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Accounting & Financial Management – Cheatsheet

Ace the JAIIB Accounting Paper: Your Ultimate Formula & Concepts Cheatsheet!

Hello Future Bankers,

The "Accounting & Financial Management for Bankers" paper in the JAIIB exam can be one of the most scoring subjects, but it demands a strong grasp of core concepts and formulas. From decoding balance sheets to making capital budgeting decisions, a clear understanding of the numbers is what separates a good banker from a great one.

To help you cut through the complexity, we've created the ultimate cheatsheet. This is your quick-glance guide to the essential principles, laws, and formulas that you absolutely must know. Let's dive in!

Concept / Law	Purpose & Key Points
Business Entity Concept	Business is treated separately from its owners; transactions recorded from business viewpoint.
Going Concern Concept	Assumes business will continue; assets depreciated over useful life instead of liquidation value.
Accounting Equation	**Assets = Liabilities + Owner's Equity** (basis for double-entry).
GAAP (Generally Accepted Accounting Principles)	Standard rules to prepare financial statements.
Companies Act, 2013	- Schedule III: Reporting format for Balance Sheet & P&L. - Sec. 123: Depreciation must be provided before dividend. - Uniform FY: April 1 – March 31.
Goods & Services Tax (GST)	Indirect tax on supply of goods/services. - ITC available. - Intra-State: CGST + SGST. - Inter-State: IGST.

Depreciation Methods

Method	Formula
Straight Line Method (SLM)	Cost of Asset – Scrap ValueEstimated Useful Life
Written Down Value (WDV)	Book Value of AssetRate of Depreciation

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Financial Ratios Analysis

Category	Ratio	Formula	Purpose / Ideal
Liquidity	Current Ratio	Current AssetsCurrent Liabilities	Measures short-term solvency. (Ideal 2:1)
	Quick Ratio	Current Assets – InventoryCurrent Liabilities	Tests immediate liquidity. (Ideal 1:1)
Leverage / Solvency	Debt-Equity Ratio	Long-term DebtShareholder's Equity	Extent of leverage. Lower = safer.
Profitability	Gross Profit Ratio	Gross ProfitNet Sales×100	Sales profitability.
	Net Profit Ratio	NP After TaxNet Sales×100	Overall profitability.
	ROE (Return on Equity)	NP After TaxShareholder's Equity×100	Return on invested equity.
Efficiency	Inventory Turnover Ratio	Cost of Goods SoldAverage Inventory	Efficiency of inventory usage.

Capital Budgeting Techniques

Technique	Calculation	Decision Rule
Payback Period	Initial InvestmentAnnual Cash Inflow	Shorter payback = better.
Net Present Value (NPV)	PV of Inflows – PV of Outflows	Accept if **NPV > 0**.
Internal Rate of Return (IRR)	Discount rate where NPV = 0	Accept if **IRR > Cost of Capital**.

Costing & Bond Valuation

Concept	Formula
Break-Even Point (Units)	Fixed CostsSP per Unit – VC per Unit
Contribution Margin	Sales – Variable Costs
WACC	(KeWe)+(KdWd×(1-Tax))
Bond Valuation (YTM)	Discount rate that equates PV of coupons + redemption value = Current Price

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Fundamental Concepts □

- **Bank Reconciliation Statement (BRS):** Matches difference between Cash Book balance vs. Bank Passbook/Statement.
- **Trial Balance:** Debit = Credit totals; ensures ledger accuracy before final accounts.
- **Capital vs Revenue Expenditure:**
  - Capital: Increases earning capacity (machinery, buildings).
  - Revenue: Daily operating expenses (rent, salaries).
- **Working Capital:** Current Assets – Current Liabilities.
- **Cost of Capital:** Minimum return to justify investments; **WACC** is standard measure.

Master this cheatsheet, and you'll be well on your way to acing the accounting paper. For more detailed guides and mock tests, stay connected with Guidely.in!

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