

The fourth Grade
Accounting for Financial institutions
Guiding Questions

Remember:

1. *The final exam will be in ELECTRONIC FORM (MCQ & TRUE/FALSE QUESTIONS). No explanatory questions will be included anyway. However, you still need to make the necessary drafts and calculations to determine the correct answer.*
2. *Keep calm, you are few steps away from graduation. Do not worry. Just study as much as you can, and everything will be fine.*

Choose the correct answer for each question of the following:

- 1) A financial institution is a company engaged in.....
 - a) Manufacturing
 - b) Trading
 - c) Tax Advisory
 - d) Financial and monetary transactions
- 2) are known sometimes as non-interest banks:
 - a) Commercial banks
 - b) Agricultural banks
 - c) Islamic banks
 - d) Investment banks
- 3) The word "Bank" has been originated in the middle of the 12th century in
 - a) England
 - b) Portugal
 - c) Spain
 - d) Italy
- 4) is a financial institution given privileged control over the production and distribution of money and credit for a nation or a group of nations

- a) Central bank
 - b) Public-owned bank
 - c) Islamic bank
 - d) Commercial bank
- 5) Examples of the primary functions of banks include
- a) Collection and payment of cheques and bills on behalf of the customers (agency).
 - b) Accepting deposits
 - c) Issuing letters of credit
 - d) Standing guarantee on behalf of its customers
- 6) Examples of the secondary functions of banks include
- a) Granting loans and advances
 - b) Transferring money from one place to another
 - c) Issuing letters of credit
 - d) Standing guarantee on behalf of its customers
- 7) Examples of the agency functions of banks include
- a) Providing customers with facilities of foreign exchange
 - b) Collection and payment of cheques and bills on behalf of the customers.
 - c) Undertaking safe custody of valuables (such as jewellery and antiques)
 - d) Transferring money from one place to another
- 8) is the risk of a decline in the market value of financial securities (shares, debt and derivatives) that is caused by unexpected changes in market prices and interest rate
- a) Market risk.
 - b) Liquidity risk.
 - c) Credit risk.
 - d) Currency risk
- 9) Liquidity risk for a bank is the risk of not being able to meet obligations in terms of funds demanded by clients:
- a) Credit risk.
 - b) Currency risk
 - c) Operational risk.
 - d) Liquidity risk.
- 10)..... is the card's issuer network fees for each transaction they process

- a) Issuing fees
- b) Interchange
- c) Safety
- d) Merchant

11) CIB Assiut branch received LE400,000 in cash of which LE90,000 from customers of debit checking accounts, LE100,000 as fixed deposits, and the remaining from customers of credit checking accounts.

The entry to record this transaction is:

a	Cash 400,000 Customers' debit checking accounts 90,000 Fixed deposits 100,000 Customers' credit checking accounts 390,000	c	Cash 400,000 Fixed deposits 100,000 Customers' debit checking accounts 90,000 Customers' credit checking accounts 410,000
b	Cash 400,000 Fixed deposits 100,000 Customers' debit checking accounts 500,000	d	<i>Cash 400,000</i> <i>Customers' debit checking accounts 90,000</i> <i>Fixed deposits 100,000</i> <i>Customers' credit checking accounts 210,000</i>

12) SAIB (a commercial Egyptian bank) charged the fees of the third quarter amounted to LE14,000 of which LE6,000 due on the customers' debit checking accounts and LE8,000 charged to the customers' credit checking accounts. The entry to record this transaction shall be:

a	<i>Customers' checking debit accounts 6,000</i> <i>Customers' debit checking accounts 8,000</i> <i>Fees 14,000</i>	C	Fees 14,000 Customers' checking debit accounts 6,000 Customers' debit checking accounts 8,000
b	Customers checking debit accounts 20,000 Fees 14,000 Customers' debit checking accounts 8,000	d	None of the above

Case (1)

The records of Alexandria bank in Assiut show the following information during the last three months of 2019: (amounts in thousands)

Months	Balances at the beginning	Depositing amount	Withdrawals
October	118,000	4,000	2,500
November	(1)	6,000	5,000
December	(2)	3,500	3,000

If you learnt that:

- The interest rate is 10%
- The bank computes the interest at the end of each month and adds it to the savings accounts by the end of each quarter.
- The total of interest of which the bank added to savings accounts during the first three quarters of 2018 was 9,000

After reading the above information, please answer the following questions from (13) to (21)

13) In the table above, the missed amount referred to by no. (1) equals to

- a) 119,500
- b) 120,500
- c) 119,000
- d) 121,000

14) In the table above, the missed amount referred to by no. (2) equals to

- a) 120,000
- b) 120,500
- c) 121,000
- d) 121,500

15) The accrued interest of the month of October

- a) 692.5
- b) 946.5
- c) 925.6
- d) 962.5

16) The accrued interest of the month of November

- a) 954.167
- b) 945.176
- c) 916.754
- d) 654.957

17) The accrued interest of the month of December

- a) 709.833
- b) 833.970

c) 970.833

d) 933.708

18) The entry to record the interest of savings accounts for the month of October:

a	<i>Debit Interest on savings accounts</i>	962.5	
	<i>Accrued debit interest on savings accounts</i>		962.5
b	Debit Interest on savings accounts	925.6	
	Accrued debit interest on savings accounts		925.6
c	Debit Interest on savings accounts	692.5	
	Accrued debit interest on savings accounts		692.5
d	Debit Interest on savings accounts	946.5	
	Accrued debit interest on savings accounts		946.5

19) The amount of accrued debit interest that shall be added to the savings accounts by the end of the quarter (the period from October to December) shall be recorded by the entry:

a	Accrued debit interest on savings accounts	2,788.5	
	Savings accounts		2,788.5
b	<i>Accrued debit interest on savings accounts</i>	2,887.5	
	<i>Savings accounts</i>		2,887.5
c	Savings accounts	2887.5	
	Accrued debit interest on savings accounts		2,887.5
d	None of the above		

20) The total debit interest on savings accounts the bank shall charge to its annual income statement amounts:

a) 11,887.5

b) 11788.5

c) 9,000

d) None of the above

21) The balance of the savings accounts after adding the interest at the end of the fiscal year shall be:

a) 132,887.5

b) 123,788.5

c) 123,887.5

d) None of the above

Case (2):

On November 1st, 2019, the books of HSBC in Assiut show the following information:

- Fixed deposits: LE5,000,000; 16% interest rate.
- Notice deposits: LE 4,000,000; 13% interest rate.
- Balances of Accrued interests:

Type of deposits	Accrued interests
Fixed deposits	LE2,500,000,
Notice deposits	LE 1,800,000

During November 2019, the bank received new fixed deposits amounted to LE1,000,000 and notice deposits amounted to LE1,300,000).

If you learn that:

- HSBC bank computes and records the interest at the end of each month.
- The deposits of which merit on 31st October were LE900,000 and LE1,000,000 fixed and notice deposits respectively, and its accrued interest amounted (70% were encashed and 30% renewed). Shares of these deposits from the accrued interest until the end of November 2019 were LE500,000 for fixed deposits and LE 600,000 for notice deposits.

After reading the above information, please answer the following questions from (22) to (27)

22)The amount of accrued interest of the fixed deposits for November 2019:

- a) 66333
- b) 76666
- c) 63667
- d) 66667

23)The amount of accrued interest of the notice deposits for November 2019:

- a) 43333
- b) 42222
- c) 34333
- d) 45666

- 24) The total of interest due computed on the fixed deposits ended at the end of November 2019:
- a) 513,333
 - b) 66,667
 - c) 43,333
 - d) 500,000
- 25) The total of interest due computed on the notice deposits ended at the end of November 2019:
- a) 600,000
 - b) 43,333
 - c) 609,750
 - d) None of the above
- 26) The encashed amount of both fixed and notice deposits at the end of November 2019:
- a) 1,415,333
 - b) 1,609,750
 - c) 2,116,158
 - d) None of the above
- 27) The amount of fixed deposits that were subject to the renewal at the end of November of 2019:
- a) 482,925
 - b) 424,000
 - c) 600,000
 - d) None of the above

Case (3):

On 1st September 2019, Ahmed submitted a request to CIB Bank in Assiut to get a loan against his fixed deposit to be last on the same date of maturity of his fixed deposit on December 31, 2019.

If you learn that:

- The deposit amount was LE20,000 (15% interest), and Ahmed opened the fixed deposit account on 1st January 2017 that last three years.
- The bank usually grants 90% as loans against fixed deposit, but Ahmed requested only 40% in cash.
- The bank deducts 1% of the loan amount as fees.

- The bank calculates the interest on deposits at the end of the year but adding it on the maturity date of the deposit.
- The bank encashed the residual amount to Ahmed after deducting the loan.

After reading the above information, please answer the following questions from (28) to (31):

28) The net amount of the loan that Ahmed will receive on September 1, 2019, is:

- a) 20,000
- b) 8,000
- c) 12,000
- d) None of the above

29) On December 31, 2019, the amount of interest on the loan that the bank will charge to Ahmed amounted to:

- a) 543
- b) 1320
- c) 453
- d) None of the above

30) The total interest merits to Ahmed's fixed deposit at the maturity date shall be:

- a) 8,000
- b) 9,000
- c) 10,000
- d) None of the above

31) The net amount that Ahmed will receive after deducting the loan and its related interest on December 31, 2019, will be:

- a) 9,000
- b) 8,453
- c) 20,547
- d) None of the above

Case (4):

A customer has a credit card at EG-Bank. On 5th of September 2019, he withdrew LE2,000 from his bank ATM, then on 13th of the same month he paid for purchases amounted LE4,000 as he withdrew LE500 on the same day from his bank.

If you learn that:

- The commission for cash withdrawals is 2% or LE15 of which is higher.
- The commission for purchases if the seller is a customer at the same bank is 1%, and 1.5% if the seller is a customer at another bank of which the seller's bank and the world association take 75% and 5% respectively.
- The interest rate is 2.25%.
- The cardholder paid the due amount on 12th November 2019.
- The grace period ends on the 27th of each next month.

After reading the above information, please answer the following questions from (32) to (39):

32) On September 5, 2019, the amount of cash withdrawals that the bank will charge to the customer' debit checking account is:

- a) 2,000
- b) 2,030
- c) 1,960
- d) 2,040

33) The share of EG-Bank from the commission realized upon the purchases on September 13, 2019, will be:

- a) 12
- b) 45
- c) 3
- d) 60

34) The amount that EG-Bank shall transfer to the seller's bank will be:

- a) 4,000
- b) 3940
- c) 3955
- d) 3985

35) On September 5, 2019, the amount of cash withdrawals that the bank will charge to the customer' debit checking account is:

- a) 510
- b) 500
- c) 515

d) 530

36) At the end of September 2019, the interest that the bank will charge to the customer's debit checking account will be:

a) 48.375

b) 37.5

c) 47.385

d) 43.875

37) At the end of October 2019, the interest that the bank will charge to the customer's debit checking account will be:

a) 67.86

b) 86.67

c) 76.68

d) 68.87

38) On November 12, 2019, the interest that the bank will charge to the customer's debit checking account will be:

a) 35.625

b) 53.625

c) 25.625

d) None of the above

39) On November 12, 2019, the amount that the customer is required to repay to the final settlement of his debit balance at EG-Bank will be:

a) 6500

b) 6530

c) 6655.87

d) 6720.36

Case (5):

During July 2019, the following operations were carried out in the Commercial Bills Department in Alexandria Bank Assiut Branch:

- Some customers submitted their commercial bills to the bank to collect it. The bills amounted LE80,000. The bank normally gets 2% as the collection commission and .01% fees. Seventy percent of the commission and fees was collected in cash, and the remaining was deducted from the customers' checking accounts.
- The bank sent LE12,000 of the notes to his branches in other cities and notes

amounted LE5,000 were sent to be collected by other banks.

- The bank collected LE63000 of which LE50,000 were received in cash, and the residual amount was deducted from the customers' checking accounts at the same bank. All these amounts were added to the customers' checking accounts.
- The branches and other banks collected all commercial bills they received. The bank added these amounts to the customers' checking accounts.

If you learn that the bank gives half of the collection commission to the branches or other banks who collect any commercial bills on behalf of the bank.

After reading the above information, please answer the following questions from (40) to (43):

- 40) The credit commission Alexandria Bank will collect upon receiving the commercial notes amounted to:
- a) 2,000
 - b) 1,400
 - c) 600
 - d) None of the above
- 41) The cash amount that Alexandria Bank will collect (both commissions and fees) upon receiving the commercial notes amounted to:
- a) 2,000
 - b) 1,400
 - c) 600
 - d) None of the above
- 42) When the bank received a memo from its branches indicating the collection of some commercial bills that were sent to them before, the net amount that the branches shall transfer to the bank amounted to:
- a) 12,000
 - b) 11740
 - c) 11930
 - d) 11,880
- 43) When the bank received a memo from the agents (other banks) indicating the collection of some commercial bills that were sent to them before, the net amount that the agents shall transfer to the bank amounted to:
- a) 4,850
 - b) 4,950

- c) 4,930
- d) 5,000

Case (6):

On February 1, 2020, a commercial bank received commercial bills for discounting them.
If you learn that

- The face value of the commercial bills amounted LE10,000 merit by the end of May 2020.
- The Agio rate was 18% per year.
- On May 1, 2020, the bank rediscounted commercial bills amounted LE4,000 at the Central Bank at the Agio rate of 15% per year.
- In June 2020, the central bank informed the commercial bank that the debtors refused to pay the amounts of commercial bills. The central bank paid LE30 as protest fees.

After reading the above information, please answer the following questions from (44) to (50):

44) When the commercial bank received the commercial bills for discount, the bank recorded an entry. In that entry, the account of Discounted Commercial Bills recorded as:

- a) Cr. 10,000
- b) Dr. 10,000
- c) Cr. 9,400
- d) Dr. 9,400

The amount that the commercial bank transferred to the customers' checking account amounted to:

45) When the commercial bank received the commercial bills for discount, the amount that the commercial bank transferred to the customers' checking account was recorded as:

- a) Cr. 10,000
- b) Dr. 10,000
- c) Cr. 9,400
- d) Dr. 9,400

- 46) On May 1, 2020, when the commercial bank rediscounted some commercial bills at the central bank, the net amount that the commercial bank received from the central bank for the rediscounted commercial bills amounted to:
- a) 4,000
 - b) 3,950
 - c) 3,400
 - d) None of the above
- 47) When the central bank informed the commercial bank that the debtors refused to pay the amounts of commercial bills, the commercial bank will record the rediscounted commercial bills as:
- a) Cr. 4,000
 - b) Dr. 4,000
 - c) Dr. 3,950
 - d) None of the above
- 48) The total amount that the central bank claimed the commercial bank to repay amounted to:
- a) 4,000
 - b) 3,980
 - c) 4,030
 - d) None of the above
- 49) The amount that the commercial bank will deduct from the customers' checking accounts (the customers who own the refused commercial bills) will be:
- a) 4,000
 - b) 3,980
 - c) 4,030
 - d) 4,080
- 50) Keeping the securities at the bank means:
- a) The customer assigned his ownership to the bank favour.
 - b) The customer delegates the bank to sell the securities once their prices are getting increased.
 - c) The bank is required to safe-keeping the securities while the owner still has full control over them.
 - d) None of the above