EduTap

JAIIB JUNE 2024

EXAM

AFM

Recollected Questions

With

Detailed Explanation

Preface

The document gives a fair idea of the kind of questions that were asked in JAIIB June 2024 Exam. The document also helps in identifying the most important topics and extrapolate the topics from which questions can be asked in the upcoming exams. Kindly note that the questions mentioned below are memory based and are presented to the best of our knowledge. The questions have been classified into three sections described as follows:

1. Complete Questions

These are the questions for which the topic of the question, the type of question and the options were known to us and have been presented as they had appeared in the exam. There is also mention of the correct answer with the detailed explanation along with the reference from where the question was asked (E.g., Page number, Chapter number and the Module of the IIBF book from which the question has been set).

2. Topic of questions and type of questions

The second section consists of questions for which the exact question asked in the exam is not known to us, but the topic and the kind of question is known, and we have tabulated the same. This will give an idea of the important topics and the depth to which the questions are asked in the exam.

3. Topic of questions

The third section consists of only the topics of the remaining questions as the type of question is also not known to us. This will help in identifying important topics for the upcoming exam.

Part - I

Module A

Q1. "Debit the receiver" is the golden rule for _________ accounts.

A. Real Account

B. Personal Account

C. Nominal Account

D. None of the above

Answer: B

Explanation:

- 'Debit the receiver and credit the giver', i.e. debit the account of the person who receives something and credit the account of the person who gives something.

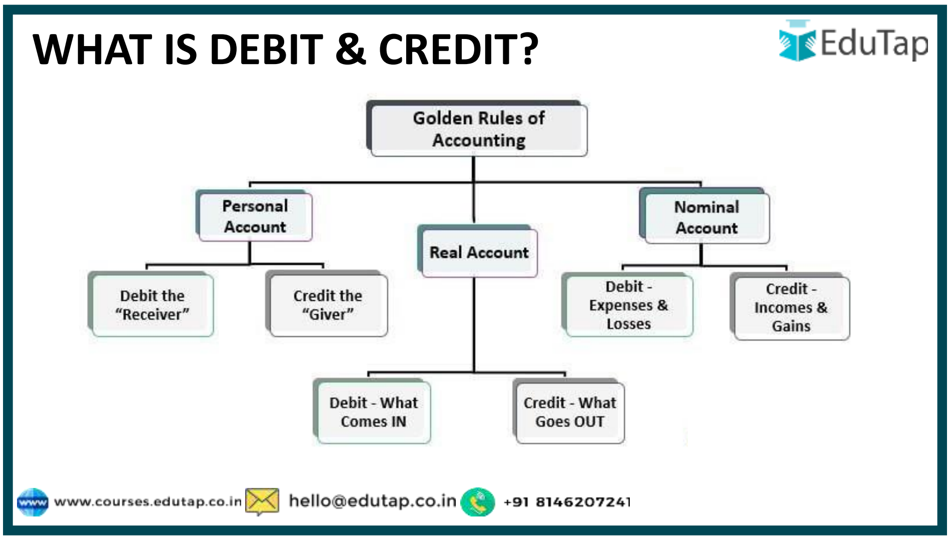
Hence, B is the correct answer

Pg No. 102, Chapter No. 3 in IIBF AFM Macmillan Book

Difficulty Level: Easy

Covered by Edutap: Yes

AFM Master Course – Concept Class



Q2. 'Bills Receivable A/c' and 'Debt Receivable A/c' are a part of ______ accounts.

A. Nominal

B. Personal Representative

C. Real Tangible

D. Personal Artificial

Answer: B

Explanation:

<u>Representative personal accounts</u>

- These are accounts that represent a certain person or group of persons. Since these accounts are many in number and of the same nature, the amounts standing against these accounts are added and put under one common title.
- For example, if the business is not able to pay rent, say, for fifteen shops, then all property owners of these shops stand as creditors and the amount due to them is added and put under one common

head known as 'Rent Outstanding Account'. This account is a personal account representing many property owners.

- Salary outstanding, rent prepaid, bills receivable, interest received in advance, etc., are some of the other examples.

Hence, B is the correct Answer

Pg No. 100 Chapter No. 3 in IIBF AFM Macmillan Book
Difficulty Level: Moderate
Covered by Edutap: Yes
AFM Master Course – Concept Notes

> *Representative personal accounts*
> - These are accounts that represent a certain person or group of persons. Since these accounts are many in number and of the same nature, the amounts standing against these accounts are added and put under one common title.
> - For example, if the business is not able to pay rent, say, for fifteen shops, then all property owners of these shops stand as creditors and the amount due to them is added and put under one common head known as **'Rent Outstanding Account'**. This account is a personal account representing many property owners.
> - **Salary outstanding, rent prepaid, interest outstanding, interest received in advance**, etc., are some of the other examples.

Q3. ₹6000 has been received by a bank from a customer Mr. K. This is recorded in Credit account of Mr. K instead of debit account. This is which kind of error?

A. Error of principle
B. Error of omission
C. Error of Commission
D. None of the above

Answer: C

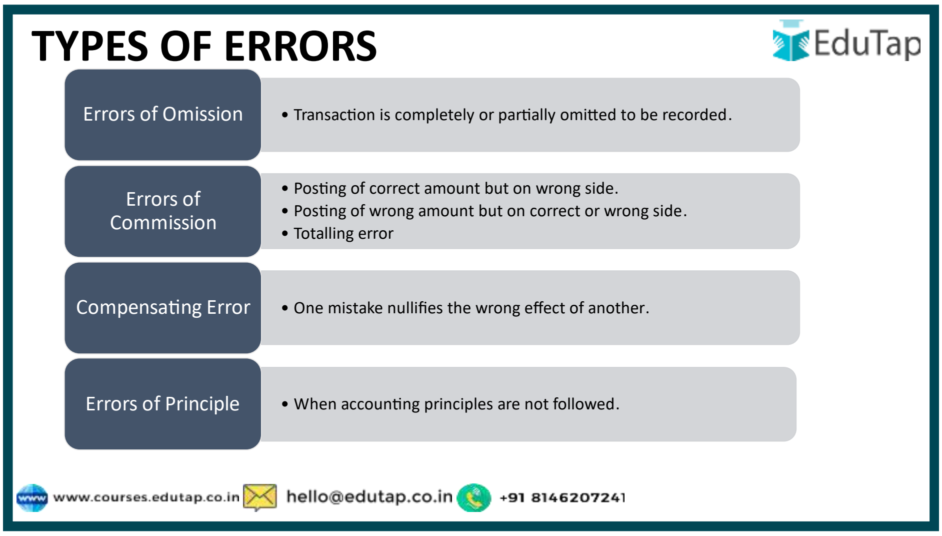
Explanation:
<u>Errors of Commission</u>

- When an error is committed in recording a transaction with the wrong amount or posting to the wrong side of the account, it is called an 'Error of Commission'. Following are some of the examples:
  - Posting of correct amount but on the wrong side.
  - Posting of a wrong amount but on the correct side.
  - Posting of a wrong amount on wrong side of an account.
  - Totalling error in subsidiary book, i.e. purchase journal, sales journal, returns journal or totalling error in any ledger account.
  - A mistake committed in balancing of ledger account

Hence, C is the correct Answer

Pg No. 146 Chapter No. 5 in IIBF AFM Macmillan Book
Difficulty Level: Moderate
Covered by Edutap: Yes

AFM Master Course – Concept Class



Q4. Recording transactions related to transfer of money one company to another called __________.

A. Transfer Pricing

B. Intercompany Transactions

C. Fund Reconciliation

D. Cash Flow Management

Answer: A

Explanation:

- Transfer pricing refers to the pricing of goods and services within a multidivisional organisation, particularly with regard to cross-border transactions.

Hence, A is the correct Answer

Pg No. 44 Chapter No. 1 in IIBF AFM Macmillan Book
Difficulty Level: Moderate
Covered by Edutap: No

Q5. What is the meaning of 'statute' in statutory audit?

A. Convention

B. Compulsory or mandatory

C. Law

D. None of the above

Answer: C

Explanation:

- The term 'Statute' means a 'law'.

Hence, C is the correct Answer

Pg No. 222 Chapter No. 11 in IIBF AFM Macmillan Book
Difficulty Level: Easy
Covered by Edutap: Yes

AFM Master Course – Concept Notes

4 Statutory Audit

It is the legally mandated audit of banking companies. As per **Section 30(1)** of the **Banking Regulation Act, 1949** : **Balance Sheet and P&L account** of a banking company must be audited.

4.1 Features of Statutory Audit

- Statutory audit does not look at the intricacies of the banking transactions (which are looked into by concurrent and Internal audits); instead, they rely on the concurrent audit & internal Audit Reports and test checking to form their opinion.

Q6. Which among the following is not a feature of revenue expenditure?

A. Amounts are small

B. It is recurring

C. Recorded in profit and loss account

D. None of the above

Answer: D

Explanation:

Revenue expenditure typically has the following features:

- It is recurring and often necessary for the day-to-day operations of the business.
- It is recorded in the profit and loss account as an expense.

Hence, D is the correct Answer

Pg No. 222 Chapter No. 11 in IIBF AFM Macmillan Book

Difficulty Level: Easy

Covered by Edutap: Yes

AFM Master Course – Concept Class

CAPITAL vs REVENUE EXP.

EduTap

	CAPITAL EXPENDITURE	REVENUE EXPENDITURE
1	Amount spent is usually large	Amount spent is relatively small
2	Purpose is to improve or enhance earning capacity	Purpose is to maintain fixed assets and operate them
3	Long duration benefit	Short duration benefit
4	Non-recurring	Recurring
5	Shown in balance sheet	Shown in Profit & Loss account.

www.courses.edutap.co.in hello@edutap.co.in +91 8146207241

Q7. AS 2 standard applies to _________.

A. Valuation of inventories

B. Cash Flow Statements

C. Contingencies after balance sheet

D. Net profit or loss for the period

Answer: A

Explanation:

- AS 2 standard applies to 'Valuation of inventories.'

Hence, A is the correct Answer

Pg No. 11 Chapter No. 1 in IIBF AFM Macmillan Book
Difficulty Level: Easy
Covered by Edutap: Yes
AFM Master Course – Concept Class

OLD ACCOUNTING STANDARDS

EduTap

Number of the Accounting Standard (AS)	Title of the Accounting Standard	Date from which Mandatory (accounting periods commencing on or after)
AS 1	Disclosure of Accounting Policies	1-4-1991/1-4-1993
AS 2 (Revised)	Valuation of Inventories	1-4-1999
AS 3 (Revised)	Cash Flow Statements	1-4-2001 *
AS 4 (Revised)	Contingencies and Events Occurring after the Balance Sheet Date	1-4-1995
AS 5 (Revised)	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	1-4-1996
AS 7 (Revised)	Construction Contracts	1-4-2003
AS 9	Revenue Recognition	1-4-1991/1-4-1993
AS 10 (Revised)	Property, Plant and Equipment	1-4-1991/1-4-1993
AS 11 (Revised)	The Effects of Changes in Foreign Exchange Rates	1-4-2004
AS 12	Accounting for Government Grants	1-4-1994
AS 13	Accounting for Investments	1-4-1995
AS 14	Accounting for Amalgamations	1-4-1995
AS 15	Employee Benefits	1-4-1995
AS 16	Borrowing Costs	1-4-2000
AS 17	Segment Reporting	1-4-2001 *
AS 18	Related Party Disclosures	1-4-2001

Number of the Accounting Standard (AS)	Title of the Accounting Standard	Date from which Mandatory (accounting periods commencing on or after)
AS 19	Leases	1-4-2001
AS 20	Earnings Per Share	1-4-2001
AS 21	Consolidated Financial Statements	1-4-2001
AS 22	Accounting for Taxes on Income	1-4-2001* 1-4-2002 for companies 1-4-2003 for all
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements	1-4-2002
AS 24	Discontinuing Operations	1- 4-2004/1- 4-2005
AS 25	Interim Financial Reporting	1-4-2002
AS 26	Intangible Assets	1-4-2003/1-4-2004
AS 27	Financial Reporting of Interests in Joint Ventures	1-4-2002
AS 28	Impairment of Assets	1-4-2004*/1-4-2006/1- 4-2008
AS 29	Provisions, Contingent Liabilities and Contingent Assets	1-4-2004

Q8. Accounting Standard 10 (AS10) is related to which among the following? (Select the most appropriate answer from the options given below)

A. Cash Flow Statements
B. Contingencies and Events Occurring After the Balance Sheet Date
C. An enterprise evaluates under this recognition principle all its costs on property, plant and equipment at the time they are incurred.
D. Disclosure of Accounting Policies

Answer: C

Explanation:

- AS 10 standard applies to 'Property, Plant and Equipment.'

Hence, C is the correct Answer
Pg No. 11 Chapter No. 1 in IIBF AFM Macmillan Book
Difficulty Level: Easy
Covered by Edutap: Yes
AFM Master Course – Concept Class

OLD ACCOUNTING STANDARDS

EduTap

Number of the Accounting Standard (AS)	Title of the Accounting Standard	Date from which Mandatory (accounting periods commencing on or after)
AS 1	Disclosure of Accounting Policies	1-4-1991/1-4-1993
AS 2 (Revised)	Valuation of Inventories	1-4-1999
AS 3 (Revised)	Cash Flow Statements	1-4-2001 *
AS 4 (Revised)	Contingencies and Events Occurring after the Balance Sheet Date	1-4-1995
AS 5 (Revised)	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	1-4-1996
AS 7 (Revised)	Construction Contracts	1-4-2003
AS 9	Revenue Recognition	1-4-1991/1-4-1993
AS 10 (Revised)	Property, Plant and Equipment	1-4-1991/1-4-1993
AS 11 (Revised)	The Effects of Changes in Foreign Exchange Rates	1-4-2004
AS 12	Accounting for Government Grants	1-4-1994
AS 13	Accounting for Investments	1-4-1995
AS 14	Accounting for Amalgamations	1-4-1995
AS 15	Employee Benefits	1-4-1995
AS 16	Borrowing Costs	1-4-2000
AS 17	Segment Reporting	1-4-2001 *
AS 18	Related Party Disclosures	1-4-2001

Number of the Accounting Standard (AS)	Title of the Accounting Standard	Date from which Mandatory (accounting periods commencing on or after)
AS 19	Leases	1-4-2001
AS 20	Earnings Per Share	1-4-2001
AS 21	Consolidated Financial Statements	1-4-2001
AS 22	Accounting for Taxes on Income	1-4-2001* 1-4-2002 for companies 1-4-2003 for all
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements	1-4-2002
AS 24	Discontinuing Operations	1- 4-2004/1- 4-2005
AS 25	Interim Financial Reporting	1-4-2002
AS 26	Intangible Assets	1-4-2003/1-4-2004
AS 27	Financial Reporting of Interests in Joint Ventures	1-4-2002
AS 28	Impairment of Assets	1-4-2004*/1-4-2006/1- 4-2008
AS 29	Provisions, Contingent Liabilities and Contingent Assets	1-4-2004

www.courses.edutap.co.in hello@edutap.co.in +91 8146207241

Q9. The Accounting Standard related to “Contingencies and Events Occurring After the Balance Sheet Date” is ___________. (Select the most appropriate answer from the options given below)

A. AS 1
B. AS 3
C. AS 4
D. AS 26

Answer: C

Explanation:

- Accounting Standard related to “Contingencies and Events Occurring After the Balance Sheet Date” is AS 4.

Hence, C is the correct Answer
Pg No. 11 Chapter No. 1 in IIBF AFM Macmillan Book
Difficulty Level: Easy
Covered by Edutap: Yes
AFM Master Course – Concept Class

OLD ACCOUNTING STANDARDS

EduTap

Number of the Accounting Standard (AS)	Title of the Accounting Standard	Date from which Mandatory (accounting periods commencing on or after)
AS 1	Disclosure of Accounting Policies	1-4-1991/1-4-1993
AS 2 (Revised)	Valuation of Inventories	1-4-1999
AS 3 (Revised)	Cash Flow Statements	1-4-2001 *
AS 4 (Revised)	Contingencies and Events Occurring after the Balance Sheet Date	1-4-1995
AS 5 (Revised)	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	1-4-1996
AS 7 (Revised)	Construction Contracts	1-4-2003
AS 9	Revenue Recognition	1-4-1991/1-4-1993
AS 10 (Revised)	Property, Plant and Equipment	1-4-1991/1-4-1993
AS 11 (Revised)	The Effects of Changes in Foreign Exchange Rates	1-4-2004
AS 12	Accounting for Government Grants	1-4-1994
AS 13	Accounting for Investments	1-4-1995
AS 14	Accounting for Amalgamations	1-4-1995
AS 15	Employee Benefits	1-4-1995
AS 16	Borrowing Costs	1-4-2000
AS 17	Segment Reporting	1-4-2001 *
AS 18	Related Party Disclosures	1-4-2001

Number of the Accounting Standard (AS)	Title of the Accounting Standard	Date from which Mandatory (accounting periods commencing on or after)
AS 19	Leases	1-4-2001
AS 20	Earnings Per Share	1-4-2001
AS 21	Consolidated Financial Statements	1-4-2001
AS 22	Accounting for Taxes on Income	1-4-2001* 1-4-2002 for companies 1-4-2003 for all
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements	1-4-2002
AS 24	Discontinuing Operations	1- 4-2004/1- 4-2005
AS 25	Interim Financial Reporting	1-4-2002
AS 26	Intangible Assets	1-4-2003/1-4-2004
AS 27	Financial Reporting of Interests in Joint Ventures	1-4-2002
AS 28	Impairment of Assets	1-4-2004*/1-4-2006/1- 4-2008
AS 29	Provisions, Contingent Liabilities and Contingent Assets	1-4-2004

www.courses.edutap.co.in hello@edutap.co.in +91 8146207241

Q10. Consider the journal entry related to following transaction:
Received goods worth ₹25,000 from A.
The amount is credited to __________ account.
(Select the most appropriate answer from the options given below)

A. Goods
B. Purchase
C. A
D. Sales

Answer: C

Explanation:

In accounting, when goods are received from a supplier (in this case, "A") on credit, the journal entry involves debiting the Purchase account and crediting the supplier's account.

- The journal entry for this transaction would be:

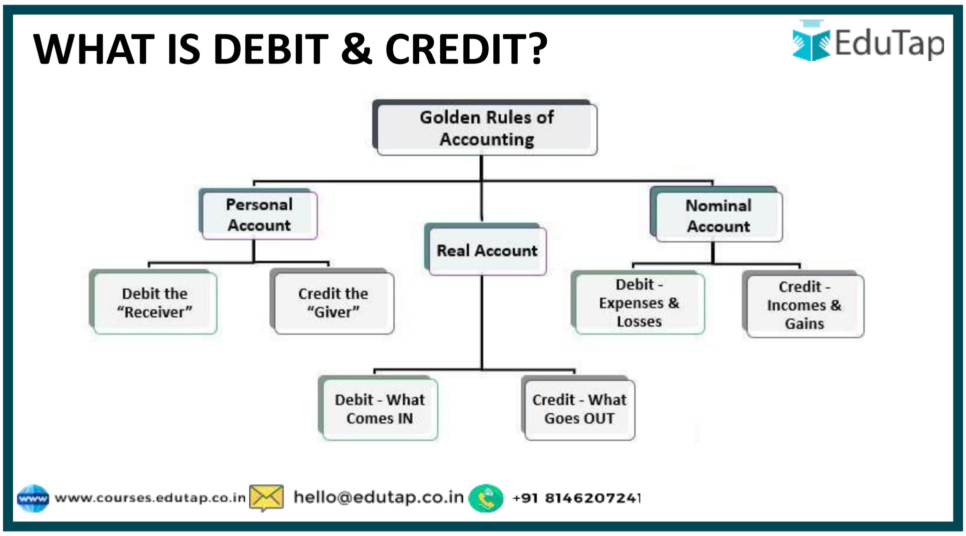
Purchase Account	Dr	₹25,000
A's Account	Cr	₹25,000

So, the amount is credited to A's account.

Hence, C is the correct Answer
Pg No. 102 Chapter No. 3 in IIBF AFM Macmillan Book
Difficulty Level: Easy

Covered by Edutap: Yes

AFM Master Course – Concept Class



Q11. Match the following and select the correct option as follows:

Accounting Standard	Description
A. AS 1	(i) Cash Flow Statements
B. AS 3	(ii) Property, Plant and Equipment
C. AS 10	(iii) Disclosure of Accounting Policies
D. AS 19	(iv) Leases

(Select the most appropriate answer from the options given below)

A. A – (i), B – (ii), C – (iii), D – (iv)

B. A – (iii), B – (i), C – (ii), D – (iv)

C. A – (i), B – (ii), C – (iv), D – (iii)

D. A – (ii), B – (i), C – (iv), D – (iii)

Answer: B

Explanation:

AS 1 (Disclosure of Accounting Policies) matches with (iii)

AS 3 (Cash Flow Statements) matches with (i)

AS 10 (Property, Plant and Equipment) matches with (ii)

AS 19 (Leases) matches with (iv)

Hence, B is the correct Answer

Pg No. 11 Chapter No. 1 in IIBF AFM Macmillan Book

Difficulty Level: Easy

Covered by Edutap: Yes

AFM Master Course – Concept Class

OLD ACCOUNTING STANDARDS

Number of the Accounting Standard (AS)	Title of the Accounting Standard	Date from which Mandatory (accounting periods commencing on or after)
AS 1	Disclosure of Accounting Policies	1-4-1991/1-4-1993
AS 2 (Revised)	Valuation of Inventories	1-4-1999
AS 3 (Revised)	Cash Flow Statements	1-4-2001 *
AS 4 (Revised)	Contingencies and Events Occurring after the Balance Sheet Date	1-4-1995
AS 5 (Revised)	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	1-4-1996
AS 7 (Revised)	Construction Contracts	1-4-2003
AS 9	Revenue Recognition	1-4-1991/1-4-1993
AS 10 (Revised)	Property, Plant and Equipment	1-4-1991/1-4-1993
AS 11 (Revised)	The Effects of Changes in Foreign Exchange Rates	1-4-2004
AS 12	Accounting for Government Grants	1-4-1994
AS 13	Accounting for Investments	1-4-1995
AS 14	Accounting for Amalgamations	1-4-1995
AS 15	Employee Benefits	1-4-1995
AS 16	Borrowing Costs	1-4-2000
AS 17	Segment Reporting	1-4-2001 *
AS 18	Related Party Disclosures	1-4-2001
AS 19	Leases	1-4-2001
AS 20	Earnings Per Share	1-4-2001
AS 21	Consolidated Financial Statements	1-4-2001
AS 22	Accounting for Taxes on Income	1-4-2001* 1-4-2002 for companies 1-4-2003 for all
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements	1-4-2002
AS 24	Discontinuing Operations	1- 4-2004/1- 4-2005
AS 25	Interim Financial Reporting	1-4-2002
AS 26	Intangible Assets	1-4-2003/1-4-2004
AS 27	Financial Reporting of Interests in Joint Ventures	1-4-2002
AS 28	Impairment of Assets	1-4-2004*/1-4-2006/1- 4-2008
AS 29	Provisions, Contingent Liabilities and Contingent Assets	1-4-2004

Q12. Which among the following statements is correct with respect to Historical Cost Concept? (Select the most appropriate answer from the options given below)

A. Measuring Market value

B. Measuring original Historical cost of assets

C. Measuring potential replacement cost of assets

D. All of the above

Answer: B

Explanation:

Every business transaction is recorded in the books of accounts at cost price, irrespective of the market price, all the monetary transactions are recorded at the historical cost.

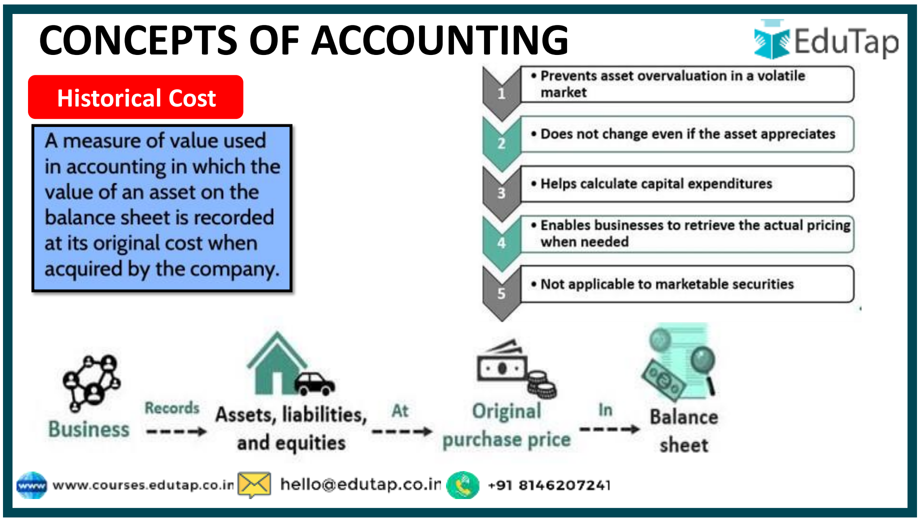
Hence, C is the correct Answer

Pg No. 81 Chapter No. 2 in IIBF AFM Macmillan Book

Difficulty Level: Easy

Covered by Edutap: Yes

AFM Master Course – Concept Class



Q13. Which among the following is the benefit of preparing Trial Balance for Auditors? (Select the most appropriate answer from the options given below)

A. It helps in detecting errors of omission.

B. It verifies the arithmetical accuracy of the books of accounts.

C. It provides a summary of all ledger accounts.
D. It ensures that all transactions have been recorded correctly.

Answer: B

Explanation:

The primary benefit of preparing a Trial Balance for auditors is to verify the arithmetical accuracy of the books of accounts. A Trial Balance is used to check that the total debits equal the total credits in the ledger accounts, ensuring that the accounting entries are correctly recorded and posted.

Hence, B is the correct Answer

Pg No. 142 Chapter No. 5 in IIBF AFM Macmillan Book

Difficulty Level: Easy

Covered by Edutap: Yes

AFM Master Course – Concept Class

1.2 Features & Purpose of Trial Balance

- It is a list of debit and credit balances drawn from ledger.
- It includes cash and bank balances.
- Its main purpose is to establish arithmetical accuracy of transactions recorded in the books of account.
- It is usually prepared at the end of the year, but it can also be prepared any time, as and when required, e.g. monthly, quarterly or half yearly.
- It enables the trader to know amounts receivable from customers and amounts payable to suppliers.
- It facilitates preparation of final accounts.

Q14. The Accounting process in which systematic recording of business transactions is done is _____________. (Select the most appropriate answer from the options given below)

A. Stewardship Accounting
B. Financial Accounting
C. Cost Accounting
D. Management Accounting

Answer: B

Explanation:

Financial Accounting involves the systematic recording, summarizing, and reporting of financial transactions of a business. It focuses on creating financial statements and reports that provide a clear picture of the company's financial performance and position.

Hence, B is the correct Answer

Pg No. 7 Chapter No. 1 in IIBF AFM Macmillan Book

Difficulty Level: Easy

Covered by Edutap: Yes

AFM Master Course – Concept Class

2.3 Purpose/Objectives of Accounting

1. **To keep a systematic record**
   - Accounting serves this purpose of record keeping, by promptly recording all the business transactions in the books of account.
2. **To ascertain the results (profit/loss) of the operations**
   - For this purpose, a business entity prepares either a trading and profit and loss account or an income and expenditure account that shows the profit or loss of the business, by matching the items of revenue and expenditure for the same period.
3. **To ascertain the financial position of the business**
   - Financial statements are the barometers of health of a business entity.
   - In addition to profits, a businessperson must know his financial position, i.e. the availability of cash, the position of assets and liabilities, etc. This helps the businessperson to know his financial strength.

Q15. To be useful and helpful to users, financial statements must be __________.

1. Relevant
2. Reliable
3. Comparable
4. Consistent

(Select the most appropriate answer from the options given below)

A. 1, 2 and 3 only
B. 1, 2, 3 and 4
C. 1, 3 and 4 only
D. 2, 3 and 4 only

Answer: B

Explanation:

For financial statements to be useful, they must meet the following criteria:

- **Relevant**: They should provide useful information for decision-making.
- **Reliable**: They should be accurate and free from significant errors or bias.
- **Comparable**: They should allow users to compare financial information across different periods or companies.
- **Consistent**: They should be prepared using consistent accounting policies and procedures over time..

Hence, B is the correct Answer
Pg No. 286 - 287 Chapter No. 15 in IIBF AFM Macmillan Book
Difficulty Level: Easy
Covered by Edutap: Yes

Q16. Which of the following statements accurately describes a feature of forensic audit?
(Select the most appropriate answer from the options given below)

A. It focuses primarily on compliance with accounting standards and regulations.
B. It involves the examination of financial records to detect and investigate fraud and financial misconduct.
C. It is concerned with assessing the efficiency and effectiveness of operational processes.
D. It aims to provide a detailed analysis of a company's profitability and financial performance.

Answer: B

Explanation:

- A forensic audit is specifically designed to detect and investigate fraud, financial misconduct, and other irregularities in financial records.
- It often involves detailed examination and analysis of financial statements and transactions to uncover evidence of wrongdoing.
- The other options relate to different types of audits or analyses but do not specifically capture the essence of a forensic audit.

Hence, B is the correct Answer
Pg No. 224 Chapter No. 11 in IIBF AFM Macmillan Book
Difficulty Level: Easy
Covered by Edutap: Yes

5.3 Forensic Audit

- Forensic Audit is an examination and evaluation of a firm's or individual's financial information for use of evidence in court.
- This audit aims at determining whether fraud has actually occurred or not. It also aims at naming of persons involved.

Q17. Which one of the following is not a feature of bank reconciliation statement (BRS)?

A. BRS helps in arriving at the actual position of the bank balance.

B. BRS is prepared by the bank.

C. BRS will record any delays in clearing.

D. BRS helps in fraud detection of cheques.

Answer: B

Explanation:

A Bank Reconciliation Statement (BRS) is prepared by the account holder, not the bank. It helps reconcile the differences between the bank's records and the account holder's records, providing a clearer view of the actual bank balance. The other options correctly describe the features of BRS:

- It helps in arriving at the actual position of the bank balance.
- It records any delays in clearing transactions.
- It can help in detecting fraud or discrepancies in cheques.

Hence, B is the correct Answer

Pg No. 132 Chapter No. 4 in IIBF AFM Macmillan Book

Difficulty Level: Easy

Covered by Edutap: Yes

4 Understanding Reconciliation

- The bank statement is received periodically, say every month. We check it for clerical errors and if any errors are found, we obtain a revised statement containing no errors. The balance in this statement gives us a firm starting point to proceed for:
  1. **Finding out entries which do not require change in cashbook** (these entries are present in the cashbook but not in the bank statement). These entries give us the 'Adjusted bank balance'.
  2. **Finding out clerical mistakes** in our cashbook and rectifying them.
  3. **Finding out entries which require change in our cashbook** (these entries are present in the statement but not in the cashbook).
- Based on these 3 steps, we can prepare a statement called **'Bank Reconciliation Statement'**. It is pertinent to note that step 1 gives the adjusted bank balance which is a notional figure and not the actual balance in the account with the bank while steps 2 and 3 result in actually changing the balance in the cashbook by correction of errors and posting of missing entries.
- This cashbook balance should be equal to the adjusted bank balance as arrived in step 1. This is the balance which goes to the trial balance and balance sheet.

Q18. Which of the following best illustrates the matching concept in accounting?

A. Recording revenue when cash is received and expenses when cash is paid.

B. Recording revenue in the period in which it is earned and matching the related expenses to the same period.

C. Recording expenses in the period in which they are paid, regardless of when the related revenue is earned.

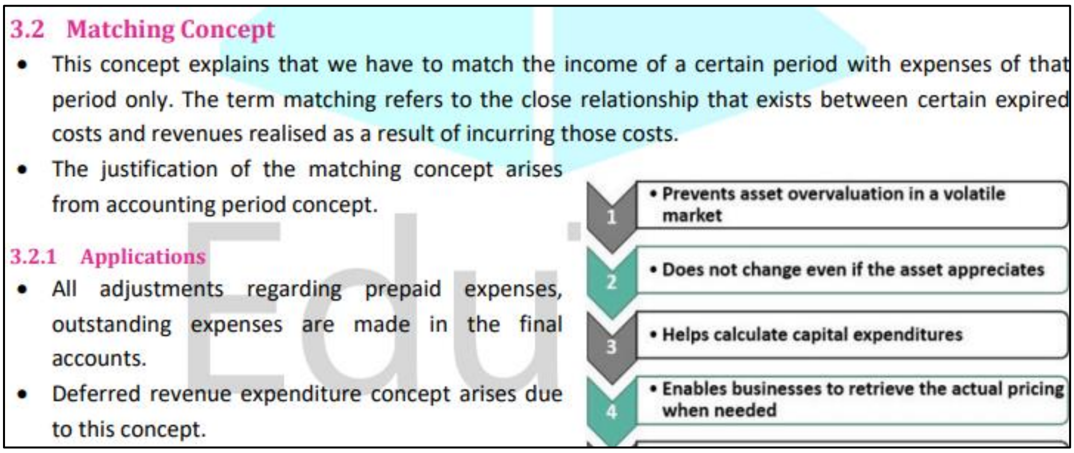
D. Recording revenue in the period in which it is earned and expenses when cash is paid.

Answer: B

Explanation:

- The matching concept in accounting requires that expenses be matched with the revenues they help to generate in the same accounting period. This ensures that income statements accurately reflect the profitability of the business during a specific period.

Hence, B is the correct Answer
Pg No. 84 Chapter No. 2 in IIBF AFM Macmillan Book
Difficulty Level: Easy
Covered by Edutap: Yes


3.2 Matching Concept

- This concept explains that we have to match the income of a certain period with expenses of that period only. The term matching refers to the close relationship that exists between certain expired costs and revenues realised as a result of incurring those costs.
- The justification of the matching concept arises from accounting period concept.

3.2.1 Applications

- All adjustments regarding prepaid expenses, outstanding expenses are made in the final accounts.
- Deferred revenue expenditure concept arises due to this concept.

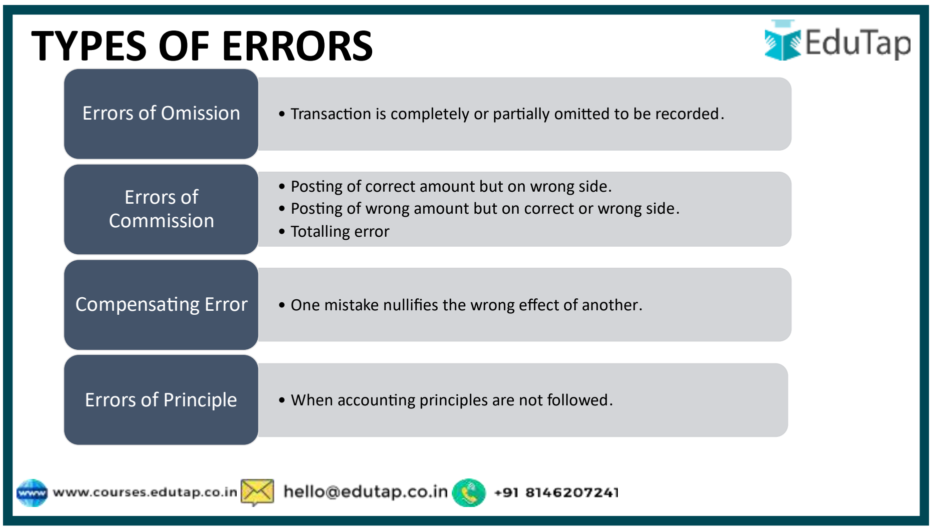
Q19. Which of the following is an example of a compensating error in accounting?

A. A purchase invoice was recorded twice.
B. Sales revenue was recorded in the wrong period.
C. An expense was recorded in the wrong account.
D. An error in recording a transaction is offset by another error in recording a different transaction.

Answer: D
Explanation:

- A compensating error occurs when two or more errors cancel each other out, resulting in the accounts still balancing. For example, if one transaction is recorded incorrectly and another, unrelated transaction is also recorded incorrectly in a way that offsets the first error, the overall effect on the financial statements is nullified. The other options describe different types of errors but do not illustrate compensating errors.

Hence, B is the correct Answer
Pg No. 147 Chapter No. 4 in IIBF AFM Macmillan Book
Difficulty Level: Easy
Covered by Edutap: Yes



Q20. XYZ Ltd. Purchases a bolt production machine. This machine can manufacture 10 lakh bolds after which it will have to be scrapped. The purchase price of the machine is ₹1 lakh. Scrap value is ₹10,000. During the first year of production, the machine produced 4 lakh bolts. The depreciation amount in the first year will be _______ applying the 'Units of Production Method.

A. ₹36,000
B. ₹24,000
C. ₹42,000
D. ₹18,000.

Answer: A

Explanation:

Depreciation cost per unit = (Cost of the asset - Estimated scrap value) / Total estimated units of production

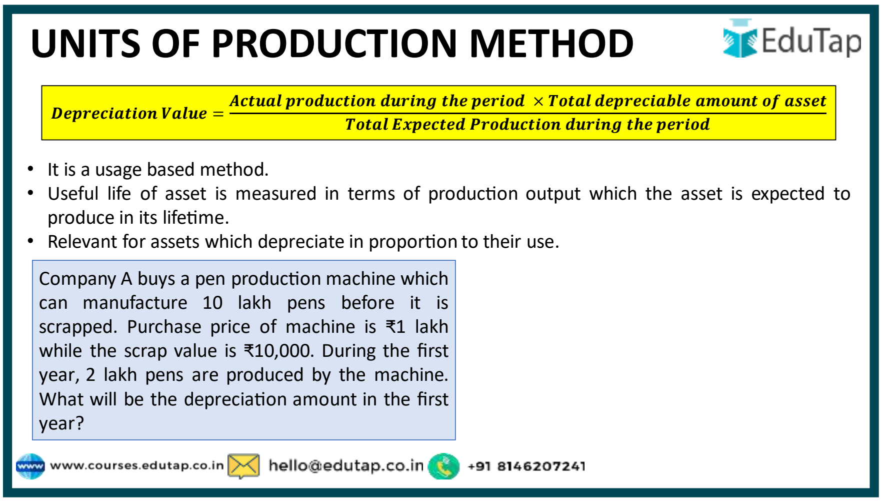
- Cost of the machine = ₹1,00,000
- Estimated scrap value = ₹10,000
- Total estimated units of production = 10,00,000 bolts
- Now, you can calculate the depreciation cost per unit:
- Depreciation cost per unit = (₹1,00,000 - ₹10,000) / 10,00,000 = ₹90,000 / 10,00,000 = ₹0.09 per bolt
- Since the machine produced 4,00,000 bolts in the first year, you can calculate the depreciation for the first year:
- Depreciation for the first year = ₹0.09 per bolt × 4,00,000 bolts = ₹36,000.

Hence, A is the correct Answer

Pg No. 163 Chapter No. 4 in IIBF AFM Macmillan Book

Difficulty Level: Easy

Covered by Edutap: Yes



Q21. Which accounting standard deals with the disclosure of significant accounting policies followed by any company in the preparation and presentation of financial statements?

A. AS 1
B. AS 2
C. AS 3
D. AS 4

Answer: A

Explanation:

- The Accounting Standard 1 deals with the disclosure of significant accounting policies followed by any company in the preparation and presentation of financial statements.
- There are certain areas where different enterprises may adopt different policies while preparing financial statements. Some examples of such areas include:
    1. Treatment of goodwill
    2. How to value inventories or investments or fixed assets
    3. Methods of depreciation
    4. Conversion of foreign currency items
    5. Recognition of profit on long term contracts.
- Purpose: To promote a better understanding of a financial statements by disclosures of accounting policies. It also helps in facilitating a meaningful comparison between the financial statements of two different enterprises.

Hence, A is the correct Answer
Pg No. 12 Chapter No. 1 in IIBF AFM Macmillan Book
Difficulty Level: Easy
Covered by Edutap: Yes

OLD ACCOUNTING STANDARDS

EduTap

Number of the Accounting Standard (AS)	Title of the Accounting Standard	Date from which Mandatory (accounting periods commencing on or after)
AS 1	Disclosure of Accounting Policies	1-4-1991/1-4-1993
AS 2 (Revised)	Valuation of Inventories	1-4-1999
AS 3 (Revised)	Cash Flow Statements	1-4-2001 *
AS 4 (Revised)	Contingencies and Events Occurring after the Balance Sheet Date	1-4-1995
AS 5 (Revised)	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	1-4-1996
AS 7 (Revised)	Construction Contracts	1-4-2003
AS 9	Revenue Recognition	1-4-1991/1-4-1993
AS 10 (Revised)	Property, Plant and Equipment	1-4-1991/1-4-1993
AS 11 (Revised)	The Effects of Changes in Foreign Exchange Rates	1-4-2004
AS 12	Accounting for Government Grants	1-4-1994
AS 13	Accounting for Investments	1-4-1995
AS 14	Accounting for Amalgamations	1-4-1995
AS 15	Employee Benefits	1-4-1995
AS 16	Borrowing Costs	1-4-2000
AS 17	Segment Reporting	1-4-2001 *
AS 18	Related Party Disclosures	1-4-2001
AS 19	Leases	1-4-2001
AS 20	Earnings Per Share	1-4-2001
AS 21	Consolidated Financial Statements	1-4-2001
AS 22	Accounting for Taxes on Income	1-4-2001* 1-4-2002 for companies 1-4-2003 for all
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements	1-4-2002
AS 24	Discontinuing Operations	1- 4-2004/1- 4-2005
AS 25	Interim Financial Reporting	1-4-2002
AS 26	Intangible Assets	1-4-2003/1-4-2004
AS 27	Financial Reporting of Interests in Joint Ventures	1-4-2002
AS 28	Impairment of Assets	1-4-2004*/1-4-2006/1- 4-2008
AS 29	Provisions, Contingent Liabilities and Contingent Assets	1-4-2004

www.courses.edutap.co.in hello@edutap.co.in +91 8146207241

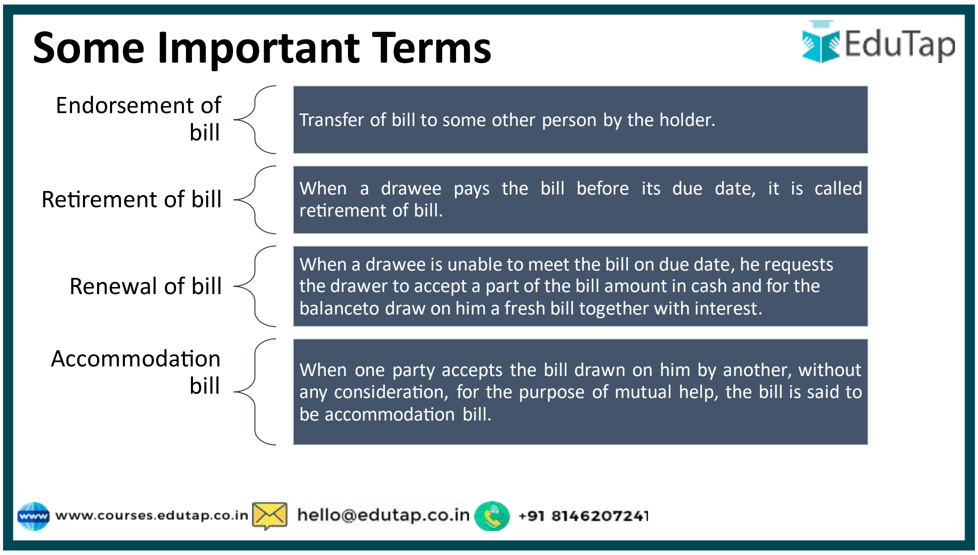
Q22. When the drawee is unable to meet the bill on due date and asks for a new bill, it is known as

A. Endorsement
B. Honour
C. Renewal
D. Retirement

Answer: C
Explanation:

- When the drawee is unable to meet the bill on the due date and asks for a new bill, it is known as Renewal.

Hence, C is the correct Answer
Pg No. 180 Chapter No. 8 in IIBF AFM Macmillan Book
Difficulty Level: Easy
Covered by Edutap: Yes



Q23. A Bill of Exchange was drawn on 13 May 2023 for a period of 1 month. What is the due date of the bill (assume all days are working)?

A. 16 June 2023
B. 17 June 2023
C. 13 June 2023
D. 15 June 2023

Answer: B

Explanation:

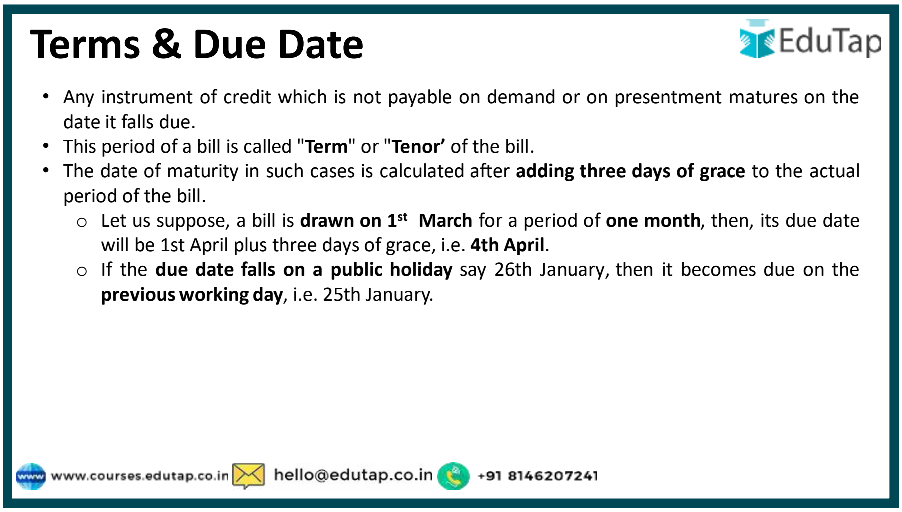
- The term of the bill is 1 month, and 3 days of grace are also added to calculate the final maturity date.

Hence, B is the correct Answer

Pg No. 179 Chapter No. 8 in IIBF AFM Macmillan Book

Difficulty Level: Easy

Covered by Edutap: Yes



Q24. A has drawn a bill on C for ₹1 lakh & thereafter endorses the bill to Y. What is the journal entry made in the books of C on endorsement?

A. ‘A’s a/c’ debit & credit ‘Bills Receivable a/c’
B. ‘A’s a/c’ debit & credit ‘Bills Payable a/c’
C. ‘Bills Payable a/c’ debit & credit ‘Y’s a/c’
D. None of the above

Answer: D

Explanation:

- When the bill is drawn by A on C, accounting entries are made by both A and C.
- But when the bill is endorsed by A in favour of Y, an accounting entry is made by A as:

Y's a/c	Dr.	₹1,00,000
To Bills Receivable		₹1,00,000

- But there is no need for C to record this endorsement in their account books. B is a acceptor and he has to pay the bill on due date to whoever comes to him.

Hence, D is the correct Answer

Pg No. 181 Chapter No. 8 in IIBF AFM Macmillan Book

Difficulty Level: Easy

Covered by Edutap: Yes

Module B

Q25. Business can sustain only when ___________.

A. Returns are greater than the cost

B. it manages its resources efficiently

C. it continuously innovates

D. None of the above

Answer: A

Explanation:

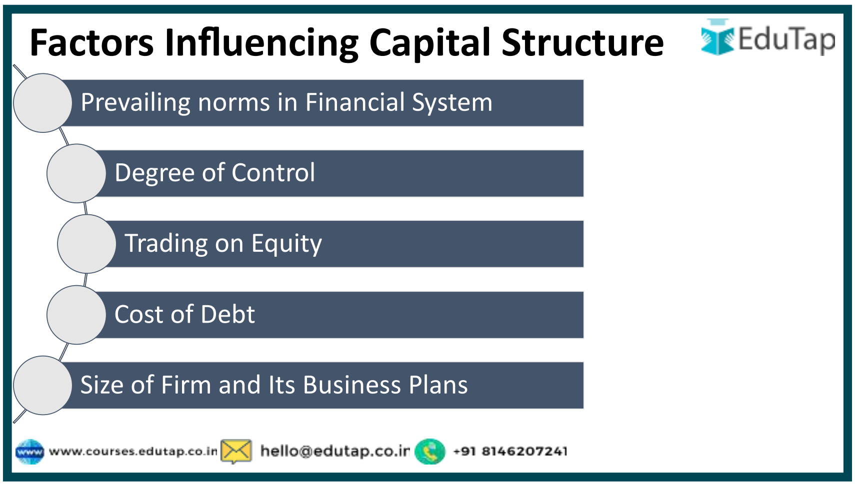
- A business fundamentally exists to create value. This value is measured by the difference between the money it brings in (returns) and the money it spends on resources (costs). If the costs consistently outweigh the returns, the business will eventually run out of money and fail.

Hence, A is the correct answer

Pg No. 312, Chapter No. 16 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes



Q26. As per Banking Regulation Act, Schedule 6 of the statements by banking companies relates to

A. Deposits

B. Reserves and Surplus

C. Cash and Balances with RBI

D. Other Liabilities and Provisions

Answer: C

Explanation:

Schedule 6 focuses on the bank's **liquidity** position. It details the breakdown of:

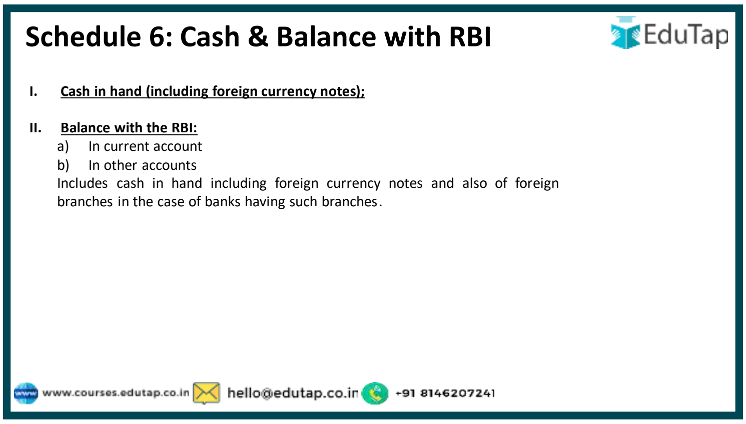
- **Cash in Hand:** Physical cash held by the bank's branches.
- **Balances with RBI:** Deposits maintained by the bank with the Reserve Bank of India. This includes current account and other account balances.

Hence, C is the correct answer

Pg No. 333, Chapter No. 17 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes



Q27. What are the two types of share capital of company?

A. Authorized Capital and Issued Capital
B. Equity Capital and Preference Capital
C. Paid-up Capital and Unpaid Capital
D. Convertible Capital and Non-Convertible Capital

Answer: B

Explanation:

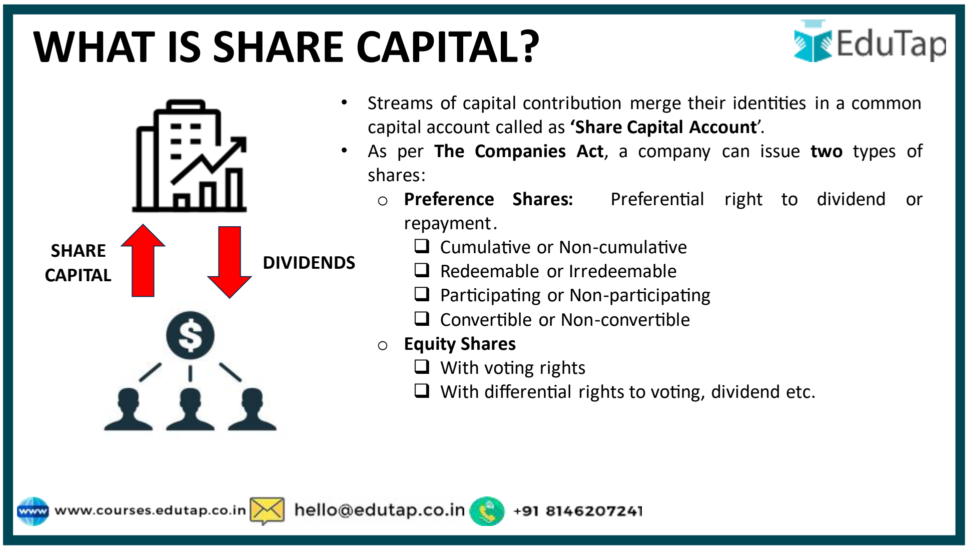
- **Equity Capital**: This represents the funds raised by a company through the sale of shares to shareholders. Equity shareholders are owners of the company and have voting rights. They receive dividends as a share of the company's profits, but these are not guaranteed and can vary based on the company's performance. Equity capital is crucial as it forms the foundation of the company's financial structure.
- **Preference Capital**: This represents the funds raised by issuing preference shares. Preference shareholders have a preferential right over equity shareholders when it comes to receiving dividends and repayment of capital in case of liquidation. However, preference shareholders typically do not have voting rights. Their dividends are usually fixed and paid before equity dividends.

Hence, B is the correct answer

Pg No. 255, Chapter No. 14 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes



Q28. Which among the following is/are included in accounting as per Companies Act?

1. Tangible assets
2. Intangible assets

3. Current assets
4. Non-current assets

(Select the most appropriate answer from the options given below)

A. 1, 2 and 3 only

B. 2, 3 and 4 only

C. 1 and 3 only

D. 1, 2, 3 and 4

Answer: D

Explanation:

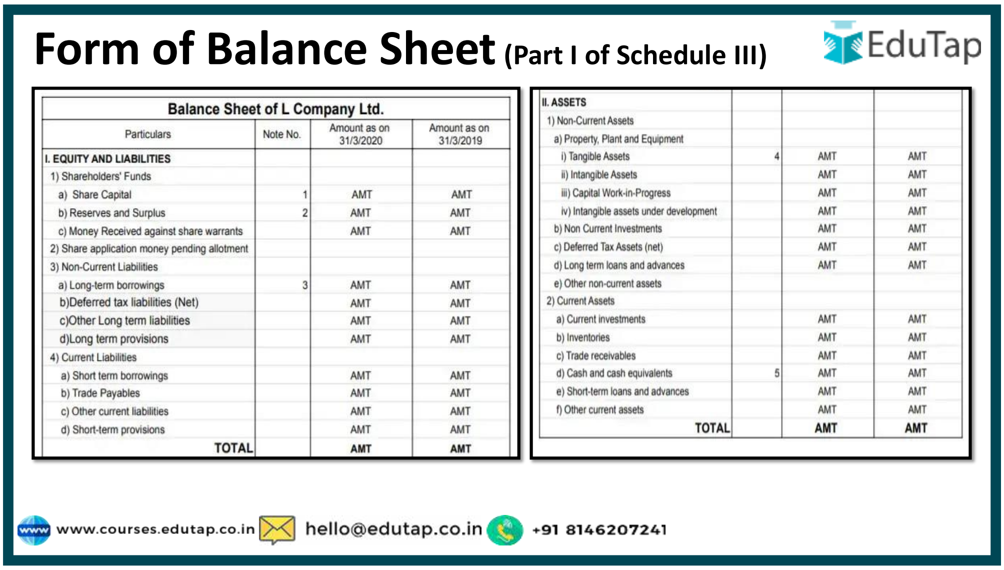
- All of the above are included in accounting as per Companies Act.

Hence, D is the correct answer

Pg No. 288, Chapter No. 15 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes



Form of Balance Sheet (Part I of Schedule III)

EduTap

Balance Sheet of L Company Ltd.			
Particulars	Note No.	Amount as on 31/3/2020	Amount as on 31/3/2019
I. EQUITY AND LIABILITIES			
1) Shareholders' Funds			
a) Share Capital	1	AMT	AMT
b) Reserves and Surplus	2	AMT	AMT
c) Money Received against share warrants		AMT	AMT
2) Share application money pending allotment			
3) Non-Current Liabilities			
a) Long-term borrowings	3	AMT	AMT
b)Deferred tax liabilities (Net)		AMT	AMT
c)Other Long term liabilities		AMT	AMT
d)Long term provisions		AMT	AMT
4) Current Liabilities			
a) Short term borrowings		AMT	AMT
b) Trade Payables		AMT	AMT
c) Other current liabilities		AMT	AMT
d) Short-term provisions		AMT	AMT
TOTAL		AMT	AMT

II. ASSETS			
1) Non-Current Assets			
a) Property, Plant and Equipment			
i) Tangible Assets	4	AMT	AMT
ii) Intangible Assets		AMT	AMT
iii) Capital Work-in-Progress		AMT	AMT
iv) Intangible assets under development		AMT	AMT
b) Non Current Investments		AMT	AMT
c) Deferred Tax Assets (net)		AMT	AMT
d) Long term loans and advances		AMT	AMT
e) Other non-current assets			
2) Current Assets			
a) Current investments		AMT	AMT
b) Inventories		AMT	AMT
c) Trade receivables		AMT	AMT
d) Cash and cash equivalents	5	AMT	AMT
e) Short-term loans and advances		AMT	AMT
f) Other current assets		AMT	AMT
TOTAL		AMT	AMT

Q29. If the liabilities and assets of a company increase with the same amount what is the effect on the capital of the company? (Select the most appropriate answer from the options given below)

A. Capital of the company increases

B. Capital of the company decreases

C. Capital of the company remains unchanged

D. None of the above

Answer: D

Explanation:

- When both liabilities and assets of a company increase by the same amount, the overall effect on the company's capital is neutral. The accounting equation is:

  Assets = Liabilities + Equity

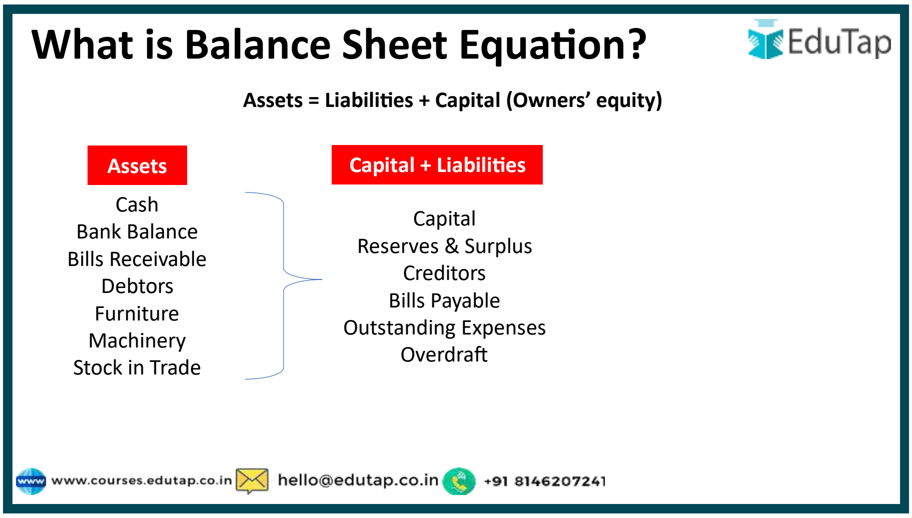
- If assets and liabilities increase by the same amount, the increase cancels out in the equation, leaving the equity (capital) unchanged.

Hence, C is the correct answer

Pg No. 288, Chapter No. 15 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes



Q30. Which among the following statements is correct with respect to a private company?

1. **There is no restriction on the number of members.**
2. **A private company cannot invite the public to subscribe to its shares.**
3. **A private company must have at least two directors.**
4. **A private company must restrict the right to transfer its shares.**

(Select the most appropriate answer from the options given below)

A. 1, 2 and 3 only

B. 2, 3 and 4 only

C. 1 and 3 only

D. 1, 2, 3 and 4

Answer: B

Explanation:

- **Statement 1 is incorrect**. A private company must have a minimum of 2 members and can have a maximum of 200 members, excluding present and past employees.
- **Statement 2 is correct**. A private company is prohibited from inviting the public to subscribe to any securities of the company.
- **Statement 1 is correct**. According to Section 149(1) of the Companies Act, 2013, a private company in India must have at least two directors but can have up to 15.
- **Statement 1 is correct**. One of the defining characteristics of a private company is that it restricts the right to transfer its shares.

Hence, B is the correct answer

Pg No. 254, Chapter No. 14 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes

1.1.2 On the Basis of Ownership

- <u>**Private company**</u>: A private company is a company that by its articles:
  (a) except in case of one person company limits the number of its members to two hundred,
  (b) restricts the right to transfer its shares, and
  (c) prohibits any invitation to the public to subscribe for any security of the company.

Q31. A person A starts the business with an initial amount of ₹15,000, he gains profit of ₹3000, and he owes ₹4500 to an entity. What is the total asset of A?

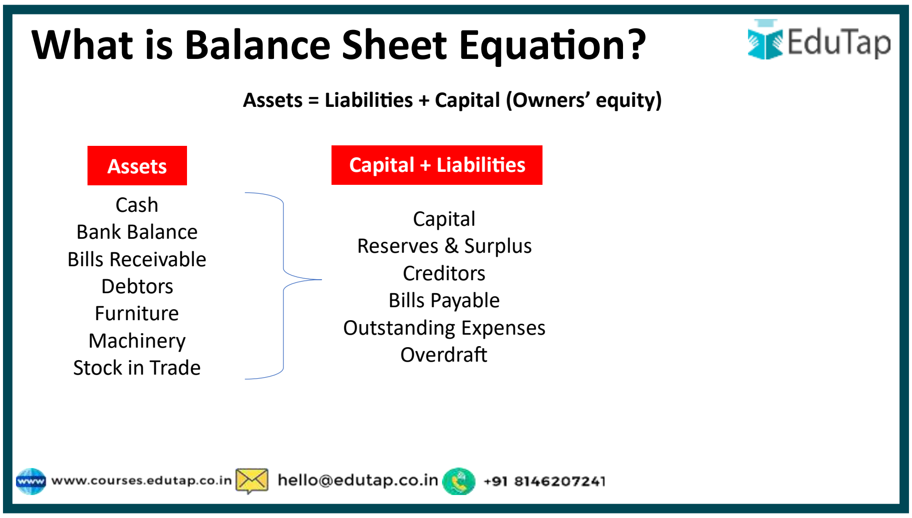
(Select the most appropriate answer from the options given below)

A. ₹22,500

B. ₹20,000
C. ₹25,000
D. ₹15,000
Answer: A
Explanation:

- Initial amount (capital) invested by A = ₹15,000
- Profit gained by A = ₹3,000
- Amount owed to an entity (liabilities) = ₹4,500

First, we calculate the equity (capital plus profit):
Equity = Initial amount + Profit
Equity = ₹15,000 + ₹3,000 = ₹18,000
Next, we use the accounting equation to find the total assets:
Assets = Liabilities + Equity = ₹4,500 + ₹18,000 = **₹22,500**
Hence, A is the correct answer
Pg No. 230, Chapter No. 12 in IIBF AFM Macmillan Book
Difficulty Level: Moderate
Covered by Edutap: Yes



Q32. What is the primary purpose of a sinking fund?
A. To provide for unexpected expenses
B. To accumulate funds for the repayment of a debt
C. To finance day-to-day operational costs
D. To pay for employee bonuses
Answer: B

Explanation:
A sinking fund is a financial strategy used to set aside money over time for the specific purpose of repaying a debt or bond. By regularly contributing to this fund, a company ensures that it has the necessary funds to meet its debt obligations when they become due, thereby reducing the risk of default. The other options describe different financial purposes but do not capture the primary purpose of a sinking fund.
Hence, B is the correct answer
Pg No. 164, Chapter No. 6 in IIBF AFM Macmillan Book
Difficulty Level: Moderate
Covered by Edutap: Yes

7 Replacement Of Fixed Asset & Creation of Sinking Fund

- Since depreciation expense is a non-cash expense (i.e. cash is usually paid out in the year the asset is acquired, but the expense is distributed over several years), it is important to plan for the replacement of fixed assets as they wear out or become obsolete.
- For example, some organisations set aside an amount of cash equal to the amount of their yearly depreciation expense so that money will be available to purchase a new asset once the current one is fully depreciated.
- Under this method, a 'Depreciation Fund' or 'Sinking Fund' is created, and the amount is invested in readily saleable securities.
- At the end of the life of the asset, the securities are sold, and the sale proceeds of the old assets are used for replacement of the asset.

Q33. For a finance company, which of the following will be considered "revenue from operations"?

A. Interest Income from Loans and Investments
B. Earnings from Sale of assets
C. Rental Income from Leased Equipment
D. Gains from the Sale of Office Furniture

Answer: A

Explanation:

- For a finance company, "revenue from operations" primarily includes income generated from its core business activities, which typically involve lending and investing.
- Interest income from loans and investments is the main source of operational revenue for a finance company.
- Other options like earnings from the sale of assets, rental income from leased equipment, and gains from the sale of office furniture are considered non-operational income or gains from non-core activities.

Hence, A is the correct answer
Pg No. 314, Chapter No. 16 in IIBF AFM Macmillan Book
Difficulty Level: Moderate
Covered by Edutap: Yes

Components of Cash Flow

EduTap

CASH FLOW FROM OPERATING ACTIVITIES:

- cash receipts from the sale of goods and the rendering of services;
- cash receipts from royalties, fees, commissions and other revenue;
- cash payments to suppliers for goods and services;
- cash payments to and on behalf of employees.
- cash receipts / payments of an insurance entity for premiums and claims, annuities;
- cash payments or refunds of income;
- cash receipts/payments from contracts held for dealing or trading purposes. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.
- An entity may hold securities and loans for dealing or trading purposes, in which case they are similar to inventory acquired specifically for resale. Therefore, cash flows arising from the purchase and sale of dealing or trading securities are classified as operating activities.
- Similarly, cash advances and loans made by financial institutions are usually classified as operating activities since they relate to the main revenue-producing activity of that entity.

Q34. ______ contains the control account of all personal ledgers, the profit and loss account and different assets and liability accounts.

A. Current Account Ledger

B. Loan Ledger
C. General Ledger
D. Investment Ledger

Answer: C

Explanation:

- General Ledger contains the control account of all personal ledgers, the profit and loss account and different assets and liability accounts.

Hence, B is the correct Answer

Pg No. 327 Chapter No. 17 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes

2.1.3 General Ledger

- The general ledger contains the control accounts of all personal ledgers, the profit and loss account and different assets and liabilities accounts.
- There are certain additional accounts also (known as contra accounts) which are kept with a view to keeping control over transactions which have no direct effect on the assets and liabilities of the bank

Email – hello@edutap.co.in www.edutap.co.in M - 8146207241

Q35. Which among the following activities might result in generation of cash for an enterprise?

I. Dividend payment to shareholders
II. Increase in current assets
III. Purchase of machinery
IV. Increase in current liability

A. II and IV
B. III and IV
C. I and IV
D. II and II

Answer: A

Explanation:

Among the activities provided, the ones that might result in the generation of cash for an enterprise are:

<u>Increase in current assets</u>

- Cash is a current asset which might increase due to the sale of goods or fixed assets. This will lead to cash generation.

<u>Increase in current liability</u>

- Enterprise may take a short-term loan to generate cash which will lead to increase in current liability.

Hence, A is the correct Answer

Pg No. 327 Chapter No. 17 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes

Module C

Q36. Choose the correct statements out of the following four statements:

1. **Options are used in asset liability management.**
2. **FRAs are OTC products.**
3. **Forwards are standardized contracts traded on exchanges.**
4. **Swaps are used to hedge against interest rate risk.**

A. 1 and 2
B. 1, 2, and 4
C. 2 and 3
D. 1, 3, and 4

Answer: B

Explanation:

- **Statement 1 is correct.** Options are used in asset liability management, but it's not one of the most common tools.
- **Statement 2 is correct**: FRAs are OTC contracts, it is easy to customise the size and periods to suit the needs of the customer.
- **Statement 3 is incorrect**: Futures are standardized contracts traded on exchanges, not futures.
- **Statement 4 is correct**: Swaps are used to hedge against interest rate risk.

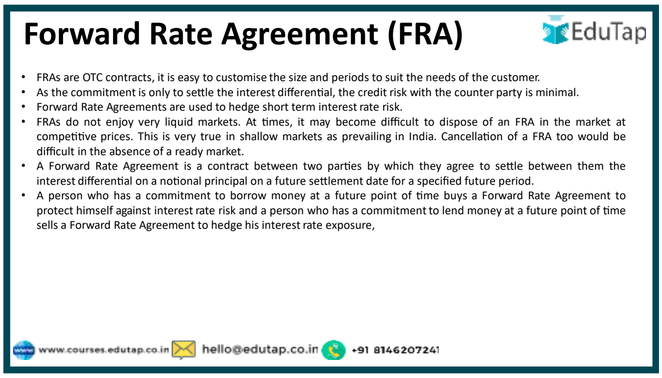
Hence, B is the correct answer

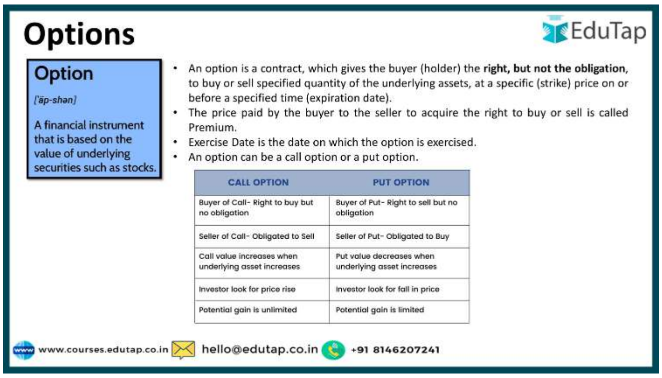
Pg No. 527 - 530, Chapter No. 28 in IIBF AFM Macmillan Book

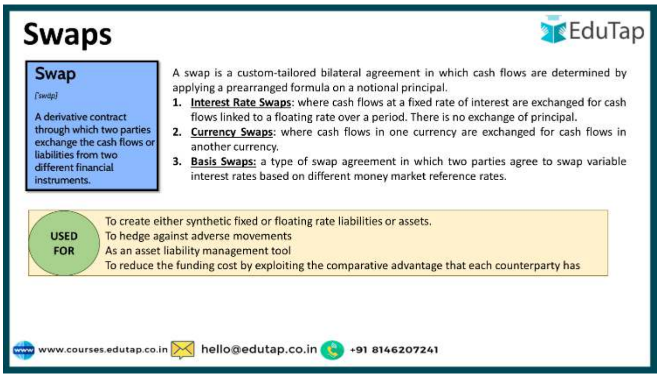
Difficulty Level: Difficult

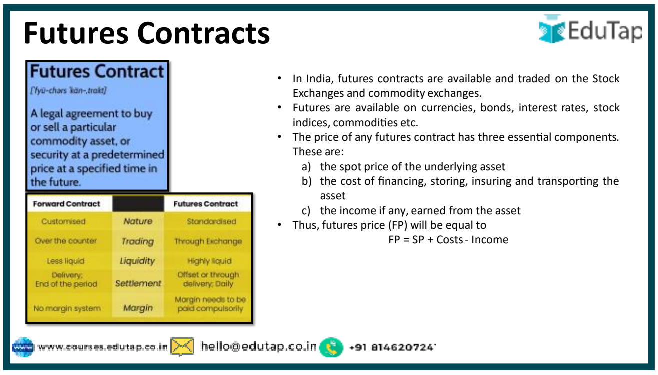
Covered by Edutap: Yes

AFM Master Course – Concept Class









Q37. Derivatives in which the buyer has the right but not the obligation are known as:

A. Futures
B. Forwards
C. Options
D. Swaps

Answer: C
Explanation:

- Derivatives in which the buyer has the right but not the obligation are known as Options.

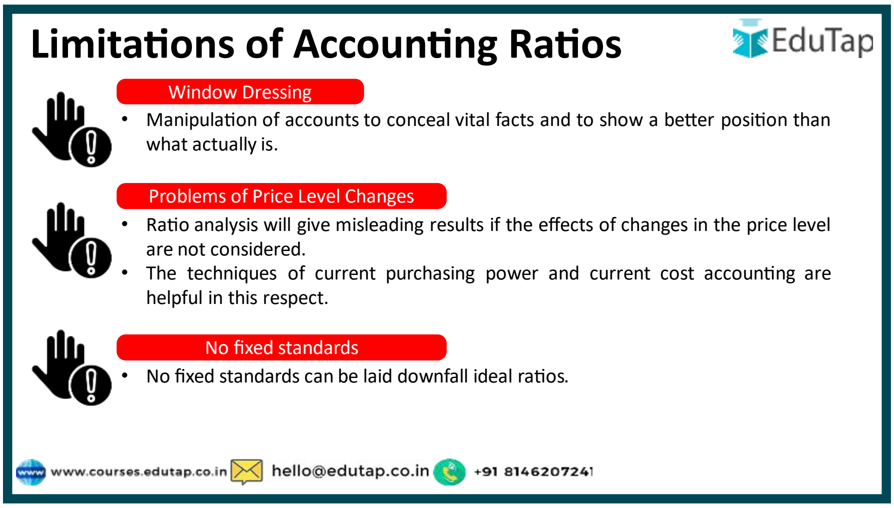
Hence, C is the correct answer
Pg No. 528, Chapter No. 28 in IIBF AFM Macmillan Book
Difficulty Level: Difficult
Covered by Edutap: Yes
AFM Master Course – Concept Class

Q38. Which among the following is one of the limitations of accounting ratios?
A. No financial aspects
B. Window dressing
C. Inter firm comparison
D. Intra firm comparison

Answer: B
Explanation:

- **Window Dressing**: Manipulation of accounts to conceal vital facts and to show a better position than what actually is.

Hence, B is the correct answer
Pg No. 410, Chapter No. 20 in IIBF AFM Macmillan Book
Difficulty Level: Easy
Covered by Edutap: Yes
AFM Master Course – Concept Class



Q39. In which type of release the lessor pays the maintenance cost?
A. dry lease
B. wet lease
C. leveraged lease
D. domestic lease

Answer: B

Explanation:

- A Wet lease is one in which the lessor operates the equipment and is responsible for its insurance, maintenance etc.

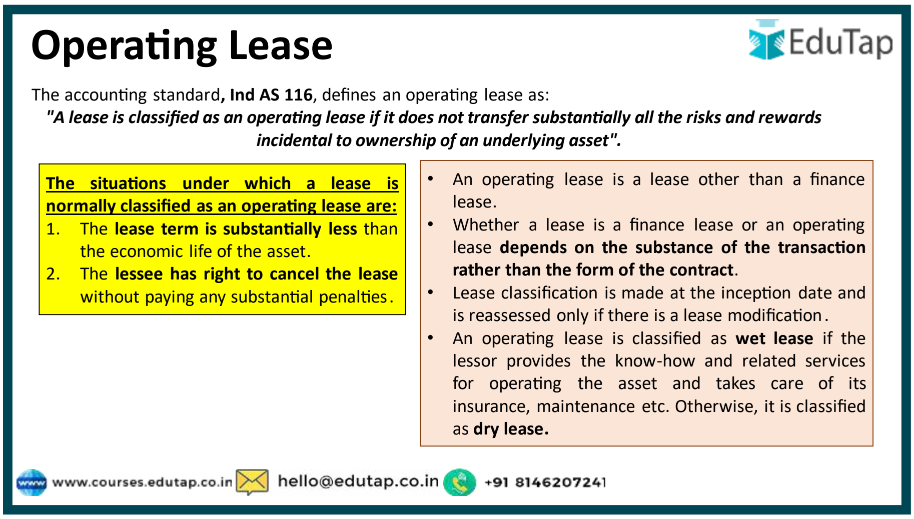
Hence, B is the correct answer

Pg No. 501, Chapter No. 26 in IIBF AFM Macmillan Book

Difficulty Level: Easy

Covered by Edutap: Yes

AFM Master Course – Concept Class



Q40. Which among the following are considered for the calculation of forward points?

1. Interest rate
2. Spot rate
3. Interest differential

(Select the most appropriate answer from the options given below)

A. 1 only
B. 2 and 3 only
C. 1 and 3 only
D. 1, 2 and 3

Answer: D

Explanation:

Forward Points = $(\boldsymbol{Spot\ rate} \times \boldsymbol{Interest\ Rate\ Differential} \times \boldsymbol{Forward\ Points})$ / $(\boldsymbol{No.\ of\ Days\ in\ Year} \times \mathbf{100})$

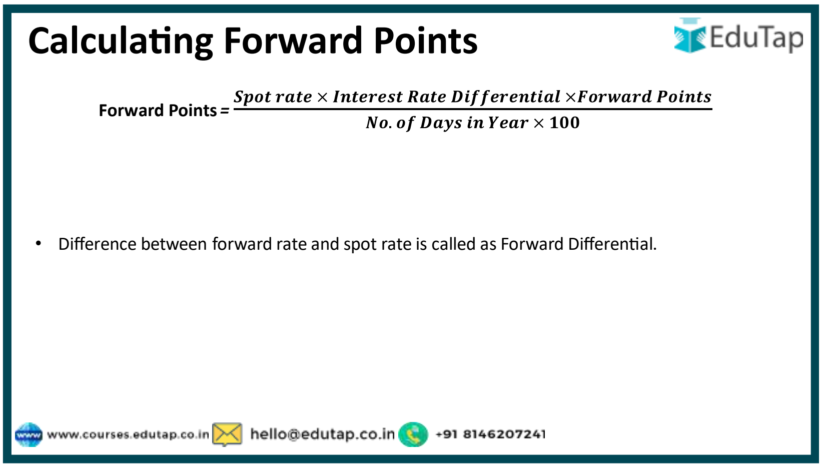
Hence, D is the correct answer

Pg No. 466, Chapter No. 23 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes

AFM Master Course – Concept Class

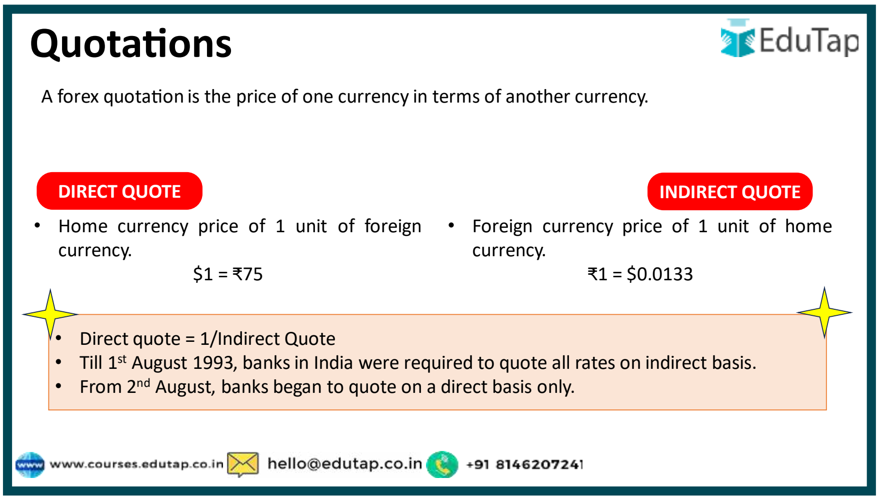


Q41. Which among the following is a direct quote for an Indian national?
(Select the most appropriate answer from the options given below)

A. €1 = $1.5
B. €1 = ₹100
C. $1 = € 0.67
D. None of the above

Answer: B

Explanation:
A direct quote expresses the amount of domestic currency needed to buy one unit of foreign currency. For an Indian national, the domestic currency is the Indian Rupee (₹). Therefore, the direct quote would show how many Indian Rupees are needed to purchase one unit of a foreign currency.
Hence, B is the correct answer
Pg No. 463, Chapter No. 23 in IIBF AFM Macmillan Book
Difficulty Level: Easy
Covered by Edutap: Yes
AFM Master Course – Concept Class



Q42. Section 43 of the Companies Act 2013, provides that share capital of the company shall consist of:

1. **Equity shares with voting rights**
2. **Equity shares with differential rights as to dividend, voting or otherwise in accordance with such rules as may be prescribed**
3. **Preference share capital**

(Select the most appropriate answer from the options given below)

A. 1 and 2 only
B. 2 and 3 only
C. 1 and 3 only
D. 1, 2 and 3

Answer: D

Explanation:

Section 43 of the Companies Act 2013, provides that share capital of the company shall consist of the following:

1. Equity shares with voting rights
2. Equity shares with differential rights as to dividend, voting or otherwise in accordance with such rules as may be prescribed
3. Preference share capital

Hence, D is the correct answer
Pg No. 281, Chapter No. 14 in IIBF AFM Macmillan Book
Difficulty Level: Easy
Covered by Edutap: Yes

AFM Master Course – Concept Class

2.5 Non-Voting Shares

- Section 43 of the Companies Act 2013 provides that share capital of the company shall consist of:
  1. Equity shares with voting rights
  2. Equity shares with differential rights as to dividend, voting or otherwise in accordance with rules
  3. Preference share capital

Q43. Which among the following statements is correct regarding Bond Value theorem? (Select the most appropriate answer from the options given below)

A. The price of a bond is inversely related to its yield to maturity.
B. The longer the maturity of a bond, the smaller the price change for a given change in yield.
C. The higher the coupon rate of a bond, the greater the price sensitivity to interest rate changes.
D. The price of a bond increases linearly with a decrease in yield.

Answer: A

Explanation:

- **Statement 1 is correct**: The theorem states that the price of a bond moves inversely to changes in its yield to maturity.
- **Statement 2 is incorrect**: The longer the maturity of a bond, the greater the price change for a given change in yield.
- **Statement 3 is incorrect**: The higher the coupon rate of a bond, the smaller the price sensitivity to interest rate changes.
- **Statement 4 is incorrect**: The price of a bond increases at a decreasing rate with a decrease in yield, not linearly.

Hence, A is the correct answer
Pg No. 449, Chapter No. 22 in IIBF AFM Macmillan Book
Difficulty Level: Moderate
Covered by Edutap: Yes

AFM Master Course – Concept Class

8 Theorems For Bond Value

8.1 Coupon Rate, Market Rate & Value of Bond

- When the required rate of return (market interest rate) is equal to the coupon rate, the value of the bond is equal to its par value.
- When the required rate of return (kd) is greater than the coupon rate, the value of the bond is less than its par value.
- When the required rate of return is less than the coupon rate, the value of the bond is greater than its par value.

Q44. A commercial paper cannot be issued by

I. Companies including NBFCs & All India Financial Institutions subject to conditions.
II. Any other body corporate with a minimum net worth of 100 crore.
III. Co-operative societies with a minimum net worth of 25 crore.
IV. Limited Liability Partnerships with a minimum net worth of 50 crore.

(Select the most appropriate answer from the options given below)

A. I and II
B. II and III
C. III and IV
D. I and IV

Answer: C

Explanation:

<u>Eligibility for Issue of CP</u>

- Companies, including NBFCs and AIFIs are permitted to raise short term resources through CP.
- Any other body corporate with a minimum net worth of 100 crore or higher.
- Any other entity specifically permitted by the Reserve Bank.
- Co-operative societies/unions and limited liability partnerships with a minimum net worth of 100 crore or higher.

Hence, C is the correct answer

Pg No. 516, Chapter No. 27 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes

AFM Master Course – Concept Class

Sources of Finance for Current Assets

EduTap

Commercial Paper

- Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note.
- It was introduced in India in 1990.
- The cost of borrowing through CP is normally lower compared to other sources of short-term.

<u>Eligibility for Issue of CP</u>

a) Companies, including NBFCs and AIFIs are permitted to raise short term resources through CP.
b) Any other body corporate with a minimum net worth of 100 crore or higher
c) Any other entity specifically permitted by the Reserve Bank
d) Co-operative societies/unions and limited liability partnerships with a minimum net worth of 100 crore or higher.

<u>Eligibility for Investment in CP</u>

- All residents, and non-residents to the extent permitted under Foreign Exchange Management Act (FEMA), 1999, are eligible to invest in CPs and NCDs, provided that no entity can invest in CP's issued by related parties either in the primary or through the secondary market.

Q45. What is the required rate of return on the company’s equity, if the expected return on portfolio of equity shares is 12% p.a. (risk free return is 9% p.a. and the beta of company’s share price is 1)?

A. 15%
B. 20%
C. 12%
D. 8%

Answer: C

Explanation:

The required rate of return on the company's equity can be calculated using the Capital Asset Pricing Model (CAPM):

Required Rate of Return on Equity = Risk-Free Rate + [Beta x (Market Return - Risk-Free Rate)]

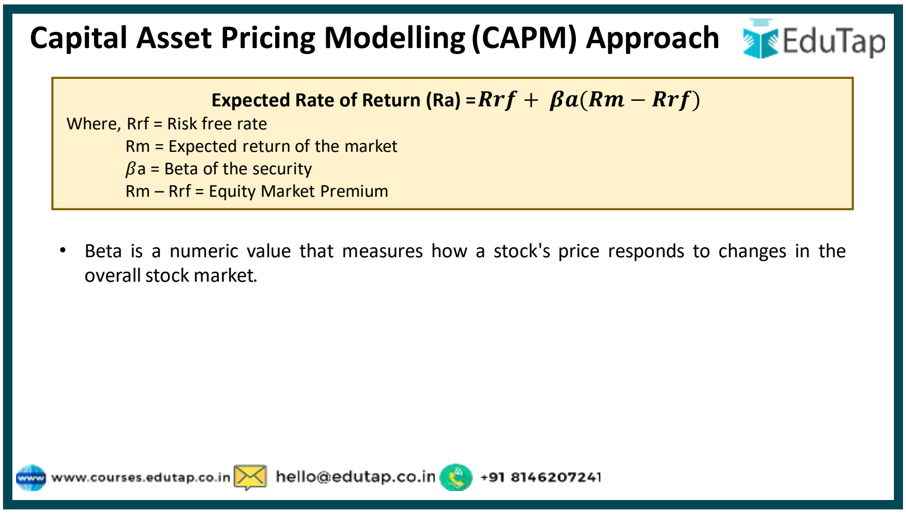
Given:

- Risk-Free Rate = 9%
- Beta = 1
- Market Return = 12%

Calculation:

- Required Rate of Return on Equity = 9% + 1 * (12% - 9%) = 12%
- Therefore, the required rate of return on the company's equity is 12%.

Hence, C is the correct answer
Pg No. 478, Chapter No. 24 in IIBF AFM Macmillan Book
Difficulty Level: Moderate
Covered by Edutap: Yes
AFM Master Course – Concept Class



Q46. The extent of change in bond prices for a change in YTM measures __________ of a bond.

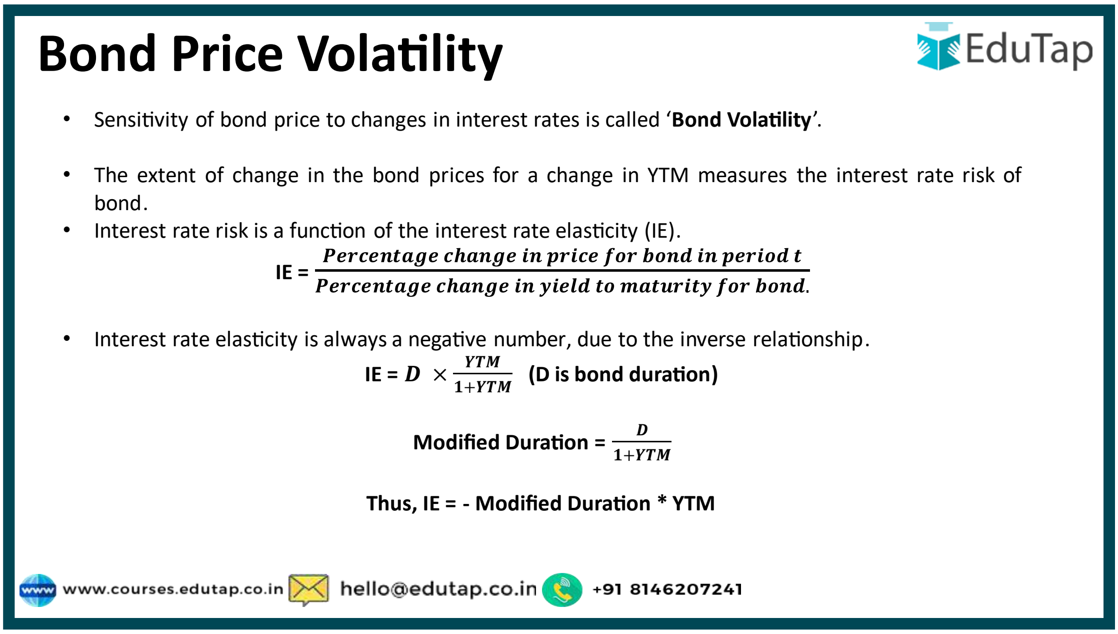
A. Price risk
B. Interest rate risk
C. Bond value
D. Coupon rate

Answer: B

Explanation:

- The extent of change in bond prices for a change in Yield to Maturity (YTM) is a key measure of the interest rate risk associated with a bond. This concept is often referred to as "price sensitivity to interest rate changes" or simply "interest rate risk.

Hence, B is the correct answer
Pg No. 453, Chapter No. 22 in IIBF AFM Macmillan Book
Difficulty Level: Moderate
Covered by Edutap: Yes
AFM Master Course – Concept Class



Q47. Which among the following statements is true regarding Fixed Assets Ratio?

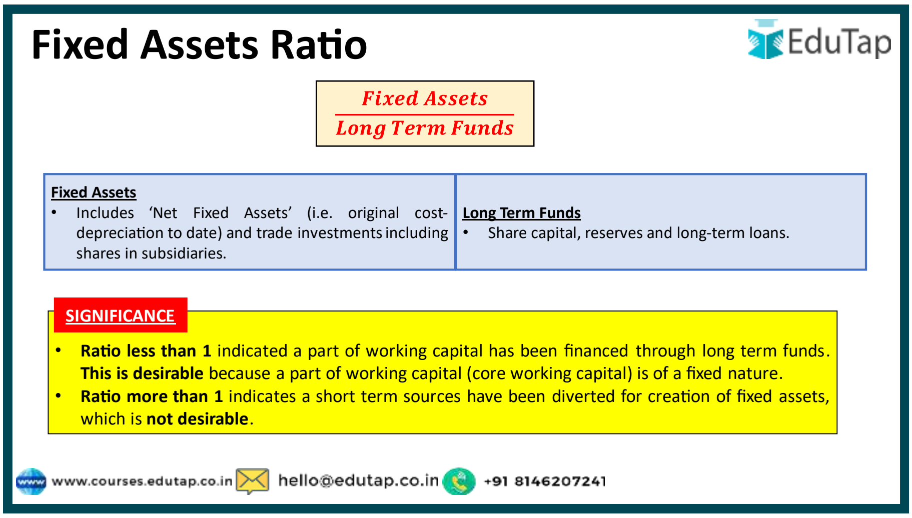
A. The ratio should not be less than 1
B. A ratio of less than 1 shows that a part of the working capital has been financed through long-term funds
C. A ratio of less than 1 indicates that short term sources have been diverted for creation of fixed assets.
D. Fixed assets do not include 'net fixed assets' (i.e. original cost-depreciation to date) and trade investments including shares in subsidiaries.

Answer: B

Explanation:

- Fixed Assets Ratio is calculated by dividing the net fixed assets by long-term funds (which include long-term liabilities and equity).
- A ratio of less than 1 indicates that not all long-term funds have been used to finance fixed assets, implying that some portion of the long-term funds has been used to finance working capital.
- This is generally seen as a sign of prudent financial management, as it shows that the company is not overly reliant on short-term funds for long-term investments.

Hence, B is the correct answer
Pg No. 413, Chapter No. 20 in IIBF AFM Macmillan Book
Difficulty Level: Moderate
Covered by Edutap: Yes
AFM Master Course – Concept Class



Q48. Which among the following statements is true regarding a leveraged lease?

A. The lessee is responsible for financing the entire cost of the leased asset.

B. The lessor finances the entire cost of the leased asset through equity.

C. A leveraged lease involves a third-party lender who provides a significant portion of the financing for the leased asset.

D. Leveraged leases do not involve any depreciation tax benefits for the lessor.

Answer: C

Explanation:

- In a leveraged lease, the lessor (owner of the asset) finances the asset through a combination of equity and debt, with a significant portion of the financing typically provided by a third-party lender.
- The lessee makes lease payments to the lessor, who then uses those payments to service the debt to the lender.
- This type of lease allows the lessor to benefit from depreciation tax benefits while the lessee benefits from potentially lower lease payments due to the leveraged financing structure.

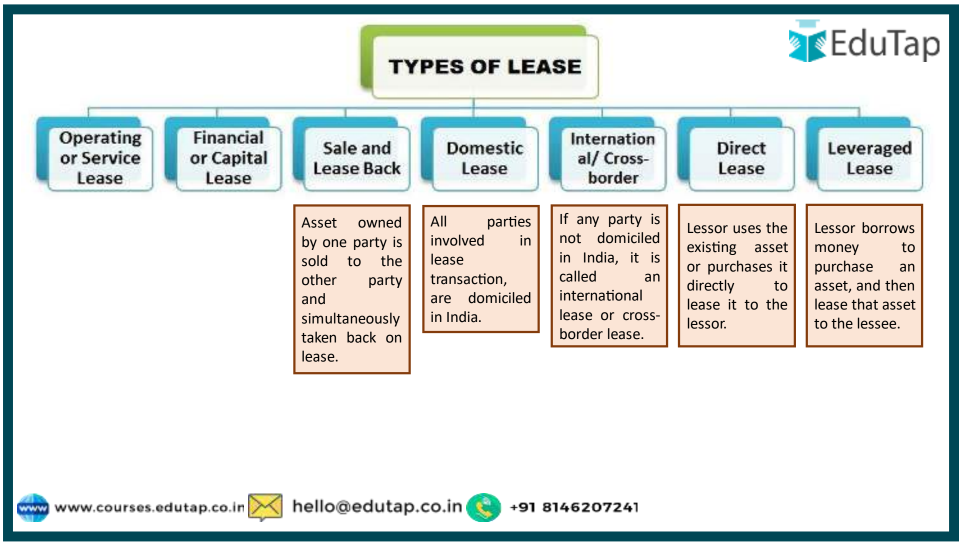
Hence, C is the correct answer

Pg No. 501, Chapter No. 26 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes

AFM Master Course – Concept Class



Q49. What is the basis of classification of companies into ‘Companies Limited by Guarantee’?

A. Asset
B. Liability
C. Incorporation
D. Ownership

Answer: B

Explanation:

- In companies limited by guarantee, the liability of members is limited to the amount they agree to guarantee in the event the company is wound up. This means that members of such companies do not have to contribute beyond the specified guaranteed amount, and their personal assets are not at risk to cover the company's debts.

Hence, C is the correct answer

Pg No. 501, Chapter No. 26 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes

AFM Master Course – Concept Class

Q50. Which among the following is a non-fund-based facility extended by banks?

A. Bills discounting
B. Term loans
C. Overdraft
D. Bank guarantees

Answer: D

Explanation:

Bank guarantees are a non-fund based facility extended by banks. Bank guarantees are typically used by businesses to secure contracts or to guarantee payments to third parties. For example, a contractor may require a bank guarantee from a subcontractor before starting work on a project.

Fund-based facilities are those in which the bank provides a loan to the customer. Examples of fund-based facilities:

- Bill discounting
- Term loans
- Overdraft
- Cash credit
- Working capital loans
- Project loans

Non-fund-based facilities are those in which the bank provides a guarantee to the customer on behalf of a third party. Examples of non-fund-based facilities:

- Bank guarantees
- Letters of credit
- Standby letters of credit

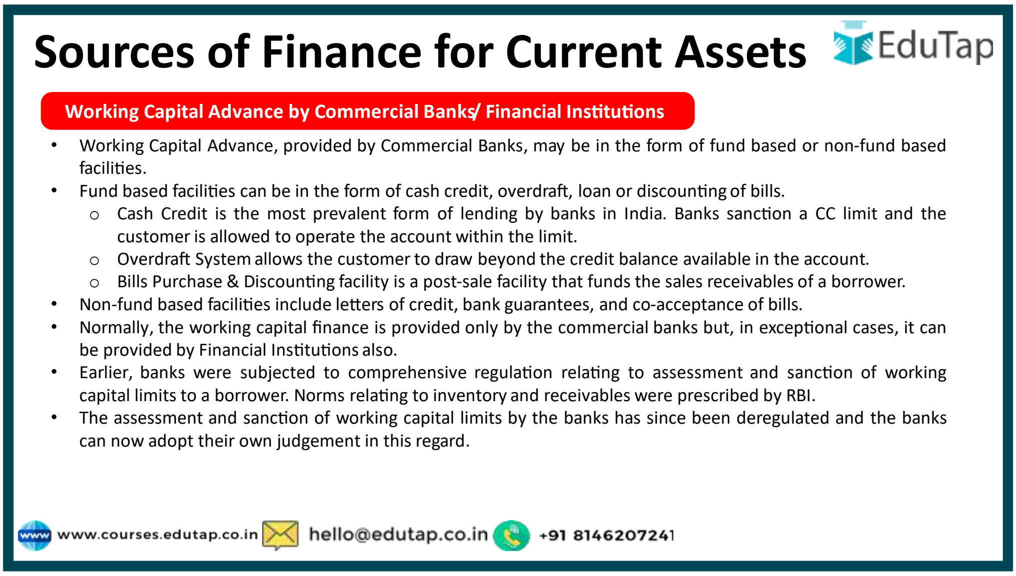
Hence, D is the correct answer

Pg No. 515, Chapter No. 27 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes

AFM Master Course – Concept Class



Q51. An operating cycle is the time between the acquisition of assets and _________.

A. Their realization as cash or cash equivalents.
B. Their sale.
C. Their conversion into final goods.
D. Their conversion into Work in progress

Answer: A

Explanation:

- The operating cycle is the time between the acquisition of assets and their realization as cash or cash equivalents. It is a measure of how quickly a company can convert its assets into cash.

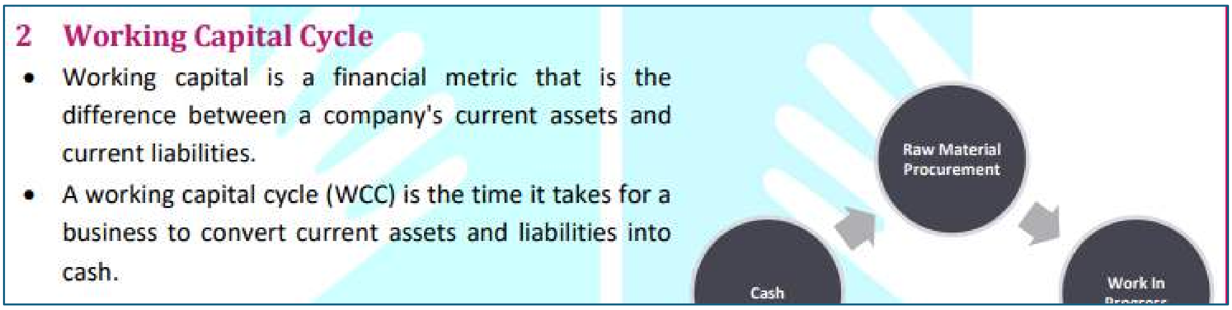
Hence, A is the correct answer

Pg No. 512, Chapter No. 27 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes

AFM Master Course – Concept Class



Q52. Which of the following statements is not correct with regards to Partnership firms?

A. There can be a maximum of 10 members in a partnership firm.
B. Partnership is the relation between 2 or more persons.
C. Partnerships are not suitable for making large investments.
D. The liability of each partner is unlimited.

Answer: A

Explanation:

- The Central Government has prescribed maximum number of partners in a firm to be 50 vide Rule 10 of the Companies (Miscellaneous) Rules,2014. Thus, in effect, a partnership firm cannot have more than 50 members.

Hence, A is the correct Answer

Pg No. 393 Chapter No. 19 in IIBF AFM Macmillan Book
Difficulty Level: Moderate
Covered by Edutap: Yes

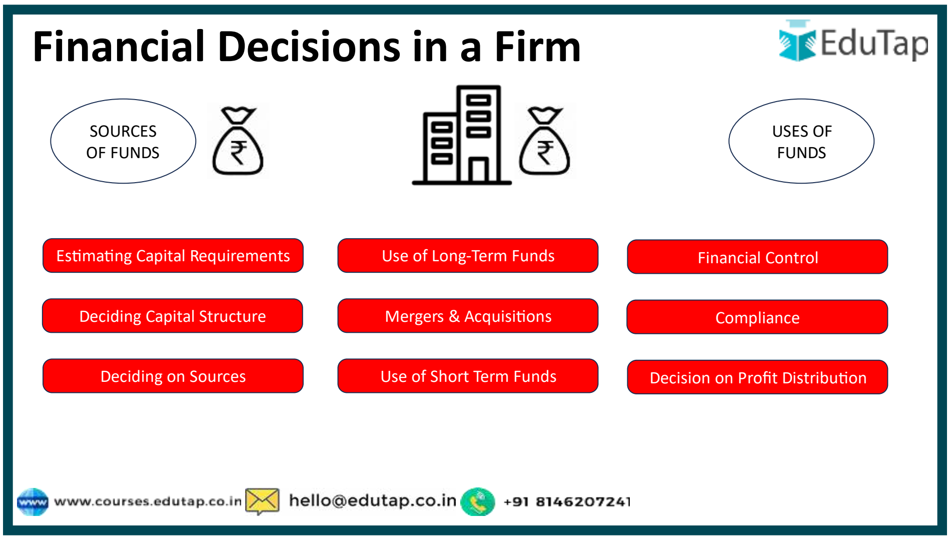
Q53. Which of the following comprehensively describes the aspects of 'financial decisions' for a firm?

A. Decision on financing from debt or equity.
B. Decision on purchasing fixed assets from the capital generated.
C. Decisions relating disclosure requirements relating to accounting information.
D. Decisions relating to acquisition and utilization of capital funds in meeting financial needs and overall objectives of the firm.

Answer: D
Explanation:

- Decisions relating to acquisition and utilization of capital funds in meeting financial needs and overall objectives of the firm.

Hence, D is the correct Answer
Pg No. 394 Chapter No. 19 in IIBF AFM Macmillan Book
Difficulty Level: Moderate
Covered by Edutap: Yes



Q54. Which of the following theories relate to conflict of interest in an organization?
I. Agency Theory
II. Stakeholder theory

A. I only
B. II only
C. Both I and II
D. Neither I nor II

Answer: C

Explanation:

Both Agency Theory and Stakeholder Theory are relevant to the concept of conflicts of interest in an organization:

I. **Agency Theory**: Agency Theory focuses on the conflicts of interest that can arise between principals (owners or shareholders) and agents (management or employees) when agents are making decisions or taking actions on behalf of the principals. It addresses how to align the interests of agents with those of the principals to minimize conflicts.

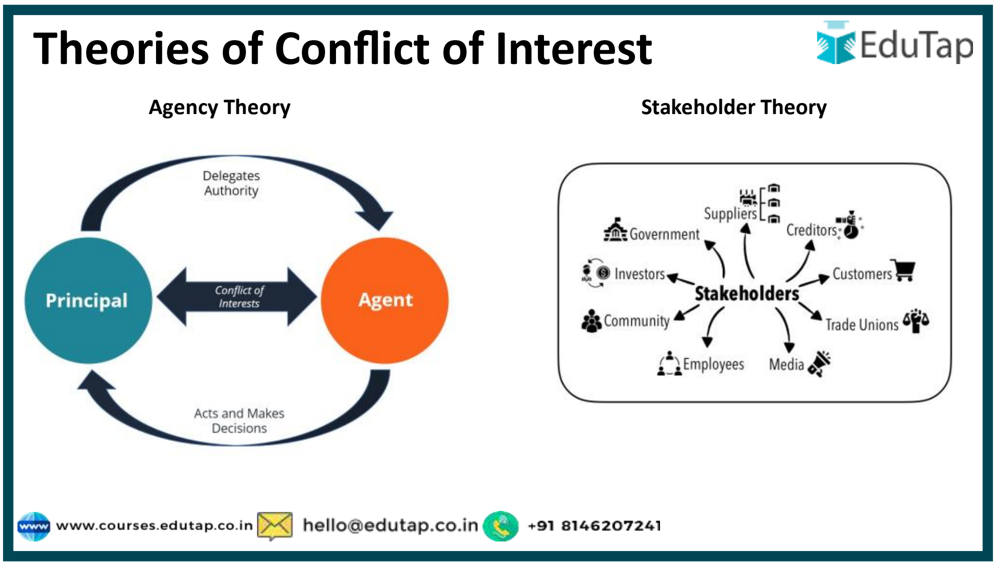
II. **Stakeholder Theory**: Stakeholder Theory recognizes that conflicts of interest can extend beyond just the principal-agent relationship. It encompasses a broader perspective that considers conflicts and interests among various stakeholders, including employees, customers, suppliers, the community, and more.

Hence, C is the correct Answer

Pg No. 399 Chapter No. 19 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes



Q55. The budget forms a basis for the management to occasionally review the operations by comparing the actual financial and quantitative performance with the budgeted one to know how the organization has been functioning. This makes the whole process a very effective tool of management control and is known as _______.

A. Sensitivity Analysis

B. Performance management

C. Financial forecasting

D. Budgetary control

Answer: D

Explanation:

The financial and quantitative objectives of the organisation, during a period, are stated in the form of budget. The budget forms a basis for the management to occasionally the review the operations by comparing the actual financial and quantitative performance with the budgeted one to know how the organization has been functioning. This makes the whole process a very effective tool of management control and is known as **Budgetary Control**.

Hence, D is the correct answer

Pg No. 610, Chapter No. 35 in IIBF AFM Macmillan Book

Difficulty Level: Easy

Covered by Edutap: Yes

AFM Master Course – Concept Notes

1 Introduction

- Every business organisation wants to fulfil certain financial objects. To achieve these, it may be necessary to achieve certain quantitative objectives as well.
- For example: if it wants to achieve a certain level of profit, it is necessary that a certain level of output is achieved.
- The financial and quantitative objectives of the organisation, during a period, are stated in the form of budget. The budget forms a basis for the management to occasionally the review the operations by comparing the actual financial and quantitative performance with the budgeted one to know how the organization has been functioning. This makes the whole process a very effective tool of management control and is known as **Budgetary Control**.
- The type of budget to be prepared depends on the peculiar nature of the organisation and its business, as also on the type of control, the management wants to exercise.

Q56. Which among the following is correct statement related to break-even point?

1. Increase in cost brings a rise in break-even point

2. Break-even point does not depend upon the sales volume

3. Increase in profit brings down the break-even point

(Select the most appropriate answer from the options given below)

A. 1, 2 and 3 only

B. 2 and 3 only

C. 1 and 3 only

D. 1 and 2 only

Answer: D

Explanation:

- **Statement 1 is correct.** When costs increase, more sales are required to cover these costs, thus increasing the break-even point.

- **Statement 2 is correct.** The break-even point is not related to sales volume as it is the point where total revenue equals total costs, and it depends only on Contribution and fixed costs.
- **Statement 3 is incorrect**. Increase in profit does not bring down the break even point.

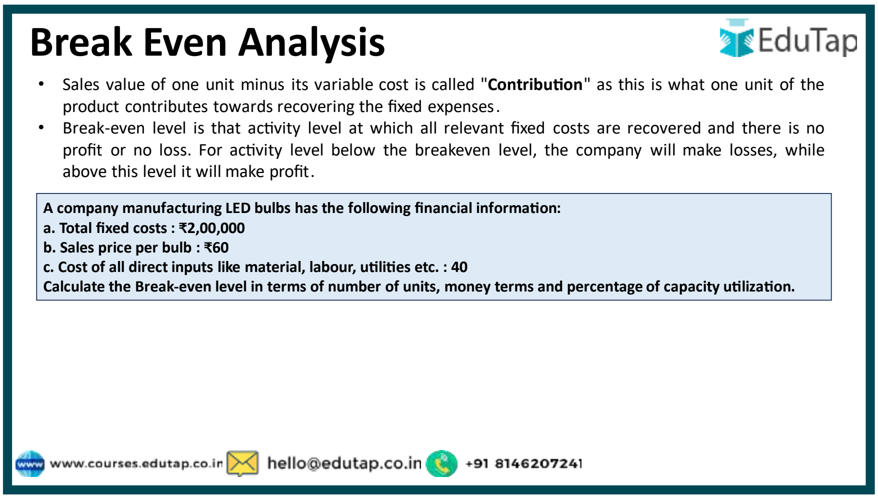
Hence, D is the correct answer

Pg No. 602 - 603, Chapter No. 34 in IIBF AFM Macmillan Book

Difficulty Level: Difficult

Covered by Edutap: Yes

AFM Master Course – Concept Notes



Q57. Which among the following entities pays GST on a quarterly basis? (Select the most appropriate answer from the options given below)

A. Shopkeeper
B. Entity enrolled in GST Composition Scheme
C. Person transporting Goods
D. None of the above

Answer: B

Explanation:

- Entities enrolled in the GST Composition Scheme pay GST on a quarterly basis.
- The Composition Scheme is designed to simplify the tax compliance for small businesses by allowing them to pay a fixed percentage of their turnover as tax, instead of following the regular GST payment and compliance procedures.

Hence, D is the correct answer

Pg No. 550, Chapter No. 30 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes

AFM Master Course – Concept Notes

Basics of GST

EduTap

When does liability to pay GST arise?

- The time is generally the earliest of one of the three events
    1. receiving payment
    2. issuance of invoice
    3. completion of supply

Who has to file GST Returns?

- Every person registered under GST will have to file returns either monthly (normal supplier) or quarterly basis (composition scheme).
- Input Service Distributor, persons collecting TDS or TCS must file monthly returns.
- Non-resident taxable person will also have to file returns for the period of activity undertaken.

Fees for delayed filing or tax payment

- At present, interest on delayed payment of tax is payable @ 18% per annum. It has to be calculated on the amount of tax liability from the next day of due date of return till the date of payment.

www.courses.edutap.co.in hello@edutap.co.in +91 8146207241

Q58. Which among the following costing methods invoke the concepts of 'Escalation costs' and 'Progress payments?' (Select the most appropriate answer from the options given below)

A. Contract costing
B. Batch costing
C. Process costing
D. Service costing

Answer: B

Explanation:

- Contract costing invokes the concepts of **'Escalation costs' and 'Progress payments**.'

Hence, D is the correct answer

Pg No. 575, Chapter No. 32 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes

AFM Master Course – Concept Notes

3.4 Progress Payments

- When a contractor undertakes to execute a large contract (which takes long time to complete) for a customer, the two parties can agree for reimbursement to the contractor through progress payments.
- In this system, the contractor is reimbursed the costs already incurred in execution of contract.
- Therefore, the contractor must keep a track of the costs associated with the execution of that contract to justify its billings.
- Progress billing is normally decided by the experts, such as architects, engineers, and surveyors etc. who certify the stage of work completion. Based on this certificate, the proportionate billing is done by the contractor.

3.6 Escalation Clause

- In case prices of materials, labour etc. specified in the contract, change beyond a specified limit over the prices prevailing at the time of signing the contract, during the execution of the contract, the contract price will be suitably adjusted.

Q59. Which among the following is a characteristic of 'Multiple costing?' (Select the most appropriate answer from the options given below)

A. It is a costing technique where various methods of costing are used to analyse and allocate costs within a single organization.
B. It refers to the costing method used\in cases where a large variety of articles are produced.
C. Multiple costing uses different costing methods like job costing, process costing, standard costing, and activity-based costing etc.
D. All of the above

Answer: D

Explanation:

- **Multiple costing** refers to a costing technique where various methods of costing are used to analyse and allocate costs within a single organization. This approach is employed to get a comprehensive view of cost behaviour and control across different aspects of production or operations. It helps in evaluating the cost efficiency and profitability of different products, processes, or departments.
- Multiple Costing refers to the costing method used\in cases where a large variety of articles are produced. The difference may be in regard to material required and/or the process involved in manufacturing.

Hence, D is the correct answer

Pg No. 575, Chapter No. 32 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: No

Q60. Applying Absorptions Costing method, calculate the number of units sold if the variable cost per unit is ₹200 and the cost including fixed overheads is ₹280 per unit. Assume budgeted production is equal to actual production & sales. The fixed overheads are ₹40 lakhs. Also determine the sales price/unit if the margin of safety has to be 20%.

(Select the most appropriate answer from the options given below)

A. 14,286 ; 300
B. 50,000 ; 300
C. 50,000 ; 350
D. None of the above

Answer: C

Explanation:

Let the number of units sold = n

Fixed overheads = ₹40 lakhs

Cost per unit including fixed overheads = ₹280 per unit = Variable cost per unit + Fixed overheads per unit

- ₹280 - Variable cost per unit = Fixed cost per unit
- ₹280 - ₹200 = ₹80 per unit = Fixed cost per unit

This means that if the units are priced at ₹280/unit, then entire cost of fixed overheads is recovered.

Number of units sold (n) = Fixed overheads – Fixed cost per unit

- ₹40,00,000 / ₹80 = 50,000 units

Now, if the margin of safety is 20% or 0.2.

- Margin of safety = (Estimated Sales – Breakeven sales)/Estimated sales

But, estimated sales = 50,000 x Sales price & Breakeven sales = 50,000 x ₹280/unit

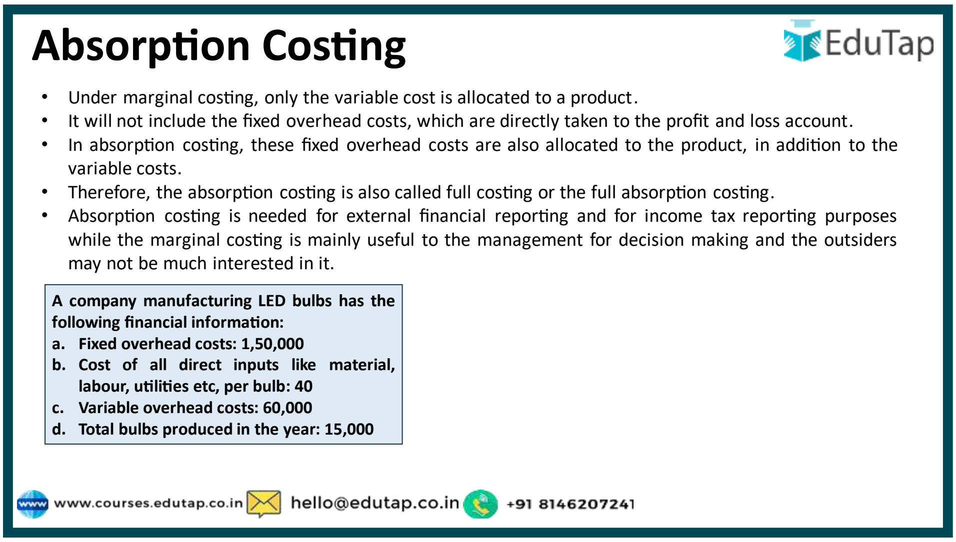
- (Estimated Sales - 1,40,00,000)/ Estimated sales = 0.2
- Estimated Sales = 1,75,00,000
- Sales price per unit = ₹1,75,00,000 / 50,000 = ₹350 / unit

Hence, C is the correct answer

Pg No. 604, Chapter No. 34 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes



Q61. Which among the following is not a category of standards used in standard costing? (Select the most appropriate answer from the options given below)

A. Advanced standards
B. Basic standards
C. Ideal standards
D. Currently attainable standards

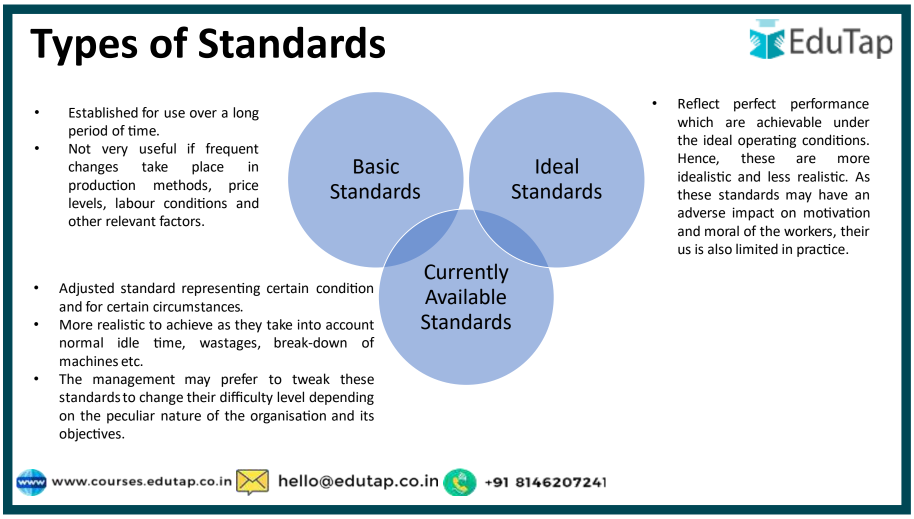
Answer: A

Explanation:

Advanced standards are not typically considered a category of standards used in standard costing. The common categories of standards in standard costing are:

- Basic standards: These are predetermined standards set based on careful analysis of past performance and future expectations. Basic standards provide a stable benchmark for assessing performance.
- Ideal standards: Ideal standards represent the most efficient levels of performance and are often considered as "perfect" or best-case scenarios. They are used as a motivational tool to encourage continuous improvement.
- Currently attainable standards: Currently attainable standards reflect the expected performance levels that can be realistically achieved under existing conditions, such as current technology, materials, and methods. They are considered a more practical benchmark for performance evaluation.

Hence, A is the correct answer
Pg No. 590, Chapter No. 33 in IIBF AFM Macmillan Book
Difficulty Level: Moderate
Covered by Edutap: Yes



Q62. Mass production of similar units by industries can be evaluated using which of the following costing methods?

(Select the most appropriate answer from the options given below)

A. Batch costing
B. Process costing
C. Service costing
D. Job costing

Answer: A

Explanation:

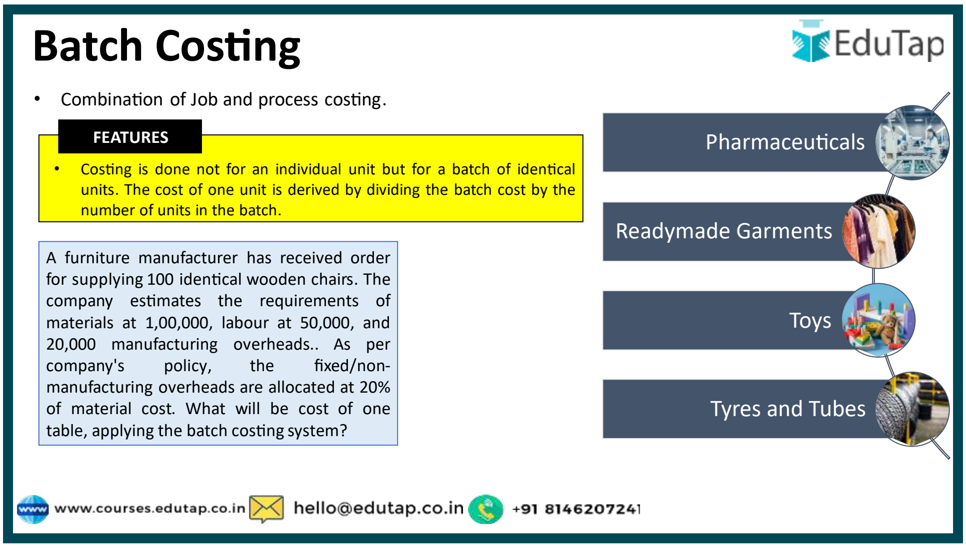
- Batch Costing is a method used when similar items are produced together in batches.
- This method allows for the costs of producing a batch of items to be accumulated and then allocated to the individual items within the batch.
- It is particularly useful for manufacturing processes where products are made in discrete groups or batches, rather than through continuous production.

Hence, A is the correct answer

Pg No. 582, Chapter No. 32 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes



Q63. Under which Section of the Income Tax Act, the deductions in respect of interest on deposits in case of senior citizens are allowed?

(Select the most appropriate answer from the options given below)

A. 80 TTA
B. 80 C
C. 80 TTB
D. 80 RRB

Answer: C

Explanation:

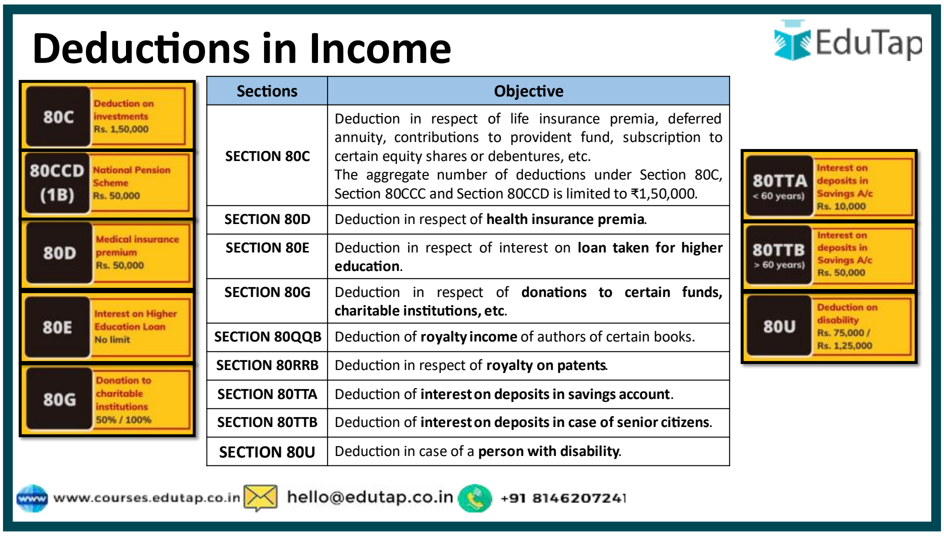
- The deduction in respect of interest on deposits in case of senior citizens is allowed under Section 80 TTB of the Income Tax Act.

Hence, C is the correct answer

Pg No. 541, Chapter No. 29 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes



Sections	Objective
SECTION 80C	Deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The aggregate number of deductions under Section 80C, Section 80CCC and Section 80CCD is limited to ₹1,50,000.
SECTION 80D	Deduction in respect of **health insurance premia**.
SECTION 80E	Deduction in respect of interest on **loan taken for higher education**.
SECTION 80G	Deduction in respect of **donations to certain funds, charitable institutions, etc.**
SECTION 80QQB	Deduction of **royalty income** of authors of certain books.
SECTION 80RRB	Deduction in respect of **royalty on patents**.
SECTION 80TTA	Deduction of **interest on deposits in savings account**.
SECTION 80TTB	Deduction of **interest on deposits in case of senior citizens**.
SECTION 80U	Deduction in case of a **person with disability**.

Q64. By looking at a Programme Budget, we can easily find out which of the following?

1. What is not being carried out.

2. At what cost it is being carried out.

3. What are the expected results.

(Select the most appropriate answer from the options given below)

A. 1 and 2
B. 2 and 3
C. 1 and 3
D. All of the above

Answer: B

Explanation:

<u>Programme Budgeting</u>

- A budget prepared for a specific activity or program is called a Programme Budget.
- This budget includes the estimates/targets related to the functions pertaining only to that specific activity or programme. For example: a management institute, conducting a special programme for middle-level executives of large companies, prepares a budget of revenue and expenditure of conducting only that programme, rather than having a budget covering all the programme of the Institute.

- By looking at a Programme Budget, it can be easily found out, in considerable detail, what precisely will be carried out, at what cost and with what expected results.

Hence, B is the correct answer

Pg No. 541, Chapter No. 29 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes

6 Programme Budgeting

- A budget prepared for a specific activity or program is called a Programme Budget.
- This budget includes the estimates/targets related to the functions pertaining only to that specific activity or programme.
- For example: a management institute, conducting a special programme for middle-level executives of large companies, prepares a budget of revenue and expenditure of conducting only that programme, rather than having a budget covering all the programme of the Institute.
- Another example of programme budgeting are specific programmes like safety drive, conducted by a Government body.
- By looking at a Programme Budget, it can be easily found out, in considerable detail, what precisely will be carried out, at what cost and with what expected results.

Q65. What does it mean when we say that GST is a destination-based tax?
(Select the most appropriate answer from the options given below)

A. GST is levied and collected at the point of import.
B. GST is levied and collected at the point of consumption.
C. GST is levied and collected at the point of sale.
D. GST is levied and collected at the point of production.

Answer: B

Explanation:

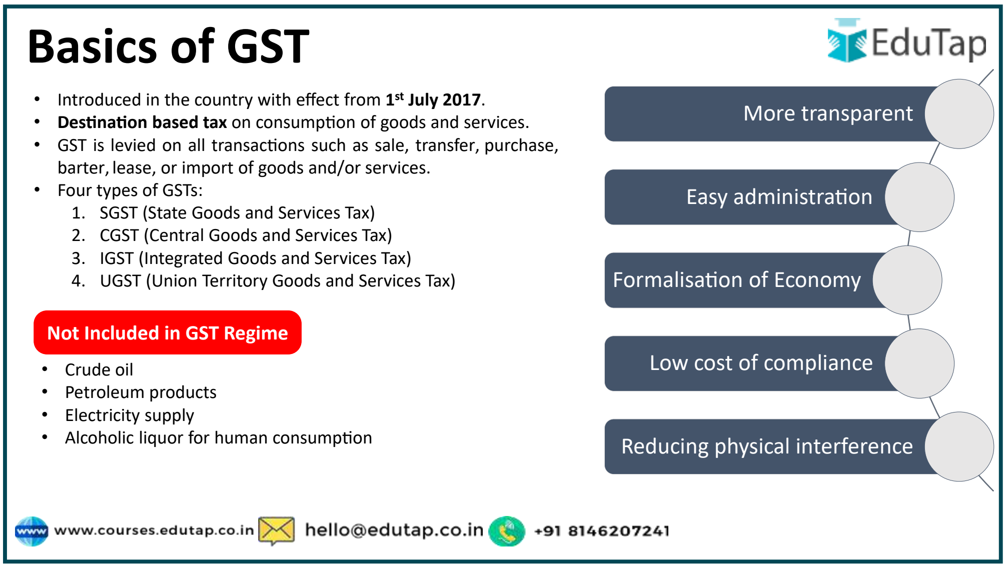
- A destination-based tax means that the tax is levied and collected at the point where the goods or services are consumed, rather than where they are produced or sold.
- In the case of GST, the tax is collected by the state where the goods or services are ultimately consumed.

Hence, B is the correct answer

Pg No. 549, Chapter No. 30 in IIBF AFM Macmillan Book

Difficulty Level: Moderate

Covered by Edutap: Yes



Part-II

S. No.	Topic	Type of Question
1.	Rules of Debit and Credit	Many questions to make journal entries (5 – 10 questions in various shifts)
2.	Bank Reconciliation Statement	Numerical to find cashbook/passbook balance
3.	Methods of Costing	2 – 3 questions in various shifts to identify the costing method applicable in particular industries.
4.	Interest calculation	Numerical to calculate simple/compound interest
5.	Depreciation	Numerical questions to calculate depreciation using 'Straight Lime Method' and 'Units of Production Method'
6.	Bank Reconciliation Statement	Multi-statement theoretical question in one shift
7.	Bond Yield	Numerical to calculate bond yield
8.	Purpose of accounting	Multi – Statement question
9.	Accounting standards	Direct factual questions asking to identify the objective of Accounting Standards (2 – 4 questions per shift)
10.	Accounting concepts	2 – 4 questions per shift related to Accounting concepts like 'Matching', 'Objectivity', 'Materiality' etc.

Part-III

1. Sensitivity analysis
2. Noting charges
3. Section 15BAA of IT Act
4. Debt Service Coverage Ratio
5. Authorised Capital
6. Net Operating Income Approach
7. Repayment capacity
8. Ordinary annuity
9. Bond Duration
10. Net worth calculation
11. Irrecoverable debt
12. Fundamentals of Forex
13. Share application money & Share allotment money
14. Revenue receipt
15. One sided error in accounts
16. Bond Theorem
17. Rule 15 of Banking Regulation Act
18. Budgetary control
19. Lease rental
20. Non voting equity