**CERTIFIED BANKING PROFESSIONAL – MCQs**

Question 1

The accounting profession can be divided into three major categories: specifically, the practice of public accounting, private accounting, and governmental accounting. A somewhat unique and important service of public accountants is:

1. Financial accounting.
2. Managerial accounting.
3. Auditing.
4. Cost accounting.

Question 2

The primary private sector agency that oversees external financial reporting standards is the:

1. Financial Accounting Standards Board.
2. Federal Bureau of Investigation.
3. General Accounting Office.
4. Internal Revenue Service.

Question 3

Which of the following equations properly represents a derivation of the fundamental accounting equation?

1. Assets + liabilities = owner's equity.
2. Assets = owner's equity.
3. Cash = assets.
4. Assets = Liabilities+ Owner's equity.

Question 4

Retained earnings will change over time because of several factors. Which of the following factors would explain an increase in retained earnings?

1. Net loss.
2. Net income.
3. Dividends.
4. Investments by stockholders.

Question 5

Which of these items would be accounted for as an expense?

1. Repayment of a bank loan.
2. Dividends to stockholders.
3. The purchase of land.
4. Payment of the current period's rent.

Question 6

Which of the following transactions would have no impact on Owner’s equity?

1. Purchase of land from the proceeds of a bank loan.
2. Dividends to stockholders.
3. Net loss.
4. Investments of cash by owners.

Question 7

Which of the following would not be included on a balance sheet?

1. Accounts receivable.
2. Accounts payable.
3. Sales.
4. Cash.

Question 8

Which of the below Debit/Credit rules is the correct one?

1. Debit Income, Credit expenses
2. Debit Giver, Credit Receiver
3. Debit what comes in, Credit what goes out
4. Debit what goes out, Credit what comes in

Question 9

The following comments each relate to the recording of journal entries. Which statement is true?

1. For any given journal entry, debits need not be equal to credits.
2. It is customary to record credits on the left and debits on the right.
3. Journal is the 2nd stage in the accounting cycle
4. For any journal entry, debits must be equal to credits.

Question 10

Failure to record the receipt of a utility bill for services already received will result in:

1. An overstatement of assets.
2. An overstatement of liabilities.
3. An understatement of liabilities
4. An understatement of assets.

Question 11

Ransom Company’s sells goods for $500 and receives the cash from the customer. What is the correct journal entry for this?

1. Cash 500

Accounts Receivable 500

1. Accounts Receivable 500

Cash 500

1. Cash 500

Revenue 500

1. Revenue 500

Cash 500

Question 12

The proper journal entry to record $1,000 of Rent paid by Myer’s Corporation is:

1. Rent Expense 1,000

Cash 1,000

1. Cash 1,000

Rent 1,000

1. Rent Expense 1,000

Accounts Payable 1,000

1. Dividends Expense 1,000

Revenue 1,000

Question 13

Lynn Lipincott bought land valued at $5,000 in her business. This transaction would be recorded by:

1. Cash 5,000

Capital 5,000

1. Land 5,000

Bank 5,000

1. Land 5,000

Revenue 5,000

1. Capital 5,000

Land 5,000

Question 14

Blankenship Company pays its employees every Friday for work rendered that week. The payroll is typically $10,000 per week. Which of the following journal entries would Blankenship ordinarily record?

1. Salary Expense 10,000

Salary Payable 10,000

1. Salary Expense 10,000

Cash 10,000

1. Salary Payable 10,000

Cash 10,000

1. Salary Payable 10,000

Salary Expense 10,000

Question 15

How many steps are there in an Accounting Cycle?

1. 4
2. 3
3. 2
4. 1

Question 16

The appropriate journal entry to record equipment depreciation expense would consist of a debit to Depreciation Expense and a credit to which of the following accounts?

1. Equipment
2. Accumulated Depreciation
3. Retained Earnings
4. Cash

Question 17

Accrual Concept means:

1. Expenses are recognized when paid
2. Revenue is recognized when earned
3. Revenue is recognized when cash is received from the customer
4. Revenue and expense is recognized when the order is received or issued.

Question 18

On November 1, 20X1, Limit Company purchased a one-year insurance policy for $12,000 and paid for it. As at the year end December 31, 20X1, the amount of Prepaid Insurance will be:

1. 9000
2. 10000
3. 11000
4. 12000

Question 19

Current assets are those assets which management intends to convert into cash or consume within:

1. The operating cycle
2. One year
3. The longer of (a) or (b)
4. The shorter of (a) or (b)

Question 20

The trial balance:

1. Is a formal financial statement.
2. Is used to prove that there are no errors in the journal or ledger.
3. Provides a listing of every account in the chart of accounts.
4. Provides a listing of the balance of each ledger account

Question 21

For purposes of measuring business income, the life of a business is:

1. divided into specific points in time.
2. divided into irregular cycles.
3. divided into discrete accounting periods.
4. considered to be a continuous cycle.

Question 22

Short-term investments owned by a company are:

1. reported on the balance sheet as a current asset.
2. reported on the balance sheet as a noncurrent asset.
3. reported on the balance sheet as a contra-equity account.
4. reported on the balance sheet as a reduction of liabilities.

Question 23

Accounts receivable:

1. arise from the sale of a company's products or services.
2. are reported in the noncurrent asset section of the balance sheet.
3. include deposits with utilities.
4. generally, comprise the minority of the total receivables balance.

Question 24

Inventory accounts should be classified in which section of a balance sheet?

1. Current assets
2. Investments
3. Property, plant, and equipment
4. Intangible assets

Question 25

Zhang Corporation had net income of $100,000, paid income taxes of $30,000, and had interest expense of $8,000. What was Zhang’s times interest earned ratio?

a) 12.5

b) 16.25

c) 17.25

d) 17.85

Question 26

Selected information for 20X1 for the Bernstein Company is as follows:

Cost of goods sold$6,000,000

Average inventory$2,000,000

Net sales$8,000,000

Average receivables$3,000,000

1. 3
2. 4
3. 5
4. 6

Question 27

Thompson Corporation Current Assets are $20,000 and Current Liabilities are $15,000. What is the Current Ratio?

1. 0.75
2. 1.33
3. 1.23
4. 0.76

Question 28

Ames Corporation’s net accounts receivable were $750,000 on December 31, 20X1, and $1,250,000 on December 31, 20X2. Net cash sales for 20X2 were $3,300,000. The accounts receivable turnover ratio for 20X2 was 16. What were the total net sales for 20X2?

1. $12,800,000
2. $16,000,000
3. $16,100,000
4. $19,300,000

Question 29

Which of the following activities would generally be regarded as a financing activity in preparing a statement of cash flows?

1. Dividend distribution
2. Proceeds from the sale of stocks of other firms
3. Loans made by the entity to other businesses
4. Employees' salaries and wages paid

Question 30

Which of the following statements about differences between financial and managerial accounting is incorrect?

1. Managerial accounting information is prepared primarily for external parties such as stockholders and creditors; financial accounting is directed at internal users.
2. Financial accounting is aggregated; managerial accounting is focused on products and departments.
3. Managerial accounting pertains to both past and future items; financial accounting focuses primarily on past transactions and events.
4. Financial accounting is based on generally accepted accounting practices; managerial accounting faces no similar constraining factors.

Question 31

Cost accounting information can be used for:

1. Budget control.
2. Determining standard costs and variances.
3. Pricing decisions.
4. All of these.

Question 32

Moore Company reported sales of $150,000 (20,000 units). Fixed costs amounted to $20,000 and variable cost per unit is $5.50 per unit. What is the Break Even point in Units?

1. 11,000
2. 10,000
3. 9,500
4. 10,500

Question 33

Blackhat Chimney Builders constructed 80 units during 19X1. The total sales value for these 80 units was $460,000. Variable costs associated with each unit was $4,000 and the company’s fixed costs for 19X1 amounted to $50,000. How much was the per-unit contribution margin?

a) $750

b) $1,125

c) $1,750

d) $5,125

Question 34

Which of the following is not a policy to manage investments in Current Assets?

a) Relaxed

b) Moderate

c) Ruthless

d) Aggressive

Question 35

Which of the following factors would cause the break-even point to change?

1. Increased sales volume.
2. Fixed costs increased due to addition of physical plant.
3. Total variable costs increased as a function of higher production.
4. Total production decreased.

Question 36

With the top-down budgeting approach the budget:

1. Process begins with the issuance of general budget guidelines by top management or a budget committee.
2. Developmental process centers on lower-level employee participation.
3. Is imposed on lower-level personnel who do not become involved in the budget construction process in a significant way.
4. Is not characterized by sound budget preparation practices.

Question 37

Which of the following statements is incorrect?

1. All of the below 3
2. The direct labor budget is specifically dependent on the production budget.
3. The budgeting process would normally begin with preparation of a sales budget.
4. The cash budget is not an element of a master budget.

Question 38

O’Connor Corporation had December sales of $30,000. Anticipated sales during January are $40,000, and February sales are projected at $37,500. Of sales made, 40% are for cash and 60% are on account. Sales on account are expected to be collected 50% in the month of sale and 50% in the month following the month of sale. How much are anticipated cash collections during the month of February?

1. $25,800
2. $26,250
3. $36,100
4. $37,050

Question 39

Blinder Corporation projected the following:

Sales $5,000,000

Fixed manufacturing costs 2,000,000

Blinder projects variable manufacturing costs of 40% of sales. Assuming no change in inventory, what will be the projected cost of goods sold?

1. $2,000,000
2. $3,000,000
3. $4,000,000
4. $5,000,000

Question 40

Return on Assets Ratio comes under the category of:

1. Liquidity Ratio
2. Profitability Ratio
3. Turnover Ratio
4. Debt Service Ratio

Question 41

In the case of a Bank, its Balance Sheet has the following item categorized as an Asset.

1. Deposit
2. Loan
3. Equity
4. Debt

Question 42

In the case of a Bank, its Balance Sheet has the following item categorized as a Liability.

1. Loan
2. Equity
3. Deposits
4. Property

Question 43

The Provision for Credit Losses Ratio measures the provision of credit losses as a percentage of:

1. Net Loans
2. Total Deposits
3. Deposits with Central Bank
4. Total Share Capital

Question 44

Which is the odd one out of the below:

1. Debit Card Withdrawal
2. Term Loan
3. Working Capital Advance
4. Mortgage Advance

Question 45

Private Banking is usually associated with wealthy clients having a net worth more than:

a) 5M$

b) 3M$

c) 1M$

d) 2M$

Question 46

In the case of International Banking, which of the below Accounts is the odd one out?

1. Nostro
2. Vostro
3. Voro
4. Loro

Question 47

In the case of which Account, are the services of a 3rd party bank used?

a) Nostro

b) Voro

c) Loro

d) Vostro

Question 48

Emirates NBD, Dubai opens a Dollar Account with Citibank, USA. What type of Account will this be called?

1. Vostro
2. Loro
3. Nostro
4. Checking Plus

Question 49

Barclays Bank, UK opens a Dirham Account with Mashreq Bank, Dubai. What type of Account will this be called?

1. Loro
2. Vostro
3. Savings Account
4. Nostro

Question 50

After the completion of the audit of a Bank, if the auditor is not satisfied with the review of the financial statements, he is likely to issue:

1. Unqualified Opinion
2. Qualified Opinion
3. Disclaimer of Opinion
4. Adverse Opinion