



JAIIB AFM

Memory Based Questions



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Memory Based Questions (15Oct 2023)

1. Which of the following is not required for preparation of fund flow statement?

1. Sources of funds are indicated by decrease in assets and increase in liabilities
 2. Applications of funds are associated with the increase in assets and decrease in liabilities
 3. In banks both sources and uses of funds classify into long term and Short term.
- (a) All are required
(b) 1 & 2
(c) 2 & 3
(d) 1 & 3

Ans. a

2. Calculate Earning Per Share

- i. Net Profit before Interest & Tax = 5,00,000
- ii. Borrowing = 1,00,000 at 20% p.a.
- iii. Tax = 20%
- iv. Preference Dividend (100000) = 10%
- v. No of Share including PS = 2 lakh

- (a) 1.86
(b) 3.74
(c) 2.86
(d) 1.76

Ans. b

3. Calculate Modified Duration of a bond

Coupon = 8% (payment semi-annually) YTM = 8%

Maturity = 2 years MP = 1000

Price = 1000

- (a) 1.811
(b) 3.7671
(c) 1.8835
(d) 3.4649

Ans. a

4. Which of the following is not true about NPV?

- (a) It is a discounted cash flow technique.

(b) Net Present Value = Sum of discounted value of all cash inflows during the life of the project – Initial investment.

(c) NPV is negative means the surplus is actually a deficit and undertaking the investment would reduce the wealth of the shareholders.

(d) Project which has a positive and negative result both can be opt by a business.

Ans. d

5. What is the relationship between Bond Price and Interest rate in market?

(a) Positive

(b) Inverse

(c) No relation

(d) None of these

Ans. b

6. A bond, whose par value is 100, bears a coupon rate of 8% and has a maturity period of 3 years. The required rate of return on the bond is 8%. What is the value of this bond?

(a) 99.99

(b) 97.99.

(c) 48.45

(d) 25.45

Ans. a

7. Which of the following is not true relationship between Journal and ledger?

(a) Journal is the book of original entry while the ledger is the book of second entry.

(b) The journal is a book for analytical record while the ledger is a book for chronological record.

(c) Journal is more reliable as compared to the ledger

(d) Process of recording transactions in the ledger is known as posting.

Ans. b

8. If an export customer has a bill for Euro 100,000 and rates in Mumbai market are US\$ 1

= 78.8450/545 and rates in London market are 1 Euros = \$ 0.9927.

Calculate euro/ Rs.

(a) 74.30

(b) 78.29

(c) 79.39

(d) 72.29

Ans. b

9. Calculate: (i) Break-even point in terms of sales value and in units.

Fixed factory overheads cost = 10000

Fixed selling overheads cos = 15000

Variable manufacturing cost p.u = 15

Variable selling cost p.u = 5

Selling Price per unit = 25

(a) 5000

(b) 8000

(c) 7200

(d) 9000

Ans. a

10. Calculate: (ii) Number of units that must be sold to earn a profit of Rs. 90,00

Fixed factory overheads cost = 10000

Fixed selling overheads cos = 15000

Variable manufacturing cost p.u = 15

Variable selling cost p.u = 5

Selling Price per unit = 25

(a) 25000 unit

(b) 24000 units

(c) 23000 units

(d) 22000 units

Ans. c

11. Freight expense for moving machinery comes under which category:

(a) Revenue expenditure

(b) Capital Expenditure

(c) Deferred revenue expenditure

(d) None of these

Ans. b

12. Which of the following is incorrect:

(a) AS 2 i. Valuation of Inventory

(b) AS 4 ii. Contingencies and Events Occurring after the Balance Sheet Date

(c) AS 15 iii. Employee Benefits

(d) AS 18 Iv. Accounting for govt grants

Ans. d

13. Share premium a/c cannot be used for

1. Buy back of shares.
2. Issue of partly paid bonus shares.
3. Writing off preliminary expenses and discount or commission on issue of shares or debentures.
4. Distribution of dividend
5. Paying premium on redemption of preference shares or debentures.

(a) 1 & 3

(b) 2 & 4

(c) 3 & 5

(d) 1 & 5

Ans. b

14. Which of the following is not true about bonus share?

(a) No company shall capitalise its profits or reserves for the purpose of issuing fully

paid-up bonus shares under sub-section (1),

(b) Define in Section 64 of the Companies Act 2013,

(c) A company may issue fully paid-up bonus out free reserves or the securities premium account; or capital redemption reserve account

(d) No issue of bonus shares shall be made by capitalising reserves created by the revaluation of assets

Ans. b

15. Which of the following is/ are objectives of management accounting?

1. formulating strategy

2. planning and controlling activities;

3. disclosure to shareholders and others external to the entity;

4. safeguarding assets.

(a) All of these

(b) 1, 2 & 3

(c) 1, 3 & 4

(d) 1,2 & 4

Ans. a

16. Which of the following is correct about Forward & Futures?

(a) Incase of Forward counterparty risks are high but incase of future it is not present.

(b) Forward contract is traded on exchange whereas Futures are OTC product.

(c) Forward is a standardized product whereas Futures are non standardized products.

(d) All are correct

Ans. a

17. As per Net Income approach, overall cost of capital can be _____ through higher debt proportion.

(a) Increase

(b) Decrease

(c) No impact

(d) None of these

Ans. b

18. Which of the following is/ are incorrect about types of lease?

(a) In a leveraged lease, the lessor borrows money to purchase an asset, and then lease that asset to the lessee.

(b) A Dry lease is one in which the lessor operates the equipment and is responsible for its insurance, maintenance etc.

(c) Under a Sale and Lease-back transaction, the asset owned by one party is sold to the other party and simultaneously taken back on lease.

(d) that the ownership of the leased asset will be transferred to the lessee on completion of the lease period. Finance lease is a method of providing finance where the lessor buys the asset, not for its own use but for use by the lessee, for an agreed period.

Ans. b

19. Which of the following is true regarding Inventory valuation?

(a) Under FIFO method, it is assumed that the material which was first received in the godown is issued first. Therefore, the cost of acquiring the first materials is applied.

(b) Under LIFO method, it is assumed that the material which was last received in the godown is issued first. Therefore, the cost of acquiring the last materials is applied.

(c) Under Weighted Average Cost method, the average weighted cost of acquisition is calculated and is applied to closing stock

(d) All are correct

Ans. c

20. Which of the following is correct regarding BoE endorsement entry if it endorsing to C

- (a) C a/c Dr. To Bills Payable a/c Cr.
- (b) C a/c Dr. To Bills Receivable a/c Cr.
- (c) Bills Payable a/c Dr. To C a/c Cr.
- (d) Bills Receivable a/c Dr. To C a/c Cr.

Ans. b

21. Advertising campaign is an example of:

- (a) Revenue expenditure
- (b) Capital Expenditure
- (c) Deferred revenue expenditure
- (d) None of these

Ans. c

21. What of the following is incorrect about Gross trial balance and Net trial balance?

- (a) Gross Trial balance takes totals of debit and credit columns of each ledger account.
- (b) Under net trial balance, net balances of each account are drawn and shown in trial balance.
- (c) In Net trial balance If debit total of an account is more, it will show debit balance and if credit total of an account is more, it will show a credit balance.
- (d) All are correct

Ans. d

22. Wages paid for the construction of the building debited to the Wages Account is an example of which type of error?

- (a) Error of Principle
- (b) Error of omission
- (c) Error of commission
- (d) Compensating error

Ans. a

23. Rectify the following errors and calculate suspense a/c balance?

- I. Sales book undercast by Rs 300.
- II. Purchases book undercast by Rs 400.
- III. Return Inwards book undercast by Rs 200.
- IV. Return outwards book undercast by Rs 100.

- (a) Debit 200
- (b) Credit 200
- (c) Debit 400

(d) Credit 400

Ans. b

24. Rectify the following errors:

Credit sales to Mohan Rs 7,000 were posted to Karan.

(a) Mohan a/c dr. 7000 To Sales 7000

(b) Karan a/c Dr 7000 To Sales a/c 7000

(c) Mohan a/c Dr. 7000 To Karan a/c 7000

(d) Karan a/c Dr. 7000 To Mohan a/c 7000

Ans. c

25. As per which concept, capital contributed by the owner is a liability for the business because business, which is an artificial person, is different from owner.

(a) Money Measurement concept

(b) Historical concept

(c) Business entity concept

(d) Cost Concept

Ans. c

26. As per _____, revenue recognition determine that the earning process should be either complete or near completion.

(a) Dual aspect concept

(b) Realisation concept

(c) Going concern concept

(d) Matching concept

Ans. b

27. _____ is the transaction that impacts both debit and credit of cash & cash equivalent.

(a) Contra entry

(b) Contract entry

(c) Dual entry

(d) None of these

Ans. a

28. A commenced his business on 1st April, 2023 with a capital of ₹ 30,000.

On 31st March

2024, his assets were worth ₹ 50,000 and liabilities of ₹ 10,000. Find out his closing capital

and profits earned during the year.

- (a) 40000 & 20000
- (b) 40000 & 10000
- (c) 50000 & 20000
- (d) 50000 & 10000

Ans. b

29. If capital of a business is ₹ 1,80,000 and liabilities are of ₹1,00,000, calculate the total assets of the business.

- (a) 80000
- (b) 1,80,000
- (c) 2,80,000
- (d) 3,80,000

Ans. c

30. Which of the following is correct regarding TDS?

I. Any company or person making a payment, is required to deduct tax at source, if the payment exceeds certain threshold limits.

II. It is the deductee's responsibility to deduct TDS before making the payment and deposit the same with the government.

III. Each deductor (except when tax is deducted under Section 194-IA) is required to obtain a Tax Deduction Account Number (TAN).

IV. For the deductees, the deducted TDS is claimed as a tax paid and a refund can be claimed if the tax liability is less than the TDS.

- (a) All are correct
- (b) I to III
- (c) I, II & IV
- (d) I, III & IV

Ans. d

31. Which of the following is correct about TCS?

1. Section 206C of the Income-tax act specifies the categories of goods and the % of TCS to be collected by the seller from the buyers.

2. Certain buyers are exempted from like public sector companies, Central or State Governments, Embassies etc.

3. If the tax collector doesnot perform his work, he is liable to pay interest of 1% per month.

4. As per section 206 (1H) for collecting TCS from the buyers of goods who makes a payment of more than Rs 100 lakhs towards sale consideration in the financial year.

- (a) All are correct
- (b) 1, 3 & 4
- (c) 1 to 3

(d) None of these

Ans. c

32. _____ system is required by the industries where each unit or batch of output of a product is different from the other units or batches.

(a) Process costing

(b) Batch costing

(c) Job Costing

(d) Standard costing

Ans. c

33. Which of the following is not true about Marginal costing?

(a) Marginal cost is the cost of producing one additional unit of product or service.

(b) Total costs are segregated into the fixed cost and the variable costs. Some costs which have features of both fixed and variable costs, are segregated as semi- variable costs.

(c) Variable costs are not taken into account for calculating the product cost and are charged to revenue of the period in which they are incurred.

(d) Marginal contribution of a product or department is taken calculating its profitability.

Ans. c

34. Calculate Profit using Cost Volume Profit analysis?

A firm, manufacturing TVs, has fixed costs of ₹ 10,00,000 and variable cost of ₹20000 per unit. Sales price is ₹40000 per unit. During the year, it sold 500 TVs. What is the profit of the firm during the year

(a) 1 cr

(b) 90 lakh

(c) 80 lakh

(d) 50 lakh

Ans. b

35. Calculate Margin of safety if estimated sales of a company during the year are ₹ 210

lakh and its break-even sales level is ₹ 90.

(a) 64.17%

(b) 57.14%

(c) 63.82%

(d) 69.72%

Ans. b

36. Calculate cost of each Radio under absorption costing?

A company manufacturing Radio has the following financial information:

I. Fixed overhead costs: ₹ 2,00,000

II. Cost of all direct inputs like material, labour, utilities etc. per radio: ₹ 80

III. Variable overhead costs: ₹ 80,000

IV. Total radio produced in the year: 10,000.

(a) 108

(b) 98

(d) 78

Ans. a

37. _____ refers the costs expected to be incurred to produce a goods or provide a service under anticipated conditions, keeping in view the prevailing market conditions.

(a) Process costing

(b) Batch costing

(c) Job Costing

(d) Standard costing

Ans. d

38. Calculate Net Profit Ratio?

Revenue from Operations (Sales): 3,00,000.

Gross Profit 75,000

Office Expenses 15,000.

Selling Expenses 26,000

Interest on Debentures 10,000

Accidental losses 12,000

Income from Rent 2,500

(a) 5.8%

(b) 6.7%

(c) 4.8%

(d) 2.6%

Ans. c

39. Calculate Net Profit

Income/Expenses	₹	Income/Expenses	₹
Commission charged	7,000	Interest on overdrafts	60,000
Discount on bills discounted	1,65,000	Interest on savings bank accounts	72,000
Audit fees	5,000	Postage telegram	2,000
Establishment expenses	60,000	Printing and stationery	3,000
Interest on loan	2,80,000	Unexpired discount on bills discounted	55,000
Interest on fixed deposits	2,98,000	Rent and taxes	22,000
Interest on cash credits	2,40,000	Sundry expenses	2,000

- (a) 203000
 (b) 193000
 (c) 207000
 (d) 209000

Ans. b

40. Calculate capital reserve:

ABC Ltd. forfeited 20 shares of ₹ 10 each, ₹ 7 called-up on which the shareholder had paid application and allotment money of ₹ 5 per share. Out of these, 15 shares were reissued to Naresh as ₹ 7 per share paid-up for ₹ 8 per share.

- (a) 20
 (b) 45
 (c) 75
 (d) 90

Ans. c

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