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20 Recollected Questions in

Accounting and Finance for Bankers (AFB)

For JAIIB 2022 Examination

KEY HIGHLIGHTS

- Most likely to be Asked Questions
- Recollected from the Previous 5 Years
- Thoroughly Curated by Industry Experts
- 20 Questions with Solutions
- Based on the Latest Pattern for 2022 Exam

PART IV

Accounting & Finance for Bankers (AFB) – Part IV

Q1. Calculate the cross rate for pounds in yen terms
(a) ¥ 66.80
(b) ¥ 120.75
(c) ¥ 179.45
(d) ¥ 210.50
Ans: (c)
Explanation:
¥? = £1
£1 = US$ 1.4560
US$1 = ¥ 123.25
£1 = 1.4560 x 123.25
= ¥ 179.45

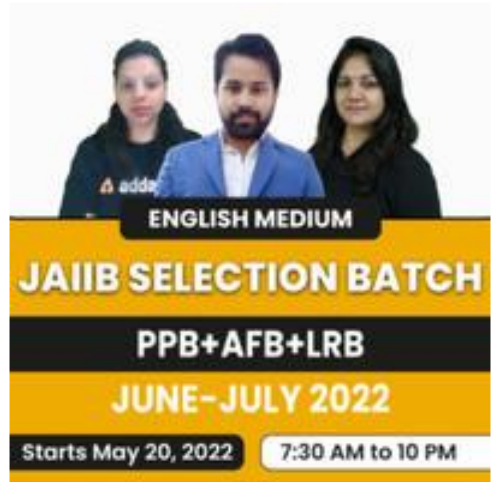
Q2. Calculate the cross rate for Australian dollars in yen terms
(a) ¥ 66.80
(b) ¥ 120.75
(c) ¥ 179.45
(d) ¥ 210.50
Ans: (a)
Explanation:
¥? = A$1
A$1 = US$ 0.5420
US$1 = ¥ 123.25
A$1 = 0.5420 x 123.25
= ¥ 66.80

Q3. Calculate the cross rate for pounds in Australian dollar terms
(a) £ 1.6568
(b) £ 2.1253
(c) £ 2.6863
(d) £ 3.0253
Ans: (c)
Explanation:
A$? = £1
£1 = US$ 1.4560
US$ 0.5420 = A$1
A$1 = 1.4560 / 0.5420
= £2.6863

Direction (4-13): ABC Limited Profit and Loss Account for the year ended 31.03.2018 is given below,
Turnover - 8030
Cost of sales - 4818
Distribution costs - 1606
Admin expenses - 600
Interest - 200
Tax - 286
Dividend - 320
Balance sheet as on 31.03.2016
Fixed assets
Plant and machinery - 4000
Current assets = 2800
Stocks - 1800
Debtors - 960
Bank - 40
Current liabilities = 1100
Trade creditors - 520
Proposed dividend - 320
Taxation - 160
Accruals - 100
Net current assets - 1700
10% debenture - 2000
Financed by - 3700
Ordinary shares - 900
Retained profit - 2800
Calculate the following based on the above details.

Q4. Gross profit
(a) 1006
(b) 2206
(c) 3122
(d) 3212
Ans: (d)
Explanation:
Gross profit = Turnover - Cost of sales
= 8030 - 4818
= 3212

Q5. Operating profit
(a) 200
(b) 520
(c) 806
(d) 1006
Ans: (d)



Explanation:
Operating profit = Gross profit - (Distribution costs + Admin expenses)
= 3212 - (1606 + 600)
= 3212 - 2206
= 1006

Q6. Profit before tax
(a) 200
(b) 520
(c) 806
(d) 1006
Ans: (c)
Explanation:
Profit before tax = Operating profit - Interest
= 1006 - 200
= 806

Q7. Profit attributable to shareholders
(a) 200
(b) 520
(c) 806
(d) 1006
Ans: (b)
Explanation:
Profit attributable to shareholders = Profit before tax - Tax
= 806 - 286
= 520

Q8. Retained profit
(a) 200
(b) 520
(c) 806
(d) 1006
Ans: (a)
Explanation:
Retained profit = Profit attributable to shareholders - Dividend
= 520 - 320
= 200

Q9. Gross profit margin
(a) 12.53 %
(b) 17.65 %
(c) 33.33 %
(d) 40 %
Ans: (d)
Explanation:
Gross profit margin = (Gross profit / Turnover) * 100
= (3212 / 8030) x 100
= 40 %

Q10. Operating margin
(a) 12.53 %
(b) 17.65 %
(c) 33.33 %
(d) 40 %
Ans: (a)
Explanation:
Operating margin = (Operating profit / Turnover) * 100
= (1006 / 8030) x 100
= 12.53 %

Q11. Return on capital employed (ROCE) ratio
(a) 12.53 %
(b) 17.65 %
(c) 33.33 %
(d) 40 %
Ans: (b)
Explanation:
Return on capital employed (ROCE) ratio = (Earnings Before Interest and Tax (EBIT) or net operating profit) / capital employed
Capital employed = Total Assets - Current Liabilities
= (4000 + 2800) - 1100
= 6800 - 1100
= 5700
ROCE = (1006 / 5700) * 100
= 17.65 %

Q12. Current Ratio
(a) 1:0.91
(b) 1:2.55
(c) 0.91:1
(d) 2.55:1
Ans: (d)
Explanation:
Current Ratio = Current Assets / Current Liabilities
= 2800 / 1100
= 2.55:1

Q13. Acid test/Quick ratio
(a) 1:0.91
(b) 1:2.55
(c) 0.91:1
(d) 2.55:1
Ans: (c)
Explanation:
Quick Ratio = (Current Assets – Inventories – Prepayments) / Current Liabilities
= (2800 - 1800) / 1100
= 1000 / 1100
= 0.91:1

Capital and Revenue Expenditure

Q14. Cost of replacement of defective parts of the machinery is ________
(a) Capital expenditure
(b) Revenue expenditure
(c) Deferred revenue expenditure
(d) None of the above
Ans: (b)

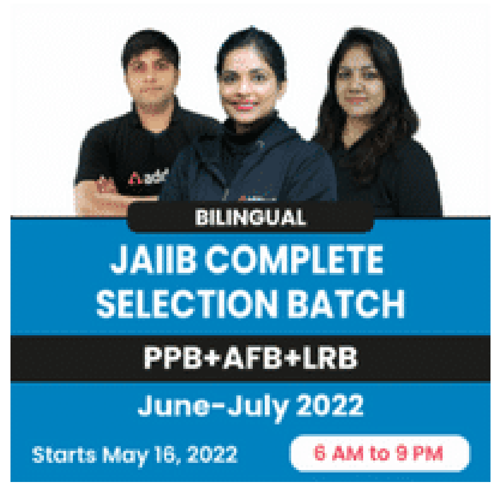
Q15. Loss of goods for Rs. 12000 due to fire is a revenue expenditure because ________
(a) It is recurring
(b) Amount involved is small
(c) Loss is arising out of business operations
(d) None of the above
Ans: (c)

Q16. Preliminary expenses, discount allowed on issue of shares are the examples of ________
(a) Capital expenditure
(b) Deferred revenue expenditure
(c) Revenue expenditure
(d) None of the above
Ans: (b)

Q17. Expenditure incurred in acquiring the patents rights for the business is an example of ________
(a) Capital expenditure
(b) Deferred revenue expenditure
(c) Revenue expenditure
(d) None of the above
Ans: (a)

Q18. What would be the impact on the Trial Balance of each of the following errors?
A copy of a sales invoice for Rs. 4,000 is not recorded in the Sales Day Book
(a) Excess credit Rs. 4,000
(b) Excess credit Rs. 8,000
(c) Excess debit Rs. 4,000
(d) No impact
Ans: (d)
Explanation:
If there is no record of a copy invoice in the Sales Day Book then there has been no prime entry. This means that there will be no credit in the Sales account and no debit in a customer's account. As an Error of Omission there is no impact on the Trial Balance.

Q19. A supplier's invoice for Rs. 2,500 is posted to the debit of the Trade Payable's account



(a) Excess credit Rs. 2,500
(b) Excess credit Rs. 5,000
(c) Excess debit Rs. 2,500
(d) Excess debit Rs. 5,000

Ans: (d)

Explanation:

If the supplier's invoice had not been posted, the debits would have exceeded the credits in the Trial Balance by Rs. 2,500. As the invoice was actually posted to the debit in the supplier's account the effect is doubled so that the total of the debits will exceed the total of the credits by Rs. 5,000

Q20. The daily total of the Sales Day Book is stated as Rs. 345,000 instead of Rs. 315,000 (i.e. overcast by Rs. 30,000).

(a) Excess debit Rs. 30,000
(b) Excess debit Rs. 60,000
(c) Excess credit Rs. 30,000
(d) No impact

Ans: (c)

Explanation:

The total from the Sales Day Book is posted to the credit of the Sales account. The Sales account will be listed in the Trial Balance. If the total transferred from the Sales Day Book is higher than it should be the Trial Balance will show an excess of credits. In this case the excess is Rs. 30,000