



# JAIIB MAY EXAM 2025

## 2 HOURS NON STOP

# MARATHON

# AFM

## PART 2



6 MAY 2025



09:00 PM

**LIVE**



STREAMING

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**Q.86 Which of the following best distinguishes between direct and indirect currency quotations?**

**A. A direct quotation expresses the amount of foreign currency per unit of home currency, whereas an indirect quotation expresses the amount of home currency per unit of foreign currency.**

**B. A direct quotation is the price of the foreign currency in terms of home currency, while an indirect quotation is the opposite.**

**C. A direct quotation is expressed as the amount of home currency per unit of foreign currency, while an indirect quotation is the amount of foreign currency per unit of home currency.**

**D. There is no significant difference between direct and indirect quotations in foreign exchange.**



**Q.87 Which of the following statements about value dates and exchange rate types is correct?**

**B**

- A. A TOM rate refers to a currency exchange that takes place two working days after the deal date.**
- B. A forward rate is applied when the currency exchange occurs after the spot date and may include a premium or discount.**
- C. A spot rate refers to an exchange of currencies that happens on the same day the deal is concluded.**
- D. When a currency is at a discount, the value is added to the quoted rate under the direct quotation method.**



**Q.88 Which of the following statements best explains why forward points exist and how they are determined in the foreign exchange market?**

- A. Forward points arise only due to speculative trading and do not depend on interest rates or currency demand.**
- B. Forward points are determined solely by central bank intervention and have no relation to market expectations or interest differentials.**
- C. Forward points reflect the difference between the spot rate and forward rate, primarily influenced by interest rate differentials, and adjusted by supply-demand and market expectations.**
- D. Forward points are added randomly to spot rates to create future projections of currency value and are not based on financial logic.**



**Q.89 Which of the following best describes arbitrage in the context of financial markets?**

- A. A high-risk strategy where investors speculate on future currency movements to maximize returns.**
- B. The simultaneous buying and selling of a currency or asset in different markets to exploit price differences and earn a risk-free profit.**
- C. A technique used by central banks to artificially fix exchange rates between two or more currencies.**
- D. A financial strategy where interest is compounded to generate exponential returns over time.**

**B**

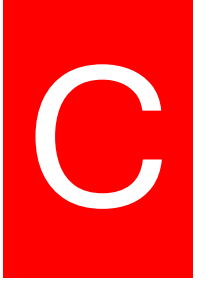


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**Q.90 Which of the following statements is correct regarding a Bill of Exchange as defined under Section 5 of the Negotiable Instruments Act?**



- A) It must be an oral agreement between two parties.**
- B) It contains an unconditional promise to pay a certain sum of money.**
- C) It involves three parties: the drawer, the drawee, and the payee.**
- D) It can be issued only by a bank**



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**Q.91 Which of the following correctly describes the roles of the three parties in a Bill of Exchange?**

**A) The drawer is the person who accepts the bill and promises to pay; the drawee is the person who draws the bill; the payee is the person who receives the money.**

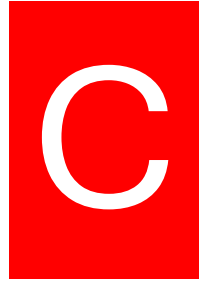
**B) The drawer is the person who draws the bill; the drawee is the person on whom the bill is drawn and who is liable to pay; the payee is the person who is entitled to receive the payment.**

**C) The drawer is the person who pays the bill; the drawee is the person who receives payment; the payee is the bank processing the transaction.**

**D) The drawer is the person who issues the bill on behalf of the bank; the drawee is always the Reserve Bank of India (RBI); the payee is the government.**



**Q 92 Which of the following correctly differentiates a Promissory Note from a Bill of Exchange?**



- A) A Promissory Note is written by the creditor, while a Bill of Exchange is written by the debtor.**
- B) A Promissory Note involves three parties, while a Bill of Exchange involves only two parties.**
- C) A Promissory Note is an unconditional undertaking by the maker to pay, whereas a Bill of Exchange is an order by the creditor to the debtor to make a payment.**
- D) A Promissory Note must always be drawn in favor of a bank, while a Bill of Exchange can be drawn in favor of any individual.**



**Q.93 Under the Negotiable Instruments Act, which of the following statements is incorrect regarding the distinction between a Bill of Exchange and a Cheque?**

- A) A Cheque must be drawn on a banker, whereas a Bill of Exchange can be drawn on any party.**
- B) A Cheque does not require a stamp duty, whereas a Bill of Exchange (except for demand bills) requires one.**
- C) A dishonored Cheque can attract criminal liability under Section 138 of the Negotiable Instruments Act, whereas dishonor of a Bill of Exchange does not lead to criminal liability.**
- D) A Bill of Exchange is always a negotiable instrument, whereas a Cheque is not.**

**A**



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**Q.94 Which of the following statements best defines a Holder in Due Course (HDC) under the Negotiable Instruments Act?**



**A) A person who possesses a negotiable instrument and is entitled to receive payment, regardless of how the instrument was obtained.**

**B) A person who obtains a negotiable instrument for valuable consideration, before maturity, and without knowledge of any defect in the title of the previous holder.**

**C) A person who holds a negotiable instrument after its maturity but has no knowledge of any prior fraud.**

**D) Any bank or financial institution that accepts a negotiable instrument for clearing and settlement.**



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**Q.95 Which of the following statements is true regarding the retirement of a bill of exchange?**

**A) The drawee must pay the full amount along with interest if the bill is retired before its due date.**

**B) The bill can be retired only if the drawer provides a written request for early payment.**

**C) The drawee may receive a rebate (discount) for making the payment before maturity.**

**D) Retirement of a bill is considered a form of dishonour under the Negotiable Instruments Act.**

**C**



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**Q.96 Which of the following statements best describes an Accommodation Bill under the Negotiable Instruments Act?**

- A) A bill drawn and accepted without any consideration, purely to assist another party in obtaining credit or funds.**
- B) A bill that is issued by a bank to provide short-term financing to businesses.**
- C) A bill that must be drawn on a bank and is always payable on demand.**
- D) A bill that is backed by collateral and issued for commercial trade transactions.**

**A**



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**Q.97 Which of the following is the primary function of a Notary Public in the context of Negotiable Instruments?**

- A) To provide legal representation to the drawee in case of dishonour of a bill.**
- B) To record and certify the dishonour of a negotiable instrument through a formal protest.**
- C) To issue negotiable instruments on behalf of the government.**
- D) To mediate disputes between the drawer and the drawee regarding payment.**

**B**



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**Q.98 Which of the following statements best differentiates cost accounting from financial accounting?**

**A) Financial accounting primarily focuses on internal management decisions, whereas cost accounting is regulated by statutory requirements like the Companies Act.**

**B) Cost accounting emphasizes product-wise cost control and estimation, while financial accounting focuses on overall profitability and compliance with external reporting standards.**

**C) Cost accounting records are always prepared quarterly or annually, while financial accounting can be done daily based on operational needs.**

**D) Financial accounting incorporates budgetary control and cost estimation, whereas cost accounting strictly deals with actual historical data.**

**B**

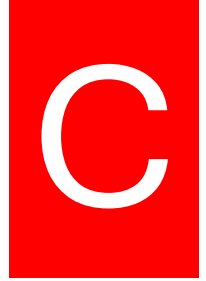


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**Q.99 Which of the following bonds is considered below investment grade and offers a higher yield to compensate for higher risk?**



- A. Government bond**
- B. Convertible bond**
- C. High-yield (junk) bond**
- D. Covered bond**



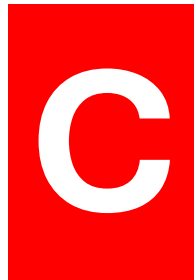
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**Q.100 Which of the following best illustrates a semi-variable cost in a car manufacturing company?**

- A) Insurance premium paid for factory buildings, which remains unchanged regardless of production volume**
- B) Cost of engines used in cars, which varies directly with the number of cars produced**
- C) Salaries of additional administrative staff hired as production increases, though not in direct proportion**
- D) Depreciation on plant machinery calculated using the straight-line method**



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**Q 101 What type of bond gives the holder the option to exchange it for shares of the issuing company?**

- A. Subordinated bond**
- B. Convertible bond**
- C. Perpetual bond**
- D. Inflation-indexed bond**

**B**



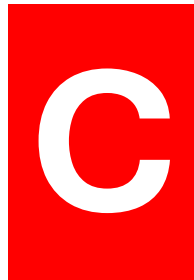
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**Q.102 Which of the following best describes a *mixed cost centre* in the context of cost accounting?**

- A) A department in a car factory that manufactures engines**
- B) The security department in a bank branch**
- C) An IT support unit that sometimes develops software (a core product) and sometimes maintains internal systems**
- D) The chassis manufacturing unit in an automobile plant**



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**Q.103 Which of the following statements about a Cost Centre is correct?**

- A) A cost centre is a department that generates revenue for the organization**
- B) A cost centre is the smallest organizational sub-unit for which separate cost allocation can be made**
- C) A cost centre is responsible for both the generation of revenue and the allocation of costs**
- D) A cost centre always produces a product that is sold to external customers**

**B**



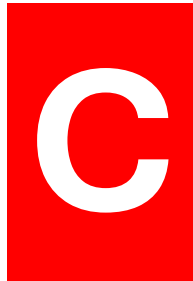
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**Q.104. Which of the following best describes a callable bond?**

- A. A bond that converts into shares of stock**
- B. A bond that gives the investor the right to sell it early**
- C. A bond that allows the issuer to repay it before maturity**
- D. A bond that has no maturity date**



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## **Q.105 According to CIMA, what does a "unit of cost" refer to?**

- A) A unit of product or service in relation to which costs are ascertained**
- B) A unit of measurement used to determine the price of a product**
- C) A unit that refers to a batch of products for cost determination**
- D) A unit of cost based on the total overhead incurred by a department**

**A**



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## **Q.106 Which of the following statements correctly describes Job Costing?**

- A) Job costing ascertains costs in terms of specific jobs or orders.**
- B) Job costing is used only in manufacturing industries.**
- C) Job costing involves the allocation of fixed costs to specific units of production.**
- D) Job costing is primarily used to determine the selling price of a product.**

**A**



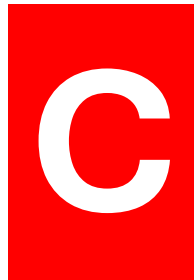
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**Q.107 In which of the following scenarios is the use of Job Costing most appropriate?**

- A) A cement manufacturing company producing identical bags of cement on a continuous basis**
- B) A textile mill producing thousands of meters of uniform fabric daily**
- C) A construction firm building a customized luxury villa for a client**
- D) A sugar refinery processing tons of sugarcane in bulk every day**



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## **Q.108 What is a key feature of a puttable (or retractable) bond?**

- A. It pays no interest during its life**
- B. It can be converted into stock**
- C. It allows the holder to demand early repayment from the issuer**
- D. It is only issued by governments**

**C**



**Q.109 Which of the following statements about bond pricing and yield to maturity (YTM) is/are correct?**

**1. When the market rate (YTM) is higher than the coupon rate, the bond trades at a discount.**

**2. Bond prices are directly proportional to changes in YTM.**

**3. The price of a long-term bond is more sensitive to interest rate changes than a short-term bond with the same coupon rate.**

**4. For equal changes in YTM, bond price increases are larger when YTM decreases than the price decreases when YTM increases.**

**A. Only 1 and 3**

**B. Only 1, 3, and 4**

**C. Only 2 and 4**

**D. All 1, 2, 3, and 4**

**B**



**Q.110 Which of the following industries is most likely to use Batch Costing as its primary costing method?**

- A) A power generation company supplying electricity continuously to a city**
- B) A car manufacturer producing a batch of 500 identical vehicles for a dealership**
- C) A jewelry designer creating a one-of-a-kind custom necklace for a client**
- D) A paper mill producing continuous rolls of paper for industrial packaging**

**B**



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**Q.111 Which of the following is NOT a back office function in banking operations?**

**B**

- A) Transaction processing and bookkeeping**
- B) Customer interaction and relationship management**
- C) Reconciliation of entries and sub-systems**
- D) Calculation and posting of interest on deposits**



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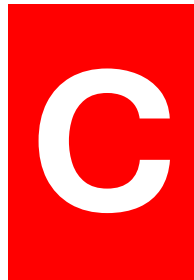
**Q.112. Operation Costing is most appropriately applied in which of the following situations?**

**A) A publishing company printing large volumes of identical textbooks in a continuous process**

**B) A bakery producing customized wedding cakes based on client orders**

**C) A fabrication unit where steel sheets are cut, bent, and welded through distinct operations**

**D) An airline company offering scheduled passenger services on fixed routes**



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**Q.113 What is a key role of the back office in specialised functions like Treasury operations and Forex?**



- A) Executing trades on behalf of clients**
- B) Managing customer accounts directly**
- C) Supporting the trading room by controlling confirmations and settlements**
- D) Setting monetary policy for financial markets**



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**Q.114 In which of the following industries is Process Costing most appropriately applied?**

- A) An automobile repair workshop handling unique customer jobs**
- B) A refinery processing crude oil through successive stages into petrol, diesel, and other products**
- C) A toy manufacturer producing limited-edition collectible figures based on customer orders**
- D) A real estate firm building different types of homes as per buyer specifications**

**B**



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**Q.115 What is the primary purpose of reconciling Nostro accounts with correspondent banks?**

- A) To track domestic cash transactions within the bank's branches**
- B) To verify foreign exchange transactions by matching internal and external records**
- C) To determine the profitability of foreign exchange trading**
- D) To convert foreign currency holdings into local currency automatically**



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**B**



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**Q.116 In which of the following industries is Unit or Single-output Costing most appropriately applied?**

- A) A construction company building customized homes for individual clients**
- B) A cement manufacturing plant producing large quantities of cement**
- C) A software company developing tailored applications for clients**
- D) A luxury watchmaker producing limited edition timepieces**

**B**



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**Q.117 Which of the following is a key consideration when reconciling balances with banks other than the RBI?**

- A) Ensuring that all customer loan accounts are closed before reconciliation**
- B) Verifying that no cheque sent or received in clearing remains outstanding**
- C) Adjusting investment balances exclusively on an annual basis**
- D) Automatically reversing all debit charges to avoid discrepancies**

**B**



**Q.118 Which of the following industries is most likely to use Multiple or Composite Costing?**

- A) A company producing large quantities of cement in a continuous process**
- B) A luxury hotel calculating the cost of providing services to its guests**
- C) An aircraft manufacturer assembling various complex components from multiple sources**
- D) A car manufacturer producing identical vehicles on an assembly line**



**Q.119 Why has computerisation not completely eliminated reconciliation challenges at the branch level?**

- A) Errors in manual ledger posting still exist**
- B) Suspense and Sundry Deposit accounts require manual intervention for reconciliation**
- C) General ledger control accounts cannot be automated**
- D) Balancing books of accounts is no longer necessary**

**B**



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**Q.120 Which of the following best describes the difference between Historical Costing and Standard Costing?**

- A) Historical costing is used to determine costs after production, while standard costing is used to predict costs before production**
- B) Historical costing helps in controlling future costs, while standard costing does not provide any guidance for cost control**
- C) Historical costing is applied to industries producing similar products, while standard costing is applied only to industries with custom-made products**
- D) Historical costing is concerned with measuring actual performance, while standard costing helps in controlling costs before and during production**



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**Q.121 Which of the following best describes the key characteristic of Marginal Costing?**

- A) It only focuses on fixed costs and ignores variable costs**
- B) It differentiates between fixed costs and variable costs, linking profits to changes in volume**
- C) It applies standardized costing principles across multiple companies to enable comparisons**
- D) It is used exclusively for long-term decision-making and ignores short-term change**

**B**



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**Q.122 Which of the following statements best reflects the impact of Computer Aided Audit Techniques (CAATs) on modern auditing?**

- A. CAATs have eliminated the need for auditors to evaluate internal controls and accounting systems, as computerized data processing ensures accuracy and reliability.**
- B. CAATs have replaced traditional auditing entirely, making manual auditing techniques obsolete and eliminating the need for professional judgment in audit procedures.**
- C. The introduction of CAATs has removed all inherent limitations of auditing, ensuring that auditors can examine every transaction and provide absolute assurance rather than just an opinion.**
- D. The use of CAATs has transformed audit procedures from manual verification ('ticks') to digital analysis ('clicks'), enabling auditors to conduct more efficient and effective audits within a computerized environment.**



## **Q.123 Which of the following statements best distinguishes Direct Costing from Absorption Costing?**

- A) Direct costing allocates only direct costs to products, while absorption costing allocates both direct and indirect costs to products**
- B) Direct costing includes all costs, while absorption costing excludes indirect costs from product allocation**
- C) Direct costing allocates all fixed costs to products, while absorption costing allocates only variable costs**
- D) Direct costing is used for long-term decision-making, while absorption costing is primarily used for short-term decisions**



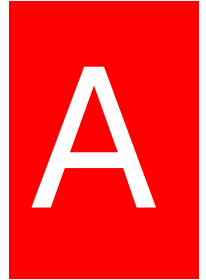
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**Q 124 Which of the following statements best describes the role of Internal Audit in banks as emphasized by the Reserve Bank of India (RBI)?**

- A. A strong Internal Audit function is essential for enhancing the effectiveness of a bank's internal control system by proactively identifying emerging risks and ensuring appropriate mitigation measures are in place.**
- B. Internal Audit in banks primarily serves as a post-mortem exercise, reviewing past transactions without actively contributing to risk identification or internal control improvements.**
- C. The role of Internal Audit in banks is limited to ensuring regulatory compliance and does not extend to assessing risk management frameworks or internal control mechanisms.**
- D. With advancements in banking technology, the need for an Internal Audit function in banks has significantly reduced, as automated systems now provide complete control over financial risks.**

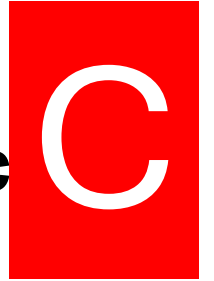


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**Q 125 Which of the following best describes the main advantage of using Activity-Based Costing (ABC)?**



**A) ABC allocates fixed overheads based on a single cost driver, such as production volume**

**B) ABC assigns costs based on a broad average, making it easier to implement**

**C) ABC allocates overhead costs to products based on the specific activities that drive those costs**

**D) ABC excludes indirect costs from the costing process to focus only on direct costs**



**Q.126 Which of the following statements best describes the independence and authority of the internal audit function in a bank?**

**B**

- A) The Head of Internal Audit (HIA) must report only to the business verticals to ensure practical insights.**
- B) The HIA should be a senior executive with the authority to communicate with any staff member and access all necessary records.**
- C) The HIA's role should be rotational, and they must not serve for more than one year.**
- D) The internal audit function should have limited access to confidential records to prevent misuse.**



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**Q.127 Which of the following is NOT a primary objective of Management Accounting?**



- A) Formulating strategy and making decisions based on relevant information**
- B) Disclosing financial information to external stakeholders like shareholders**
- C) Planning and controlling activities to ensure effective management**
- D) Optimizing the use of resources to increase operational efficiency**



**Q.128 What is the recommended minimum tenure for the appointment of the Head of Internal Audit (HIA) in banks where internal audit is not a specialized function?**

- A) One year**
- B) Two years**
- C) Three years**
- D) Five years**

**C**



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**Q.129 Which of the following is NOT a typical area of concern under Financial Planning?**

- A) Determining the optimum level of investment and operations**
- B) Deciding on outsourcing of components and services**
- C) Establishing long-term strategic goals for the organization**
- D) Estimating income and its distribution**

**C**



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**Q.130 Which of the following best describes the purpose of Concurrent Audit in banks?**

**B**

- A) To replace the statutory audit by ensuring that all transactions are verified annually.**
- B) To examine transactions as they occur or as close to their occurrence as possible.**
- C) To perform a one-time audit at the end of the financial year to detect irregularities.**
- D) To review financial statements after they are finalized by the bank's management**



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**Q.131 Which of the following is NOT a key difference between Cost Accounting and Management Accounting?**

- A) Cost accounting focuses mainly on short-term planning, while management accounting is concerned with both short-term and long-term planning**
- B) Cost accounting data serves as the foundation for management accounting tools, which focus on the future impact of costs**
- C) Cost accounting uses only historical costs, whereas management accounting uses both historical and future-oriented data**
- D) Management accounting does not include cost accounting or financial accounting data in its analysis**



**Q.132 What is the primary objective of Information Systems (IS) Audit in banks?**

- A) To ensure that statutory audits include IT-related controls and compliance.**
- B) To independently assess the effectiveness of internal controls in managing IT risks.**
- C) To replace internal audit functions with a focus solely on cybersecurity.**
- D) To conduct periodic checks on IT hardware without considering software risks**

**B**



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**Q.133 Which of the following is a primary focus of Statutory Audit in banks?**

- A) Conducting a detailed review of every banking transaction.**
- B) Verifying compliance with statutory norms like CRR, SLR, and Priority Sector Lending (PSL).**
- C) Replacing concurrent and internal audits by independently reviewing all daily transactions.**
- D) Auditing only the IT systems and cybersecurity framework of the bank**

**B**



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## **Q.134 How are Cost Accounting, Financial Accounting, and Management Accounting related to Financial Management?**

- A) Cost accounting provides data for the determination of profits and is used exclusively in financial management**
- B) Financial accounting is primarily concerned with external reporting, while cost accounting and management accounting provide internal data to support financial decisions in financial management**
- C) Financial accounting, cost accounting, and management accounting are all independent of each other and do not interact with financial management**
- D) Management accounting alone supports financial management by providing information for both short-term and long-term financial decisions**

**B**



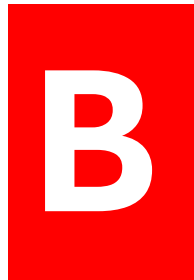
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## **Q.135 What is the primary objective of Revenue Audit in banks?**

- A) To review the bank's compliance with statutory liquidity and capital adequacy norms.**
- B) To identify cases of income leakages, including leakage of interest and other charges.**
- C) To examine all financial transactions in detail for fraud detection.**
- D) To replace internal and concurrent audits by conducting a full financial review**



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**Q.136 Which of the following statements best describes the purpose of Stock and Receivables Audit in banks?**

- A) To ensure that the stock and book debt statements submitted by borrowers accurately reflect their financial position.**
- B) To conduct an overall financial audit of all borrower accounts, regardless of size.**
- C) To replace statutory and concurrent audits by focusing solely on loan disbursement verification.**
- D) To evaluate the bank's internal stock management and inventory control processes**



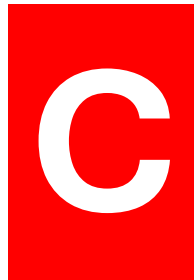
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**Q.137 Which of the following statements regarding a cost sheet is correct?**

- A) A cost sheet is a financial statement used to calculate tax liability.**
- B) A cost sheet excludes all administration and indirect expenses.**
- C) A cost sheet records detailed costs of a cost centre or cost unit, including material, labour, and direct expenses.**
- D) A cost sheet includes items like taxes, interest, and profit on sale of asset**



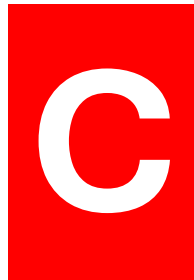
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## **Q.138 What is the primary objective of a Forensic Audit in banking?**

- A) To ensure compliance with statutory financial reporting standards.**
- B) To verify the accuracy of stock and book debt statements of borrowers.**
- C) To detect fraud, misrepresentation, and financial irregularities for legal proceedings.**
- D) To evaluate the effectiveness of a bank's internal control systems**



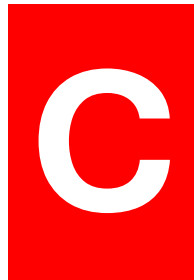
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## **Q.139 What is the main objective of a Management Audit in banks?**

- A) To detect financial fraud and irregularities for legal proceedings.**
- B) To assess compliance with statutory banking regulations and guidelines.**
- C) To evaluate the efficiency of management in resource utilization, strategic planning, and operations.**
- D) To verify the accuracy of financial statements and accounting records**



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**Q.140 How are fixed or non-manufacturing overheads generally allocated to jobs in cost accounting?**

- A) Based on actual material cost incurred during the job.**
- B) Using a pre-determined percentage based on suitable parameters such as time, labour input, or job complexity.**
- C) By evenly distributing the total overhead among all jobs, regardless of size or complexity.**
- D) By calculating the exact expense for each overhead component for every job in real time.**

**B**



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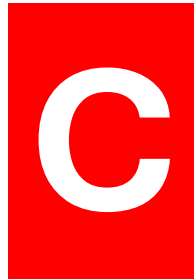
**Q.141 Which of the following best explains why the effective interest rate is higher in a front-end interest rate system compared to a back-end interest rate system, even when the nominal rate remains the same?**

- A) Because the interest is calculated using a higher benchmark rate.**
- B) Because the repayment tenure is longer under front-end interest systems**
- C) Because the interest is charged only on outstanding daily balances in back-end systems.**
- D) Because the borrower receives a lesser disbursed amount, while the interest is calculated on the full principal.**



**Q.142** Which of the following statements best reflects the treatment of notional profit in contract costing when the contract is still in progress and not fully completed?

- A. The entire notional profit is transferred to the Profit & Loss Account irrespective of contract completion.**
- B. Notional profit is ignored until the contract is completed and handed over.**
- C. A portion of notional profit is transferred to the Profit & Loss Account based on the stage of completion and cash received.**
- D. Notional profit is fully retained in the Work-in-Progress Account until the final year of the contract.**



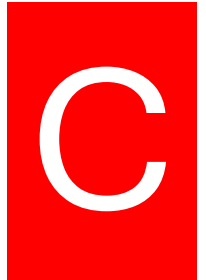
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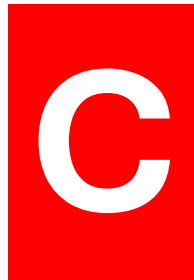
**Q.143 Which of the following statements most accurately differentiates an Ordinary Annuity from an Annuity Due?**

- A. In an Ordinary Annuity, payments are made at the beginning of each period, whereas in an Annuity Due, they are made at the end.**
- B. An Annuity Due typically yields less interest than an Ordinary Annuity, assuming equal payment amounts and interest rates.**
- C. Ordinary Annuities involve payments at the end of each period, such as semiannual bond coupons, while Annuities Due require payments at the beginning of each period, such as monthly rent.**
- D. There is no financial difference between an Ordinary Annuity and an Annuity Due if the total number of payments is the same.**



**Q.144 Which of the following statements correctly highlights the differences between job costing and contract costing?**

- A. In contract costing, work is performed at the contractor's premises, and costs are mostly indirect in nature.**
- B. Job costing is used for large-scale, long-duration projects, and each job is always treated as a single cost unit.**
- C. In contract costing, work is typically carried out on external sites, projects are large and long-term, and costs are predominantly direct.**
- D. Contract costing and job costing are entirely unrelated and use different cost allocation principles.**



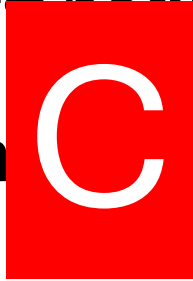
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**Q.145 Which of the following best explains the financial rationale behind using a sinking fund in conjunction with a bullet/balloon repayment loan structure?**

- A. To minimize the total interest payable on the loan by repaying both principal and interest in small periodic amounts.**
- B. To ensure the borrower gradually repays the loan principal through equal EMI payments, reducing default risk.**
- C. To accumulate sufficient funds through periodic deposits, which earn interest, so the borrower can repay the full principal in a lump sum at maturity without creating a sudden cash flow burden.**
- D. To allow the lender to receive a portion of the principal and full interest in every period, while the borrower pays only interest until maturity.**



**Q.146 In the context of contract costing, which of the following best explains the purpose of progress payments and retention money in a long-term construction contract?**

- A. Progress payments are made by the contractor to the customer at regular intervals to ensure timely project execution, while retention money serves as a bonus for early completion.**
- B. Progress payments are periodic payments made by the customer based on certified work completed, while retention money is a withheld portion of these payments to ensure quality and compliance.**
- C. Progress payments represent the full contract value disbursed in advance, while retention money is a share of profits retained by the contractor for internal reinvestment.**
- D. Both progress payments and retention money are penalties imposed by the customer for delays and defects in the contractor's performance.**

**B**



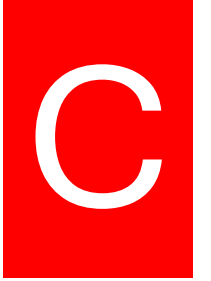
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**Q.147 Which of the following correctly represents the balance sheet equation?**

- A. Assets = Outside Liabilities – Capital**
- B. Assets = Claims of Creditors – Claims of Owners**
- C. Assets = Outside Liabilities + Capital**
- D. Capital = Outside Liabilities + Assets**



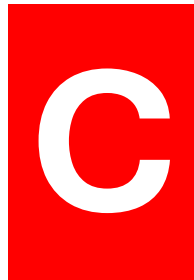
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**Q.148 Which of the following best describes the purpose and application of an escalation clause in a long-term construction contract?**

- A. It guarantees a fixed profit margin to the contractor regardless of cost fluctuations during the contract period.**
- B. It allows the contractor to revise the contract value arbitrarily if market prices of inputs rise.**
- C. It provides a contractual mechanism for adjusting the contract price based on significant changes in the cost of inputs like materials and labour, using a predefined calculation method.**
- D. It is a clause introduced solely for the benefit of customers to reduce the contract value in case of any decline in input prices**

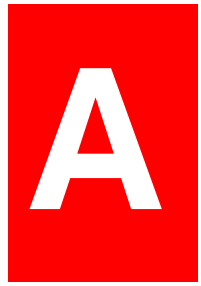


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**Q.149 When the owner withdraws cash for personal use, it results in:**



- A. Decrease in capital and decrease in assets**
- B. Increase in capital and decrease in assets**
- C. Increase in liabilities and decrease in capital**
- D. Increase in liabilities and increase in assets**

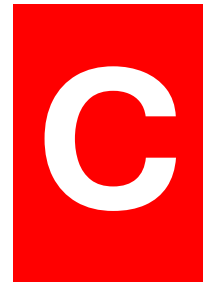


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**Q.150 In which of the following scenarios is Process Costing most appropriately applied?**



- A. A furniture company that builds custom-designed sofas based on individual customer specifications.**
- B. A car manufacturer producing different models using separate assembly lines and customizations.**
- C. A brewery producing thousands of liters of identical beer using continuous production methods.**
- D. A software development firm billing clients based on unique project deliverables.**

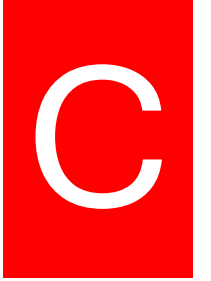


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**Q.151 Which of the following statements is correct regarding the preparation of a trial balance?**



- A) A trial balance ensures that there are no accounting errors in the financial statements.**
- B) Modern accounting software has made the trial balance completely irrelevant.**
- C) The trial balance helps accountants and auditors analyze general ledger account balances before and after adjustments.**
- D) The trial balance is a financial statement that forms part of the final accounts.**



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**Q.152 Which of the following statements correctly describes the differences between Weighted Average Cost, Standard Cost, and FIFO in process costing?**

**B**

- A. Weighted Average Cost is used when there are large fluctuations in material costs over different periods, while FIFO is more appropriate when cost changes are negligible.**
- B. Standard Costs assign actual costs to units produced, and the difference between actual and standard costs is recorded as a variance. FIFO is used when cost changes are significant, as it requires complex calculations to track the layers of costs.**
- C. FIFO is the simplest method of assigning costs, as it uses the average of all previous and current costs, while Weighted Average Cost assigns standard costs to production units.**
- D. Standard Costs are used to eliminate variances between actual and expected production costs, while Weighted Average Cost tracks actual costs and assigns them to individual units produced.**



**Q.154 According to Indian Accounting Standards (IndAS-1), adjusting entries are necessary to:**

**B**

- A) Recognize only cash transactions made during the accounting period**
- B) Ensure that expenses and incomes are recorded on an accrual basis**
- C) Record closing stock at its purchase price**
- D) Transfer all balances to the Profit and Loss account automatically**



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**Q.155 Which of the following best explains why inventory valuation is important in financial accounting?**

- A) It ensures that the trial balance is balanced**
- B) It directly impacts the reported profit or loss of the firm**
- C) It helps in calculating the total sales made during the year**
- D) It determines the tax liability of the business**

**B**



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**Q.156 Which of the following statements is correct regarding By-Products in process costing?**

- A. By-products are main products that are produced in significant quantities and have a high sales value.**
- B. By-products are products that are produced incidentally in the manufacturing process but have a low quantity and sales value compared to the main products.**
- C. By-products are products that are voluntarily produced for sale and significantly influence the manufacturing decisions for the main products.**
- D. By-products are products of the same value and quantity as the joint products**

**B**



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**Q.157 If the closing stock is overvalued, what will be the impact on financial statements?**

- A) Profit will be overstated, and assets will be overstated**
- B) Profit will be understated, and liabilities will be overstated**
- C) Profit will remain unchanged, but assets will be understated**
- D) Profit will be understated, and assets will remain unchanged**

**A**



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**Q.158 Which of the following is true regarding Joint Products in process costing?**

- A. Joint products are products that are produced from a single input, and they all have equal saleable value.**
- B. Joint products are produced in industries where multiple products of significant value are produced simultaneously, with each product having sufficient saleable value to merit recognition as a main product.**
- C. Joint products are by-products that are produced alongside the main product but have a negligible saleable value.**
- D. Joint products are not separated in the production process and are sold as a single product.**

**B**



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**Q.159 Which of the following statements about inventory valuation methods is correct according to Ind AS 2?**

- A) Both FIFO and LIFO methods are permitted for inventory valuation.**
- B) Only LIFO is permitted for inventory valuation.**
- C) Only FIFO and the Weighted Average Method are permitted for inventory valuation.**
- D) The entity can choose any inventory valuation method, including FIFO, LIFO, and Weighted**

**C**



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## **Q.160 What is the purpose of Inter-Process Profit in process costing?**

- A. Inter-Process Profit is used to calculate the total profit generated at the final stage of production.**
- B. Inter-Process Profit is recorded when one process transfers goods to the next process, typically based on the cost or market price, to help assess the profitability of each stage of production.**
- C. Inter-Process Profit is used only for calculating profits related to external sales, not internal transfers.**
- D. Inter-Process Profit is irrelevant in process costing since costs are only calculated for the final product.**

**B**



**Q.161 In times of rising prices, which inventory valuation method results in the highest net profit?**

- A) FIFO (First In, First Out)**
- B) LIFO (Last In, First Out)**
- C) Weighted Average Cost**
- D) All methods result in the same profit**

**A**



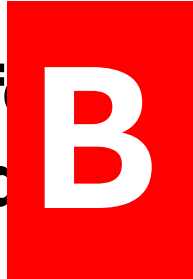
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**Q.162 What is the purpose of using Equivalent Units in the context of Work-in-Progress in process costing?**

- A. Equivalent Units are used to account for the total cost of production incurred for finished goods only.**
- B. Equivalent Units are used to assign cost to units that are incomplete at the end of a period, by converting them into the equivalent number of fully completed units based on their stage of completion.**
- C. Equivalent Units are used to calculate the profit of a company by assigning costs to the work-in-progress inventory at the beginning of the period.**
- D. Equivalent Units are only used for units that are 100% complete to determine the total cost incurred during the period.**



**Q.163 What is the primary purpose of passing closing entries at the end of an accounting period?**

- A) To ensure that the trial balance is balanced before preparing financial statements**
- B) To transfer balances from income and expense accounts to the Profit & Loss (P&L) account**
- C) To adjust the balances of asset and liability accounts for the next period**
- D) To ensure that all ledger accounts carry forward their balances to the next accounting year**

**B**



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**Q.164 Which of the following accounts is not closed at the end of the accounting period?**

- A) Salary Expense Account**
- B) Rent Received Account**
- C) Capital Account**
- D) Sales Revenue Account**

**C**



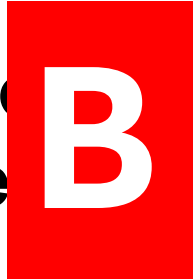
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**Q.165 What is the correct definition of Abnormal Gain in the context of production costing?**

- A. Abnormal Gain occurs when the actual production exceeds the expected output, leading to more units being produced than originally planned.**
- B. Abnormal Gain arises when the actual process loss is less than the estimated normal loss, which could be due to increased efficiency, favorable conditions, or improved worker performance.**
- C. Abnormal Gain refers to the situation where actual losses are greater than normal losses and needs to be adjusted against the cost of production.**
- D. Abnormal Gain is the gain that occurs when the output exceeds the input quantity, which leads to a decrease in overall production cost.**



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