

SEBI GRADE A 2022

PHASE 2 PAPER 2

Memory Based Paper Solution & Analysis





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Q.1) Which of the following is not a method of quantitative control by RBI?

Static or Current – **STATIC**

Subject – **Finance**

Difficulty Level – **EASY**

Topic – **Functions of RBI**

Options:

- (a) CRR
- (b) SLR
- (c) Marginal Standing Facility
- (d) Repo and Reverse Repo
- (e) Credit Rationing

Answer: (e) Credit Rationing

Explanation:

3.2 Qualitative Tools of Monetary Policy

Having gone through the Quantitative tools of Monetary Policy, it is time to turn our attention to Qualitative tools of Monetary Policy. These tools help in ensuring that prudent practices are followed in the financial sector, while also ensuring that credit is channelized in the right direction.

- **Qualitative tools are direct and specific in nature.**
- **Qualitative tools** include persuasion by the Central bank in order to make commercial banks discourage or encourage lending which is done through **moral suasion**.
- Qualitative also called **selective credit control instruments** work through regulation of **margin requirement, credit rationing, regulation of consumer credit and direct action**.

3.2.1 Credit Rationing

- Rationing of credit is another method of selective credit control. It is done by **regulating the purposes for which the loans are given** among the various member banks. To **ensure overall development** of a nation, **development of various sectors is a must**. Finance is to be distributed to various sectors as per these requirements.
- **Priority sector** should be given **preference in lending loans**.
- For others, minimum attention only will be given in this respect. It paves way for the optimum utilization of money.

Q.2. Recently, SEBI has launched the mobile app _____ with a view to empower investors with knowledge about the securities market.

Static or Current – **CURRENT**

Subject – **Finance**

Difficulty Level – **EASY**

Topic – **NA**

Options:

- (a) Saarthi
- (b) UMANG
- (c) PARTH
- (d) Aayakar Setu
- (e) None of the above

Answer: (a) Saarthi

Explanation:

Amid the going trend of stock trading through mobile. SEBI has launched the mobile app “Saarthi”. This Mobile App is yet another initiative of SEBI with a view to empowering investors with knowledge about the securities market.

The Saarthi app aims to create awareness among the investors about the basic concepts of Securities Market, KYC Process, trading and settlement, mutual funds, recent market developments, investor grievances redressal mechanism, etc. The App is available in Hindi and English.

Q.3) Where any trade receivables are financed through a Trade Receivables Discounting System (TReDS); the concerned TReDS on behalf of the Factor shall, within a period of ____ days, from the date of such assignment or satisfaction thereof, as the case may be, file with the Central Registry the relevant details

Static or Current – **CURRENT**

Subject - **Finance**

Difficulty Level – **Moderate**

Topic – **NA**

Options:

- (a) 10
- (b) 15
- (c) 20
- (d) 25


(e) None of the above

Answer: (a) 10

Explanation:

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PRESS RELEASES

 (479 kb)

Date : Jan 20, 2022

RBI issues regulations under the amended Factoring Regulation Act, 2011

Government of India has recently amended the Factoring Regulation Act, 2011 ("the Act") which widens the scope of companies that can undertake factoring business. The Act permits Trade Receivables Discounting System (TReDS) to file the particulars of assignment of receivables transactions with the Central Registry on behalf of the Factors for operational efficiency. Further, the Act empowers the Reserve Bank of India to make regulations prescribing the manner of grant of certificate of registration and for prescribing the manner of filing of assignment of receivables transactions by TReDS on behalf of the Factors.

In exercise of the powers conferred under the Act, the Bank has issued the following regulations:

- Registration of Factors (Reserve Bank) Regulations, 2022 issued vide Notification No. DOR.FIN.080/CGM(JPS) – 2022 dated January 14, 2022 (published in Official Gazette – Extraordinary – Part-III, Section 4 dated January 17, 2022).
- Registration of Assignment of Receivables (Reserve Bank) Regulations, 2022 issued vide Notification No. DOR.FIN.081/CGM(JPS) – 2022 dated January 14, 2022 (published in Official Gazette – Extraordinary – Part-III, Section 4 dated January 17, 2022).

Under the provisions of the regulations mentioned above, all existing non-deposit taking NBFC-Investment and Credit Companies (NBFC-ICCs) with asset size of ₹1,000 crore & above will be permitted to undertake factoring business subject to satisfaction of certain conditions. This will increase the number of NBFCs eligible to undertake factoring business significantly from 7 to 182. Other NBFC-ICCs can also undertake factoring business by registering as NBFC-Factor. Eligible companies may apply to the Reserve Bank for seeking registration under the Act. Further, in respect of trade receivables financed through a Trade Receivables Discounting System (TReDS), the particulars of assignment of receivables shall be filed with the Central Registry on behalf of the Factors by the TReDS concerned within 10 days.

(Yogesh Dayal)
Chief General Manager

Press Release: 2021-2022/1576

Q.4) Which of the following is applicable on Dynamic QR code on B2C invoices under GST applicable from 1st July 2021?

Static or Current – **STATIC**

Subject – **FINANCE**

Difficulty Level – **Moderate**

Topic – **Direct and Indirect Taxes**

Options:

- All taxpayers with an annual turnover of more than Rs.500 crore in any preceding financial year (starting from 2017-18) to compulsorily generate a Dynamic QR code on their B2C invoices
- an insurer or a banking company or a financial institution, including a non-banking financial company
- a goods transport agency supplying services in relation to transportation of goods by road in a goods carriage
- supplying passenger transportation service
- supplying services by way of admission to exhibition of cinematograph in films in multiplex screens

Answer: (a) All taxpayers with an annual turnover of more than Rs.500 crore in any preceding financial year (starting from 2017-18) to compulsorily generate a Dynamic QR code on their B2C invoices

Explanation:

What is a Dynamic QR Code?

The full form of a **QR code** is a quick response code that contains coded data of an e-invoice. It is a two-dimensional version of a barcode and can be scanned from any mobile device. Dynamic QR codes must be self-generated by the taxpayer. The principle saying of generating dynamic QR codes for B2C e-invoices is to promote digitalization and online payments utilizing any UPI. A dynamic QR code can be edited by the taxpayer to provide value-added features, for example,

1. Scan password protection,
2. Device-based redirection, and
3. Access management.

Dynamic QR Code Applicability Timeline

1. Initially **CBIC** announced to implement Dynamic QR code on B2C invoices from 1st October 2020.
2. Then CBIC issued Notification No. 14/2020-Central Tax, according to which every taxpayer whose aggregate turnover exceeded INR 500 crore in any preceding financial year needs to compulsorily generate a Dynamic QR code on their B2C invoices from 1st December 2020.
3. Further CBIC waived off the penalty for the non-compliance for the period from 1st December 2020 to 30th June 2021 due to an unprecedented situation (COVID-19). However, as per **Notification No. 06/2021-Central Tax** there was a condition that the said taxpayer complies with the dynamic QR code provision from 1st July 2021.

Q.5) As per the recommendations of the 15th Finance Commission, which of the following is not one of the four themes mentioned in devolution of Performance Based Incentives and Grants to States?

Static or Current – **Static**

Subject – **Finance**

Difficulty Level – **Easy**

Topic – **Finance Commission**

Options:

- a) Social Sector
- b) Rural Economy
- c) Power Sector Reform
- d) Government and Administrative Reforms
- e) Manufacturing Reform

Answer: (e) Manufacturing Reform

As per 15th Finance Commission, Performance Based Incentives and Grants to States

revolve **around four main themes.**

- The first is the **social sector**, where it has focused on **health and education.**
- Second is the **rural economy**, where it has focused on **agriculture and the maintenance of rural roads.**
- Third, **governance and administrative reforms** under which it has recommended grants for **judiciary, statistics and aspirational districts and blocks.**
- Fourth, it has developed **a performance-based incentive system for the power sector**, which is not linked to grants but provides an important, additional borrowing window for States.

Q.6) Which of the following statement regarding the Interest rate parity is true?

Static or Current – **STATIC**

Subject – **Finance**

Difficulty Level – **EASY**

Topic – **Forex Market**

Options:

- (a) the same goods must sell for the same price across countries.
- (b) interest rates across countries will eventually be the same
- (c) there is an offsetting relationship between interest rate differentials and differentials in the forward & spot exchange market.
- (d) there is an offsetting relationship provided by costs and revenues in similar market environments.
- (e) None of the above

Answer: (c) there is an offsetting relationship between interest rate differentials and differentials in the forward & spot exchange market

Explanation:

The interest rate parity (IRP) is a theory regarding the relationship between the spot exchange rate and the expected spot rate or forward exchange rate of two currencies, based on interest rates. The theory holds that the forward exchange rate should be equal to the spot currency exchange rate *times* the interest rate of the home country, divided by the interest rate of the foreign country.

Interest Rate Parity Formula

$$\text{Forward Exchange Rate (F}_0\text{)} = \text{Spot Exchange Rate (S}_0\text{)} \times \frac{(1 + \text{Interest rate A})^n}{(1 + \text{Interest rate B})^n}$$



Q.7) Events like Anger, frustration, humour, etc, can blur the decision-making capacities of a person and thus limit the effectiveness of their communication. These events act as which of the following type of barriers to effective communication?

Static or Current – **Static**

Subject – **Management**

Difficulty Level – **MODERATE**

Topic – **Communication**

Options:

- (a) Psychological Barriers
- (b) Emotional Barriers
- (c) Physical Barriers
- (d) Perception Barriers
- (e) NONE OF THE ABOVE

Answer: (b) Emotional Barrier

Explanation:

Emotional Barriers

The emotional IQ of a person determines the ease and comfort with which they can communicate. A person who is emotionally mature will be able to communicate effectively. On the other hand, people who let their emotions take over will face certain difficulties.

A perfect mixture of emotions and facts is necessary for effective communication. Emotions like anger, frustration, humour, can blur the decision-making capacities of a person and thus limit the effectiveness of their communication.

Q.8) Which of the following is true for organizational Morale but not for motivation?

Static or Current – **Static**

Subject – **Management**

Difficulty Level – **Moderate**

Topic – **Motivation**

Options:

- (a) Morale deals with the work environment and is primary factor driving the organization
- (b) Morale acquires primary concern in every organization
- (c) Morale is an internal-psychological drive of an individual which urges him to behave in a specific manner
- (d) High Morale leads to high motivation of employees
- (e) None of the above

Answer: (a) Morale deals with the work environment and is primary factor driving the organization

Explanation:

Though **motivation and morale** are closely related concepts, they are different in following ways:

- ✓ While motivation is an internal-psychological drive of an individual which urges him to behave in a specific manner, morale is more of a group scenario.
- ✓ Higher motivation often leads to higher morale of employees, but high morale does not essentially result in greatly motivated employees as to have a positive attitude towards all factors of work situation may not essentially force the employees to work more efficiently.
- ✓ While motivation is an individual concept, morale is a group concept. Thus, motivation takes into consideration the individual differences among the employees, and morale of the employees can be increased by taking those factors into consideration which influence group scenario or total work settings.
- ✓ Motivation acquires primary concern in every organization, while morale is a secondary phenomenon because high motivation essentially leads to higher productivity while high morale may not necessarily lead to higher productivity.
- ✓ Things tied to morale are usually things that are just part of the work environment, and things tied to motivation are tied to the performance of the individual.

Q.9) Identify the HRD Subsystem where in employee performance is increased with increase in his ability and Knowledge?

Static or Current – **STATIC**

Subject – **Management**

Difficulty Level – **EASY**

Topic – **HRD**

Options:

- (a) Training and Development
- (b) Career Planning
- (c) Performance Appraisal
- (d) Organizational Development
- (e) NONE OF THE ABOVE

Answer: (a) Training and Development

Explanation:

Training is an attempt to improve current or future employee performance by increasing an employee's ability to perform through learning usually by changing the employee's attitude or increasing his or her knowledge. The need for training is determined by the deficiency of employee's performance. Training process include acquiring skills, concepts, attitudes for increasing effectiveness in doing a specific job or jobs. Training provides necessary impetus to implement change, improve efficiency, managerial effectiveness and increase productivity.

Q.10) Identify the leadership style where a leader has inspirational and Charismatic Approach?

Static or Current – **STATIC**

Subject – **Management**

Difficulty Level – **Easy**

Topic – **Leadership**

Options:

- (a) Transactional leadership
- (b) Transformational leadership
- (c) Authoritarian Leadership
- (d) Delegative Leadership
- (e) None of the above

Answer: (e) Transformational Leadership

Explanation:

In **transformational leadership styles**, the leader inspires his or her followers with a vision and then encourages and empowers them to achieve it. The leader also serves as a role model for the vision.

Charismatic leadership resembles transformational leadership: both types of leaders inspire and motivate their team members.

Q.11) Identify the Role of Manager where manager solves the problem, provides feedback, duly recognizes his employees, provides training and development and monitors the work?

Static or Current – **STATIC**
Subject – **Management**
Difficulty Level – **Moderate**
Topic – **General Management**

Options:

- (a) Performance Management
- (b) Developmental
- (c) Providing perspective
- (d) Change Agent
- (e) None of the above

Answer: (a) Performance Management

Explanation:

Performance management is **a corporate management tool that helps managers monitor and evaluate employees' work**. Performance management's goal is to create an environment where people can perform to the best of their abilities and produce the highest-quality work most efficiently and effectively.

Q.12) Which of the following is an incentive and not a reward?

Static or Current – **Static**
Finance or Management – **Management**
Difficulty Level – **Moderate**
Topic – **Motivation**

Options:

- (a) Given to stimulate greater production
- (b) Recognition for past performance
- (c) Forward Looking
- (d) Providing cash for something done in past
- (e) None of the above

Answer: (c) Forward Looking

Explanation:

BASIS FOR COMPARISON	REWARD	INCENTIVE
Meaning	The reward can be understood as a prize given to someone, so as to recognize an employee's hard work or achievement.	The incentive is anything which motivates, or encourages an employee, to achieve something.
What is it?	A tangible item that is given to congratulate and celebrate success or achievement.	Motivational factor designed to tune the desired behavior.
Predetermined	No	Yes
Nature	Retrospective	Forward-looking
Involves	Providing monetary or non-monetary recognition for achieving a goal, or attaining a certain level of skills.	Motivating people to complete targets or level up their performances.
Objective	To appreciate and recognize people for the work done.	To motivate employees to achieve something.

Q.13) The president of NCLT, chairperson of NCLAT and Judicial members are appointed by the government in consultation with _____.

Static or Current – **STATIC**

Subject – **Companies Law**

Difficulty Level – **Easy**

Topic – **Chapter XXVII - NCLT and NCLAT**

Options:

- (a) President of India
- (b) Law Minister
- (c) Minister of Corporate affairs
- (d) Chief Justice of India
- (e) SEBI Chairman

Answer: (d)

Explanation:

Section 412. Selection of Members of Tribunal and Appellate Tribunal

(1) The President of the Tribunal and the chairperson and Judicial Members of the Appellate Tribunal , shall be appointed after consultation with the Chief Justice of India.

(2) The Members of the Tribunal and the Technical Members of the Appellate Tribunal shall be appointed on the recommendation of a Selection Committee consisting of—

- (a) Chief Justice of India or his nominee – Chairperson.
- (b) a senior Judge of the Supreme Court or Chief Justice of High Court -Member.
- (c) Secretary in the Ministry of Corporate Affairs – Member; and
- (d) Secretary in the Ministry of Law and Justice – Member.

Q.14) The tenure of independent directors is for _____consecutive years and if he is to be appointed for second term, special resolution needs to be passed.

Static or Current – **Static**

Subject – **Companies Law**

Difficulty Level – **Easy**

Topic – **Chapter XI Appointment of Directors (section 149 to 160)**

Options:

- (a) 5
- (b) 3
- (c) 10
- (d) 6
- (e) None of the above

Answer: (a) 5

Explanation:

Section 149. Company to have Board of Directors

(10) Subject to the provisions of section 152, an independent director shall hold office for a term up to **five consecutive years** on the Board of a company but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.

Q.15) Under Section 124 of the Companies' act, if the money is not paid to the shareholders and lying idle for ____ years, it is transferred to investor education and protection fund.

Static or Current – **STATIC**

Subject – **Companies Law**

Difficulty Level – **Easy**

Topic – **Chapter VIII Declaration and payment of Dividend**

Options:

- (a) 5
- (b) 7
- (c) 10
- (d) 15
- (e) 12

Answer: (b) 7

Explanation:

Section 124.Unpaid Dividend Account.

(5) Any money transferred to the Unpaid Dividend Account of a company in pursuance of this section which remains unpaid or unclaimed for a **period of seven years** from the date

of such transfer **shall be transferred by the company along with interest accrued, if any, thereon to the Fund** established under sub-section (1) of section 125 and the company shall send a statement in the prescribed form of the details of such transfer to the authority which administers the said Fund and that authority shall issue a receipt to the company as evidence of such transfer.

Q.16) According to Section 141 of Companies Act, who is eligible to be appointed as an auditor of the company?

Static or Current – **Static**
Subject – **Companies Law**
Difficulty Level – **Easy**
Topic – **Chapter X Audit and Auditors**

Options:

- (a) Chartered Accountant
- (b) Company Secretary
- (c) Certified Management Accountant
- (d) Chief Financial Officer
- (e) None of the above

Answer: (a) Chartered Accountant

Explanation:

Section 141. Eligibility, qualifications and disqualifications of auditors.

(1) A person shall be eligible for appointment as an auditor of a company only if he is a chartered accountant in practice.

Q.17) A company shall not register a transfer of partly paid shares, unless the company has given a notice to the transferee and the transferee has given no objection to the transfer within _____ weeks from the date of receipt of notice.

Static or Current – **STATIC**
Subject – **Company Law**
Difficulty Level – **Easy**
Topic – **Chapter IV Share Capital and Debenture**

Options:

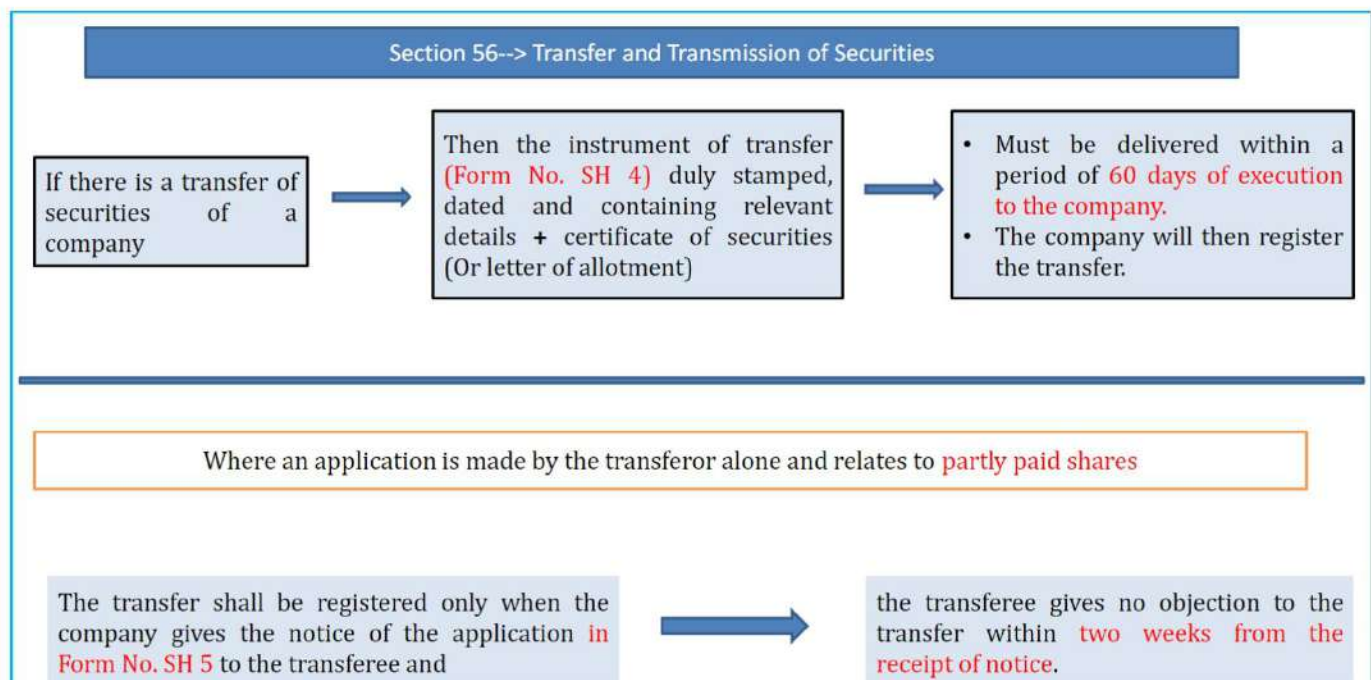
- (a) 2

- (b) 4
- (c) 6
- (d) 8
- (e) None of the above

Answer: (a) 2

Explanation:

A company shall not register a transfer of partly paid shares, unless the company has given a notice in **Form No. SH.5** to the transferee and the transferee has given no objection to the transfer within **two weeks** from the date of receipt of notice.



Q.18) Every listed company, may upon notice of not less than one thousand small shareholders or one-tenth of the total number of such shareholders, whichever is lower, can have _____ number of small shareholders' directors elected by the small shareholders.

Static or Current - **STATIC**

Subject – **COMPANY LAW**

Difficulty Level – **EASY**

Topic – **Chapter XI Appointment of Directors (section 149 to 160)**

Options:

A. 1

- B. 2
- C. 3
- D. 4
- E. 5

Answer: (A) 1

Explanation:

Section 151. Appointment of director elected by small shareholders

A listed company may have one director elected by such small shareholders in such manner and with such terms and conditions as may be prescribed.

Explanation—For the purposes of this section "small shareholders" means a shareholder holding shares of nominal value of not more than twenty thousand rupees or such other sum as may be prescribed.

Q.19) As per provisions of the Companies Act, 2013, the board shall be called by giving not less than _____ days' notice in writing to every director at his address registered with the company.

Static or Current – **STATIC**

Subject – **Companies Law**

Difficulty Level – **EASY**

Topic – **Chapter XII - Meeting of Board of Directors (Section 172-183)**

Options:

- (a) 7
- (b) 15
- (c) 30
- (d) 60
- (e) 90

Answer: (a) 7

Explanation:

Section 173. Meetings of Board

As per provisions of Section 173(3) of the Companies Act, 2013, the board shall be called by giving not less than **seven days'** notice in writing to every director at his address registered with the company and such notice shall be sent by hand delivery or by post or by electronic means.

Q.20) Recently SEBI has directed the mutual fund (MF) industry to set up an audit committee at the asset management company (AMC) level. As per the provision of companies Act, what is the minimum number directors needed for Audit Committee?

Static or Current – **STATIC**

Subject – **Companies Law**

Difficulty Level – **EASY**

Topic - **Chapter XII - Meeting of Board of Directors (Section 172-183)**

Options:

- A. 1
- B. 3
- C. 5
- D. 7
- E. None of the above

Answer: (b) 3

Explanation:

Section 177. Audit Committee

(2) The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority.

Q.21) Application money is the money received by the company when it issues shares to the public, once the application money is received then allotment is made to the shareholders. The minimum share application money is _____% of the nominal value of shares.

Static or Current – **STATIC**

Subject – **Companies Law**

Difficulty Level – **EASY**

Topic - **Chapter III - Prospectus & Allotment of Securities**

Options:

- A. 5%
- B. 2.5%
- C. 7%
- D. 10%

E. None of the above

Answer: (A) 5%

Explanation:

Section 39. Allotment of securities by company

(2) The amount payable on application on every security shall not be less than **five per cent** of the nominal amount of the security or such other percentage or amount, as may be specified by the Securities and Exchange Board by making regulations in this behalf.

Q.22) Identify the Incorrect statement regarding NBFC.

Static or Current – **STATIC**

Subject – **Economics**

Difficulty Level – **EASY**

Topic – **Non-Banking Financial Institutions**

Options:

- (a) NBFCs do not form part of the payment and settlement system
- (b) NBFC cannot issue cheques drawn on itself
- (c) Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs
- (d) NBFC is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government
- (e) NBFC can accept demand deposits

Answer: (e) NBFC can accept demand deposits

Explanation:

- The NBFCs are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of 60 months. **They cannot accept deposits repayable on demand.**
- The deposits with NBFCs are not insured.
- The repayment of deposits by NBFCs is not guaranteed by RBI.

Q.23) Non-Plan Expenditure constitutes the biggest proportion of the government's total expenditure. Which of the following is not a non-planned expenditure?

Static or Current – **STATIC**

Subject – **Economics**

Difficulty Level – **Moderate**

Topic – **Fiscal Policy**

Options:

- A. Defense Expenditure
- B. Debt servicing
- C. Expenditure on Electricity generation
- D. Interest Payments
- E. Subsidies

Answer: (C) Expenditure on Electricity generation

Explanation:

'Non-plan Expenditure'

- **Definition:** This is largely the revenue expenditure of the government, although it also includes capital expenditure. It covers all expenditure not included in the Plan Expenditure.
- **Description:** A major part of the Non-Plan Expenditure is obligatory in nature, like interest payments, pensions, statutory transfers to States and Union Territories governments.

Non-Plan Expenditure constitutes the biggest proportion of the government's total expenditure.

- Non-plan revenue expenditure is accounted for by interest payments, subsidies (mainly on food and fertilizers), wage and salary payments to government employees, grants to States and Union Territories governments, pensions, police, economic services in various sectors, other general services such as tax collection, social services, and grants to foreign governments.
- Non-plan capital expenditure mainly includes defense, loans to public enterprises, loans to States, Union Territories, and foreign governments.

Non-Plan Expenditure

Revenue Expenditure

1. Interest Payments and Prepayment Premium
2. Defence
3. Subsidies
4. Grants to State and UT Governments
5. Pensions
6. Police
7. Assistance to state from National Calamity Contingency Fund
8. Economic Services (Agriculture, Industry, Power, Transport, Communications, Science & Technology, etc.)
9. Other General Services (Organs of State, Tax Collection, External Affairs, etc.)
10. Social Services (Education, Health, Broadcasting, etc.)
11. Postal Deficit
12. Expenditure of Union Territories without Legislature
13. Amount met from National Calamity Contingency Fund
14. Grants to Foreign Governments

Capital Expenditure

1. Defence

Since Option A, B, D and E forms part of non-plan expenditure as shared in the above explanation, Option C is the right answer.

Q.24) Which of the following defines the monetary base?

Static or Current – **Static**

Subject – **Economics**

Difficulty Level – **Easy**

Topic – **Money Supply**

Options:

- A. The sum of currency in circulation and Bankers' deposits with the RBI.
- B. The sum of currency in circulation and the currency held by commercial banks.
- C. The sum of gold and foreign exchange held by the central bank
- D. The sum of real assets of the banking sector plus its net worth
- E. None of the above

Answer: (A) The sum of currency in circulation and Bankers' deposits with the RBI.

‘Bankers’ deposits with the Reserve Bank’ represent balances maintained by banks in the current account with the Reserve Bank mainly for maintaining Cash Reserve Ratio (CRR) and as working funds for clearing adjustments.

Explanation:

What Is the Monetary Base?

- Also known as M0, the monetary base of an economy includes all of the physical paper and coin currency in circulation, plus bank reserves held by the central bank.
- The monetary base is sometimes referred to as "high-powered money" as it can be expanded through the money multiplier effect of the fractional reserve banking system.
- Economists typically look to more comprehensive monetary aggregates such as M1 and M2 instead of the monetary base.

M ₀	=	Currency in Circulation + Bankers' Deposits with the RBI + 'Other' Deposits
		with the RBI

Q.25) Calculate National Income or NNP at Factor Cost (FC):

Particulars	Rs in Crores
GNP at Market Price	5069
Indirect Taxes	495
Subsidies	69
Consumption of Fixed Capital	626

Static or Current – **STATIC**

Subject – **Economics**

Difficulty Level – **Easy**

Topic – **National Income**

Options:

A. 4017

B. 3025

C. 4527

D. 5500

E. 4897

Answer: (a) 4017

Explanation:

Solution

Formula: NNP at FC= GDP at MP - Consumption of Fixed Capital - Indirect Taxes + Subsidies

$$\begin{aligned}\text{NNP at FC} &= 5069 - 626 - 495 + 69 \\ &= 4017\end{aligned}$$

Q.26) Which of the following statements is incorrect regarding Phillips Curve?

Static or Current – **Static**

Subject – **Economics**

Difficulty Level – **Moderate**

Topic – **Phillips Curve**

Options:

- (a) The Phillips Curve states that inflation and unemployment have an inverse relationship.
- (b) The downward sloping curve of Philips Curve is generally held to be valid only in the short run.
- (c) In the long run, Philips Curve is usually thought to be horizontal at the Non-Accelerating Inflation Rate of Unemployment (NAIRU).
- (d) High inflation and High unemployment are because of recession
- (e) None of the above

Answer: (d) High inflation and High unemployment is because of recession

Explanation:

- The Phillips curve states that inflation and unemployment have an inverse relationship. Higher inflation is associated with lower unemployment and vice versa.
- The Phillips curve was a concept used to guide macroeconomic policy in the 20th century, but was called into question by the stagflation of the 1970's.

- Understanding the Phillips curve considering consumer and worker expectations, shows that the relationship between inflation and unemployment may not hold in the long run.

High Inflation and High unemployment are generally the situation under the stagflation and not in the recession. Hence Option D is the answer.

Q.27) Which of the following statements is incorrect regarding Monopolistic Competition?

Static or Current – **STATIC**

Subject – **Economics**

Difficulty Level – **Moderate**

Topic – **Market Structure**

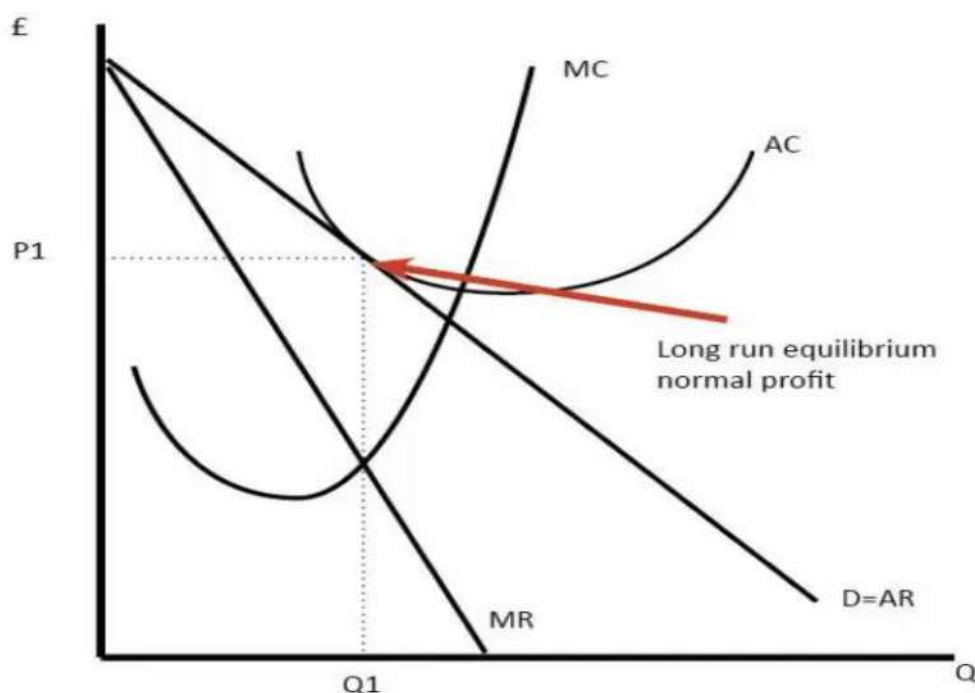
Options:

- Monopolistic competition exists when there are large number of buyers and sellers.
- In the monopolistic competition, there is no barrier to entry and exit for the firms.
- Monopolistic competition has product differentiation and firms bear selling costs.
- Monopolistic Competition has less elastic demand than the perfect competition
- There is no excess capacity in the long run with normal profits

Answer: (e) There is no excess capacity in the long run with normal profits

Explanation:

The monopolistically competitive firm's long run equilibrium situation is illustrated in Figure below.



The entry of new firms leads to an *increase* in the supply of differentiated products, which causes the firm's market demand curve to shift to the *left*. As entry into the market

increases, the firm's demand curve will continue shifting to the left until it is just tangent to the average total cost curve at the profit maximizing level of output, as shown in Figure. At this point, the firm's economic profits are zero, and there is no longer any incentive for new firms to enter the market. Thus, in the long run, the competition brought about by the entry of new firms will cause each firm in a monopolistically competitive market to earn normal profits, just like a perfectly competitive firm.

Excess capacity. Unlike a perfectly competitive firm, a monopolistically competitive firm ends up choosing a level of output that is *below* its minimum efficient scale, labeled as point *b* in Figure. When the firm produces below its minimum efficient scale, it is under utilizing its available resources. In this situation, the firm is said to have **excess capacity** because it can easily accommodate an increase in production. This excess capacity is the major social cost of a monopolistically competitive market structure.

Q.28) Which of the following statements is correct if the demand function is $D = 18 - 3P$?

Static or Current – **Static**

Subject – **Economics**

Difficulty Level – **Easy**

Topic – **Demand and Supply**

Options:

- a) Demand function shows the functional relationship between Quantity supplied for a commodity and its various Determinants.
- b) The quantity demanded is directly related to price of the product
- c) For the given Demand function, Maximum price is 6 and Demand curve is linear with slope -3
- d) The above equation shows a curvilinear demand function.
- e) None of the above

Answer: (c) For the given Demand function, Maximum price is 6 and Demand curve is linear with slope -3

Explanation:

Price will be maximum when Quantity is Zero i.e., $D=0$

Therefore $18-3P = 0$

$\Rightarrow P=6$

In the equation $f(D) = a - b(P)$

b= slope of the curve. Hence Slope is -3.

The above Solution is based on the concept provided by NCERT. As per the NCERT, for a Linear Demand Function $D(p) = a - bp$, Slope is -b. Please refer the image below.

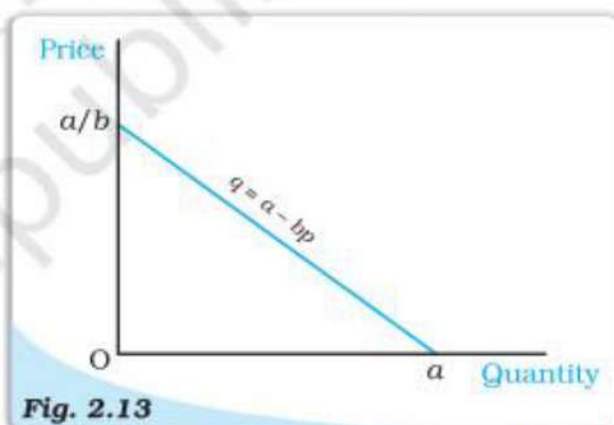
Law of Demand: If a consumer's demand for a good moves in the same direction as the consumer's income, the consumer's demand for that good must be inversely related to the price of the good.

Linear Demand

A linear demand curve can be written as

$$d(p) = a - bp; 0 \leq p \leq \frac{a}{b} \\ = 0; p > \frac{a}{b} \quad (2.13)$$

where a is the vertical intercept, $-b$ is the slope of the demand curve. At price 0, the demand is a , and at price equal to $\frac{a}{b}$, the demand is 0. The slope of the demand curve measures the rate at which demand changes with respect to its price. For a unit increase in the price of the good, the demand falls by b units. Figure 2.13 depicts a linear demand curve.



Q.29) Find the incorrect option regarding the elasticity of commodities?

Static or Current – **Static**

Subject – **Economics**

Difficulty Level – **Moderate**

Topic – **Elasticity of Demand**

Options:

- a) Salt has perfectly elastic demand.
- b) Luxury goods have elastic demand
- c) Lifesaving drugs have perfectly inelastic demand
- d) A commodity with many substitutes has elastic demand
- e) None of the above

Answer: (a) Demand of salt is perfectly elastic

Explanation:

Salt/Prescribed medicines have **perfectly elastic demand**. This is because salt has no close

substitutes and makes up a very small amount of the household budget. Due to this, a change in prices of salt has a little or no impact on its quantity demanded.

Q.30) Economic theory and good practice suggest that a government should run deficits during recessions — when tax revenues are low and government spending is high and deficits should be balanced by surpluses during booms and when spending needs are low. The theory which explains the process when the government try to align its expenditure with revenue is termed as ____.

Static or Current – **STATIC**

Subject – **Economics**

Difficulty Level – **Moderate**

Topic – **Fiscal Policy**

Options:

- a) Fiscal Prudence
- b) Fiscal Deficit
- c) Fiscal Analysis
- d) Primary Deficit
- e) None of the above

Answer: (a) Fiscal Prudence

Explanation:

In simple words ...fiscal prudence is Spending within budget.

Means when your expenses are according to your planned expenditure and your budget doesn't suffer a deficit. So, the theory dealing with fiscal prudence is when the federal is trying to align government expenditure with government revenue.

7.5 Fiscal Responsibility & Budget Management Act 2003

In a **multi-party parliamentary system**, **electoral concerns** play an important role in determining **expenditure policies**. A **legislative provision**, it is argued, that is **applicable to all governments** – present and future – is likely to be effective in **keeping deficits under control**.

The **enactment of the FRBMA, in August 2003**, marked a turning point in fiscal reforms, binding the government through an **institutional framework to pursue a prudent fiscal policy**.

The FRBM Act aims to introduce transparency in India's fiscal management systems. The Act's long-term objective is for India to **achieve fiscal stability** and to **give the Reserve Bank of India (RBI) flexibility to deal with inflation in India** (by committing the government to follow a path of **fiscal prudence** – i.e. government will not irrationally increase its own spending causing an upward pressure on inflation. The FRBM Act was enacted to introduce more equitable distribution of India's debt over the years.

The FRBM Act made it mandatory for the government to place the following along with the Union Budget documents in Parliament annually:

Q.31) Which of the following is not the reason for demand pull inflation?

Static or Current – **STATIC**

Subject – **Economics**

Difficulty Level – **Moderate**

Topic – **Inflation**

Options:

- A. Increase in Population
- B. Deficit financing
- C. Increase in Administered Price
- D. Over expansion of the Money Supply
- E. None of the above

Answer: (C) Increase in Administered Price

Explanation:

Let's analyze the options

Option A – The larger the population of a country, the greater is its demand for consumer goods. Hence increase in Population is a reason for demand pull inflation.

Option B & D - Keynesian economists counter that extra income is created by every additional dollar of government spending or every dollar reduction in taxes. This is known as the multiplier effect. Thus, deficit spending could theoretically be even more productive

than private investment in terms of raising aggregate demand. Also Increase in Money supply will increase aggregate demand in the economy.

Option C - An administered price is the price of a good or service as dictated by a government or centralized authority, as opposed to buyers and sellers interacting according to supply and demand. So, inflation is not because of Demand.

Hence Answer is Option C.

Q.32) Which of the following is not correct w.r.t to monopoly?

Static or Current – **Static**

Subject – **Economics**

Difficulty Level – **Moderate**

Topic – **Market Structure**

Options:

- A. A bilateral monopoly exists when a market has only one supplier and one buyer.
- B. Monopoly can lead to higher equilibrium price and lower equilibrium quantity, generating a larger welfare for monopolists than under perfect competition
- C. Monopolies have a downward sloping Demand Curve
- D. There is restriction of entry of new firms in the monopoly market
- E. Monopoly promotes perfect knowledge of prices and technology.

Answer: (E) Monopoly promotes perfect knowledge of prices and technology

Explanation:

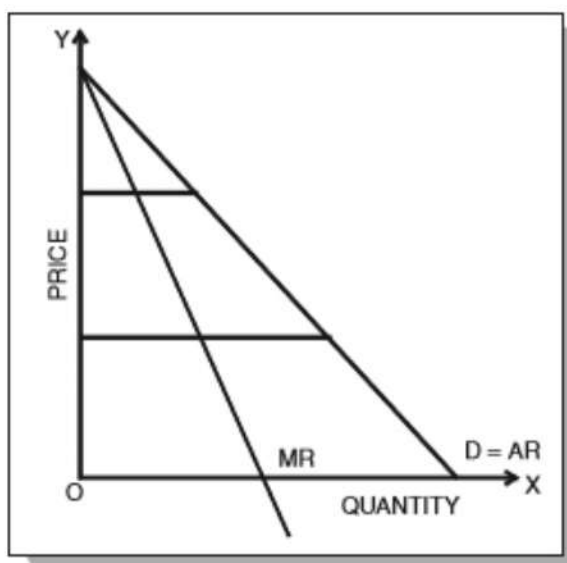


Fig. 1 : A monopolist's demand curve and marginal revenue curve

Definition of 'Monopoly'

Definition: A market structure characterized by a single seller, selling a unique product in the market. In a monopoly market, the seller faces no competition, as he is the sole seller of goods with no close substitute.

Perfect knowledge is the characteristic in the Perfect competition and not in monopoly. As it is the wish of monopolist how much information it wants to share.

Description: In a monopoly market, factors like government license, ownership of resources, copyright and patent and high starting cost make an entity a single seller of goods. All these factors restrict the entry of other sellers in the market. Monopolies also possess some information that is not known to other sellers.

Characteristics associated with a monopoly market make the single seller the market controller as well as the price maker. He enjoys the power of setting the price for his goods.

Q.33) Which of the following is a modern management accounting technique?

Static or Current – **STATIC**

Subject – **Costing**

Difficulty Level – **Easy**

Topic – **Budget and Budgetary Control**

Options:

- a) Human Resource Accounting
- b) Static Reports
- c) Responsibility Accounting
- d) Break Even Analysis
- e) None of the above

Answer: (c) Responsibility Accounting

Explanation:

Some of the Techniques involved in modern management accounting are:

1. **Marginal costing-** this technique allows an organization to know the point at which production can be expanded or to determine the point at which economies of scale can be achieved.
2. **Capital Budgeting-** it allows organizations to analyze inflows and outflows of major projects and investments especially new projects to determine whether expected results are met and to look for alternatives to maximize production.
3. **Inventory valuation-** the managers use this technique to calculate the value of unsold

inventory and also evaluate the value of goods sold and the profit generated.

4. **Product costing**- this technique helps managers to determine the costs incurred when creating a product, hence making it easy to set product prices.
5. Responsibility accounting is **a kind of management accounting that is accountable for all the management, budgeting, and internal accounting of a company**. The primary objective of this accounting is to support all the Planning, costing, and responsibility centres of a company.

Q.34) Which of the following does not classify semi variable costs into fixed and variable costs?

Static or Current – **Static**

Subject – **Costing**

Difficulty Level – **Moderate**

Topic – **Miscellaneous (Labour Cost)**

Options:

- A. Graphical Method
- B. Simultaneous Equations
- C. High and Low Method
- D. Least Square Method
- E. Straight Piece Method

Answer: (E) Straight Piece Method

Explanation:

Sometimes, a business will need to use cost estimation techniques, particularly in the case of mixed costs, so that they can separate the fixed and variable components, since only the variable components change in the short run. Estimation is also useful for using current data to predict the effects of future changes in production on total costs. Different estimation techniques that can be used include:

- 1) the scatter graph (Graphical Method)
- 2) the high-low method,
- 3) Simulation Equations.
- 4) Least Square Method
- 5) regression analysis

Hence Option A, B, C and D are the techniques that help to classify semi variable costs into fixed and variable costs. Therefore, Answer is Option E.

Straight piece rate system is the simplest method of payment by result in which payment is made according to the number of units produced at a fixed rate per unit

Q.35) Calculate the Prime Cost using the information given below:

Direct Material Cost– Rs 1,00,000

Direct Labour Cost– Rs 68,000

Fixed Overheads – Rs 1,50,000

Variable Overheads – Rs 24,000

Static or Current – **Static**

Subject – **Costing**

Difficulty Level – **Easy**

Topic – **Overview of Cost and Management Accounting**

Options:

A. Rs 1,58,000

B. Rs 1,68,000

C. Rs 1,78,000

D. Rs 1,88,000

E. Rs 1,98,000

Answer: (B) Rs 1,68,000

Explanation:

Prime Cost = Direct Material Cost + Direct Labour Cost

$$= 1,00,000 + 68,000$$

$$= 1,68,000$$

Q.36) Calculate the Breakeven point (BEP) from the following information.

Sale - ₹30 per unit

Trade Discount – 10%

Direct Material - ₹12 per unit

Direct Labour - ₹6 per unit

Variable Expenses – 50% of Direct Labour

Fixed Cost - ₹60,000

Static or Current – **STATIC**

Subject - **Costing**

Difficulty Level – **Moderate**

Topic – **Marginal Costing**

Options:

1. 1000
2. 10,000
3. 1,00,000
4. 6000
5. None of the above

Answer: (B) 10,000 units

Explanation:

In the Given Question

Selling Price = Rs 30

Trade Discount = 10 % of SP = 10% of 30 = Rs 3

- *Break-even point as per units*

Break-Even point (Units)= Fixed Costs ÷ (Revenue per Unit – Variable Cost per Unit).

Revenue per unit = Selling price - Discount - Material cost - Labour cost

= 30 - 3 - 12 - 6 {Discount highlighted is the trade discount that we calculated Above}

= 9

Variable Cost per unit = 50 % of Direct Labour

= 50 % of 6

= 3

Break-Even point (Units)= Fixed Costs ÷ (Revenue per Unit – Variable Cost per Unit)

=> BEP = 60000 / (9-3) = 10,000 units

Q.37) Which of the following is incorrect with reference to Marginal Costing?

Static or Current – **STATIC**

Subject – **Costing**

Difficulty Level – **Moderate**

Topic – **Marginal Costing**

Options:

- A. It is a method of Costing like Job Costing and Service Costing
- B. Marginal Costing, Marginal cost is the change in the total cost when the quantity produced is incremented by one
- C. It considers expenses incurred at each production stage, except for overhead pricing
- D. Contribution margin is computed as the selling price per unit, minus the variable cost per unit.
- E. None of the above

Answer: (A) It is a method of Costing like Job Costing and Service Costing

Explanation:

Job costing is an accounting method designed to help you track the cost of individual projects and jobs. Similarly, Service costing is the accounting method of identifying all costs associated with building, supporting, and delivering your service.

Whereas Marginal Costing is a costing technique wherein the marginal cost, i.e., variable cost is charged to units of cost, while the fixed cost for the period is completely written off against the contribution. Marginal cost is the change in the total cost when the quantity produced is incremented by one.

Hence Answer is Option A.

Q.38) Which of the following is not a feature of cellular manufacturing system?

Static or Current – **STATIC**

Subject – **Costing**

Difficulty Level – **Moderate**

Topic – **Lean Innovation and System**

Options:

- A. Cellular manufacturing brings scattered processes together to form short, focused paths in concentrated physical space.
- B. Cellular manufacturing facilitates both production and quality control.
- C. Cellular manufacturing increases waste
- D. Cellular manufacturing involves the use of multiple "cells" in an assembly line fashion.
- E. None of the above

Answer: (C) Cellular manufacturing increases waste

Explanation:

Cellular manufacturing helps reduce waste by **reducing defects that result from processing and product changeovers**. Since products or components move through a cell one piece at a time, operators can quickly identify and address defects.

Q.39) A company produced 60,000 units in the accounting period. It sold 50,000 units with 10,000 still in inventory. It sold each unit for Rs. 100. Each unit costs Rs.25 in direct materials and Rs.20 in direct labor. Manufacturing overhead was Rs.10 plus Rs. 5 in variable administrative costs. Fixed manufacturing overhead was Rs.300,000. Fixed administrative costs were Rs.200,000. If the valuation of inventory is done by absorption costing method, find the value of the inventory.

Static or Current – **Static**

Subject – **Costing**

Difficulty Level – **Moderate**

Topic – **Overview of Cost and Management Accounting**

Options:

- A. Rs 6,00,000
- B. Rs 5,00,000
- C. Rs 7,00,000
- D. Rs 4,50,000
- E. None of the above

Answer: (A) Rs 6,00,000

Explanation:

The company applied the absorption cost per unit formula:

Absorption cost = (Direct Material Costs + Direct Labor Costs + Variable Manufacturing Overhead Costs + Fixed Manufacturing Overhead Costs) / Number of units produced.

$$= \text{Rs}25 + \text{Rs}20 + \text{Rs}10 + \text{Rs}300,000 / \text{Rs}60,000$$

$$= \text{Rs } 60 \text{ per unit}$$

Therefore value of inventory = $10,000 \times 60$

$$= \text{Rs } 6,00,000$$

Q.40) Which of the following is a Notional Cost?

Static or Current – **Static**

Subject – **Costing**

Difficulty Level – **Moderate**

Topic – **Overview of Cost and Management Accounting**

Options:

- A. Absorption Costing
- B. Historical Costing
- C. Standard Costing
- D. Lean Costing
- E. None of the above

Answer: (C) Standard Costing

Explanation: A standard cost is the **budgeted cost of a regular manufacturing process against which actual costs are compared**. So standard cost is not the actual cost.

Notional cost is the opportunity cost of something which firm is using but not paying for it because it belongs to the firm. **For example, a firm is using the car of the owner but not paying rent for it because the car belongs to the owner of the firm. Here cost of car is the notional cost.**

Now you can see that both in Standard cost and Notional cost there is a similarity that both are not the actual costs.

Q.41) Calculate the value of closing stock using Simple price moving average method.

1st December - purchased 100 units @ Rs. 20

2nd December - purchased 200 units @ Rs 22

5th December - Issued 250 units to department X

Static or Current – **Static**

Subject – **Costing**

Difficulty Level – **Easy**

Topic – **Miscellaneous (Material Cost)**

Options:

- a) 1050
- b) 1100
- c) 900
- d) 500
- e) None of the above

Answer: (a) 1050

Explanation:

Simple average is **an average of price without considering the quantities involved.**

Average price = $(20+22)/2 = 21$

Closing Balance = Average Price x Closing Inventory

Closing inventory, also referred to as ending inventory, refers to the amount of inventory a business has left on the shelves and in stock at the end of the accounting year.

Closing Inventory = $100+200 - 250$ (Issued to Department X)
 $= 50$

Therefore, Closing Balance = Average Price x Closing Inventory = $21 \times 50 = 1050$

Q.42) Which of the following statement is incorrect regarding provisions?

Static or Current – **Static**

Subject – **Commerce and Accounts**

Difficulty Level – **Moderate**

Topic – **Preparation and Presentation of Final Company Accounts**

Options:

- A. They appear on the company's balance sheet under the current liabilities.
- B. A provision should be recognized as an expense
- C. Provisions represent funds put aside by a company to cover anticipated losses in the future.
- D. Provisions are contingent upon happening or non-happening of an event in the future
- E. None of the above

Answer: (D) Provisions are contingent upon happening or non-happening of an event in the future

Explanation:

Provision Liability	Contingent Liability
Definition	
Provision liability reduces an asset's value because of a present obligation arising out of a past event.	Contingent liability is a potential liability that can occur at a future date due to events beyond a company's control.
Certainty of the event	
The event which can result in a provisional liability may or may not occur.	The event which can result in a contingent liability will occur.
Estimate of the liability	
The estimated amount of the provisional liability is not certain.	The estimated amount of the contingent liability is largely certain.
Profit and Loss Account	
Any increase or decrease in provision liability gets recorded in the Profit and Loss Account.	The Profit and Loss Account does not record a contingent liability.
Examples	
Some of the examples of a provision liability are as follows: <ul style="list-style-type: none"> • Provision for bad debts 	Some of the examples of a contingent liability are as follows: <ul style="list-style-type: none"> • Product warranties

Q.43) Calculate Net Profit from below cash basis of accounting for 31/03/2021

Particulars	Amount
Sales Credit	90,000
Cash paid in salary	25,000
Advance received for 2022-2023	40,000
Ticket of airline purchase in March 2021 for travel in October 2022	6,500

Static or Current – **Static**

Subject – **Commerce and Accounts**

Difficulty Level – **Moderate**

Topic – **Cash Flow Statement**

Options:

- A. 10,000
- B. 9,000
- C. 8,500
- D. 7,700
- E. None of the above

Answer: (C) 8,500

Explanation:

Cash basis refers to a major accounting method that recognizes revenues and expenses at the time cash is received or paid out. It doesn't include any sale or purchase done on credit basis.

Therefore, In the above Question, Sales credit of 90,000 will not be considered while calculating the Net Profit.

Net profit = Advance received less Cash Paid in salary less Ticket Purchase

$$=40000 - 25000 - 6500 = 8500$$

Q.44) Using the information given below, calculate the Interest Coverage Ratio.

Net Profit After Tax	Rs. 60,000
Tax Rate	40%
15% Long Term Debt	Rs. 10,00,000

Static or Current – **Static**

Subject – **Commerce and Accounts**

Difficulty Level – **Easy**

Topic – **Ratio Analysis**

Options:

- a) 1.35
- b) 1.5
- c) 1.67
- d) 1.98

e) 1

Answer: (C) 1.67

Explanation:

$$\text{Interest Coverage Ratio} = \frac{\text{Earnings before Interest and Taxes (EBIT)}}{\text{Interest Expense}}$$

Net Profit after Tax = Rs 60,000

Tax rate = 40% = 0.4

Therefore, Profit before tax = $60,000 / (1 - 0.4) = \text{Rs. } 1,00,000$

Interest on Long term Debt (Interest Expense) = 15% of 10,00,000 = Rs 1,50,000

EBIT = Profit Before Tax + Interest = 100000 + 150000 = 2,50,000

Interest coverage Ratio = $250000 / 150000 = 1.67$

Q.45) Calculate the Book value per share of ABC limited using the information given below:

Profit After Tax	Rs 1,75,000
Issued Share Capital	70,000 shares @10 each
Market Value of share	Rs 13

Static or Current – **STATIC**

Subject – **Commerce and Accounts**

Difficulty Level – **Moderate**

Topic – **Ratio Analysis**

Options:

A. 11

B. 12.5

C. 9.5

D. 14

E. None of the above

Answer: (b) 12.5

Explanation:

The book value per share formula is used to calculate the per share value of a company based on its equity available to common shareholders.

$$\text{BOOK VALUE PER SHARE} = \frac{\text{SHAREHOLDERS EQUITY}}{\text{TOTAL SHARES OUTSTANDING IN MARKET}}$$

$$\text{BOOK VALUE PER SHARE} = \frac{\text{EQUITY CAPITAL} + \text{ACCUMULATED RESERVES}}{\text{TOTAL SHARES OUTSTANDING IN MARKET}}$$

In the given question, Equity Capital = $70,000 \times 10 = 7,00,000$

A reserve or Accumulated Profits or Losses refers to the share of profit saved by the business/firm for future growth or expansion and to handle the situation of losses in the future.

Therefore, Accumulated Reserves = Profit after tax = Rs 1,75,000

Therefore, Book Value per share = $(700000 + 175000) / 70000 = 12.5$

Q.46) Calculate the Gross profit Ratio from the given information.

Particulars	Amount
Sales	Rs 1,00,000
Purchase	Rs 75,000
Carriage Inward	Rs 2000
Wages	Rs 5000
Salary	Rs 15,000
Decrease in Inventory	Rs 10,000
Purchase Return	Rs 2000

Static or Current – **STATIC**

Subject – **Commerce and Accounts**

Difficulty Level – **Moderate**

Topic – **Ratio Analysis**

Options:

- A. 5%
- B. 10%
- C. 15%
- D. 20%
- E. None of the above

Answer: (B) 10%

Explanation:

Gross Profit Ratio



The diagram shows the formula for Gross Profit Ratio (GPR) with icons: a green money bag for the numerator and a hand holding coins for the denominator.

$$\text{GPR} = \frac{(\text{Total Revenue} - \text{Cost of Goods Sold})}{\text{Total Revenue}} \times 100$$

------(1)

Total Revenue = Sales = Rs 1,00,000/-


**Cost of Sales
Formula**

=


Beginning Inventory + Raw Material
Purchase + Cost of Direct Labor +
Overhead Manufacturing Cost –
Ending Inventory


----- (2)

Cost of goods sold (COGS) refers to the direct costs of producing the goods sold by a company. This amount includes the cost of the materials and labor directly used to create the good.

COGS is based only on the costs that are directly utilized in producing that revenue, such as the company's inventory or labor costs that can be attributed to specific sales. By contrast, fixed costs such as managerial salaries, rent, and utilities are not included in COGS.

A wage is payment made by an employer to an employee for work done in a specific period of time.

- Therefore, wages will be considered and during the calculation of COGS and Salaries will not be.

Cost of Direct Labor = Wages = Rs 5000 ----- (3)

Overhead Manufacturing Cost: Manufacturing overhead (MOH) cost is the sum of all the indirect costs which are incurred while manufacturing a product

- Carriage inwards is **the shipping and handling costs incurred by a company that is receiving goods from suppliers**. Raw materials and the cost of labour used during the manufacture of the product are good examples of direct expenses that are easily traced back to the product. Therefore, Carriage inward cost will be added to the manufacturing Overheads and Wages will not be considered being a direct expense.

=> **Overhead Manufacturing Cost** = Carriage inwards cost = Rs 2000 ----- (4)

Purchase = Purchase during the period – Purchase return = Rs 75000 – 2000 = Rs 73,000

Also, Decrease in Inventory is of Rs 10,000

Therefore **(Beginning Inventory – Ending Inventory) = Rs 10,000/- -----(5)**

Putting all the values calculated in equation (3), (4) and (5) in Equation (2), We have

=> COGS = 10000+73000 + 2000+5000 = 90,000

Now Using Equation (1)

GPR = (Total Revenue – COGS) x100 / Total Revenue

GPR = (100000-90000) x 100/ 100000 = 10%

Q.47) A company purchased inventory 1000 units@1200 per unit from outside vendors. Vendor allowed a trade discount of 5%. Vendors offered a cash discount of 3% if payment is made in 45 days. Company decided to avail that. Custom duty is 50 per unit and delivery charges is 6000 as a whole. Find the value of inventory as per AS 2.

Static or Current – **Static**

Subject – **Commerce and Accounts**

Difficulty Level – **Moderate**

Topic – **Accounting Standard of Inventories**

Options:

- A. 12,00,000
- B. 11,96,000
- C. 10,90,000
- D. 12,25,000
- E. None of the above

Answer: (B) 11,96,000

Explanation:

Purchase cost = 12,00,000/- (1000@1200 per unit)

Trade Discount = 5% of Purchase cost = 5% of 12,00,000 = 60,000/-

Also, as per **Accounting Standard 2**, Cash discount will not be considered.

Therefore Discount = 60,000/-

Custom Duty = 50x1000 = 50,000/-

Delivery Charges = 6000

Cost of Inventory = Purchase cost – Discount + Other Costs

$$= 1200000 - 60000 + 50000 + 6000 = 11,96,000/-$$

Q.48) Value of Machine is Rs 12,00,000 for 10 years and its residual value is nil. After 5 years, the remaining machine life is increased by 3 years and the value increased by Rs 1,20,000. Find the Depreciation for the 6th year on SLM basis.

Static or Current – **Static**

Subject – **Commerce and Accounts**

Difficulty Level – **Moderate**

Topic – **Accounting Standard for Property Plant and Equipment**


Options:

- (a) 90,000


- (b) 1,00,000
- (c) 1,20,000
- (d) 50,000
- (e) None of the above


Answer: (A) 90,000

Explanation:



$$\text{Depreciation Per Year Formula} = \frac{(\text{Cost of Asset} - \text{Salvage Value})}{\text{Useful Life of Asset}}$$





Cost of Asset = 12,00,000

Salvage Value = Nil (As given in Question)

Useful Life of Asset = 10 years

Therefore, as per the above formula

Depreciation charged per year on original value = $1200000/10 = 1,20,000$

Value at the end of 5th year = $1200000 - (5 \times 120000) = 6,00,000$

Revalued Machine value = $600000 + 120000 = 7,20,000$

Remaining Life after extension of 3 years = $5 + 3 = 8$

Depreciation charged in 6th year = $720000/8 = 90,000$

Q.49) Company ABC limited took a loan of \$10 million dollar for 3 months on 1st January 2021.

Exchange rate at the time of contract (on 1.01.2021) was \$1 = Rs 70.

Exchange rate at the time of repayment (on 31st March 2021) was \$1 = Rs 72.5

Find the amount of P&L for the year ended 2020-21 for the company ABC.

Static or Current – **Static**

Subject – **Commerce and Accounting**

Difficulty Level – **Easy**

Topic – **Accounting Standard for Foreign Transactions**

Options:

- a) Profit of Rs 2.5 Crores
- b) Loss of Rs 2.5 Crores
- c) Loss of Rs 5 Crores
- d) Profit of Rs 3 Crores
- e) None of the above

Answer: (B) Loss of Rs 2.5 Crores

Explanation:

Amount of Loan taken in Rs = $10,000,000 \times 70 = 70$ crores

Amount of Loan Repaid = $10,000,000 \times 72.5 = 72.5$ Crores

Exchange Loss = Rs 2.5 Crores

Q.50) Which of the following statement is incorrect w.r.t Cash and Cash equivalents?

Static or Current – **Static**

Subject – **Commerce and Accounts**

Difficulty Level – **Moderate**

Topic – **Preparation and Presentation of Final Company Accounts**

Options

- A. Cash equivalents include bank accounts and marketable securities, which are debt securities with maturities of less than 90 days.
- B. Any items falling within this category are classified within the current assets category in the balance sheet.
- C. Cash and Cash equivalents include bank deposits with more than twelve months of maturity shall not be disclosed separately.
- D. Cash and cash equivalents shall be classified as Balances with banks; Cheques, drafts on hand; Cash on hand; etc.
- E. None of the above

Answer: (C) Bank deposits with more than twelve months maturity shall not be disclosed separately.

Explanation:

As per schedule III of Companies Act and also Cash flow statements: Bank deposits with more than 12 months of maturity shall be disclosed separately

Question Paper Analysis

1. Overall Analysis

The question number marked in above table refers to the same question number in the upper part of this document where we have listed down questions in detail. So, in case you want to refer to the original question please refer it using the question number in the table

S. No	Topic	Subject	Level	Remarks
1	Functions of RBI	Finance	Easy	
2	NA	Finance	Easy	Part of Current Affairs
3	NA	Finance	Moderate	Part of Current Affairs
4	Direct and Indirect Tax	Finance	Moderate	
5	Finance Commission	Finance	Easy	
6	Forex Market	Finance	Easy	
7	Communication	Management	Moderate	
8	Motivation	Management	Moderate	
9	HRD	Management	Moderate	
10	Leadership	Management	Easy	
11	General Management	Management	Moderate	
12	Motivation	Management	Moderate	
13	Chapter XXVII – NCLT and NCLAT	Companies Law	Easy	
14	Chapter XI Appointment of Directors (Section 149 to 160)	Companies Law	Easy	
15	Chapter VIII Declaration and Payment of Dividend	Companies Law	Easy	
16	Chapter X Audit and Auditors	Companies Law	Easy	
17	Chapter IV Share Capital and Debentures	Companies Law	Easy	
18	Chapter XI Appointment of Directors (Section 149 to 160)	Companies Law	Easy	

19	Chapter XII Meeting of Board of Directors (Section 172-183)	Companies Law	Easy	
20	Chapter XII Meeting of Board of Directors (Section 172-183)	Companies Law	Easy	
21	Chapter III – Prospectus & Allotment of Securities	Companies Law	Easy	
22	NBFC	Economics	Easy	
23	Fiscal Policy	Economics	Moderate	
24	Money Supply	Economics	Easy	
25	National Income	Economics	Easy	
26	Phillips Curve	Economics	Moderate	
27	Market Structure	Economics	Moderate	
28	Demand and Supply	Economics	Easy	
29	Elasticity of Demand	Economics	Moderate	
30	Fiscal Policy	Economics	Moderate	
31	Inflation	Economics	Moderate	
32	Market Structure	Economics	Moderate	
33	Budget and Budgetary Control	Costing	Easy	
34	Miscellaneous (Labour Cost)	Costing	Moderate	
35	Overview of Cost and Management Accounting	Costing	Easy	
36	Marginal Costing	Costing	Moderate	
37	Marginal Costing	Costing	Moderate	
38	Lean Innovation and System	Costing	Moderate	
39	Overview of Cost and Management Accounting	Costing	Moderate	
40	Overview of Cost and Management Accounting	Costing	Moderate	
41	Miscellaneous (Material	Costing	Easy	

	Cost)			
42	Preparation and Presentation of Final Company Accounts	Commerce and Accounts	Moderate	
43	Cash flow Statement	Commerce and Accounts	Moderate	
44	Ratio Analysis	Commerce and Accounts	Easy	
45	Ratio Analysis	Commerce and Accounts	Moderate	
46	Ratio Analysis	Commerce and Accounts	Moderate	
47	Accounting Standard of Inventories	Commerce and Accounts	Moderate	
48	Accounting Standard for property plant and Equipment	Commerce and Accounts	Moderate	
49	Accounting Standard for Foreign Transactions	Commerce and Accounts	Easy	
50	Preparation and Presentation of Final Company Accounts	Commerce and Accounts	Moderate	Miscellaneous

Note: Students might think that none of the question is marked as Difficult (Tough) whereas the general feedback from the students was that the paper was tough. If you have been through the entire paper and solution, you will observe that the paper requires clear & through understanding of the concepts. If you have clarity of the same, you can easily score good in the paper.

1.1. Miscellaneous Questions

There are some questions (marked as Miscellaneous in above table).

- One which could not be mapped directly to syllabus, but they were either from the basic topics or topics indirectly linked to syllabus. All these topics were covered in EduTap course

1.2.Number of Questions Asked from Each Subject

Subject	Number of Questions
Economics	11
Commerce and Accounts	9
Costing	9
Finance	6
Management	6
Company Law	9

Takeaway: Almost a Very Balanced Distribution except for finance and management but a Justice is done to all the subjects. One needs to prepare all the subjects holistically.

1.3.Number of Questions Segregated into Easy, Moderate and Difficult

Difficulty Level	Number of Questions
Easy	23
Moderate	27
Difficult	0

Takeaway: One needs to attempt paper with 90% accuracy in Easy Questions and 75% accuracy in Moderate Questions. By doing this one can touch score of 65-70 which was a good score in UR category. Anything near 75 marks increased the probability further.

The questions with level as difficult should have attempted with care. Here rather than gaining marks, priority shall have been to not loose marks through negative marking by marking wrong questions

1.4.Weightage of Numerical Asked

Numerical	
Subject	Number of Numerical
Finance	0
Economics	1
Costing	4
Commerce and Accounts	7

Takeaway: 12 Questions on Numerical were asked in the Exam. They were not difficult. Most of them were easy to Moderate. If you practiced numerical given in the course before

the exam, then most of the moderate numerical would also have looked on easier side. Numerical shall be intrinsic part of your preparation and no need to do complex numerical, basic level is enough. Moreover, one need to have basic idea regarding Economic Numerical as well.

1.5.Current/Static

All the questions in Phase 2 were purely static based except 2 questions in the Finance Section. So, one should not avoid doing current affairs but keep them at low priority in the preparation and even in that, special focus must be on Finance Current Affairs.

1.6.Repeat Questions

Some questions in Finance & Management were repeated as it is from Finance & management questions asked In RBI Grade asked in previous years.

Takeaway: So, it is advisable to do all the PYQs of common subjects in other exams. For example, PYQs of FM shall be done from RBI Grade B previous year papers, PYQs of Economics shall be done from RBI Grade B. All PYQs of RBI Grade B and NABARD Gr A are available for free on EduTap's website

It is also advisable that if you get PYQs of Costing, Company Law, Commerce and Accounts for NPS or PFRDA, you must do them. We are not having PYQs of NPS.

2. Subject wise Analysis

2.1.Economic Section Analysis

Economics				
Q. No	Topic	Subject	Difficulty Level	Numerical
22	NBFC	Economics	Easy	
23	Fiscal Policy	Economics	Moderate	
24	Money Supply	Economics	Easy	
25	National Income	Economics	Easy	Yes
26	Phillips Curve	Economics	Moderate	
27	Market Structure	Economics	Moderate	
28	Demand and Supply	Economics	Easy	
29	Elasticity of Demand	Economics	Moderate	
30	Fiscal Policy	Economics	Moderate	
31	Inflation	Economics	Moderate	

32	Market Structure	Economics	Moderate	
	Total	11	Easy - 4 Moderate - 7 Difficult - 0	1

Takeaway:

1. Good Distribution of questions amongst the topics. No single topic was given preference by asking many questions from single topic
2. Questions were on easy to moderate side. Question covers basic concepts but require practical knowledge along with factual knowledge. Though economic seems a little tough but one needs to have a clear basic understanding in order to fetch high marks in the section.
3. Basic understanding of numerical is required as this year, a very basic numerical from National Income is asked.

2.2.Commerce and Accounts Section Analysis

Commerce and Accounts				
Q. No	Topic	Subject	Difficulty Level	Numerical
42	Preparation and Presentation of Final Company Accounts	Commerce and Accounts	Moderate	
43	Cash flow Statement	Commerce and Accounts	Moderate	Yes
44	Ratio Analysis	Commerce and Accounts	Easy	Yes
45	Ratio Analysis	Commerce and Accounts	Moderate	Yes
46	Ratio Analysis	Commerce and Accounts	Moderate	Yes
47	Accounting Standard of Inventories	Commerce and Accounts	Moderate	Yes
48	Accounting Standard for property plant and Equipment	Commerce and Accounts	Moderate	Yes
49	Accounting Standard for Foreign Transactions	Commerce and Accounts	Easy	Yes
50	Preparation and Presentation of Final Company Accounts	Commerce and Accounts	Moderate	

	Total	9	Easy - 2 Moderate - 7 Difficult - 0	7
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Takeaway:

1. Good Distribution of questions amongst the topics. But Ratio Analysis was given preference by asking many questions from single topic.
2. Total of 7 Numerical are asked. Though most of them are marked Moderate but in case you had practiced Numerical given in the course then it would have been easy
3. You cannot cover accounting just by covering theory. Numerical preparation is integral part of preparation of Commerce and Accounts
4. Overall, you would find this section easy if you would have practiced Numerical

2.3.Costing Section Analysis

Costing

Q. no	Topic	Subject	Difficulty Level	Numerical
33	Budget and Budgetary Control	Costing	Easy	
34	Labour Cost	Costing	Moderate	
35	Overview of Cost and Management Accounting	Costing	Easy	Yes
36	Marginal Costing	Costing	Moderate	Yes
37	Marginal Costing	Costing	Moderate	
38	Lean Innovation and System	Costing	Moderate	
39	Overview of Cost and Management Accounting	Costing	Moderate	Yes
40	Overview of Cost and Management Accounting	Costing	Moderate	
41	Material Cost	Costing	Easy	Yes
	Total	9	Easy - 3 Moderate - 6 Difficult - 0	4

Takeaway:

1. Good Distribution of questions amongst the topics. But Marginal Costing and Overview of Cost and Management Accounting were given preference. Still, one need to cover the entire width of the syllabus.
2. Questions were asked from Material Cost and Overhead Cost, which is **not directly given in syllabus**, but they were anyways part of basic of costing and covered in EduTap's course. Do not leave the basic chapters even if they are not directly given in the syllabus
3. Total of 4 Numerical are asked. Though most of them are marked Moderate but in case you had practiced Numerical given in the course then it would have been easy
4. You cannot cover Costing just by covering theory. Numerical preparation is integral part of preparation of Costing
5. Overall, you would find this section easy if you would have practiced Numerical.

2.4.Finance Section Analysis

Finance				
Q. no	Topic	Subject	Difficulty Level	Remark
1	Functions of RBI	Finance	Easy	
2	NA	Finance	Easy	Current Affairs
3	NA	Finance	Moderate	Current Affairs
4	Direct and Indirect Tax	Finance	Moderate	
5	Finance Commission	Finance	Easy	
6	Forex Market	Finance	Easy	
	Total	6	Easy - 4 Moderate - 2 Difficult - 0	2 Current Affairs based Question

Takeaway:

1. A good Distribution of questions amongst the topics. But even, importance is given to current affairs has 2 questions were directly from current affairs. So, overall less priority should be given to current affairs but still then have importance specially Finance Current Affairs.
2. No Numerical was asked.

3. In Finance, you can leave numerical in first iteration because theory itself is vast. Derivatives and Bonds are the only topic from which numerical can be asked.

2.5. Management Section Analysis

Management			
Q. NO	Topic	Subject	Difficulty Level
7	Communication	Management	Moderate
8	Motivation	Management	Moderate
9	HRD	Management	Moderate
10	Leadership	Management	Easy
11	General Management	Management	Moderate
12	Motivation	Management	Moderate
	Total	6	Easy - 1 Moderate - 5

Takeaway:

1. Good Distribution of questions amongst the topics. No single topic was given preference by asking many questions from single topic.
2. Even moderate questions could have been done if one had good understanding of the topic
3. Overall, a moderate section one need to have clear understanding with application-based knowledge of the concepts. Questions are more application based rather than factual knowledge.

2.6. Company Law Section Analysis

Company law			
Q. No	Topic	Subject	Difficulty Level
13	Chapter XXVII – NCLT and NCLAT	Companies Law	Easy
14	Chapter XI Appointment of Directors (Section 149 to 160)	Companies Law	Easy
15	Chapter VIII Declaration and Payment of Dividend	Companies Law	Easy
16	Chapter X Audit and Auditors	Companies Law	Easy
17	Chapter IV Share Capital and	Companies Law	Easy

	Debentures		
18	Chapter XI Appointment of Directors (Section 149 to 160)	Companies Law	Easy
19	Chapter XII Meeting of Board of Directors (Section 172-183)	Companies Law	Easy
20	Chapter XII Meeting of Board of Directors (Section 172-183)	Companies Law	Easy
21	Chapter III – Prospectus & Allotment of Securities	Companies Law	Easy
	Total	9	Easy -9

Takeaway:

1. Good Distribution of questions amongst the topics. No single topic was given preference by asking many questions from single topic
2. Almost each of the question focused on the factual data provided under different sections of companies Law.
3. Overall, a scoring section if you know the facts, otherwise a very tough section.
4. So, one need to cover the sections end to end. Cursory look won't fetch marks.

2.7.Closing Comments

1. Accuracy is the key
2. Current Affairs to be taken low on priority.
3. Do All PYQs for RBI Gr B and SEBI Gr A – Available for Free on EduTap Website
4. One needs to do balanced preparation by reading all the chapters. Do stick to syllabus religiously.
5. Even chapters meant for basics though not in syllabus are to be done with sincerity
6. Do not even think of leaving Numerical.
7. Do as many MCQs as possible. It seems they ask standard questions. Increasing number of MCQs before the exam increases the probability of direct hit (same question) in the exam.
8. SEBI is asking application-based question in all the sections like economics, management etc. So, one need to know the applications of the concepts along with factual knowledge. Suggestion for Future: - Build a strong foundation of basics by covering the topic in depth and in future, more application-based questions are expected.