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Corrigenda & Law Updates — July 2026

This page was added after the final pre-print review (July 2026). It records the points where a regulation changed after the underlying textbook was written, and any corrections to the printed text. Where an exam question is phrased 'as per current law/norms', use the positions below.

Mock Test 4, Q61 — maximum interest on Calls in Advance

The printed answer (6%) is the Table A (1956 Act) rate, as per the textbook. Under **Table F of the Companies Act 2013 the ceiling is 12% p.a.** If the exam asks 'as per the Companies Act 2013', answer 12%.

GST questions — current rates

GST 2.0 (w.e.f. 22-9-2025): slabs are now 0 / 5 / 18 / 40%; the 12% and 28% slabs stand abolished. Banking services remain 18%. Use these for any question phrased 'as per current GST rates'.

Spot anything else? Write to bankingwithswarnakshi@gmail.com with the book name and page number — every report is verified and fixed in the next revision.

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Full Mock Test 1

100 questions · 2 hours · no negative marking — attempt all

Q1. Spot Rs.74.85, 3-month forward premium 25 paise. Forward rate?

(a) Rs.99.85
(b) Rs.74.85
(c) Rs.75.10
(d) Rs.74.60

Q2. What is the most correct identification of cash equivalents?

(a) Trade receivables
(b) Short-term, highly liquid investments with insignificant risk of value change
(c) Fixed deposits of 5 years
(d) Long-term equity investments

Q3. What are indirect costs called?

(a) Overheads
(b) Marginal cost
(c) Prime cost
(d) Direct cost

Q4. What is the basis of ARR?

(a) Discounted flows
(b) NPV
(c) Cash flows
(d) Accounting profit

Q5. When the name of the party is given but there is no mention of cash paid/received, the transaction is treated as:

(a) Opening entry
(b) Contra entry
(c) Cash basis
(d) Credit basis

Q6. Where does property taken against a claim on a defaulter (a Non-Banking Asset) appear?

(a) Other Assets (Sch 11)
(b) Advances (Sch 9)
(c) Fixed Assets (Sch 10)
(d) Investments (Sch 8)

Q7. A cheque is always payable how?

(a) 30 days after sight
(b) After 3 days of grace
(c) On the maturity date
(d) On demand

Q8. In the comprehensive illustration, the drawer also charged interest from the drawee on the dishonoured bill. What is this interest for the drawer?

(a) An expense
(b) A liability
(c) A bad debt
(d) Income

Q9. IFRS stands for:

(a) Indian Financial Reporting Standards
(b) International Financial Reporting Standards
(c) International Financial Reconciliation Standards
(d) None of the above

Q10. The purchase and sale of securities held for trading/dealing purposes falls under which activity?

(a) Investing
(b) Contingent
(c) Operating
(d) Financing

Q11. What is the formula for the DSCR?

(a) (Net Profit + Dep + Interest on TL) / (Interest + Instalment)
(b) Sales / Debt
(c) Profit / Equity
(d) Current Assets / CL

Q12. Which US body is the authoritative source of GAAP and replaced the APB?

(a) SEC
(b) FASB (Financial Accounting Standards Board)
(c) GASB
(d) AICPA

Q13. How many mandatory accounting standards has ICAI issued (as per the text)?

(a) Seventeen
(b) Forty-one
(c) Twenty-nine mandatory and three non-mandatory
(d) Ten

Q14. In substantive procedures, how much of the large advances should the auditor examine?

(a) On a sampling basis
(b) Examine ALL large advances (the rest by sampling)
(c) Only 50%
(d) None

Q15. 'Profit and cash generation are not the same thing' — which is the most apt example?

(a) Purchase in cash, sale in cash
(b) Purchase on credit, sale on credit settled in the same period

(c) Purchase in cash, sale on credit
(d) No transaction at all

Q16. What is the main benefit of centralised banking?

(a) Slow service
(b) Manual ledgers
(c) Anywhere banking — operate from any branch
(d) Transaction at only one branch

Q17. What did computerisation do to the back office?

(a) Ended its use
(b) Turned it into the front office
(c) Removed the need for it to be part of the branch (it can be located anywhere)
(d) Made no difference

Q18. WCG = 220, TCA = 370. What is the Method 1 MPBF?

(a) 127.5
(b) 165
(c) 220
(d) 56

Q19. A single call amount cannot exceed what % of the face value?

(a) 10%
(b) 25%
(c) 100%
(d) 50%

Q20. Under Ind AS 116, what does the lessee recognise for most leases?

(a) Nothing
(b) Only a liability
(c) Right-of-Use (ROU) asset + Lease Liability
(d) Only rental expense

Q21. AS 2 (Valuation of Inventories) requires inventories to be valued at:

(a) Net realisable value only
(b) Lower of cost or net realisable value
(c) Cost only
(d) Market price always

Q22. Can bonus shares be issued in lieu of dividend?

(a) Only private companies
(b) Yes
(c) Only listed companies
(d) No

Q23. Mr. A issued a Rs.4,000 cheque to Mr. C, received in clearing at the branch (clearing-out). What is the effect on A's account?

(a) Debit Rs.4,000 (clearing-out)
(b) Credit Rs.4,000
(c) No effect
(d) Draft Rs.4,000

Q24. What does a high break-even point (such as 75%) mean?

(a) A more safe project
(b) More profit guaranteed
(c) A narrow margin of safety — a small cushion to withstand disruption
(d) Low fixed cost

Q25. ABC Rs. 10L doubtful (<1yr): secured Rs. 6L, unsecured Rs. 4L. Total provision?

(a) Rs. 10,00,000
(b) Rs. 4,00,000
(c) Rs. 2,50,000
(d) Rs. 5,50,000

Q26. Under the Cost Concept, the gradual reduction of an asset's cost over its useful life is called:

(a) Revaluation
(b) Depreciation
(c) Appreciation
(d) Realisation

Q27. Who generally does the Internal Audit?

(a) Customers
(b) The Government
(c) The bank's own staff (to some extent CA firms)
(d) RBI

Q28. 'Capital Advances' paid for fixed asset purchase are classified under:

(a) Non-current Investments
(b) Non-current Assets — Long-term L&A
(c) Current Assets — Short-term L&A
(d) Fixed Assets

Q29. What are the incidental objectives of auditing?

(a) Detection AND prevention of errors and frauds
(b) Reducing tax
(c) Marketing
(d) Only showing profit

Q30. COGS Rs.12,00,000, average inventory Rs.2,00,000. What is the stock turnover?

(a) 8 times
(b) 6 times
(c) 2 times
(d) 4 times

Q31. What is one GST challenge for banks?

(a) Tax-free
(b) Only one return

(c) Separate registration in each state and a higher compliance burden

(d) No registration

Q32. All scheduled commercial banks are required to comply with Ind AS for financial statements from 1st April:

(a) 2021

(b) Not yet decided (deferred till further notice)

(c) 2022

(d) 2020

Q33. Of how many kinds can the share capital of a company limited by shares be?

(a) Only equity

(b) Three kinds

(c) Only preference

(d) Equity and Preference (two)

Q34. Under the Companies Act 2013, which of the following companies is NOT required to prepare a cash flow statement?

(a) Bank

(b) Large manufacturing company

(c) One Person Company (OPC)

(d) Listed public company

Q35. Among mutually exclusive projects, which is chosen on the basis of NPV?

(a) Zero NPV

(b) Negative NPV

(c) Lowest NPV

(d) Highest positive NPV

Q36. What is the aim of the Revenue Audit (Income & Expenditure audit)?

(a) A stock check

(b) Tax computation

(c) Fraud detection

(d) To identify cases of LEAKAGE of interest and other charges

Q37. What is 'Noting'?

(a) Discounting the bill

(b) Drawing the bill

(c) On dishonour, the notary public making entries on the bill/on a separate paper

(d) Paying the bill

Q38. Which one of the following is TRUE?

(a) Drawer drags the drawee to court in case of dishonour of an accommodation bill

(b) An insolvent is a person from whom some portion of the debt is recoverable

(c) When the due date of a bill falls on a public holiday, it is payable on the earlier working day

(d) Drawee is a person to whom a bill is endorsed

Q39. When preparing a BRS from cash book and pass book extracts for the SAME period, which entries appear in the reconciliation?

(a) All entries

(b) No entries

(c) Common entries

(d) Uncommon entries

Q40. For what is 'A-B-C analysis' applied in inter-office reconciliation?

(a) Staff grading

(b) Segregating bulk transactions, high-value items, cash and fraud-vulnerable items

(c) Branch ranking

(d) Alphabetical sorting

Q41. Mr. A purchased a Rs.6,000 outstation draft (at par). What is the entry?

(a) Mr. A debited + Cash debited

(b) Mr. A credited + Cash debited

(c) No entry

(d) Mr. A debited Rs.6,000 + Inter-Office/Draft account credited Rs.6,000

Q42. In India, what are private-sector bonds called?

(a) Gilts

(b) Commercial paper

(c) T-bills

(d) Debentures

Q43. What is the combined limit of 80C + 80CCC + 80CCD(1)?

(a) Rs.2,00,000

(b) Rs.1,00,000

(c) Rs.1,50,000

(d) Rs.2,50,000

Q44. Under the Cost Concept, every business transaction is recorded at:

(a) Replacement cost

(b) Future realisable value

(c) Cost price (historical cost)

(d) Market price

Q45. What is the formula for simple interest?

(a) $I = P(1+r)^n$

(b) $I = P \times R \times T$

(c) $I = P + R + T$

(d) $I = P/RT$

Q46. In a funds flow statement, which is a use of funds?

(a) Increase in term loans
(b) Increase in capital
(c) Increase in receivables
(d) Increase in current liabilities

Q47. How is the per-unit cost worked out in batch costing?

(a) Units ÷ batch cost
(b) Batch cost + units
(c) Batch cost × units
(d) Batch cost ÷ number of units in the batch

Q48. Under accrual accounting, an expense incurred during the period but not yet paid is shown as a:

(a) Provision reversal
(b) Creditor
(c) Debtor
(d) Drawing

Q49. Which of the following is NOT an advantage of budgetary control?

(a) Fixing the rate of tax
(b) Better coordination
(c) Optimum utilisation of resources
(d) A culture of accountability

Q50. A non-recurring expenditure is always capital in nature UNLESS:

(a) It involves a fixed asset
(b) It is large
(c) It is paid in cash
(d) The materiality concept allows treating it as revenue

Q51. A endorses the bill to 'C' (a creditor). What is the entry in A's books?

(a) Cash Dr. / To C
(b) No entry
(c) Bills Receivable Dr. / To C
(d) C's A/c Dr.10,000 / To Bills Receivable 10,000

Q52. A debit balance in the bank statement represents:

(a) Cash in hand
(b) An overdraft (treated as negative figure)
(c) Profit
(d) A favourable balance

Q53. An intangible asset is defined by Ind AS 38 as:

(a) Any current asset
(b) A tangible item used in production
(c) An identifiable non-monetary asset without physical substance
(d) Cash and cash equivalents

Q54. What is the basic difference between the direct method and the indirect method?

(a) Direct has only cash equivalents
(b) No difference
(c) Direct shows gross receipts/payments; indirect adjusts profit
(d) Direct has only operating, indirect has all

Q55. On renewal of a bill, what must be done FIRST?

(a) Pay cash
(b) Collect interest
(c) Cancel the old bill (in both sets of books)
(d) Make the new bill

Q56. When does a term loan become an NPA?

(a) 60 days overdue
(b) 90 days overdue
(c) 180 days overdue
(d) 30 days overdue

Q57. Which of the following entries originates in the pass book first and requires a change in the cash book?

(a) Bank charges and interest on overdraft
(b) Cheque deposited but not collected
(c) An error in the cash book
(d) Cheque issued but not presented

Q58. What is the architecture in a large bank's core banking?

(a) Branches directly connected to each other
(b) Only a single server
(c) Each branch's server connected to the central data centre
(d) No server

Q59. What is the biggest limitation of basic standards?

(a) With frequent changes (methods/prices/labour) they do not show current costs correctly
(b) Too realistic
(c) Too easy
(d) They have to be changed daily

Q60. Repatriation restrictions on cash held abroad must be:

(a) Separately stated in notes to C&CE
(b) Deducted from cash balance
(c) Disclosed only in the Directors' Report
(d) Shown as contingent liability

Q61. Which aspect is often neglected in budget formation/monitoring?

(a) The monetary aspect
(b) The cost aspect

(c) The personal/human aspect
(d) The quantitative aspect

Q62. On renewal, what is the interest for the drawer (creditor)?

(a) An asset
(b) A liability
(c) An expense
(d) Income (To Interest)

Q63. By what other name is absorption costing known?

(a) Marginal costing
(b) Variable costing
(c) Full / full absorption costing
(d) Direct costing

Q64. How is the discount loss shared in an accommodation bill?

(a) Only the drawer bears it
(b) In the proceeds-sharing ratio
(c) Only the drawee bears it
(d) Always equally 50:50

Q65. Contingent liabilities appear in financial statements:

(a) As a liability on the Balance Sheet face
(b) In notes only — not on the face of the Balance Sheet
(c) As an offset against assets
(d) As a deferred charge

Q66. The payment of income tax normally goes under which activity?

(a) Cash equivalent
(b) Always financing
(c) Always investing
(d) Operating, unless specifically linked to financing/investing

Q67. What is the role of the budget controller like?

(a) Like the secretary of the budget committee — coordinates and compiles information, does not control/instruct
(b) Controls and instructs the functionaries
(c) Only does sales
(d) Approves the budget

Q68. Stock in hand, plant and machinery, and cash are examples of:

(a) Intangible real accounts
(b) Tangible real accounts
(c) Personal accounts
(d) Nominal accounts

Q69. What is the whole process of designing, implementing and operating budgets called?

(a) Auditing
(b) Budgeting
(c) Budgetary control
(d) Forecasting

Q70. In all cases, on honouring the bill the DRAWEE (B) passes the same one entry —

(a) Bills Receivable Dr. / To Cash
(b) Cash A/c Dr. / To Bills Payable
(c) A A/c Dr. / To Cash
(d) Bills Payable A/c Dr.10,000 / To Cash/Bank 10,000

Q71. Which is correct about a bank P&L?

(a) 'To/By' are NOT used
(b) Cash basis only
(c) 'To/By' are used
(d) An appropriation a/c is prepared

Q72. When cash/cheque is deposited into the bank account, in the cash book the bank column is:

(a) Credited
(b) Debited
(c) Closed
(d) Not affected

Q73. According to the ICAEW definition, the provision against the loss of capital is:

(a) Only made when the asset is sold
(b) An integral cost of conducting the business, not dependent on profit
(c) Optional for the business
(d) Dependent on the amount of profit earned

Q74. What does a decrease on the asset side mean in funds flow?

(a) Use of funds
(b) Source of funds
(c) Contingent liability
(d) No effect

Q75. Which is NOT a standard (category)?

(a) Fixed standards
(b) Basic standards
(c) Ideal standards
(d) Currently attainable standards

Q76. What is depreciation?

(a) Income
(b) A reduction in the value of a fixed asset due to wear/tear/obsolescence (an actual non-cash expense)
(c) A cash expense
(d) A liability

Q77. When is a sinking fund needed?

(a) Daily expenses
(b) When a specified amount is required at a specified future date
(c) Only SI
(d) Only audit

Q78. Which of the following is NOT a type of annuity?

(a) (Both are valid)
(b) Special annuity
(c) Annuity due
(d) Ordinary annuity

Q79. If x is a credit balance in the cash book wrongly carried forward on the debit side, the reconciliation correction is:

(a) Casting 2x on the debit side of cash book
(b) Casting x on credit side of cash book
(c) Casting 2x on the credit side of cash book
(d) Casting x on the debit side of cash book

Q80. Loans & advances given to customers by a financial institution (bank) fall under which activity?

(a) Operating
(b) Contingent
(c) Financing
(d) Investing

Q81. According to the NI Approach, what is the effect of more debt?

(a) WACC is constant
(b) Firm value falls
(c) WACC falls, firm value rises
(d) WACC rises

Q82. A Deferred Payment Guarantee (DPG) resembles which of these?

(a) Savings
(b) Term loan
(c) Cash credit
(d) Overdraft

Q83. Which statement about ratio analysis is correct?

(a) A single ratio alone tells good/bad
(b) Price-level changes have no effect
(c) Ratios do not need comparison
(d) No ratio is good/bad per se — it is an indicator, not proof

Q84. Where does a DEBIT balance of the Branch Adjustment A/c appear?

(a) Off-balance sheet
(b) Liability (Sch 5)
(c) P&L
(d) Asset (Sch 11)

Q85. The systematic allocation of the depreciable amount of an INTANGIBLE asset over its useful life is called:

(a) Appreciation
(b) Depreciation
(c) Amortisation
(d) Provision

Q86. Which statement about the cash book is NOT correct?

(a) It is a journal as well as a ledger
(b) It is divided into two sides, debit and credit
(c) All receipts are recorded on the credit side
(d) It keeps records of all cash transactions

Q87. By which name is Marginal Costing NOT also known?

(a) Direct Costing
(b) Absorption Costing
(c) Differential Costing
(d) Variable Costing

Q88. How is the after-tax cost of debt found?

(a) Kd × (1 − tax rate)
(b) Kd ÷ tax
(c) Kd × (1 + tax)
(d) Kd + tax

Q89. 'Total imported raw materials consumed vs. indigenous materials consumed' disclosure requires showing:

(a) Total values AND percentage of each to total consumption
(b) Total values only
(c) Individual item values
(d) Only percentages — not absolute amounts

Q90. How is the floatation-cost-adjusted WACC found?

(a) WACC + f
(b) WACC × (1−f)
(c) WACC ÷ (1 − f)
(d) WACC − f

Q91. Two or more errors that cancel each other out are called:

(a) Errors of principle
(b) Compensating errors
(c) Partial omission
(d) Errors of commission

Q92. Which statement is CORRECT about fair value accounting?

(a) It takes into account current market value of only liabilities
(b) It enjoys a very wide degree of acceptance

(c) Fair value accounting is also known as current value accounting
(d) It takes into account current market value of only assets

Q93. On 01.01.2022, X drew a bill on Y for 3 months. What will the maturity date be?
(a) 04.04.2022
(b) 01.04.2022
(c) 04.05.2022
(d) 03.04.2022

Q94. Where does the Suspense account appear in the balance sheet?
(a) Under Other assets
(b) Cash
(c) Under Capital
(d) Other liabilities

Q95. In the cash book, the bank account follows which rule?
(a) Debit the receiver, credit the giver
(b) Debit expenses, credit incomes
(c) Debit the giver, credit the receiver
(d) Debit what comes in, credit what goes out

Q96. When a trader's customer directly deposits an amount into his bank account, the trader records it in the cash book on the:
(a) Discount column
(b) Memorandum column
(c) Credit side
(d) Debit side (on receipt of bank advice)

Q97. As per current RBI norms (Master Direction of 12-9-2023, effective 1-4-2024), a bank's investment portfolio is classified into:
(a) Only SLR and non-SLR
(b) HTM, AFS and HFT with a 25% HTM ceiling
(c) HTM, AFS and FVTPL (with HFT as a sub-category of FVTPL)
(d) Current and fixed investments

Q98. EPS in the P&L must show:
(a) Diluted EPS only
(b) Basic EPS only
(c) Both Basic AND Diluted EPS
(d) Price-Earnings Ratio

Q99. According to RBI, within what time should the outstanding entries of inter-branch accounts be reconciled?
(a) 1 year
(b) 5 years
(c) 3 months
(d) 6 months

Q100. Why is standard costing simpler than other techniques?
(a) Because there is no audit
(b) Because there is no tax
(c) Because only the variance between actual and estimated has to be worked out (no repeated time & motion study)
(d) Because cost does not have to be worked out

OMR Answer Sheet — Full Mock 1

Name ______________________ **Date** ____________ **Score** ____________

Completely shade one circle per question. No negative marking.

Q	A B C D	Q	A B C D	Q	A B C D	Q	A B C D
1	○A ○B ○C ○D	26	○A ○B ○C ○D	51	○A ○B ○C ○D	76	○A ○B ○C ○D
2	○A ○B ○C ○D	27	○A ○B ○C ○D	52	○A ○B ○C ○D	77	○A ○B ○C ○D
3	○A ○B ○C ○D	28	○A ○B ○C ○D	53	○A ○B ○C ○D	78	○A ○B ○C ○D
4	○A ○B ○C ○D	29	○A ○B ○C ○D	54	○A ○B ○C ○D	79	○A ○B ○C ○D
5	○A ○B ○C ○D	30	○A ○B ○C ○D	55	○A ○B ○C ○D	80	○A ○B ○C ○D
6	○A ○B ○C ○D	31	○A ○B ○C ○D	56	○A ○B ○C ○D	81	○A ○B ○C ○D
7	○A ○B ○C ○D	32	○A ○B ○C ○D	57	○A ○B ○C ○D	82	○A ○B ○C ○D
8	○A ○B ○C ○D	33	○A ○B ○C ○D	58	○A ○B ○C ○D	83	○A ○B ○C ○D
9	○A ○B ○C ○D	34	○A ○B ○C ○D	59	○A ○B ○C ○D	84	○A ○B ○C ○D
10	○A ○B ○C ○D	35	○A ○B ○C ○D	60	○A ○B ○C ○D	85	○A ○B ○C ○D
11	○A ○B ○C ○D	36	○A ○B ○C ○D	61	○A ○B ○C ○D	86	○A ○B ○C ○D
12	○A ○B ○C ○D	37	○A ○B ○C ○D	62	○A ○B ○C ○D	87	○A ○B ○C ○D
13	○A ○B ○C ○D	38	○A ○B ○C ○D	63	○A ○B ○C ○D	88	○A ○B ○C ○D
14	○A ○B ○C ○D	39	○A ○B ○C ○D	64	○A ○B ○C ○D	89	○A ○B ○C ○D
15	○A ○B ○C ○D	40	○A ○B ○C ○D	65	○A ○B ○C ○D	90	○A ○B ○C ○D
16	○A ○B ○C ○D	41	○A ○B ○C ○D	66	○A ○B ○C ○D	91	○A ○B ○C ○D
17	○A ○B ○C ○D	42	○A ○B ○C ○D	67	○A ○B ○C ○D	92	○A ○B ○C ○D
18	○A ○B ○C ○D	43	○A ○B ○C ○D	68	○A ○B ○C ○D	93	○A ○B ○C ○D
19	○A ○B ○C ○D	44	○A ○B ○C ○D	69	○A ○B ○C ○D	94	○A ○B ○C ○D
20	○A ○B ○C ○D	45	○A ○B ○C ○D	70	○A ○B ○C ○D	95	○A ○B ○C ○D
21	○A ○B ○C ○D	46	○A ○B ○C ○D	71	○A ○B ○C ○D	96	○A ○B ○C ○D
22	○A ○B ○C ○D	47	○A ○B ○C ○D	72	○A ○B ○C ○D	97	○A ○B ○C ○D
23	○A ○B ○C ○D	48	○A ○B ○C ○D	73	○A ○B ○C ○D	98	○A ○B ○C ○D
24	○A ○B ○C ○D	49	○A ○B ○C ○D	74	○A ○B ○C ○D	99	○A ○B ○C ○D
25	○A ○B ○C ○D	50	○A ○B ○C ○D	75	○A ○B ○C ○D	100	○A ○B ○C ○D

Answer Keys

Full Mock 1

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	C	2	B	3	A	4	D	5	D	6	A	7	D	8	D	9	B	10	C
11	A	12	B	13	C	14	B	15	C	16	C	17	C	18	B	19	B	20	C
21	B	22	D	23	A	24	C	25	D	26	B	27	C	28	B	29	A	30	B
31	C	32	B	33	D	34	C	35	D	36	D	37	C	38	C	39	D	40	B
41	D	42	D	43	C	44	C	45	B	46	C	47	D	48	B	49	A	50	D
51	D	52	B	53	C	54	C	55	C	56	B	57	A	58	C	59	A	60	A
61	C	62	D	63	C	64	B	65	B	66	D	67	A	68	B	69	B	70	D
71	A	72	B	73	B	74	B	75	A	76	B	77	B	78	B	79	C	80	A
81	C	82	B	83	D	84	D	85	C	86	C	87	B	88	A	89	A	90	C
91	B	92	C	93	A	94	A	95	A	96	D	97	C	98	C	99	D	100	C

Revise by unit — wrong answers point you to these Notes-book units: **U1** (A): Q9, Q12, Q13, Q21, Q32, Q92 · **U2** (A): Q26, Q44, Q48 · **U3** (A): Q53, Q73, Q85 · **U4** (A): Q5, Q68, Q86 · **U5** (A): Q39, Q52, Q57, Q72, Q79, Q95, Q96 · **U6** (A): Q91 · **U7** (A): Q50 · **U8** (A): Q7, Q8, Q37, Q38, Q51, Q55, Q62, Q64, Q70, Q93 · **U9** (A): Q23, Q41 · **U10** (A): Q17, Q40, Q94, Q99 · **U11** (A): Q14, Q27, Q29, Q36 · **U13** (B): Q76 · **U14** (B): Q19, Q22, Q33 · **U15** (B): Q28, Q60, Q65, Q89, Q98 · **U16** (B): Q2, Q10, Q15, Q34, Q46, Q54, Q66, Q74, Q80 · **U17** (B): Q6, Q25, Q56, Q71, Q84, Q97 · **U18** (B): Q16, Q58 · **U20** (C): Q11, Q30, Q83 · **U21** (C): Q45, Q77, Q78 · **U22** (C): Q42 · **U23** (C): Q1 · **U24** (C): Q81, Q88, Q90 · **U25** (C): Q4, Q35, Q82 · **U26** (C): Q20 · **U27** (C): Q18 · **U29** (D): Q43 · **U30** (D): Q31 · **U31** (D): Q3 · **U32** (D): Q47 · **U33** (D): Q59, Q75, Q100 · **U34** (D): Q24, Q63, Q87 · **U35** (D): Q49, Q61, Q67, Q69

Full Mock 2

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	B	2	C	3	C	4	A	5	D	6	A	7	A	8	B	9	B	10	D
11	C	12	B	13	D	14	A	15	A	16	B	17	D	18	C	19	B	20	D
21	B	22	C	23	A	24	C	25	D	26	D	27	B	28	D	29	D	30	C
31	D	32	D	33	A	34	B	35	A	36	B	37	B	38	C	39	D	40	C
41	B	42	D	43	D	44	C	45	B	46	D	47	B	48	A	49	D	50	C
51	D	52	C	53	C	54	B	55	D	56	D	57	A	58	A	59	B	60	A
61	D	62	C	63	A	64	C	65	C	66	A	67	C	68	A	69	A	70	B
71	B	72	B	73	C	74	A	75	C	76	C	77	A	78	B	79	A	80	C
81	C	82	D	83	D	84	C	85	B	86	D	87	A	88	A	89	D	90	D
91	D	92	A	93	B	94	C	95	C	96	D	97	D	98	C	99	A	100	C

Revise by unit — wrong answers point you to these Notes-book units: **U1** (A): Q35, Q46, Q68 · **U2** (A): Q23, Q33, Q62, Q65 · **U3** (A): Q17, Q50, Q95, Q96 · **U4** (A): Q2, Q69, Q81 · **U5** (A): Q26, Q36, Q43, Q73, Q89 · **U6** (A): Q8, Q55, Q59, Q72, Q92 · **U7** (A): Q14, Q31, Q34, Q93 · **U8** (A): Q1, Q51, Q53 · **U9** (A): Q47, Q67, Q76, Q83 · **U10** (A): Q48, Q77, Q91 · **U11** (A): Q5, Q10, Q58 · **U12** (B): Q85 · **U13** (B): Q56, Q86 · **U14** (B): Q11, Q71, Q98 · **U15** (B): Q7, Q16, Q22, Q39, Q63, Q82, Q84, Q90 · **U17** (B): Q9, Q49 · **U18** (B): Q13, Q19, Q30, Q80, Q99 · **U19** (C): Q15, Q28, Q57 · **U20** (C): Q18, Q100 · **U21** (C): Q27 · **U22** (C): Q44 · **U23** (C): Q45, Q52, Q97 · **U24** (C): Q79 · **U26** (C): Q25, Q32, Q37, Q70 · **U27** (C): Q64, Q94 · **U28** (D): Q38, Q61 · **U29** (D): Q66, Q74, Q87 · **U30** (D): Q20 · **U32** (D): Q6 · **U33** (D): Q4, Q12, Q21, Q29, Q40, Q60, Q75 · **U34** (D): Q3, Q41, Q78 · **U35** (D): Q24, Q42, Q54, Q88

Full Mock 3

Solutions & Explanations

Full Mock 1

Q1. Spot Rs.74.85, 3-month forward premium 25 paise. Forward rate?
Q1. Ans: (c) Rs.75.10
Why: Add the premium: 74.85 + 0.25 = Rs.75.10 (approx)
(a) — Incorrect
(b) — Forgot to add the points
(d) — Deduction is wrong (a premium is added)

Q2. What is the most correct identification of cash equivalents?
Q2. Ans: (b) Short-term, highly liquid investments with insignificant risk of value change
Why: Cash equivalents are short-term, highly liquid, convertible into a known amount of cash, with an insignificant risk of change in value
(a) — Receivables are a current asset but not a cash equivalent
(c) — A 5-year FD is long-term, not short-term
(d) — Equity investments carry a high value risk — not cash equivalents

Q3. What are indirect costs called?
Q3. Ans: (a) Overheads
Why: Indirect costs = Overheads (manufacturing + admin + selling)
(b) — Marginal is different
(c) — Prime cost is direct
(d) — Direct is different

Q4. What is the basis of ARR?
Q4. Ans: (d) Accounting profit
Why: ARR is based on accounting profit (not cash flow or time value) — therefore it is weaker than DCF
(a) — It does not discount. D. Term Loans, DPG & Project Appraisal
(b) — NPV is different
(c) — Not cash flow

Q5. When the name of the party is given but there is no mention of cash paid/received, the transaction is treated as:
Q5. Ans: (d) Credit basis
Why: A party name is given but cash is not mentioned → credit basis (e.g. 'Purchased goods from Suresh Rs.2,000')
(a) — Not an opening entry
(b) — Not a contra entry
(c) — The cash basis is when no party name is given

Q6. Where does property taken against a claim on a defaulter (a Non-Banking Asset) appear?
Q6. Ans: (a) Other Assets (Sch 11)
Why: Non-Banking Assets are in Other Assets (Sch 11); the bank cannot hold them and must dispose of them
(b) — Not advances
(c) — Not fixed assets
(d) — Not investments

Q7. A cheque is always payable how?
Q7. Ans: (d) On demand
Why: A cheque is always payable ON DEMAND — so no grace days apply to it
(a) — The sight condition does not apply to a cheque
(b) — Grace days apply to bills, not to a cheque
(c) — A maturity date applies to a bill

Q8. In the comprehensive illustration, the drawer also charged interest from the drawee on the dishonoured bill. What is this interest for the drawer?
Q8. Ans: (d) Income
Why: The drawer (e.g. Bimal) charged Rs.300 interest from Chetan — Chetan A/c Dr. / To Interest. For the drawer it is income
(a) — The expense is for the drawee
(b) — Not a liability
(c) — A bad debt arises on insolvency. Section 6 — Check Your Progress

Q9. IFRS stands for:

Q9. **Ans: (b) International Financial Reporting Standards**
Why: CYP4 answer: IFRS = International Financial Reporting Standards
(a) — International, not Indian
(c) — Reporting, not Reconciliation
(d) — (a) is correct

Q10. The purchase and sale of securities held for trading/dealing purposes falls under which activity?
Q10. **Ans: (c) Operating**
Why: Dealing/trading securities are like inventory held for resale, so their cash flows fall under Operating activity
(a) — Investing applies when there is a long-term holding
(b) — There is no such category
(c) — Financing is from one's own equity/borrowing

Q11. What is the formula for the DSCR?
Q11. **Ans: (a) (Net Profit + Dep + Interest on TL) / (Interest + Instalment)**
Why: DSCR = (Net Profit + Depreciation + Interest on term loan) / (Interest + Instalment)
(b) — Wrong
(c) — That is like ROE
(d) — That is the current ratio

Q12. Which US body is the authoritative source of GAAP and replaced the APB?
Q12. **Ans: (b) FASB (Financial Accounting Standards Board)**
Why: FASB (on the Wheat Committee's recommendation) replaced the APB and is the authoritative source of GAAP
(a) — The SEC does not set GAAP itself
(c) — GASB is for state/local government
(d) — AICPA created the CAP/APB

Q13. How many mandatory accounting standards has ICAI issued (as per the text)?
Q13. **Ans: (c) Twenty-nine mandatory and three non-mandatory**
Why: ICAI has issued 29 mandatory and 3 non-mandatory accounting standards
(a) — 17 = the number of IFRS
(b) — 41 = the Ind AS notified count
(d) — 10 is wrong

Q14. In substantive procedures, how much of the large advances should the auditor examine?
Q14. **Ans: (b) Examine ALL large advances (the rest by sampling)**
Why: The auditor should examine ALL large advances; the other (smaller) advances on a sampling basis
(a) — All large advances are seen
(c) — Not 50%, all the large ones. Section 5 — Other Audits & Check Your Progress
(d) — Examination is necessary

Q15. 'Profit and cash generation are not the same thing' — which is the most apt example?
Q15. **Ans: (c) Purchase in cash, sale on credit**
Why: Buying for cash and selling on credit shows a profit in the P&L but reduces cash — this is exactly where the difference between profit and cash appears
(a) — In cash-to-cash, both profit and cash rise together
(b) — If settled in the same period the difference is minimal
(d) — If there is no transaction, there is neither profit nor a change in cash

Q16. What is the main benefit of centralised banking?
Q16. **Ans: (c) Anywhere banking — operate from any branch**
Why: All branches are online linked — the customer can deposit/withdraw/enquire from any branch/outlet
(a) — Service becomes faster
(b) — Not manual
(d) — It is not limited to one branch

Q17. What did computerisation do to the back office?
Q17. **Ans: (c) Removed the need for it to be part of the branch (it can be located anywhere)**
Why: Computerisation removed the need for the back office to be part of the branch — it can now be located in areas/countries with cheaper rent/labour
(a) — It was not ended; its role grew
(b) — The front office is separate
(d) — It made a big difference

Q18. WCG = 220, TCA = 370. What is the Method 1 MPBF?

Q18. **Ans: (b) 165**
Why: Method 1: MPBF = 75% × 220 = 165
(a) — That is Method 2
(c) — Not the whole WCG
(d) — That is Method 3

Q19. A single call amount cannot exceed what % of the face value?
Q19. **Ans: (b) 25%**
Why: A single call amount cannot exceed 25% of the face value (if the balance is less than 25%, a single 'first and final call')
(a) — Not 10%
(c) — Not 100%
(d) — Not 50%

Q20. Under Ind AS 116, what does the lessee recognise for most leases?
Q20. **Ans: (c) Right-of-Use (ROU) asset + Lease Liability**
Why: Ind AS 116 single-lessee model: ROU asset + lease liability
(a) — There is recognition
(b) — The asset is also recognised
(d) — That is the old treatment

Q21. AS 2 (Valuation of Inventories) requires inventories to be valued at:
Q21. **Ans: (b) Lower of cost or net realisable value**
Why: AS 2: inventory is valued at the lower of cost or net realisable value. FIFO or Weighted Average is permitted
(a) — Not only NRV
(c) — Not only cost
(d) — Not always market price

Q22. Can bonus shares be issued in lieu of dividend?
Q22. **Ans: (d) No**
Why: Bonus shares CANNOT be issued in LIEU of dividend
(a) — No private exception
(b) — They cannot be
(c) — No listed exception

Q23. Mr. A issued a Rs.4,000 cheque to Mr. C, received in clearing at the branch (clearing-out). What is the effect on A's account?
Q23. **Ans: (a) Debit Rs.4,000 (clearing-out)**
Why: Clearing-OUT: a DEBIT of Rs.4,000 in Mr. A's account + a credit of Rs.4,000 in the account of the bank conducting the clearing house
(b) — It is debited (money went out)
(c) — There is an effect
(d) — This is not a draft

Q24. What does a high break-even point (such as 75%) mean?
Q24. **Ans: (c) A narrow margin of safety — a small cushion to withstand disruption**
Why: A high BEP = a low margin of safety, a narrow cushion to withstand disruption — so financiers do not prefer it
(a) — A high BEP is not safe
(b) — Profit is not guaranteed
(d) — A high BEP is often from high fixed cost

Q25. ABC Rs. 10L doubtful (<1yr): secured Rs. 6L, unsecured Rs. 4L. Total provision?
Q25. **Ans: (d) Rs. 5,50,000**
Why: Unsecured 4L×100% + secured 6L×25% = 4,00,000 + 1,50,000 = Rs. 5,50,000
(a) — A full 100% is wrong. G. Investment Classification
(b) — Only the unsecured part
(c) — Only the secured part

Q26. Under the Cost Concept, the gradual reduction of an asset's cost over its useful life is called:
Q26. **Ans: (b) Depreciation**
Why: The cost of a long-but-limited-life asset is systematically reduced through depreciation — allocating cost over the useful life
(a) — Revaluation is a different process
(c) — Appreciation = an increase in value
(d) — Realisation relates to revenue

Q27. Who generally does the Internal Audit?

Q27. **Ans: (c) The bank's own staff (to some extent CA firms)**
Why: Internal Audit is generally by the bank's own staff (to some extent CA firms) — to ensure the accuracy/correctness of the books of account
(a) — Not customers
(b) — Not the Government
(d) — Not RBI

Q28. 'Capital Advances' paid for fixed asset purchase are classified under:
Q28. **Ans: (b) Non-current Assets — Long-term L&A**
Why: Note L: CAPITAL ADVANCES are listed under LONG-TERM LOANS & ADVANCES. They are inherently long-term — paid toward future acquisition of fixed assets
(a) — Not investments
(c) — Not short-term L&A
(d) — Not fixed assets

Q29. What are the incidental objectives of auditing?
Q29. **Ans: (a) Detection AND prevention of errors and frauds**
Why: The incidental objectives of auditing: the detection AND prevention of errors and frauds
(b) — Not reducing tax
(c) — Not marketing. Section 2 — Risk-Based Internal Audit (RBIA)
(d) — Not showing profit

Q30. COGS Rs.12,00,000, average inventory Rs.2,00,000. What is the stock turnover?
Q30. **Ans: (b) 6 times**
Why: Stock Turnover = 12,00,000 / 2,00,000 = 6 times
(a) — Wrong
(c) — Wrong
(d) — Wrong

Q31. What is one GST challenge for banks?
Q31. **Ans: (c) Separate registration in each state and a higher compliance burden**
Why: Banks face separate GST registration in each state and a higher compliance burden
(a) — Not tax-free
(b) — Not just one return
(d) — Registration is required

Q32. All scheduled commercial banks are required to comply with Ind AS for financial statements from 1st April:
Q32. **Ans: (b) Not yet decided (deferred till further notice)**
Why: CYP5 answer: for banks, RBI deferred Ind AS 'till further notice' on 22 March 2019 — no date decided yet
(a) — Not 2021
(c) — Not 2022
(d) — Not 2020

Q33. Of how many kinds can the share capital of a company limited by shares be?
Q33. **Ans: (d) Equity and Preference (two)**
Why: Only 2 kinds: Equity share capital and Preference share capital
(a) — Not only equity
(b) — Not three
(c) — Not only preference

Q34. Under the Companies Act 2013, which of the following companies is NOT required to prepare a cash flow statement?
Q34. **Ans: (c) One Person Company (OPC)**
Why: An OPC, a Small Company and a Dormant Company are exempt from the cash flow statement
(a) — A bank is required to
(b) — A large company is required to
(d) — A listed company is required to prepare it

Q35. Among mutually exclusive projects, which is chosen on the basis of NPV?
Q35. **Ans: (d) Highest positive NPV**
Why: The project with the highest positive NPV is chosen (a definite ranking)
(a) — Zero means indifferent
(b) — Negative is rejected
(c) — Not the lowest

Q36. What is the aim of the Revenue Audit (Income & Expenditure audit)?

Q36. **Ans: (d) To identify cases of LEAKAGE of interest and other charges**
Why: Revenue Audit, usually in large/medium branches, aims to identify cases of leakage of interest and other charges
(a) — A stock check is different
(b) — Tax computation = tax audit
(c) — Fraud detection = forensic

Q37. What is 'Noting'?
Q37. **Ans: (c) On dishonour, the notary public making entries on the bill/on a separate paper**
Why: On dishonour, the holder in due course takes the bill to a notary public who makes the necessary entries — this is 'Noting'
(a) — Discounting is a different concept
(b) — Drawing is different
(d) — Paying is honouring

Q38. Which one of the following is TRUE?
Q38. **Ans: (c) When the due date of a bill falls on a public holiday, it is payable on the earlier working day**
Why: The correct statement = on a public holiday the due date is payable on the previous (earlier) working day
(a) — An accommodation bill has no debtor-creditor relation, so dragging to court is wrong
(b) — Full recovery is not made from an insolvent; this phrasing is wrong
(d) — The one to whom a bill is endorsed is the endorsee, not the drawee

Q39. When preparing a BRS from cash book and pass book extracts for the SAME period, which entries appear in the reconciliation?
Q39. **Ans: (d) Uncommon entries**
Why: Same period → uncommon entries in the reconciliation. Different period → common entries in the reconciliation
(a) — Not all entries
(b) — There are entries
(c) — Common entries are for the different-period case

Q40. For what is 'A-B-C analysis' applied in inter-office reconciliation?
Q40. **Ans: (b) Segregating bulk transactions, high-value items, cash and fraud-vulnerable items**
Why: A-B-C analysis segregates bulk transactions, high-value items, cash and fraud-vulnerable items so they can be prioritised
(a) — Not staff grading
(c) — Not branch ranking
(d) — Not alphabetical sorting

Q41. Mr. A purchased a Rs.6,000 outstation draft (at par). What is the entry?
Q41. **Ans: (d) Mr. A debited Rs.6,000 + Inter-Office/Draft account credited Rs.6,000**
Why: Draft purchase: Mr. A's account DEBITED Rs.6,000 + Inter-Office account/Draft account CREDITED Rs.6,000
(a) — Double entry: one debit, one credit
(b) — A's account is debited (money went out)
(c) — An entry is made

Q42. In India, what are private-sector bonds called?
Q42. **Ans: (d) Debentures**
Why: Private-sector bonds = Debentures (in India)
(a) — Gilts are government securities
(b) — CP is a money-market instrument
(c) — T-bills are short-term government instruments

Q43. What is the combined limit of 80C + 80CCC + 80CCD(1)?
Q43. **Ans: (c) Rs.1,50,000**
Why: The combined deduction limit is Rs.1,50,000 (not 80C alone)
(a) — Wrong
(b) — Wrong
(d) — Wrong

Q44. Under the Cost Concept, every business transaction is recorded at:
Q44. **Ans: (c) Cost price (historical cost)**
Why: Cost concept: every transaction is recorded at historical/cost price, whatever the market price may be
(a) — Not at replacement cost
(b) — Not at future value
(d) — Not at market price

Q45. What is the formula for simple interest?

Q45. **Ans: (b) I = P × R × T**
Why: Simple Interest I = P × R × T (only on the principal)
(a) — That is compound
(c) — Adding is wrong
(d) — Wrong

Q46. In a funds flow statement, which is a use of funds?
Q46. **Ans: (c) Increase in receivables**
Why: An increase in an asset (receivables) = funds blocked in that asset = a use of funds
(a) — An increase in term loans is a source
(b) — An increase in capital is a source
(d) — An increase in current liabilities is a source

Q47. How is the per-unit cost worked out in batch costing?
Q47. **Ans: (d) Batch cost ÷ number of units in the batch**
Why: Per unit cost = total batch cost ÷ the number of units in the batch
(a) — The reverse is wrong
(b) — Adding is wrong
(c) — Multiplying is wrong

Q48. Under accrual accounting, an expense incurred during the period but not yet paid is shown as a:
Q48. **Ans: (b) Creditor**
Why: An incurred but unpaid expense is recorded and the person to be paid is shown as a creditor
(a) — A provision reversal is a different concept
(c) — A debtor is for an advance payment
(d) — A drawing is different

Q49. Which of the following is NOT an advantage of budgetary control?
Q49. **Ans: (a) Fixing the rate of tax**
Why: The tax rate is decided by statute — this is not an advantage of budgetary control. The rest are valid advantages
(b) — A valid advantage
(c) — A valid advantage
(d) — A valid advantage

Q50. A non-recurring expenditure is always capital in nature UNLESS:
Q50. **Ans: (d) The materiality concept allows treating it as revenue**
Why: Non-recurring expenditure is always capital, UNLESS the materiality concept lets us treat it as revenue (e.g. a Rs.500 wall clock)
(a) — A fixed asset makes it capital
(b) — Being large makes it capital
(c) — Cash payment is not the criterion

Q51. A endorses the bill to 'C' (a creditor). What is the entry in A's books?
Q51. **Ans: (d) C's A/c Dr.10,000 / To Bills Receivable 10,000**
Why: On endorsement: C's A/c Dr. 10,000 / To Bills Receivable 10,000 (the bill is transferred to C, settling C's account)
(a) — Cash is not involved
(b) — An entry is made
(c) — The direction is reversed

Q52. A debit balance in the bank statement represents:
Q52. **Ans: (b) An overdraft (treated as negative figure)**
Why: A debit balance in the bank statement = an overdraft; for the arithmetic it is treated as a negative figure
(a) — Not cash in hand
(c) — Not profit
(d) — A favourable balance is a credit

Q53. An intangible asset is defined by Ind AS 38 as:
Q53. **Ans: (c) An identifiable non-monetary asset without physical substance**
Why: Ind AS 38: intangible asset = 'an identifiable non-monetary asset without physical substance' (e.g. patents, copyrights, software)
(a) — Not a current asset
(b) — Not a tangible item
(d) — Not cash

Q54. What is the basic difference between the direct method and the indirect method?

Q54. Ans: (c) Direct shows gross receipts/payments; indirect adjusts profit

Why: The direct method shows the major classes of gross cash receipts/payments; the indirect method adjusts profit/loss for non-cash and working-capital items

(a) — Cash equivalents are in both

(b) — There is a clear difference

(d) — Both methods apply only to the operating section — that is not the difference

Q55. On renewal of a bill, what must be done FIRST?

Q55. Ans: (c) Cancel the old bill (in both sets of books)

Why: On renewal, the OLD bill is cancelled first in both parties' books, then the new bill (balance + interest) is drawn

(a) — Cash is part of the new arrangement, but the first step is cancellation

(b) — Interest is added to the new bill

(d) — The new one is made later

Q56. When does a term loan become an NPA?

Q56. Ans: (b) 90 days overdue

Why: Interest/instalment overdue for more than 90 days → NPA (current RBI norm)

(a) — Not 60

(c) — 180 was the old norm

(d) — Not 30

Q57. Which of the following entries originates in the pass book first and requires a change in the cash book?

Q57. Ans: (a) Bank charges and interest on overdraft

Why: Bank charges, overdraft interest and standing-instruction items appear first in the pass book — they require a cash book change

(b) — A cheque deposited = a timing difference

(c) — An error is the cash book's own issue

(d) — A cheque issued = a timing difference

Q58. What is the architecture in a large bank's core banking?

Q58. Ans: (c) Each branch's server connected to the central data centre

Why: Each branch's server connects to the server of the central data centre (hub)

(a) — Branches are not directly connected

(b) — Not just a single server

(d) — There are servers

Q59. What is the biggest limitation of basic standards?

Q59. Ans: (a) With frequent changes (methods/prices/labour) they do not show current costs correctly

Why: Basic standards remain the same over a long time, so with frequent changes in production methods/prices/labour they do not reflect the current cost correctly

(b) — Realism is not their feature

(c) — Easiness is not their limitation

(d) — They do not change — that is the problem. D. Components & Setting Standards

Q60. Repatriation restrictions on cash held abroad must be:

Q60. Ans: (a) Separately stated in notes to C&CE

Why: Note Q: 'Repatriation restrictions, if any, in respect of cash and bank balances shall be SEPARATELY STATED.' Important for companies with overseas cash that may be trapped

(b) — Not deducted

(c) — Not only in the Directors' Report

(d) — Not a contingent liability

Q61. Which aspect is often neglected in budget formation/monitoring?

Q61. Ans: (c) The personal/human aspect

Why: Due to the emphasis on monetary/quantitative aspects, the personal/human aspect is often neglected

(a) — The monetary aspect remains dominant

(b) — The cost aspect is kept in mind. E. Implementation Components

(d) — The quantitative aspect also remains dominant

Q62. On renewal, what is the interest for the drawer (creditor)?

Q62. Ans: (d) Income (To Interest)

Why: For the drawer the interest is INCOME (in his books 'To Interest'); for the drawee it is an expense (Interest A/c Dr.)

(a) — Not an asset

(b) — Not a liability

(c) — The expense is for the drawee

Q63. By what other name is absorption costing known?
Q63. Ans: (c) Full / full absorption costing
Why: Absorption costing = Full Costing / Full Absorption Costing (fixed OH also on the product)
(a) — Marginal is different
(b) — Variable costing is marginal
(d) — Direct costing is marginal

Q64. How is the discount loss shared in an accommodation bill?
Q64. Ans: (b) In the proceeds-sharing ratio
Why: The most important rule: the discount loss is shared between the two parties in the SAME proportion in which they share the proceeds of the bill
(a) — Not only the drawer
(c) — Not only the drawee
(d) — Not always 50:50 — it depends on the proceeds ratio

Q65. Contingent liabilities appear in financial statements:
Q65. Ans: (b) In notes only — not on the face of the Balance Sheet
Why: Contingent liabilities are DISCLOSED IN NOTES only (to the extent not provided for). They are NOT recognized as liabilities because the obligation is uncertain
(a) — Not on the face
(c) — Not an offset
(d) — Not a deferred charge

Q66. The payment of income tax normally goes under which activity?
Q66. Ans: (d) Operating, unless specifically linked to financing/investing
Why: Per Ind AS-7, tax cash flows are treated as operating unless they are specifically identified with financing/investing
(a) — It is a tax cash flow, not a cash equivalent
(b) — It is not financing by default
(c) — It is not investing by default

Q67. What is the role of the budget controller like?
Q67. Ans: (a) Like the secretary of the budget committee — coordinates and compiles information, does not control/instruct
Why: The budget controller is like a secretary — coordinates functions and compiles information; does not control/instruct any functionary
(b) — Does not control/instruct
(c) — Sales is not its work
(d) — Approval is by management/the committee

Q68. Stock in hand, plant and machinery, and cash are examples of:
Q68. Ans: (b) Tangible real accounts
Why: Stock, plant, machinery, cash = tangible real accounts (they can be touched). Goodwill/trademarks = intangible real
(a) — These are tangible, not intangible
(c) — Not personal
(d) — Not nominal

Q69. What is the whole process of designing, implementing and operating budgets called?
Q69. Ans: (b) Budgeting
Why: The whole process of designing/implementing/operating budgets = Budgeting
(a) — Auditing is different
(c) — Budgetary control is the actual vs budget comparison
(d) — Forecasting is future assessment

Q70. In all cases, on honouring the bill the DRAWEE (B) passes the same one entry —
Q70. Ans: (d) Bills Payable A/c Dr.10,000 / To Cash/Bank 10,000
Why: In all cases B passes: Bills Payable A/c Dr. 10,000 / To Cash/Bank 10,000 (payment against acceptance)
(a) — B does not hold a Bills Receivable
(b) — The direction is reversed
(c) — A's account is not involved on payment

Q71. Which is correct about a bank P&L?
Q71. Ans: (a) 'To/By' are NOT used
Why: 'To/By' are not used in a bank P&L, and no separate appropriation a/c is prepared
(b) — Performing income is on accrual basis
(c) — 'To/By' are not used
(d) — No appropriation a/c is prepared

Q72. When cash/cheque is deposited into the bank account, in the cash book the bank column is:
Q72. Ans: (b) Debited
Why: On a deposit the bank is the receiver → the bank column is DEBITED (cash book). On withdrawal/cheque issue it is credited
(a) — It is credited on withdrawal
(c) — It is not closed
(d) — It is affected

Q73. According to the ICAEW definition, the provision against the loss of capital is:
Q73. Ans: (b) An integral cost of conducting the business, not dependent on profit
Why: ICAEW: the provision against the loss of capital = an integral cost of conducting the business, NOT dependent on the amount of profit
(a) — Not at sale, but each year
(c) — Not optional
(d) — Not dependent on profit

Q74. What does a decrease on the asset side mean in funds flow?
Q74. Ans: (b) Source of funds
Why: A decrease in an asset means the cash stuck in that asset has been released — this is a source of funds
(a) — An increase in an asset is a use, not a decrease
(c) — It has no link to a contingent liability
(d) — There is an effect

Q75. Which is NOT a standard (category)?
Q75. Ans: (a) Fixed standards
Why: 'Fixed standards' is not a category
(b) — Basic is valid
(c) — Ideal is valid
(d) — Currently attainable is valid

Q76. What is depreciation?
Q76. Ans: (b) A reduction in the value of a fixed asset due to wear/tear/obsolescence (an actual non-cash expense)
Why: Depreciation = a reduction in the value of a fixed asset due to wear/tear/obsolescence; an actual expense but not a cash expense
(a) — Not income
(c) — Not a cash expense
(d) — Not a liability

Q77. When is a sinking fund needed?
Q77. Ans: (b) When a specified amount is required at a specified future date
Why: Sinking fund: a specified amount at a fixed future date (debenture redemption/asset replacement)
(a) — Not daily
(c) — Not SI
(d) — Not audit

Q78. Which of the following is NOT a type of annuity?
Q78. Ans: (b) Special annuity
Why: 'Special annuity' is not a type
(a) — 'Special' does not exist
(c) — Valid
(d) — Valid

Q79. If x is a credit balance in the cash book wrongly carried forward on the debit side, the reconciliation correction is:
Q79. Ans: (c) Casting 2x on the credit side of cash book
Why: CYP4 answer per textbook key 'c'. Actual: a credit balance x was wrongly carried forward on the debit side; to correct it, casting 2x is needed on the credit side (x to reverse + x to set right). [Note: option labelling per textbook key 'c'.]
(a) — 2x on the debit side is wrong
(b) — Only x on credit is insufficient
(d) — Only x on debit is wrong

Q80. Loans & advances given to customers by a financial institution (bank) fall under which activity?

Q80. Ans: (a) Operating

Why: For a bank, giving loans is its main revenue-producing activity, hence it is an Operating activity (for a general entity it would be investing)

(b) — 'Contingent' is not a category

(c) — Financing is linked to its own borrowings

(d) — For a general entity loans would be investing, but for an FI it is operating

Q81. According to the NI Approach, what is the effect of more debt?

Q81. Ans: (c) WACC falls, firm value rises

Why: NI: Kd < Ke constant, more debt reduces WACC and raises firm value

(a) — Constant is in NOI

(b) — Value rises

(d) — It does not rise

Q82. A Deferred Payment Guarantee (DPG) resembles which of these?

Q82. Ans: (b) Term loan

Why: A DPG is like a term loan; its appraisal is also like a term loan

(a) — Savings is a deposit

(c) — CC is working capital

(d) — An OD is short-term

Q83. Which statement about ratio analysis is correct?

Q83. Ans: (d) No ratio is good/bad per se — it is an indicator, not proof

Why: 'No ratio is good/bad per se' — ratios are indicators, not proof; comparison and context are essential

(a) — Alone it is not good/bad

(b) — Price-level changes do have an effect

(c) — Comparison is essential

Q84. Where does a DEBIT balance of the Branch Adjustment A/c appear?

Q84. Ans: (d) Asset (Sch 11)

Why: Debit balance → Asset (Sch 11); Credit balance → Liability (Sch 5)

(a) — Not off-BS

(b) — A credit balance is a liability

(c) — Not P&L. F. NPA Classification & Provisioning

Q85. The systematic allocation of the depreciable amount of an INTANGIBLE asset over its useful life is called:

Q85. Ans: (c) Amortisation

Why: Amortisation = reducing the value of an intangible asset (patents, licences, trademarks) each year (Ind AS 38). Like depreciation but for intangibles

(a) — Appreciation = an increase in value

(b) — Depreciation is for tangible assets

(d) — Provision is a different concept

Q86. Which statement about the cash book is NOT correct?

Q86. Ans: (c) All receipts are recorded on the credit side

Why: the WRONG statement — all receipts are recorded on the DEBIT side (payments on the credit side). The other three are correct

(a) — This is correct (a journal + ledger both)

(b) — This is correct

(d) — This is correct

Q87. By which name is Marginal Costing NOT also known?

Q87. Ans: (b) Absorption Costing

Why: Marginal costing = Direct/Variable/Differential/Out-of-pocket costing. Absorption costing is different (full costing)

(a) — Direct costing is a name for marginal

(c) — Differential costing is a name for marginal

(d) — Variable costing is a name for marginal

Q88. How is the after-tax cost of debt found?

Q88. Ans: (a) Kd × (1 − tax rate)

Why: After-tax Kd = Kd × (1 − tax rate); cheaper because interest is deductible

(b) — Incorrect

(c) — Incorrect

(d) — Incorrect

Q89. 'Total imported raw materials consumed vs. indigenous materials consumed' disclosure requires showing:

Q89. Ans: (a) Total values AND percentage of each to total consumption

Why: Additional Information (viii)(c): total value of imported AND indigenous materials consumed AND the PERCENTAGE of each to TOTAL CONSUMPTION. Both absolute amounts AND percentages are required

(b) — Not only totals
(c) — Not individual items
(d) — Not only percentages

Q90. How is the floatation-cost-adjusted WACC found?

Q90. Ans: (c) WACC ÷ (1 − f)

Why: Revised WACC = WACC ÷ (1 − floatation cost %)

(a) — Addition is wrong
(b) — Multiplication is wrong
(d) — Subtraction is wrong

Q91. Two or more errors that cancel each other out are called:

Q91. Ans: (b) Compensating errors

Why: Compensating errors: two/more errors that cancel each other out (e.g. one account overcast by Rs.1,000, another undercast by Rs.1,000). They do not affect the TB

(a) — Principle = wrong classification
(c) — Partial omission = one side posted
(d) — Commission = wrong amount/side

Q92. Which statement is CORRECT about fair value accounting?

Q92. Ans: (c) Fair value accounting is also known as current value accounting

Why: fair value accounting = current value accounting. It takes the current market value of BOTH assets and liabilities, and does not yet have wide acceptance

(a) — Not only liabilities
(b) — It does not yet have wide acceptance
(d) — Not only assets

Q93. On 01.01.2022, X drew a bill on Y for 3 months. What will the maturity date be?

Q93. Ans: (a) 04.04.2022

Why: 01.01.2022 + 3 months = 01.04.2022; + 3 days of grace = 04.04.2022

(b) — That is the date before grace
(c) — Counting 4 months is wrong
(d) — Not 3rd April; adding 3 grace days gives 4th April

Q94. Where does the Suspense account appear in the balance sheet?

Q94. Ans: (a) Under Other assets

Why: The Suspense account comes under 'other assets' (a debit balance nature)

(b) — Not cash
(c) — Not under Capital
(d) — Suspense = asset side (debit)

Q95. In the cash book, the bank account follows which rule?

Q95. Ans: (a) Debit the receiver, credit the giver

Why: The bank account = a personal account, so the rule = debit the receiver, credit the giver. (The cash account = real, with a different rule.)

(b) — This is the nominal-account rule
(c) — This is the reverse
(d) — This is the rule for the real (cash) account

Q96. When a trader's customer directly deposits an amount into his bank account, the trader records it in the cash book on the:

Q96. Ans: (d) Debit side (on receipt of bank advice)

Why: A direct deposit by the customer → the bank credits it; the trader records it on the DEBIT side (receipts) of the cash book (on advice/comparison)

(a) — Not the discount column
(b) — Not the memorandum column
(c) — The credit side is for payments

Q97. As per current RBI norms (Master Direction of 12-9-2023, effective 1-4-2024), a bank's investment portfolio is classified into:

Q97. Ans: (c) HTM, AFS and FVTPL (with HFT as a sub-category of FVTPL)

Why: The 2023 Master Direction replaced the old framework: categories are now HTM / AFS / FVTPL with HFT inside FVTPL; the blanket 25% HTM cap and the 90-day HFT rule are gone.

(a) — SLR/non-SLR describes the nature of securities, not the accounting classification.

(b) — That is the superseded pre-2024 framework.

(d) — No such classification exists for bank investments.

Q98. EPS in the P&L must show:

Q98. Ans: (c) Both Basic AND Diluted EPS

Why: Schedule III requires BOTH Basic EPS AND Diluted EPS. P/E Ratio is NOT a requirement — it is an analyst's ratio

(a) — Not only diluted

(b) — Not only basic

(d) — P/E is not an accounting statement item

Q99. According to RBI, within what time should the outstanding entries of inter-branch accounts be reconciled?

Q99. Ans: (d) 6 months

Why: RBI instructed: reconcile the outstanding entries of inter-branch accounts within 6 months

(a) — Not 1 year

(b) — 5 years = the blocked account rule

(c) — Not 3 months

Q100. Why is standard costing simpler than other techniques?

Q100. Ans: (c) Because only the variance between actual and estimated has to be worked out (no repeated time & motion study)

Why: Because the standards are available in advance, only the variance has to be worked out; time & motion study is not repeated — saving time/money/manpower

(a) — No relation to audit

(b) — No relation to tax

(d) — Cost does have to be worked out

Full Mock 2

Q1. Who is the 'Maker' in a promissory note?

Q1. Ans: (b) The debtor (who makes the note and promises payment)

Why: The Maker is the one who makes the note and promises payment — that is, the debtor

(a) — In a PN the creditor is the payee

(c) — The payee receives the money, he does not make it

(d) — A banker is not necessary

Q2. If a firm borrows money and interest becomes payable but is not yet paid, the entry made is:

Q2. Ans: (c) Interest A/c Dr ... To Lender

Why: An entry is made on the obligation arising: Interest A/c Dr (expense) ... To Lender (payable increased). Recording is on the obligation, not only on cash movement

(a) — Cash is not involved yet

(b) — The reverse is wrong

(d) — An entry is made on the obligation

Q3. Estimated sales Rs.110 lakh, break-even sales Rs.70 lakh. Margin of Safety?

Q3. Ans: (c) 36.36%

Why: MoS = $[(110 - 70) \div 110] \times 100 = (40/110) \times 100 = 36.36\%$

(a) — This is the absolute gap (taking Rs.40 lakh as 100), wrong

(b) — This is BE/estimated

(d) — Wrong base taken

Q4. Material cost variance splits into which two parts?

Q4. Ans: (a) Price & Usage

Why: Material cost variance = Material Price Variance + Material Usage Variance

(b) — Expenditure & volume are for overhead

(c) — Fixed/variable is for OH

(d) — Rate & efficiency are for labour

Q5. Under which Act is the audit of company accounts compulsory in India?

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