer: A

Explanation: $DSCR = EBIT / Debt\ Service = 5,00,000 / 4,00,000 = 1.25$. A DSCR above 1 means the entity generates sufficient income to service its debt. A DSCR of 1.25 is considered satisfactory (minimum acceptable is usually 1.0 to 1.5).

Q63. Golden Rule for Nominal Accounts states:

- A) Debit the receiver, Credit the giver
- B) Debit what comes in, Credit what goes out
- C) Debit all expenses and losses, Credit all incomes and gains
- D) Debit the asset, Credit the liability

Correct Answer: C

Explanation: The Golden Rule for Nominal Accounts (relating to incomes, expenses, gains, and losses) is: Debit all expenses and losses, Credit all incomes and gains. This forms the basis for recording all P&L related transactions.

Q64. Opening Stock = ₹40,000; Purchases = ₹2,60,000; Direct Expenses = ₹20,000; Closing Stock = ₹50,000; Sales = ₹4,00,000. What is the Gross Profit?

- A) ₹1,30,000
- B) ₹1,40,000
- C) ₹1,20,000
- D) ₹1,50,000

Correct Answer: A

Explanation: $COGS = Opening\ Stock + Purchases + Direct\ Expenses - Closing\ Stock = 40,000 + 2,60,000 + 20,000 - 50,000 = ₹2,70,000$. $Gross\ Profit = Sales - COGS = 4,00,000 - 2,70,000 = ₹1,30,000$.

Question 65: Under AS 26, an intangible asset should be amortised over its:

- A) Minimum 10 years irrespective of useful life
- B) Useful life, with a rebuttable presumption that it does not exceed 10 years
- C) Maximum 40 years as per management decision
- D) 5 years mandatorily under all circumstances

Correct Answer: B

Explanation: AS 26 requires intangible assets to be amortised over their useful economic life. There is a rebuttable presumption that the useful life does not exceed 10 years from the date of availability for use. If a longer life is justified, disclosure is required.

Q66. An Operating Lease differs from a Finance Lease in that:

- A) The lessee records the asset in an operating lease
- B) In an operating lease, the lessor retains substantially all risks and rewards; lease rentals are expensed by the lessee
- C) Operating lease is always for the full economic life of the asset
- D) Operating leases are only for intangible assets

Correct Answer: B

Explanation: In an Operating Lease, the lessor retains substantially all risks and rewards of ownership. The lessee simply charges the lease rentals as an expense

in the P&L Account. No asset or liability is recognised in the lessee's balance sheet under AS 19.

Q67. If Inventory Turnover Ratio = 4 times and Cost of Goods Sold = ₹8,00,000, what is the Average Inventory?

- A) ₹1,00,000
- B) ₹4,00,000
- C) ₹2,00,000
- D) ₹3,00,000

Correct Answer: C

Explanation: Average Inventory = COGS / Inventory Turnover Ratio = 8,00,000 / 4 = ₹2,00,000. The inventory turnover ratio measures how many times the average inventory is sold and replaced during the year.

Q68. Under the Annuity concept, the Present Value of ₹10,000 received annually for 3 years at a discount rate of 10% (PVIFA = 2.4869) is:

- A) ₹30,000
- B) ₹27,232
- C) ₹24,869
- D) ₹25,000

Correct Answer: C

Explanation: PV of Annuity = Annual Cash Flow × PVIFA = 10,000 × 2.4869 = ₹24,869. An annuity is a series of equal cash flows over equal time intervals. PVIFA (Present Value Interest Factor of Annuity) is the sum of individual discount factors.

Q69. Which of the following is NOT a correct use of the Securities Premium Account under Section 52 of the Companies Act, 2013?

- A) Issuing fully paid bonus shares to members
- B) Writing off underwriting commission on issue of shares
- C) Paying cash dividends to equity shareholders
- D) Providing for premium payable on redemption of preference shares

Correct Answer: C

Explanation: Section 52 restricts the use of Securities Premium Account to specific purposes: issuing bonus shares, writing off preliminary/issue expenses, providing for premium on redemption of preference shares or debentures. It cannot be used for paying cash dividends.

Q70. Under the CSR provisions (Section 135), which companies are mandatorily required to constitute a CSR Committee?

- A) All listed companies regardless of net worth or profit
- B) Companies with net worth ≥ ₹500 crore, or turnover ≥ ₹1,000 crore, or net profit ≥ ₹5 crore in the preceding financial year
- C) Only public sector undertakings
- D) Companies with paid-up capital exceeding ₹10 crore

Correct Answer: B

Explanation: Section 135 of the Companies Act, 2013 applies to companies having net worth of ₹500 crore or more, OR turnover of ₹1,000 crore or more, OR net profit of ₹5 crore or more during the immediately preceding financial year. Such companies must constitute a CSR Committee and spend 2% of average net profits.

71. A 6-year bond with a face value of ₹1,000 carries a coupon rate of 10% per annum. If the required rate of return is 12%, what is the

intrinsic (present) value of the bond? (Annuity factor @ 12% for 6 years = 4.111; PVF @ 12% for 6 years = 0.507)

- A) ₹917.80
- B) ₹958.00
- C) ₹882.10
- D) ₹930.50

Correct Answer: A) ₹917.80

Explanation: Bond Value = Coupon \times PVIFA + Face Value \times PVF = $100 \times 4.111 + 1000 \times 0.507 = 411.10 + 507.00 = ₹918.10 \approx ₹917.80$. When the discount rate exceeds coupon rate, the bond trades at a discount to face value.

72. A company earns a PAT of ₹18,00,000. It has 1,00,000 equity shares of ₹10 each and 50,000 10% preference shares of ₹100 each. What is the Earnings Per Share (EPS)?

- A) ₹18.00
- B) ₹13.00
- C) ₹15.00
- D) ₹12.00

Correct Answer: B) ₹13.00

Explanation: Preference Dividend = $50,000 \times 100 \times 10\% = ₹5,00,000$.
Earnings available to equity = $₹18,00,000 - ₹5,00,000 = ₹13,00,000$.
EPS = $₹13,00,000 / 1,00,000 = ₹13.00$ per share.

73. Using the Gordon Growth Model, calculate the market price of a share if the expected dividend (D1) is ₹8, the required rate of return (Ke) is 14%, and the growth rate (g) is 6%.

- A) ₹80
- B) ₹57.14
- C) ₹100
- D) ₹133.33

Correct Answer: C) ₹100

Explanation: Gordon Model: $P_0 = D_1 / (K_e - g) = 8 / (0.14 - 0.06) = 8 / 0.08 = ₹100$. The Gordon Growth Model is used for constant-growth dividend-paying stocks.

74. According to CAPM, calculate the expected return of a stock with Beta = 1.4, Risk-Free Rate = 7%, and Market Return = 13%.

- A) 15.40%
- B) 18.20%
- C) 14.60%
- D) 16.80%

Correct Answer: A) 15.40%

Explanation: CAPM: Expected Return = $R_f + \beta \times (R_m - R_f) = 7 + 1.4 \times (13 - 7) = 7 + 1.4 \times 6 = 7 + 8.4 = 15.40\%$. A Beta > 1 means the stock is more volatile than the market.

75. An investment of ₹10,00,000 is made today. The population of a city today is 10 lakh and grows at 8% per annum compound. What will the

population be after 2 years?

- A) 11,60,000
- B) 11,66,400
- C) 12,00,000
- D) 11,80,000

Correct Answer: B) 11,66,400

Explanation: Compound Growth: Population = $10,00,000 \times (1.08)^2 = 10,00,000 \times 1.1664 = 11,66,400$. This is the standard compound interest/growth formula applied to population dynamics.

76. The Spot USD/INR rate is ₹83.00. The forward points for 3 months are +0.75 (premium on USD). What is the 3-month forward rate?

- A) ₹82.25
- B) ₹83.75
- C) ₹84.50
- D) ₹83.00

Correct Answer: B) ₹83.75

Explanation: Forward Rate = Spot Rate + Forward Points = $83.00 + 0.75 = ₹83.75$. Positive forward points indicate the USD is at a premium, meaning it costs more INR to buy USD in the forward market.

77. A trader in India can borrow at 9% p.a. and deposit in USD at 5% p.a. The spot USD/INR is ₹82. If the 1-year forward rate is ₹86, is there an arbitrage opportunity?

- A) No arbitrage, rates are balanced
- B) Yes, borrow INR, convert to USD, deposit, and sell forward
- C) Yes, borrow USD, convert to INR, deposit in India
- D) Insufficient data to decide

Correct Answer: B) Yes, borrow INR, convert to USD, deposit, and sell forward

Explanation: Borrow ₹82 at 9% → repay ₹89.38. Convert to USD at spot = \$1. Invest at 5% → \$1.05. Sell forward at ₹86 → ₹90.30. Profit = ₹90.30 – ₹89.38 = ₹0.92 (positive arbitrage profit exists).

78. Compute the Debt Service Coverage Ratio (DSCR) for a firm with EBIT of ₹12,00,000, Depreciation ₹2,00,000, Taxes ₹3,00,000, and EMI (annual) ₹7,00,000.

- A) 1.57
- B) 2.14
- C) 1.86
- D) 1.71

Correct Answer: A) 1.57

Explanation: Net Cash Profit = EBIT + Depreciation – Taxes = $12,00,000 + 2,00,000 - 3,00,000 = ₹11,00,000$. DSCR = Net Cash Profit / EMI = $11,00,000 / 7,00,000 = 1.57$. A DSCR above 1 indicates adequate debt repayment capacity.

79. From the following data, calculate the Inventory Turnover Ratio: Net

Sales = ₹15,00,000; Gross Profit Ratio = 20%; Opening Stock = ₹1,20,000; Closing Stock = ₹1,80,000.

- A) 8 times
- B) 10 times
- C) 12 times
- D) 6 times

Correct Answer: A) 8 times

Explanation: $\text{COGS} = \text{Sales} \times (1 - \text{GP}\%) = 15,00,000 \times 0.80 = ₹12,00,000$.
 $\text{Average Inventory} = (1,20,000 + 1,80,000)/2 = ₹1,50,000$.
 $\text{Inventory Turnover} = \text{COGS} / \text{Avg Inventory} = 12,00,000 / 1,50,000 = 8 \text{ times}$.

80. A firm's credit sales are ₹36,00,000 and the debtors at the end of the year are ₹3,00,000. What is the Debtor Turnover Ratio and average collection period (assume 360 days)?

- A) 12 times; 30 days
- B) 10 times; 36 days
- C) 9 times; 40 days
- D) 15 times; 24 days

Correct Answer: A) 12 times; 30 days

Explanation: $\text{Debtor Turnover} = \text{Credit Sales} / \text{Debtors} = 36,00,000 / 3,00,000 = 12 \text{ times}$.
 $\text{Average Collection Period} = 360 / 12 = 30 \text{ days}$. A higher turnover indicates faster collection of receivables.

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81. A company purchased machinery worth ₹5,00,000 with a salvage value of ₹50,000. Using the Written Down Value (WDV) method at 20%, what is the depreciation charge in the 2nd year?

- A) ₹90,000
- B) ₹80,000
- C) ₹1,00,000
- D) ₹72,000

Correct Answer: B) ₹80,000

Explanation: Year 1 Depreciation = $5,00,000 \times 20\% = ₹1,00,000$. WDV after Year 1 = ₹4,00,000. Year 2 Depreciation = $4,00,000 \times 20\% = ₹80,000$. WDV method applies the rate to the book value, not original cost.

82. Which of the following correctly describes the treatment of 'Interest Paid' in a Cash Flow Statement as per Ind AS 7 for a non-financial company?

- A) Always classified under Financing Activities
- B) Always classified under Operating Activities
- C) Can be classified under Operating or Financing Activities
- D) Classified under Investing Activities only

Correct Answer: C) Can be classified under Operating or Financing Activities

Explanation: As per Ind AS 7, interest paid can be classified as Operating Activities (as it affects net profit) or Financing Activities (as it is a cost of obtaining financial resources). The entity must disclose the policy adopted and apply it consistently.

83. Under Accounting Standard 29, a contingent liability should be:

- A) Always recognised and provided for in the Balance Sheet
- B) Disclosed in notes only if outflow of resources is probable
- C) Ignored completely as it is not a present obligation
- D) Disclosed in notes when outflow is possible but not probable

Correct Answer: D) Disclosed in notes when outflow is possible but not probable

Explanation: AS 29 distinguishes provisions (recognised when outflow is probable) from contingent liabilities (disclosed in notes when possible but not probable). Contingent liabilities are not recognised in the financial statements.

84. Goodwill is to be amortised over its useful life under which accounting framework in India?

- A) Ind AS 38
- B) AS 26
- C) Ind AS 103
- D) AS 10

Correct Answer: B) AS 26

Explanation: Under AS 26 (applicable to non-Ind AS companies), intangible assets including goodwill are amortised over their useful life (not exceeding 10 years). Under Ind AS 103, goodwill on consolidation is not amortised but tested annually for impairment.

85. A bill of exchange for ₹2,00,000 is discounted by a bank at 12% p.a. for 3 months. What is the amount credited to the customer's account?

- A) ₹1,94,000
- B) ₹1,76,000
- C) ₹1,98,000
- D) ₹1,92,000

Correct Answer: A) ₹1,94,000

Explanation: Discount = Face Value × Rate × Time = 2,00,000 × 12% × 3/12 = ₹6,000. Amount credited = 2,00,000 – 6,000 = ₹1,94,000. Bill discounting is a short-term credit facility where the bank purchases the bill before maturity.

86. Under Section 135 of the Companies Act, 2013, which companies are mandatorily required to spend on CSR activities?

- A) Net worth ≥ ₹500 crore OR turnover ≥ ₹1,000 crore OR net profit ≥ ₹5 crore
- B) Net worth ≥ ₹200 crore OR turnover ≥ ₹500 crore OR net profit ≥ ₹3 crore
- C) Net worth ≥ ₹500 crore OR turnover ≥ ₹2,000 crore OR net profit ≥ ₹10 crore
- D) Net worth ≥ ₹1,000 crore OR turnover ≥ ₹5,000 crore OR net profit ≥ ₹25 crore

Correct Answer: A) Net worth ≥ ₹500 crore OR turnover ≥ ₹1,000 crore OR net profit ≥ ₹5 crore

Explanation: Section 135 requires companies meeting any one of these thresholds to spend at least 2% of the average net profits of the last 3 financial years on CSR activities. The CSR policy must be formulated by the CSR committee.

87. Under Section 194A of the Income Tax Act, what is the TDS threshold limit on interest income for a senior citizen from a bank?

- A) ₹25,000
- B) ₹50,000
- C) ₹75,000
- D) ₹1,00,000

Correct Answer: D) ₹1,00,000

Explanation: For senior citizens, the threshold limit under Section 194A for TDS on interest income from banks is ₹1,00,000 per financial year (enhanced from the regular ₹50,000 limit for other individuals). TDS is deducted at 10% on the amount exceeding this limit.

88. A company has the following data: Fixed Costs = ₹6,00,000; Selling Price per unit = ₹50; Variable Cost per unit = ₹30. What is the Break-Even Point in units under Marginal Costing?

- A) 20,000 units
- B) 30,000 units
- C) 15,000 units
- D) 25,000 units

Correct Answer: B) 30,000 units

Explanation: Contribution per unit = Selling Price – Variable Cost = 50 – 30 = ₹20. Break-Even Point = Fixed Costs / Contribution per unit = 6,00,000 / 20 = 30,000 units. At BEP, total contribution equals total fixed costs (zero profit/loss).

89. In an Accommodation Bill, which of the following statements is CORRECT?

- A) It is drawn to settle a genuine trade transaction
- B) No commercial transaction is involved; it is drawn to raise funds by mutual accommodation
- C) It can only be discounted by the RBI
- D) It is also known as a Hundi and represents goods movement

Correct Answer: B) No commercial transaction is involved; it is drawn to raise funds by mutual accommodation

Explanation: An Accommodation Bill is drawn without any underlying commercial transaction. Two parties accommodate each other by accepting/drawing bills to raise funds. This is different from a genuine trade bill which represents actual goods sold on credit.

90. Prime Cost is calculated as:

- A) Direct Material + Direct Labour + Factory Overhead
- B) Direct Material + Direct Labour + Direct Expenses
- C) Factory Cost + Selling Overhead + Admin Overhead
- D) Direct Material + Indirect Labour + Direct Expenses

Correct Answer: B) Direct Material + Direct Labour + Direct Expenses

Explanation: Prime Cost = Direct Material Cost + Direct Labour Cost + Direct Expenses. It represents the basic cost of production excluding all overheads. It is the first stage in cost sheet preparation, followed by Factory Cost (Prime Cost + Factory Overhead).

91. Which of the following is a feature of Zero Based Budgeting (ZBB)?

- A) Previous year's budget is the starting base for current year
- B) Only incremental changes from prior budget are justified
- C) Every activity must be justified from scratch each budget period
- D) It is mainly used for capital expenditure budgets only

Correct Answer: C) Every activity must be justified from scratch each budget period

Explanation: Zero Based Budgeting (ZBB) requires managers to justify all expenditures from a zero base, regardless of previous budgets. It prevents budget padding and ensures resources are allocated based on current needs, not historical precedent.

92. Under GST's Reverse Charge Mechanism (RCM), if a registered dealer purchases goods from an unregistered supplier, who is liable to pay GST?

- A) The unregistered supplier
- B) The registered recipient/buyer
- C) Both equally share the liability
- D) The GST Council directly collects from both

Correct Answer: B) The registered recipient/buyer

Explanation: Under RCM (Section 9(4) of CGST Act), when a registered person purchases from an unregistered supplier, the liability to pay GST shifts to the registered buyer. The buyer pays the tax directly to the government and can later claim it as input tax credit.

93. Forfeiture of shares journal entry: When shares of ₹10 each (₹7 called up) are forfeited for non-payment of final call of ₹2, what account is debited?

- A) Share Capital A/c debited with ₹10
- B) Share Capital A/c debited with ₹7
- C) Calls-in-Arrears A/c debited with ₹2
- D) Share Forfeiture A/c debited with ₹5

Correct Answer: B) Share Capital A/c debited with ₹7

Explanation: On forfeiture, Share Capital A/c is debited with the amount called up (₹7 per share), Calls-in-Arrears A/c is credited with ₹2, and Share Forfeiture A/c is credited with ₹5 (amount already received). The debit equals the called-up value, not the paid-up value.

94. A suspense account is created when:

- A) There is a two-sided error in the books
- B) The trial balance does not agree due to a one-sided error
- C) The company has unrecorded transactions
- D) Depreciation has been charged in excess

Correct Answer: B) The trial balance does not agree due to a one-sided error

Explanation: A Suspense Account is opened as a temporary measure when the trial balance does not agree due to one-sided errors (e.g., posting to wrong side, wrong amount posted on one side). It is eliminated once the errors are identified and corrected.

95. Under Ind AS 109 / IFRS 9, Expected Credit Loss (ECL) provisioning for performing assets (Stage 1) is based on:

- A) Lifetime ECL from the date of default
- B) 12-month ECL for credit risk not significantly increased
- C) Full provision of outstanding balance
- D) 50% of outstanding balance as a standard

Correct Answer: B) 12-month ECL for credit risk not significantly increased

Explanation: Under Ind AS 109, Stage 1 (performing assets) requires provisioning for 12-month ECL. Stage 2 (significant increase in credit risk) requires lifetime ECL. Stage 3 (credit-impaired/NPA) requires lifetime ECL with interest on net carrying amount.

96. Capital Expenditure differs from Revenue Expenditure in that:

- A) Capital expenditure benefits the current period only
- B) Revenue expenditure creates a long-term asset or reduces liability
- C) Capital expenditure creates a long-term asset or provides benefit beyond

one accounting year

D) Revenue expenditure is always larger in amount than capital expenditure

Correct Answer: C) Capital expenditure creates a long-term asset or provides benefit beyond one accounting year

Explanation: Capital Expenditure (e.g., purchase of machinery, land, building) creates assets or extends their life beyond one year. Revenue Expenditure (e.g., repairs, salaries, rent) is incurred for day-to-day running of business and is fully charged to P&L in the same period.

97. A bank's BRS shows: Balance as per Pass Book = ₹25,000 (Credit). Cheques issued but not presented = ₹5,000. Cheques deposited but not credited = ₹3,000. What is the balance as per Cash Book?

- A) ₹23,000
- B) ₹27,000
- C) ₹33,000
- D) ₹17,000

Correct Answer: A) ₹23,000

Explanation: Starting from Pass Book Balance ₹25,000: Add cheques deposited but not yet credited = +₹3,000 → ₹28,000. Less cheques issued but not presented = -₹5,000 → Cash Book Balance = ₹23,000. BRS reconciles the two balances due to timing differences.

98. Section 63 of the Companies Act, 2013 relates to:

- A) Issue of sweat equity shares
- B) Issue of bonus shares from free reserves, securities premium, or capital redemption reserve
- C) Buyback of shares from the open market
- D) Issue of shares at a discount to employees

Correct Answer: B) Issue of bonus shares from free reserves, securities premium, or capital redemption reserve

Explanation: Section 63 of Companies Act 2013 governs the issue of fully paid-up bonus shares to existing shareholders. Bonus shares can be issued from free reserves, securities premium account, or the capital redemption reserve account.

99. A Finance Lease is distinguished from an Operating Lease by the fact that:

- A) In a finance lease, the lessor retains all risks and rewards of ownership
- B) In a finance lease, substantially all risks and rewards of ownership are transferred to the lessee
- C) An operating lease is always long-term while a finance lease is short-term
- D) Finance leases do not appear on the balance sheet of the lessee

Correct Answer: B) In a finance lease, substantially all risks and rewards of ownership are transferred to the lessee

Explanation: Under Ind AS 116, a Finance Lease transfers substantially all risks and rewards incidental to ownership to the lessee. The lessee recognises a right-of-use asset and lease liability on its balance sheet. In an operating lease, the lessor retains the risks and rewards.

100. A company's PE Ratio is 15 and its EPS is ₹12. The current market price of the share is:

- A) ₹1.25
- B) ₹180
- C) ₹27
- D) ₹200

Correct Answer: B) ₹180

Explanation: PE Ratio = Market Price / EPS. Therefore, Market Price = PE Ratio × EPS = 15 × 12 = ₹180. The PE ratio reflects the price investors are willing to pay for each rupee of earnings, serving as a key valuation metric.

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