

1. What does 'Repo Rate' signify in monetary policy?

- A. Rate at which RBI lends to commercial banks
- B. Rate at which banks lend to RBI
- C. Rate at which RBI accepts deposits from public
- D. None of the above

Answer: A

Explanation: The Repo Rate is the interest rate at which the RBI lends money to commercial banks for short periods. It is used to control inflation and manage liquidity in the economy.

2. Which financial instrument represents ownership in a company and entitles the holder to voting rights?

- A. Bond
- B. Preference Share
- C. Equity Share
- D. Debenture

Answer: C

Explanation: Equity shares represent ownership in a company. Holders have voting rights and share in the profits through dividends.

3. In accounting, what does the 'Matching Principle' imply?

- A. Recording expenses only after revenue is received
- B. Matching income with assets
- C. Matching expenses with the revenues they help to generate
- D. Matching liabilities with income

Answer: C

Explanation: The Matching Principle ensures that expenses are recorded in the same period as the revenues they help to generate, allowing accurate profit measurement.

4. Basel III norms are associated with which of the following?

- A. Industrial Policy
- B. Capital Adequacy of Banks
- C. Fiscal Responsibility
- D. Export Promotion

Answer: B

Explanation: Basel III provides guidelines to improve the regulation, supervision, and risk management within the banking sector, focusing on capital adequacy.

5. What is the full form of IFRS in accounting?

- A. International Financial Revenue Standards
- B. Indian Financial Reporting Standards
- C. International Financial Reporting Standards
- D. Indian Financial Revenue Standards

Answer: C

Explanation: IFRS are globally accepted accounting standards developed by the International Accounting Standards Board (IASB) for transparent financial reporting.

6. Who regulates the insurance sector in India?

- A. RBI
- B. SEBI
- C. IRDAI
- D. PFRDA

Answer: C

Explanation: The Insurance Regulatory and Development Authority of India (IRDAI) regulates the insurance sector, ensuring consumer protection and fair practices.

7. What does 'Capital Budgeting' deal with?

- A. Day-to-day operations
- B. Short-term financing
- C. Long-term investment decisions
- D. Tax planning

Answer: C

Explanation: Capital budgeting involves evaluating long-term investment opportunities to determine their profitability and impact on shareholder value.

8. What is the role of SEBI in the Indian financial system?

- A. Prints currency
- B. Controls monetary policy
- C. Regulates capital markets
- D. Handles pension regulation

Answer: C

Explanation: SEBI (Securities and Exchange Board of India) is responsible for regulating and protecting the interests of investors in the securities market.

9. What does the Current Ratio indicate?

- A. Profitability of a firm
- B. Long-term solvency

- C. Short-term liquidity
- D. Efficiency of operations

Answer: C

Explanation: The Current Ratio ($\text{Current Assets} \div \text{Current Liabilities}$) measures a firm's ability to meet short-term obligations with its short-term assets.

10. PFRDA is responsible for regulating which of the following?

- A. Mutual Funds
- B. Pension Sector
- C. Insurance Sector
- D. Banking Sector

Answer: B

Explanation: The Pension Fund Regulatory and Development Authority (PFRDA) oversees and regulates the pension sector, including the National Pension System (NPS).

11. What is 'Contingent Liability'?

- A. A liability that is certain to arise
- B. A possible obligation depending on a future event
- C. A short-term debt
- D. A long-term loan

Answer: B

Explanation: Contingent liabilities are potential obligations that may arise depending on the outcome of a future event, such as a lawsuit.

12. What is the main objective of monetary policy?

- A. Promote exports
- B. Control inflation and ensure economic stability
- C. Provide subsidies
- D. Increase tax collection

Answer: B

Explanation: Monetary policy aims to maintain price stability, control inflation, and promote sustainable economic growth through interest rate adjustments.

13. What is the formula for calculating Return on Equity (ROE)?

- A. $\text{Net Profit} / \text{Total Assets}$
- B. $\text{Net Profit} / \text{Shareholder's Equity}$
- C. $\text{Gross Profit} / \text{Sales}$
- D. $\text{Net Sales} / \text{Share Capital}$

Answer: B

Explanation: ROE measures a company's profitability relative to shareholders' equity. It shows how effectively equity is used to generate profit.

14. What is the meaning of Depreciation?

- A. Increase in value of assets
- B. Cost of acquiring assets
- C. Decrease in value of assets over time
- D. Cash inflow

Answer: C

Explanation: Depreciation is the reduction in the value of a fixed asset due to wear and tear, obsolescence, or usage over time.

15. Which of the following is not a capital market instrument?

- A. Debentures
- B. Treasury Bills
- C. Equity Shares
- D. Preference Shares

Answer: B

Explanation: Treasury Bills are short-term money market instruments. The other options are used for raising long-term capital.

16. What is Net Asset Value (NAV) in mutual funds?

- A. Total assets of the company
- B. Market value of securities
- C. Per unit value of mutual fund after deducting liabilities
- D. Tax value of an asset

Answer: C

Explanation: NAV is the per-unit value of a mutual fund scheme, calculated as $(\text{Total Assets} - \text{Total Liabilities}) \div \text{Number of outstanding units}$.

17. Which principle states that a company will continue its operations in the foreseeable future?

- A. Going Concern Principle
- B. Matching Principle
- C. Consistency Principle
- D. Cost Principle

Answer: A

Explanation: The Going Concern Principle assumes that a business will continue to operate and not liquidate in the near future.

18. What is meant by inflation?

- A. Decrease in money supply
- B. Increase in value of money
- C. General rise in price levels
- D. General fall in employment

Answer: C

Explanation: Inflation is the rate at which the general level of prices for goods and services rises, eroding purchasing power.

19. What is the accounting equation?

- A. Assets = Liabilities - Capital
- B. Assets = Capital - Liabilities
- C. Assets = Liabilities + Capital
- D. Capital = Assets + Liabilities

Answer: C

Explanation: The fundamental accounting equation states that a company's assets are financed by liabilities and owners' equity.

20. Who is the current regulator of the National Pension System (NPS)?

- A. SEBI
- B. IRDAI
- C. RBI
- D. PFRDA

Answer: D

Explanation: The Pension Fund Regulatory and Development Authority (PFRDA) is responsible for regulating and promoting the National Pension System in India.

21. What does CRR stand for in the Indian banking system?

- A. Credit Reserve Ratio
- B. Cash Reserve Ratio
- C. Capital Retention Ratio
- D. Current Risk Ratio

Answer: B

Explanation: Cash Reserve Ratio (CRR) is the percentage of total deposits that commercial banks must maintain with the RBI in the form of cash.

22. What is the main purpose of a mutual fund?

- A. To provide loans
- B. To accept deposits
- C. To pool funds from investors to invest in diversified portfolios
- D. To regulate financial markets

Answer: C

Explanation: Mutual funds collect money from multiple investors and invest in equities, bonds, or other securities to minimize risk through diversification.

23. Which financial statement provides a snapshot of a company's financial position at a particular point in time?

- A. Income Statement
- B. Cash Flow Statement
- C. Balance Sheet
- D. Statement of Retained Earnings

Answer: C

Explanation: The Balance Sheet shows the assets, liabilities, and equity of a company at a specific date, presenting its financial position.

24. Which is an example of a non-current asset?

- A. Cash
- B. Inventory
- C. Machinery
- D. Accounts Receivable

Answer: C

Explanation: Machinery is a fixed asset expected to provide benefits over several years, hence classified as a non-current asset.

25. What is the primary role of the Reserve Bank of India?

- A. Granting home loans
- B. Printing stocks
- C. Regulating the monetary policy and issuing currency
- D. Regulating the insurance sector

Answer: C

Explanation: RBI controls India's monetary policy, manages foreign reserves, and is the sole authority for issuing currency notes.

26. What does 'Fiscal Deficit' refer to?

- A. Total income of the government
- B. Excess of total revenue over total expenditure
- C. Excess of total expenditure over total revenue (excluding borrowings)

D. Surplus budget

Answer: C

Explanation: Fiscal Deficit is the shortfall when a government's total expenditure exceeds its total revenue (excluding borrowings).

27. What is the time horizon for Treasury Bills issued by the Government of India?

- A. More than 1 year
- B. Between 2 and 5 years
- C. Less than 1 year
- D. 10 years

Answer: C

Explanation: Treasury Bills are short-term securities issued with maturities of less than one year — commonly 91, 182, or 364 days.

28. In cost accounting, what is a 'Fixed Cost'?

- A. Cost that varies with output
- B. Cost that remains constant irrespective of output
- C. Cost that changes daily
- D. Variable component of production cost

Answer: B

Explanation: Fixed costs, like rent or salaries, remain unchanged regardless of the level of output in the short term.

29. What does GAAP stand for?

- A. Government Account and Audit Plan
- B. Generally Accepted Accounting Principles
- C. General Allocation of Accounting Practices
- D. Government Accepted Accounting Policies

Answer: B

Explanation: GAAP refers to the standardized guidelines and procedures used in preparing financial statements.

30. What is meant by 'Financial Leverage'?

- A. Use of equity to finance assets
- B. Use of debt to increase return on equity
- C. Use of reserves in production
- D. Use of own funds only

Answer: B

Explanation: Financial leverage involves using borrowed funds to increase the potential return to equity holders. It increases both potential gains and risks.

31. Which body regulates commodity markets in India?

- A. SEBI
- B. RBI
- C. FMC
- D. IRDAI

Answer: A

Explanation: The Forward Markets Commission (FMC) was merged with SEBI in 2015. Now, SEBI regulates commodity markets along with securities markets.

32. What is the 'Dual Aspect Concept' in accounting?

- A. Each transaction affects only one account
- B. Each transaction has a dual effect
- C. Assets and liabilities are recorded separately
- D. Revenue and expenses are recorded in cash only

Answer: B

Explanation: The Dual Aspect Concept means every transaction affects at least two accounts, ensuring the accounting equation stays balanced.

33. Which of the following is not a direct tax?

- A. Income Tax
- B. Corporate Tax
- C. Goods and Services Tax (GST)
- D. Capital Gains Tax

Answer: C

Explanation: GST is an indirect tax levied on goods and services, while the others are direct taxes paid directly to the government.

34. What is working capital?

- A. Total assets minus liabilities
- B. Current assets minus current liabilities
- C. Fixed assets plus cash
- D. Net profit after tax

Answer: B

Explanation: Working capital is the difference between current assets and current liabilities. It shows a company's liquidity position.

35. What does 'Book Value' mean?

- A. Market value of a share
- B. Sale value of the business
- C. Net asset value of a company per share
- D. Intrinsic value of bonds

Answer: C

Explanation: Book Value is calculated as (Total Assets - Total Liabilities) divided by the number of shares, reflecting the per-share value of a company's equity.

36. What does the 'Going Concern' concept assume?

- A. Company will go bankrupt soon
- B. Company will liquidate next year
- C. Company will continue in operation indefinitely
- D. Company will be acquired

Answer: C

Explanation: Going Concern assumes the business will operate in the foreseeable future and not liquidate.

37. What is an IPO?

- A. Initial Payment Order
- B. Investment Price Option
- C. Initial Public Offering
- D. Interest Payout Obligation

Answer: C

Explanation: An IPO is the first time a company offers its shares to the public to raise capital by listing on a stock exchange.

38. What is meant by 'Operating Profit'?

- A. Net Profit after tax
- B. Profit before interest and tax
- C. Gross Profit plus interest
- D. Net sales minus depreciation

Answer: B

Explanation: Operating Profit, also called EBIT (Earnings Before Interest and Taxes), shows profit from core business operations before financing and tax expenses.

39. Which among the following is a money market instrument?

- A. Equity Shares
- B. Debentures
- C. Certificate of Deposit
- D. Preference Shares

Answer: C

Explanation: Certificate of Deposit is a short-term money market instrument issued by banks to raise short-term funds.

40. What is the function of the PFRDA?

- A. Regulate capital markets
- B. Monitor inflation
- C. Regulate pension sector
- D. Supervise credit rating agencies

Answer: C

Explanation: PFRDA (Pension Fund Regulatory and Development Authority) is the regulator for India's pension sector, including NPS and other pension schemes.

41. What does the term 'Amortization' refer to in finance?

- A. Increase in asset value over time
- B. Allocation of cost of an intangible asset over its useful life
- C. Reduction in revenue
- D. Increase in liabilities

Answer: B

Explanation: Amortization is the process of gradually writing off the initial cost of an intangible asset over its useful life.

42. Which of the following is a liability for a bank?

- A. Loans given to customers
- B. Cash reserves with RBI
- C. Customer deposits
- D. Investments in government bonds

Answer: C

Explanation: Deposits from customers are liabilities for banks as they are obligated to repay them on demand.

43. Which of these instruments is considered a part of capital market?

- A. Treasury Bills
- B. Call Money
- C. Debentures
- D. Commercial Papers

Answer: C

Explanation: Debentures are long-term debt instruments and are part of the capital market.

44. What does the 'Accrual Basis of Accounting' mean?

- A. Revenues and expenses are recorded only when cash is received or paid
- B. Transactions are recorded when they occur, regardless of cash flow
- C. Only assets are recorded
- D. Liabilities are not considered

Answer: B

Explanation: Under accrual accounting, revenues and expenses are recorded when earned or incurred, not when cash is exchanged.

45. Which of the following is an example of contingent asset?

- A. Machinery
- B. Winning a legal case under appeal
- C. Bank balance
- D. Accounts receivable

Answer: B

Explanation: A contingent asset is a possible asset that arises from past events and is confirmed only by the occurrence of future events.

46. In financial markets, what is arbitrage?

- A. Taking insurance for investments
- B. Selling below cost
- C. Earning risk-free profits by exploiting price differences in two markets
- D. Making loss deliberately

Answer: C

Explanation: Arbitrage is the simultaneous purchase and sale of the same asset in different markets to profit from price differences.

47. Which of the following ratios indicates solvency of a firm?

- A. Quick Ratio
- B. Debt to Equity Ratio
- C. Inventory Turnover Ratio
- D. Current Ratio

Answer: B

Explanation: Debt to Equity Ratio assesses the long-term solvency of a company by comparing its total debt to shareholder's equity.

48. What is 'Beta' in stock market terminology?

- A. Return on asset
- B. Measure of liquidity
- C. Measure of a stock's volatility in relation to the market
- D. Net income per share

Answer: C

Explanation: Beta measures how much a stock's price fluctuates relative to the market. A beta above 1 indicates higher volatility.

49. Who issues Commercial Papers in India?

- A. Government of India
- B. RBI
- C. SEBI
- D. Corporates and Financial Institutions

Answer: D

Explanation: Commercial Papers are unsecured short-term debt instruments issued by corporates and financial institutions to meet short-term liabilities.

50. What is the main objective of IFRS?

- A. Tax Collection
- B. Uniformity in global financial reporting
- C. Asset valuation
- D. Liquidity monitoring

Answer: B

Explanation: IFRS (International Financial Reporting Standards) aim to bring consistency, transparency, and comparability in global financial statements.

51. What is the formula for Gross Profit?

- A. Revenue - Expenses
- B. Revenue - Cost of Goods Sold
- C. Revenue - Taxes
- D. Assets - Liabilities

Answer: B

Explanation: Gross Profit is calculated by deducting the cost of goods sold from the total revenue.

52. What is 'Inflation Targeting'?

- A. Fixing inflation at zero
- B. Government setting inflation limits
- C. Central bank aiming to keep inflation within a specific range

D. Tracking international inflation

Answer: C

Explanation: Inflation targeting is a monetary policy where the central bank sets a target inflation rate and uses interest rate tools to control it.

53. What is meant by 'Yield to Maturity' in bonds?

- A. Profit from stock market
- B. Interest earned on savings
- C. Total return anticipated on a bond if held until maturity
- D. Rate of inflation

Answer: C

Explanation: YTM is the internal rate of return of a bond assuming it is held till maturity and all payments are made as scheduled.

54. What does a high P/E (Price to Earnings) ratio indicate?

- A. Undervalued stock
- B. Low investor confidence
- C. Investors expect high earnings growth
- D. Company is incurring losses

Answer: C

Explanation: A high P/E ratio usually means that investors expect future earnings growth and are willing to pay a premium for the stock.

55. What is the meaning of 'Liquidity' in financial terms?

- A. Number of shareholders
- B. Ability to raise funds from public
- C. Ability to convert assets to cash quickly without loss in value
- D. Availability of physical assets

Answer: C

Explanation: Liquidity refers to how quickly and easily an asset can be converted into cash without significantly affecting its price.

56. What is the role of a credit rating agency?

- A. Provide loans
- B. Set interest rates
- C. Assess creditworthiness of borrowers
- D. Monitor inflation

Answer: C

Explanation: Credit rating agencies evaluate the ability of issuers (governments or companies) to meet their debt obligations and assign ratings accordingly.

57. What is the primary market?

- A. Where old securities are traded
- B. Where goods are sold
- C. Where new securities are issued for the first time
- D. Where mutual funds are sold

Answer: C

Explanation: The primary market is where companies issue new securities to raise funds directly from investors.

58. What is 'Deferred Tax'?

- A. Future tax payable due to temporary differences in accounting and tax treatment
- B. Tax on exports
- C. Tax rebate
- D. Tax paid in advance

Answer: A

Explanation: Deferred Tax arises when there's a temporary difference between the book income and taxable income, leading to taxes due in the future.

59. What does EPS (Earnings Per Share) represent?

- A. Revenue per employee
- B. Profit distributed as dividend
- C. Net income divided by number of shares
- D. Value of a bond

Answer: C

Explanation: EPS measures the profitability of a company by dividing net earnings available to shareholders by the number of outstanding shares.

60. Which of the following is not a qualitative characteristic of financial statements as per accounting standards?

- A. Relevance
- B. Reliability
- C. Understandability
- D. Quantity

Answer: D

Explanation: Quantity is not a qualitative characteristic. The key qualitative traits are relevance, reliability, comparability, and understandability.

61. What does 'Monetary Policy' mainly control?

- A. Taxation policy
- B. Public expenditure
- C. Supply of money and interest rates
- D. Industrial development

Answer: C

Explanation: Monetary policy is used by the central bank to regulate the money supply and interest rates to control inflation and stabilize the economy.

62. What is the 'Payback Period' in capital budgeting?

- A. Time taken to receive tax benefits
- B. Time taken to earn accounting profits
- C. Time required to recover the initial investment
- D. Time required to reach maximum production

Answer: C

Explanation: The payback period measures how long it takes for an investment to generate cash flows sufficient to recover its initial cost.

63. What is the function of a custodian in financial markets?

- A. Issue shares to the public
- B. Regulate banks
- C. Hold securities and assets on behalf of clients
- D. Set interest rates

Answer: C

Explanation: A custodian is a financial institution that holds customers' securities for safekeeping to reduce the risk of theft or loss.

64. What is Capital Structure?

- A. Composition of current assets
- B. Composition of operating expenses
- C. Mix of equity and debt used to finance a company
- D. Types of investments made

Answer: C

Explanation: Capital structure refers to the combination of debt and equity that a company uses to fund its operations and growth.

65. Which of the following is not a component of working capital?

- A. Inventory
- B. Accounts Receivable
- C. Long-term loans
- D. Cash

Answer: C

Explanation: Long-term loans are not current liabilities or assets and therefore not part of working capital.

66. What does 'Marginal Cost' mean?

- A. Cost of fixed inputs
- B. Cost of all units produced
- C. Cost of producing one additional unit
- D. Cost per employee

Answer: C

Explanation: Marginal cost is the additional cost incurred to produce one more unit of a product or service.

67. What does the 'Cost of Capital' represent?

- A. Revenue generated from assets
- B. Minimum return expected by investors
- C. Operating cost of business
- D. Depreciation of assets

Answer: B

Explanation: Cost of capital is the return that investors expect for providing capital to the business, used as a benchmark for investment decisions.

68. What is meant by Zero Coupon Bond?

- A. Bond without principal
- B. Bond without credit rating
- C. Bond issued without periodic interest payments
- D. Bond with highest yield

Answer: C

Explanation: Zero Coupon Bonds are issued at a discount and do not pay periodic interest. The investor receives the face value on maturity.

69. What is a Mutual Fund NAV?

- A. Value of shares traded
- B. Net income from a scheme
- C. Market value per unit of a mutual fund
- D. Total fund returns

Answer: C

Explanation: Net Asset Value (NAV) is the per-unit value of a mutual fund scheme calculated as total assets minus liabilities divided by outstanding units.

70. Which of the following is an example of a derivative instrument?

- A. Equity Shares
- B. Debentures
- C. Options
- D. Bonds

Answer: C

Explanation: Options are financial derivatives whose value depends on the value of underlying assets like stocks or commodities.

71. What is the primary purpose of double-entry accounting?

- A. To avoid cash flow errors
- B. To prevent fraud
- C. To maintain the accounting equation
- D. To track stock prices

Answer: C

Explanation: Double-entry ensures every transaction affects two accounts, keeping the accounting equation (Assets = Liabilities + Equity) in balance.

72. Which of the following is a financing activity in cash flow statement?

- A. Purchase of equipment
- B. Payment to suppliers
- C. Repayment of loan
- D. Sale of inventory

Answer: C

Explanation: Financing activities include cash flows related to borrowings and repayments, such as loan repayments.

73. What is meant by leverage in finance?

- A. Use of cash for expenses
- B. Use of equity to increase profit
- C. Use of debt to enhance return on equity
- D. Issuing preference shares

Answer: C

Explanation: Leverage involves using borrowed funds to increase potential returns, though it also increases risk.

74. What is meant by 'Capital Expenditure'?

- A. Daily expenses
- B. Expenses for marketing
- C. Investment in long-term assets
- D. Purchase of raw materials

Answer: C

Explanation: Capital expenditure refers to funds used by a company to acquire, upgrade, or maintain physical assets like property or equipment.

75. What is the full form of EBITDA?

- A. Earnings Before Interest, Taxes, Depreciation, and Amortization
- B. Earnings Before Income Tax and Debentures Adjustment
- C. Expenses Before Interest and Tax Deducted Amount
- D. Equity Balance Including Tax and Depreciation Adjustments

Answer: A

Explanation: EBITDA is a measure of a company's operating performance and profitability before the impact of financing and non-cash expenses.

76. What is depreciation in accounting?

- A. Increase in asset value over time
- B. Allocation of cash for dividend
- C. Reduction in value of fixed assets over time
- D. Loss due to fire

Answer: C

Explanation: Depreciation is the systematic reduction in the recorded cost of a fixed asset due to wear and tear, age, or obsolescence.

77. Which body regulates the securities market in India?

- A. RBI
- B. PFRDA
- C. SEBI
- D. IRDAI

Answer: C

Explanation: SEBI (Securities and Exchange Board of India) is the regulator for securities markets to protect investors and ensure fair practices.

78. Which of the following is not included in GDP?

- A. Final goods and services
- B. Government spending
- C. Exports
- D. Black market transactions

Answer: D

Explanation: GDP does not include unreported or illegal economic activities such as black market transactions.

79. What does the interest coverage ratio measure?

- A. Liquidity
- B. Ability to meet interest obligations
- C. Debt repayment ability
- D. Cost of equity

Answer: B

Explanation: The interest coverage ratio shows how easily a company can pay interest on its outstanding debt using its earnings before interest and taxes.

80. What is the purpose of financial reporting?

- A. To evade taxes
- B. To inflate company value
- C. To provide financial information to stakeholders
- D. To increase costs

Answer: C

Explanation: Financial reporting aims to provide useful information about the financial position and performance of an entity to various stakeholders.

81. What does the 'Current Ratio' indicate?

- A. Long-term solvency
- B. Profitability
- C. Short-term liquidity position
- D. Capital structure

Answer: C

Explanation: Current Ratio = Current Assets / Current Liabilities. It shows a firm's ability to meet short-term obligations.

82. What is the full form of GAAR in taxation?

- A. General Anti-Avoidance Rules
- B. Gross Accounting and Audit Report
- C. Government Adjusted Accounting Ratio
- D. General Accounting and Analysis Regulation

Answer: A

Explanation: GAAR is a set of rules that empowers tax authorities to deny tax benefits arising from transactions or arrangements with no commercial substance.

83. Which of the following is a non-cash expense?

- A. Rent
- B. Depreciation
- C. Wages
- D. Commission

Answer: B

Explanation: Depreciation is recorded as an expense but does not involve an actual cash outflow.

84. What does 'Secured Loan' mean?

- A. Loan backed by insurance
- B. Loan with no repayment obligation
- C. Loan backed by collateral
- D. Loan given to friends

Answer: C

Explanation: A secured loan is one that is backed by collateral like property, vehicles, or other assets.

85. What is a 'Call Option' in derivatives?

- A. Obligation to buy
- B. Right to buy an asset at a predetermined price
- C. Right to sell at market value
- D. Compulsory future contract

Answer: B

Explanation: A call option gives the holder the right (but not obligation) to buy an asset at a set price within a specified period.

86. What is the main objective of Basel Accords?

- A. To control tax evasion
- B. To regulate insurance
- C. To strengthen regulation and risk management in banking
- D. To support rural development

Answer: C

Explanation: Basel Accords aim to ensure banks hold adequate capital to cover risks and promote financial system stability.

87. What does 'Cash Flow from Operating Activities' include?

- A. Sale of assets
- B. Issuance of shares
- C. Payment to suppliers and collection from customers
- D. Loan repayment

Answer: C

Explanation: Operating activities are the primary revenue-generating activities like receipts from customers and payments to suppliers.

88. What is a 'Debenture'?

- A. A type of equity
- B. Unsecured debt instrument
- C. A share with voting rights
- D. A type of reserve

Answer: B

Explanation: A debenture is a long-term debt instrument used by companies to borrow money, generally without collateral.

89. What does 'Bookkeeping' primarily involve?

- A. Preparing tax reports
- B. Making investment decisions
- C. Recording daily financial transactions
- D. Regulating company activities

Answer: C

Explanation: Bookkeeping is the recording of daily financial transactions such as sales, purchases, receipts, and payments.

90. What is a 'Floating Rate Bond'?

- A. A bond with fixed interest
- B. A bond without maturity
- C. A bond with variable interest rates
- D. A bond that doesn't pay interest

Answer: C

Explanation: A floating rate bond has a variable interest rate that is reset periodically based on a reference rate.

91. What is the purpose of 'Trial Balance'?

- A. To calculate profits
- B. To check the arithmetical accuracy of accounts
- C. To measure cash flow
- D. To pay taxes

Answer: B

Explanation: A trial balance is prepared to ensure that total debits equal total credits in the ledger accounts.

92. What is the full form of EBIT?

- A. Earnings Before Investment and Taxes
- B. Earnings Before Interest and Taxes
- C. Expenses Before Interest and Tax
- D. Equity-Based Income Technique

Answer: B

Explanation: EBIT stands for Earnings Before Interest and Taxes, indicating a firm's profit from core operations.

93. What does the term 'Callable Bond' mean?

- A. Bond that can be transferred
- B. Bond with fixed interest
- C. Bond that can be redeemed early by the issuer
- D. Bond held in a trust

Answer: C

Explanation: A callable bond can be repurchased by the issuer before its maturity date, usually at a premium price.

94. Which is not a feature of equity shares?

- A. Voting rights
- B. Fixed dividend
- C. Ownership in company
- D. Residual claim on assets

Answer: B

Explanation: Unlike preference shares, equity shares do not carry a fixed dividend.

95. What is the main focus of financial accounting?

- A. Internal decision-making
- B. Budget control
- C. Preparing reports for external stakeholders
- D. Staff management

Answer: C

Explanation: Financial accounting focuses on providing financial information to external stakeholders such as investors, regulators, and creditors.

96. What is 'Credit Risk'?

- A. Risk of currency fluctuation
- B. Risk of stock market loss
- C. Risk of borrower defaulting on repayment
- D. Risk of inflation

Answer: C

Explanation: Credit risk is the risk that a borrower may not repay a loan or meet contractual obligations.

97. What is the primary objective of internal control?

- A. To manipulate accounts
- B. To eliminate employees
- C. To ensure accuracy and safeguard assets
- D. To increase profits

Answer: C

Explanation: Internal controls help ensure the integrity of financial and accounting information, promote accountability, and prevent fraud.

98. What does 'Inventory Turnover Ratio' measure?

- A. Level of cash in business
- B. How often inventory is sold and replaced in a period
- C. Debtors' collection speed
- D. Value of assets

Answer: B

Explanation: This ratio measures how efficiently a company turns its inventory into sales during a period.

99. What is the role of a depository in financial markets?

- A. Provides loans
- B. Sells insurance
- C. Holds securities in electronic form
- D. Manages pension funds

Answer: C

Explanation: A depository holds securities such as shares and bonds in electronic form and facilitates smooth trading.

100. What does 'Net Worth' of a company refer to?

- A. Total revenue
- B. Total liabilities
- C. Shareholder's equity (Assets - Liabilities)
- D. Value of fixed assets

Answer: C

Explanation: Net worth or shareholder's equity is the value remaining after liabilities are subtracted from total assets.