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**Practice Questions For
JAIIB Exam**

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JAIIB AFB MCQs

1. Under the diminishing balance method depreciation, depreciation amount will not...

- i. Increase every year**
- ii. Remain constant every year**
- iii. Decrease every year**
- (a) Only i and ii
- (b) Only i and iii
- (c) Only ii and iii
- (d) i, ii and iii

Answer: (c)

2. The spot exchange rate and the forward exchange rate differ by the

- (a) Location of the trade
- (b) Type of trader
- (c) Type of currency exchanged
- (d) Timing of the actual currency exchange

Answer: (d)

3. Effect of 14% compounding quarterly on effective annual interest rate ____%

- (a) 14.25
- (b) 14.50
- (c) 14.75
- (d) 15.00

Answer: (c)

4. X invested Rs. 100000 in a bank FDR at 6% p.a. for one year. If interest is compounded on half-yearly basis, the amount payable shall be?

- (a) 106000
- (b) 106160
- (c) 106130
- (d) 106090

Answer: (d)

5. The price at which one can enter into a contract today to buy or sell a currency 30 days from now is called a _____

- (a) Reciprocal exchange rate
- (b) Effective exchange rate
- (c) Exchange rate option
- (d) Forward exchange rate

Answer: (d)

6. In the books of D Ltd. The machinery account shows a debit balance of Rs. 60,000 as on April 1, 2019. The machinery was sold on September 30, 2020 for Rs. 30, 000. The company charges a depreciation @20% p.a. on diminishing balance method.

- (a) Rs. 6,000
- (b) Rs. 9,000
- (c) Rs. 4,800
- (d) Rs. 12,000

Answer: (b)

7. What is the profit/loss on the sale in Question 6?

- (a) Rs. 13,200 Profit
- (b) Rs. 13,200 Loss
- (c) Rs. 6,800 Profit
- (d) Rs. 6,800 Loss

Answer: (c)

8. Which one is the principle of Double Entry System?

- (a) Purchase increases debit, income decreases credit
- (b) Expense increases debit, income decreases credit
- (c) Receiver is debit and giver is credit
- (d) Receiver is credit and giver is debit

Answer: (c)

9. Which sequence is correct?

- (a) Trial balance, adjusting entries, work sheets, financial statement
- (b) Adjusting entries, trial balance, financial statement, works sheet
- (c) Works sheet, trial balance, adjusting entries, financial statement
- (d) Trial balance, works sheet, adjusting entries, financial statement

Answer: (a)

10. The rate of interest on a sum of money is 4%PA. for the first 2 years, 6% p.a. for the next 4 years, 8 % p.a. for the period beyond 6 years. If the simple interest accrued by the sum for a total period of 9 years is Rs. 1680, what is the sum?

- (a) Rs. 3000
- (b) Rs. 5000
- (c) Rs. 4700
- (d) Rs. 5500

Answer: (a)

11. The KYC guidelines take into account the recommendations of an international Financial Action Task Force...

- i. on anti-money laundering standards
- ii. on combating the financing of terrorism
- iii. on manipulation of economic offences

- (a) Only i and ii
- (b) Only i and iii
- (c) Only ii and iii
- (d) i, ii and iii

Answer: (a)

12. A sleeping partner asks the bank to stop operations. The next day he comes to request that the instruction was given by mistake

- (a) Bank can allow operations if he gives in writing
- (b) Bank can allow operations if all the partners make a request
- (c) Bank cannot allow operation even when requested by all
- (d) Any of the above

Answer: (b)

13. A minor could be allowed to open a saving bank account, where he

- (a) Could sign and his age is at least 12 years
- (a) Forward trading
- (b) Spot trading
- (c) Triangular trading
- (d) Revaluation

Answer: (d)

14. A minor 16 years of age, is having an FDR of Rs. 10,000 with the bank. He requested for before-maturity payment. Can the bank allow the before maturity payment?

- (a) Bank can accept the request of the minor
- (b) Bank can accept the request, if accompanied by another require from the guardian
- (c) Bank can accept the request for loan and not pre-mature cancellation, as that amount to breaking the contract, for which he has no authority
- (d) Bank cannot accept the request

Answer: (a)

Working capital of a company is Rs. 1,35,000 and current ratio is 2.5. Liquid ratio is 1.5 and the proprietary ratio is 0.75. Bank overdraft is Rs. 30, 000. There are no long-term loans and fictitious assets. Reserves and surplus amount to Rs. 90,000 and the gearing ratio (Equity capital/Preference capital) is 1.2.

From the above, calculate:

15. Current assets

- (a) Rs. 60,000
- (b) Rs. 90,000
- (c) Rs. 1,35,000
- (d) Rs. 2,25,000

Answer: (d)

16. Quick Liabilities

- (a) Rs. 60,000
- (b) Rs. 90,000
- (c) Rs. 1,35,000
- (d) Rs. 2,25,000

Answer: (b)

On the basis of the information given below, answer the following information:

i. Rate of depreciation under the written down method = 20%

ii. Original cost of the asset = Rs. 1,00,000

iii. Residual value of the asset at the end of useful life = Rs. 40,960

17. The estimated useful life of the asset is

- (a) 4 years
- (b) 5 years
- (c) 6 years
- (d) 7 years

Answer: (a)

18. Depreciation for the first year =

- (a) Rs. 20,000
- (b) Rs. 16,000
- (c) Rs. 12,800
- (d) Rs. 10,240

Answer: (a)

19. Depreciation for the second year =

- (a) Rs. 20,000
- (b) Rs. 16,000
- (c) Rs. 12,800
- (d) Rs. 10,240

Answer: (b)

20. Depreciation for the third year =

- (a) Rs. 20,000
- (b) Rs. 16,000
- (c) Rs. 12,800
- (d) Rs. 10,240

Answer: (c)

21. Depreciation for the fourth year =

- (a) Rs. 20,000
- (b) Rs. 16,000
- (c) Rs. 12,800
- (d) Rs. 10,240

Answer: (d)

22. The balance of cash book and the balance as per pass book of the bank are required to be reconciled because of which of the following reasons? (Which is not true)

- (a) Some entries are recorded in the pass book first and cash book later on.
- (b) Some entries are recorded in the pass book later and cash book first
- (c) Some entries are recorded either in the pass book or the cash book with delay
- (d) Some entries are recorded in both the books, before the date of reconciliation

Answer: (d)

23. For the purpose of reconciliation statement, if there is positive balance, it appears on _____ side of the cash book and _____ side in the pass book.

- (a) Debit, credit
- (b) Credit, debit
- (c) Debit, debit
- (d) Credit, credit

Answer: (a)

24. In context of reconciliation which of these is correct:

- A. Credit balance as per cash book means overdraft
 - B. Direct deposit by a firm's debtor in the bank is first recorded by the bank
 - C. Debit of bank charges by the bank reduces the balance
- (a) A to C all
 - (b) A and B only
 - (c) B and C only
 - (d) A and C only

Answer: (a)

25. Which of the following statements does not match in the context of trial balances:

- (a) Trial balance takes care of arithmetic accuracy
- (b) In the trial balance, the balances of liabilities are recorded on the debit side
- (c) In the trial balance, the balances of the expenses are recorded on the debit side
- (d) In the trial balance, the balances of the capital amount are recorded on the debit side.

Answer: (b)

26. The trial balance in which the total of debit side and the total of credit side of each ledger is taken into account is called:

- (a) Main trial balance
- (b) Net trial balance
- (c) Trial balance
- (d) Gross trial balance

Answer: (d)

27. If trade discount allowed appears in the trial balance, it will finally be adjusted as:

- (a) Debit entry in the profit and loss account
- (b) Debit entry in the trading sheet and manufacturing account
- (c) Asset in the balance sheet
- (d) Deduction from sales in the trading account.

Answer: (d)

ABC Ltd. Completed the transactions listed below:

State whether each of the below given transaction would cause the ratio listed opposite to increase, decrease or remain unchanged

28. Redeemed debentures by issuing ordinary shares-Rate of return on the ordinary shareholders' equity

- (a) Increase
- (b) Decrease
- (c) Remain unchanged
- (d) None of the above

Answer: (b)

29. Purchased inventory on credit- Quick ratio

- (a) Increase
- (b) Decrease
- (c) Remain unchanged
- (d) None of the above

Answer: (b)

30. Sold inventory for cash – Current ratio

- (a) Increase
- (b) Decrease
- (c) Remain unchanged if sales price is equal to cost. Increase if sales price is greater than cost.
- (d) None of the above

Answer: (c)

31. Declared a cash dividend on ordinary shares – dividend payout

- (a) Increase
- (b) Decrease
- (c) Remain unchanged
- (d) None of the above

Answer: (a)

31. Paid the cash dividend – dividend yield

- (a) Increase
- (b) Decrease
- (c) Remain unchanged
- (d) None of the above

Answer: (c)

32. Find the difference between the simple interest and compound interest at 10% p.a. for 3 years on principle of Rs. 5000.

- (a) Rs. 230
- (b) Rs. 190
- (c) Rs. 155
- (d) Rs. 210

Answer: (c)

ABC Limited Profit and Loss Account for the year ended 31.03.2017 is given below.

Turnover: 7300

Cost of sales: 4234

Distribution costs: 1320

Admin expenses: 480
Interest: 200
Tax: 372
Dividend: 400

Proposed dividend: 400
Taxation: 170
Accruals: 120
Net current assets: 1540

10% debenture: 2000
Financed by: 3500

Ordinary shares: 900
Retained profit: 2600

Balance sheet as of 31.03.2017

Fixed assets plant and machinery: 3960

Current assets: 2430
Stocks: 1390
Debtors: 800
Bank: 238

Current liabilities: 890
Trade creditors: 200

Calculate the following based on the above information:

33. Gross profit

- (a) 1266
- (b) 3066
- (c) 4234
- (d) 7300

Answer: (b)

34. Operating profit

- (a) 294
- (b) 694
- (c) 1066
- (d) 1266

Answer: (d)

35. Operating profit

- (a) 294
- (b) 694
- (c) 1066
- (d) 1266

Answer: (c)

36. Profit attributable to shareholders

- (a) 294
- (b) 694
- (c) 1066
- (d) 1266

Answer: (b)

37. Retained profit

- (a) 294
- (b) 694
- (c) 1066
- (d) 1266

Answer: (a)

38. Gross profit margin

- (a) 17.34%
- (b) 23.02%
- (c) 33.33%
- (d) 42%

Answer: (d)

39. Operating margin

- (a) 17.34%
- (b) 23.02%
- (c) 33.33%
- (d) 42%

Answer: (d)

40. The process known as _____ takes advantage of an opportunity to make a riskless profit using three exchange rates

- (a) Forward trading
- (b) Spot trading
- (c) Triangular trading
- (d) Revaluation

Answer: (c)

41. The concern concept according to which a fact or happening which cannot be expressed in terms of money is not recorded in the accounting books is called _____

- (a) Cost concept
- (b) Matching concept
- (c) Realization concept
- (d) Money measurement concept

Answer: (d)

42. Which of the following customer falls under the low-risk category under KYC guidelines?

i. Salaries employees

ii. Trusts

iii. Persons from lower strata of the society

- (a) Only i and ii
- (b) Only i and iii
- (c) Only ii and iii
- (d) i, ii, and iii

Answer: (b)

43. The ratio that explains how efficiently companies use their assets to generate revenue

- (a) Revenue asset ratio
- (b) Receivable turnover ratio
- (c) Income ratio
- (d) Asset turnover ratio

Answer: (d)

44. A ratio that compares the investors' and creditors' stake in a company

- (a) Debt ratio
- (b) Debt to equity ratio
- (c) Equity ratio
- (d) Investor credit ratio

Answer: (b)

45. Compliance of accounting standards is not the duty of _____

i. Board of Directors

ii. Auditor

iii. Company secretary

- (a) Only i and ii
- (b) Only i and iii
- (c) Only ii and iii
- (d) i, ii and iii

Answer: (c)

46. A company comes into existence when it gets the certificate of

- (a) Incorporation
- (b) Commencing the business
- (c) Income tax department
- (d) None of the above

Answer: (a)

47. Principle of Prudence is also known as

- (a) Materiality
- (b) Consistency
- (c) Conservatism
- (d) None of the above

Answer: (c)

48. The method in which depreciation rate is constant is

- (a) Straight line method
- (b) Declining balance method
- (c) Double declining balance method
- (d) Accelerated depreciation

Answer: (b)

49. ____ capital is the amount with which a company is formed

- (a) Authorized
- (b) Subscribed
- (c) Both a and b
- (d) None of the above

Answer: (a)

50.As per RBI guidelines, banks can't outsource:

i. Determining compliance with KYC norms

ii. According sanction for loans

iii. Management of investment portfolio

- (a) Only i and ii
- (b) Only i and iii
- (c) Only ii and iii
- (d) i, ii and iii

Answer: (d)

51.Which of the following concept assumes that the business enterprise will not be sold or liquidated in the near future?

- (a) Conservatism concept
- (b) Money measurement concept
- (c) Going concern concept
- (d) Accounting period concept

Answer: (c)

52.What is the currency deposit ratio (CDR)?

- (a) ratio of money held by the public in currency to that of money held in bank deposits
- (b) ratio of money held by public in bank deposits to that of money held by public in currency
- (c) ratio of money held in demand drafts to that of money held in treasury bonds
- (d) none of the above

Answer: (a)

53.Why do banks borrow money in the call money market?

- (a) To meet sudden demand for funds arising out of large outflows
- (b) To fill the temporary mismatches in funds
- (c) To meet the Statutory Reserve requirements
- (d) All of the above

Answer: (d)

54.Which of the following was the first commercial bank established by Indians in 1881?

- (a) Reserve Bank of India
- (b) Imperial Bank of India
- (c) Awadh Commercial Bank
- (d) State Bank of India

Answer: (c)

55.Describe the status of the following person: X and Y are legal heirs of Z. Z died in 2018 and X and Y carry on his business without entering into a partnership.

- (a) Firm
- (b) Limited Liability Partnership
- (c) Company
- (d) Body of Individual

Answer: (d)



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56. Loan is obtained by X for purchase of a car for Rs. 1.5 lac @ 12% interest for over 2 years. What is the amount of weekly payment at simple rate of interest?

- (a) 3398.12
- (b) 3458.19
- (c) 3576.92
- (d) 3697.02

Answer: (c)

57. Which of the following will not affect Trial Balance?

- (a) Goods sold on credit not recorded in books
- (b) Overstating of sales register
- (c) Rent account credited instead of debit
- (d) Salary debited to the extent $\frac{1}{2}$ the amount

Answer: (a)

58. Compound interest is paid on which of the following:

- (a) Principal amount
- (b) Interest amount
- (c) Principal amount and interest already accrued
- (d) Principal amount and interest to accrue

Answer: (c)

59. Annuity is defined as

- (a) Equal cash flows at equal intervals forever
- (b) Equal cash flows at equal intervals for a specified period
- (c) Unequal cash flows at equal intervals for specified period
- (d) Unequal cash flows at equal intervals forever

Answer: (b)

60. If interest is to be compounded half-yearly, which of the following will be used:

- (a) $P(1+r)^n$
- (b) $P(1+r/2)^n \times 2$
- (c) $P(1+r/4)^n \times 4$
- (d) $P(1+r/12)^n \times 12$

Answer: (b)

61. What is the present worth of Rs. 132 due in 2 years at 5% simple interest per annum?

- (a) 110
- (b) 120
- (c) 130
- (d) 140

Answer: (b)

Bharat QR - A QR code consists of black squares arranged in a square grid on a white background, which can be read by an imaging device such as a camera. QR contains information about the item to which it is attached.

Answer the following questions regarding Bharat QR.

62. Bharat QR is Mobile payment solution

- (a) P2P (Person to Person)
- (b) P2M (Person to Merchant)
- (c) M2P (Merchant to Person)
- (d) M2M (Merchant to Merchant)

Answer: (b)

63. Bharat QR is mutually derived among payment networks.

- (i) NPCI
- (ii) Visa
- (iii) Mastercard

- (a) Only (i) and (ii)
- (b) Only (i) and (iii)
- (c) Only (ii) and (iii)
- (d) (i), (ii) and (iii)

Answer: (d)

64. What are the charges for using Bharat QR?

- (a) No additional charges for making transaction through Bharat QR
- (b) Depends on the Bank
- (c) Depends on the App
- (d) Depends upon the transaction amount

Answer: (a)

65. Can multiple bank cards be linked on same App?

- (a) No. Multiple cards can't be linked in a single app
- (b) Yes. Multiple cards of multiple banks can be linked in a single app
- (c) Yes. Multiple cards of the same bank can be linked in a single app
- (d) None of the above

Answer: (c)

Consider the following information:

Revenue from Operations: 3,40,000

Cost of Revenue from Operations: 1,20,000

Selling expenses: 80,000

Administrative Expenses: 40,000

66. Gross Profit

- (a) Rs. 2,00,000
- (b) Rs. 2,20,000
- (c) Rs. 2,40,000
- (d) Rs. 2,60,000

Answer: (b)

67. Operating Cost

- (a) Rs. 2,00,000
- (b) Rs. 2,20,000
- (c) Rs. 2,40,000
- (d) Rs. 2,60,000

Answer: (c)

68. Which of the following commission is not an error?

- a) A sale of ₹.660/- not recorded in a book at all
- b) Rent paid to the landlord but not posted to his account
- c) A purchase of ₹.990/- was wrongly recorded to sales account
- d) Credited Ram instead of crediting Arjun

Answer: (a)

69. Received ₹.20,000/- from Anu and credited to Paras account. It is an error of?

- (a) Principal
- (b) Omission
- (c) Commission

(d) Compensatory

Answer: (c)

70. State the Error of Principle from the following options.

- (a) The purchased book was overcast by ₹500/-
- (b) Credit sale to Arun ₹700 recorded as a purchase from Arun
- (c) Good returned to Chetna ₹4,000 posted in Chiru A/c
- (d) For installation of machinery, wages were paid to the wages A/c

Answer: (d)

71. A fund flow statement is a statement of _____ for a definite period between two definite dates.

i. source of funds

ii. use of funds

- (a) Only i
- (b) Only ii
- (c) Either I or ii
- (d) Both I and ii

Answer: (d)

72. The right of set off cannot be exercised by a bank if

- (a) The funds are in the same right and belong to the customer
- (b) There is an agreement between bank and customer to exclude the right of set off
- (c) Debts are due and not contingent
- (d) Debts have crystallised

Answer: (d)

73. An ante-dated cheque if presented for payment after expiry of the validity period can be paid if it revalidated by

- (a) The collecting banker with seal and signature
- (b) The drawer under his signature
- (c) The payee with his signature
- (d) Any one of the above

Answer: (b)

74. If a firm has 100 in inventories, a current ratio equal to 1.2, and a quick ratio equal to 1.1, what is the firm's Net Working Capital?

- (a) 0
- (b) 100
- (c) 200
- (d) 1000

Answer: (c)

75. Share of a limited company can be classified into _____

- (a) Equity
- (b) Preference
- (c) Equity and Preference
- (d) None of the above

Answer: (c)

76. The _____ is affixed on all important documents and contracts of a company.

- (a) Registered seal
- (b) Common seal
- (c) Government seal
- (d) All of the above

Answer: (b)

77. The balance of cash book and the balance as per pass book of the bank are required to be reconciled because of which of the following reasons? (Which is not true)

- (a) Some entries are recorded in the pass book first and cash book later on.
- (b) Some entries are recorded in the pass book later and cash book first
- (c) Some entries are recorded either in the pass book or the cash book with delay
- (d) Some entries are recorded in both the books, before the date of reconciliation

Answer: (d)

78. The BCSBI has been set up to _____

- (a) Provide redressal mechanism to customers for non-compliance of the codes
- (b) Look into complaints to the extent it points to any systemic failure in compliance with the codes

(c) Provide additional grievance mechanism, in addition to the Banking Ombudsman, for deficiency in customer service

(d) None of the above

Answer: (a)

79. A truck costs 8,900 with a residual value of 500. It is estimated that the useful life of the truck is 4 years. The amount of depreciation expense in year 2 by using the declining balance at twice the straight-line rate is _____

- (a) 2,225
- (b) 4,200
- (c) 4,450
- (d) 8,400

Answer: (c)

80. On 1st January 2002, a firm purchased machinery worth Rs. 1 lakh, and on 1st July 2004, it buys additional machinery worth Rs. 20,000 and spends Rs. 2000 on its erection. Annual depreciation is 10% on straight-line method. What will be written down value at the end of the 5th year?

- (a) Rs. 66,000
- (b) Rs. 66,500
- (c) Rs. 65,000
- (d) Rs. 56,500

Answer: (b)

81. Cash: 50,000

Debtors: 1,00,000

Inventories: 1,50,000

Current Liabilities: 1,00,000

Total Current Assets: 3,00,000

Find the Current Ratio.

- (a) 1:1.5
- (b) 1:3
- (c) 1.5:1
- (d) 3:1

Answer: (d)

82. ABC Company just issued a bond with a Rs. 1,000 face value and a coupon rate of 8%. If the bond has a life of 20 years, pays annual coupons, and the yield to maturity is 7.5%, what will the bond sell for?

- (a) Rs. 951
- (b) Rs. 975
- (c) Rs. 1,020
- (d) Rs. 1,051

Answer: (b)

83. A and B are in need of funds on 1.1.2017. A drew a bill for 2,00,000 for 6 months on B. On 4.1.2017, A got the bill discounted at 10% p.a. and remitted 40% of the proceeds to B. The cheque sent to B is for _____

- (a) 80,000
- (b) 72,000
- (c) 76,000
- (d) 70,000

Answer: (c)

84. A machinery is purchased for Rs. 3,00,000 and Rs. 50,000 is spent on its installation. Rs. 5,000 is spent on fuel. What will be the amount of capital expenditure?

- (a) Rs. 3,00,000
- (b) Rs. 3,50,000
- (c) Rs. 3,55,000
- (d) None of the above

Answer: (b)

85. Certain principal amount plus its 5 years' simple interest makes an amount of Rs. 500. If the interest is $\frac{1}{4}$ th of its principal, find out the rate of interest and the principal amount.

- (a) 4%, Rs, 400
- (b) 5%, Rs, 400
- (c) 5.5%, Rs, 300
- (d) 6%, Rs, 250

Answer: (b)

A trader carries an average inventory of Rs. 40,000. His inventory turnover ratio is 8 times. If he sells goods at a profit of 20% on Revenue from operations, find –

86. Cost of Revenue from operations

- (a) Rs. 80,000
- (b) Rs. 2,20,000
- (c) Rs. 3,20,000
- (d) Rs. 4,00,000

Answer: (c)

87. Revenue from operations

- (a) Rs. 80,000
- (b) Rs. 2,20,000
- (c) Rs. 3,20,000
- (d) Rs. 4,00,000

Answer: (d)

88. Gross Profit

- (a) Rs. 80,000
- (b) Rs. 2,20,000
- (c) Rs. 3,20,000
- (d) Rs. 4,00,000

Answer: (a)

89. In which of the following would you find the account of a supplier?

- (a) Purchase Ledger or Trade Payable Ledger
- (b) Sales Ledger or Trade Receivable Ledger
- (c) Impersonal Ledger
- (d) Nominal Ledger or General Ledger

Answer: (a)

The following differences between the Cash Book entries and information in the bank statement have been identified:

- i. An amount incorrectly credited to the company's account by the bank
- ii. Lodgements into bank not reported in the bank statements
- iii. Dishonour of a cheque deposited into the bank
- iv. Bank loan interest recovered by the bank
- v. Cheques drawn by the company yet to be presented to bank.

90. Which set of alternatives correctly analyses treatment of these?

- (a) In Cash Book: ii, iv; In bank rec: i, iii, v
- (b) In Cash Book: iii, iv; In bank rec: i, ii, v
- (c) In Cash Book: ii, iv, v; In bank rec: i, iii
- (d) In Cash Book: i, ii, iii; In bank rec: iv, v

Answer: (b)

91. A Pass Book is a copy of

- (a) A Customer's account in the Bank's Books
- (b) Cash Book relating to bank column
- (c) Cash Book relating to cash column
- (d) Firm's receipts and payments

Answer: (a)

92. When banks sell third party products (such as insurance, mutual funds etc. as agents the responsibility for ensuring compliance with KYC/AML/CFT regulations

- (a) lies with the bank marketing the product
- (b) lies with the third-party issuer
- (c) lies with both the bank as well as the third-party issuer
- (d) depends on whether the customer pays the money in cash or otherwise

Answer: (b)

93. Relationship between the Bank and the Customer is "Creditor - Debtor" in the following Transactions.

- (i) Loan from Bank (Debit balance in account),
- (ii) issue of draft (after issue of draft),
- (iii) Debit Balance in CC/OD account

- (a) Only (i) and (ii)
- (b) Only (i) and (iii)
- (c) Only (ii) and (iii)
- (d) (i), (ii) and (iii)

Answer: (b)

94. Partnership type of business is formed by the mutual agreement of partners.

What kind of agreement is it?

- (a) Oral agreement
- (b) Written agreement
- (c) Oral or written agreement
- (d) None of the above

Answer: (c)

95. According to Indian Minority Act, a minor whose guardian is appointed by the court, continues to be a minor upto the age of

- (a) 10
- (b) 18
- (c) 21
- (d) 25

Answer: (c)

96. Which of the following are true in case of Basic Savings Bank Deposit Account (BSBDA)?

- (i) it shall not have the requirement of any minimum balance,
- (ii) account holders will be allowed a maximum of four withdrawals in a month,
- (iii) no charge will be levied for non-operation / activation of in-operative 'Basic Savings Bank Deposit Account'

- (a) Only (i) and (ii)
- (b) Only (i) and (iii)
- (c) Only (ii) and (iii)
- (d) (i), (ii) and (iii)

Answer: (d)

In the books of D Ltd., the machinery account shows a debit balance of Rs. 60,000 as on April 1, 2019. The machinery was sold on September 30, 2020 for Rs. 30,000. The company charges depreciation @20% p.a. on diminishing balance method.

97. Depreciation for 2019-20 =

- (a) Rs. 6,000
- (b) Rs. 9,000
- (c) Rs. 4,800
- (d) Rs. 12,000

Answer: (d)

98. Depreciation for 2020-21 =

- (a) Rs. 6,000
- (b) Rs. 9,000
- (c) Rs. 4,800
- (d) Rs. 12,000

Answer: (c)

99. Profit / Loss on sale =

- (a) Rs. 13,200 Profit
- (b) Rs. 13,200 loss
- (c) Rs. 6,800 profit
- (d) Rs. 6,800 loss

Answer: (b)

100. A high turnover of accounts receivable, which implies a very short days-sales outstanding, could indicate that the firm

- (a) Has a relaxed (lenient) credit policy
- (b) Offers small discounts
- (c) Uses a lockbox system, synchronizes cash flows, and has short credit terms
- (d) Has an inefficient credit and collection department

Answer: (c)

101. Sacrificing ratio is equal to

- (a) Old ratio
- (b) New ratio
- (c) Old ratio - New ratio
- (d) New ratio - Old ratio

Answer: (c)

101. Final accounts of a limited company consist of _____

- (a) Balance sheet
- (b) Profit and loss account
- (c) Trading account
- (d) Both a and b

Answer: (d)

102. Which of the following parties in a Bill of Exchange do match:

- (a) Drawer: The person who orders the other Person to make payment
- (b) Payee: The person who is to make payment
- (c) Drawee: The person who is to receive the payment as per order of the drawer
- (d) None of the above

Answer: (a)

103. X draws a Bill of Exchange on Y for Rs. 5,000 payable 60 days after date of the Bill. He discounts the bill with his bank and pays discount of Rs. 50. What will be the journal entry?

- (a) Debit Y, Credit Bank and discount
- (b) Debit bank and discount, credit bills receivable
- (c) Debit bills receivable, credit bank and discount
- (d) Debit bills receivable and discount, credit bank

Answer: (b)

104. Which of the following statements is not true:

- (a) Amount of Bill is received by payee
- (b) Drawee is the maker of the Bill of Exchange
- (c) Acceptance by the Drawee is compulsory in usance bill
- (d) Before acceptance of a bill, the drawee is not liable on the bill.

Answer: (b)

105. A party draws a Bill of Exchange in Delhi payable in Bangalore by a foreigner and no sale or purchase has actually taken place.

Such bills are called

- (a) Documentary bills
- (b) Foreign bills
- (c) Accommodation bills
- (d) Usance bills

Answer: (c)

106. A bill has been received by a drawee X from Drawer Y and has been dishonored and noted. What journal entries will be passed in the books of the drawee?

- (a) Debit bills receivable, Credit Y and Noting charges.
- (b) Debit bills payable, credit noting charges and Y.
- (c) Debit bills payable and noting charges, credit Y
- (d) Debit Y and noting charges, credit bills payable

Answer: (c)

107. The books in which all particulars relating to bills accepted are recorded is called bills _____ (receivable/payable) books and the entry is posted to the debit of respective _____ (debtor/creditor)

- (a) payable, creditor
- (b) payable, debtor
- (c) receivable, creditor
- (d) receivable, debtor

Answer: (a)

108. Partnership type of business is formed by the mutual agreement of partners. What kind of agreement is it?

- (a) Oral agreement
- (b) Written agreement
- (c) Oral or Written agreement
- (d) None of the above

Answer: (c)

109. Which of the following are true in case of Basic Saving Bank Deposit Account (BSBDA)?

- i. It shall not have the requirement of any minimum balance
- ii. Account holders will be allowed a maximum of four withdrawals in a month
- iii. No charge will be levied for non-operation/activation of in-operative 'Basic Savings Bank Deposit Account'

- (a) Only (i) and (ii)
- (b) Only (i) and (iii)
- (c) Only (ii) and (iii)
- (d) (i), (ii) and (iii)

Answer: (d)

110. Which of the following is not a deferred revenue expenditure?

- (a) Preliminary expenses for setting up a company
- (b) Rights Issue amount
- (c) Huge sales promotion expenditure in launch of new product
- (d) Cost of preparing project report

Answer: (b)

111. Sinking fund is an example of-

- (a) Annuity
- (b) Depreciation
- (c) Perpetuity
- (d) All of the above

Answer: (a)

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