Skillshort

Self-Study Preparation Pack

CMA FOUNDATION

Paper 2: Fundamentals of Financial and Cost Accounting (FFCA)

Mock Test 1 – 50 MCQs with Answer Key & Explanations

Exam pattern: 50 MCQs · 2 marks each · 1 hour · no negative marking · original Skillshort questions; numericals computed by program

Module 1: 15 Qs · Module 2: 7 · Module 3: 13 · Module 4: 15

Answer key with working at the end

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This subject pack has 6 parts

1 Chapter-wise notes

2 Important topics & weightage

3 Past papers: trends & links

4 Mock tests + solutions

5 Chapter practice questions

6 Last-week plan & strategy

Prepared by Skillshort for self-study. Original explanations and questions; not an official ICAI/ICMAI/ICSI publication. Items marked VERIFY should be checked against the latest official material.

Instructions

All 50 questions are compulsory; each carries **2 marks**. There is **no negative marking**. Time: **1 hour** – in the exam Papers 1 and 2 share one 2-hour session, so give Paper 2 a little more time VERIFY. Keep a rough sheet for the numericals. Score guide: 80+ excellent · 60–78 safe · 40–58 borderline.

Section A – Fundamentals of Financial Accounting (Q1–35)

1. Under the straight line method, the amount of depreciation

(a) remains the same every year
(b) depends on usage
(c) increases every year
(d) decreases every year

2. The depreciation account of a profit-making business is closed by transfer to the

(a) Provision for Depreciation Account
(b) Fixed Asset Account
(c) Income & Expenditure Account
(d) Profit & Loss Account

3. Real accounts follow the rule

(a) debit the giver, credit the receiver
(b) debit the receiver, credit the giver
(c) debit all expenses and losses, credit all incomes and gains
(d) debit what comes in, credit what goes out

4. Purchase price of a machine ₹8,40,000; freight ₹23,000; installation ₹40,000; annual insurance ₹22,000; residual value ₹40,000; useful life 4 years. Annual depreciation under the straight line method is:

(a) ₹2,15,750
(b) ₹2,25,750
(c) ₹2,21,250
(d) ₹2,00,000

5. A machine costing ₹1,80,000 is depreciated at 15% p.a. on the written down value method. Depreciation for year 2 is:

(a) ₹27,000
(b) ₹1,30,050
(c) ₹54,000
(d) ₹22,950

6. Which of the following is NOT true of adjustment entries?

(a) There are no source documents for them
(b) They are recorded in the journal proper
(c) They are special journal entries
(d) They are passed at the beginning of the accounting period

7. Depreciation is a

(a) liability
(b) cash expense
(c) non-cash expense
(d) capital receipt

8. Awareness of authorities such as RBI, SEBI and TRAI and their pronouncements falls under the

(a) institutional framework of accounting
(b) regulatory framework
(c) conceptual framework
(d) legal framework

9. An invoice for the annual maintenance fee of office computers is a

(a) deferred revenue expenditure (b) capital expenditure
(c) revenue expenditure (d) prepaid expense

10. The convention of conservatism (prudence) requires that

(a) all profits are recorded in advance
(b) no provisions are made
(c) anticipated losses are provided for but anticipated profits are not recorded
(d) assets are shown at market value

11. The process of transferring entries from the journal to the ledger is called

(a) posting (b) casting
(c) balancing (d) journalising

12. Balance as per cash book is ₹53,300. Cheques deposited but not yet credited ₹13,800; interest credited by bank but not entered in the cash book ₹4,950; bank charges not entered ₹270. Balance as per pass book is:

(a) ₹44,180 (b) ₹34,820
(c) ₹62,420 (d) ₹71,780

13. Pass book shows a credit balance of ₹18,600. Cheques issued but not presented ₹6,200; a customer's cheque of ₹3,700 deposited was dishonoured but not recorded in the cash book. Balance as per cash book is:

(a) ₹21,100 (b) ₹8,700
(c) ₹28,500 (d) ₹16,100

14. Total assets of a business are ₹5,70,000 and outside liabilities are ₹2,60,000. The owner's capital is:

(a) ₹2,60,000 (b) ₹3,10,000
(c) ₹8,30,000 (d) ₹5,70,000

15. According to the dual aspect concept,

(a) business and owner are separate
(b) revenue is recognised when earned
(c) every transaction has two aspects – debit and credit
(d) transactions are recorded at cost

16. Unless otherwise agreed, profit on a joint venture is shared

(a) according to time (b) equally
(c) in the ratio of sales (d) in the ratio of capitals

17. A consignor sends 1,200 units costing ₹500 each (invoice price ₹600). He pays freight ₹12,000. The consignee sells 900 units and spends ₹14,000 on selling. Value of unsold stock at cost is:

(a) ₹1,83,000 (b) ₹1,56,500
(c) ₹1,53,000 (d) ₹1,50,000

18. Retiring a bill means

(a) the bill is cancelled
(b) the drawee pays before the due date, usually with a rebate
(c) the bill is renewed
(d) the bill is dishonoured

19. A bill of ₹1,70,000 is renewed at maturity for 6 months with interest @ 9% p.a. included in the new bill. Amount of the new bill is:

(a) ₹1,85,300 (b) ₹1,62,350
(c) ₹1,77,650 (d) ₹1,70,000

20. On dishonour of a bill, noting charges are ultimately borne by the

(a) bank
(b) drawee
(c) drawer
(d) endorsee

21. A bill of exchange sent to the bank for collection on maturity – the entry in the drawer's books is

(a) Bills Receivable A/c Dr; To Bank A/c
(b) Drawee A/c Dr; To Bills Receivable A/c
(c) Bills sent for collection A/c Dr; To Bills Receivable A/c
(d) Bank A/c Dr; To Bills Receivable A/c

22. A bill dated 20 May 2026 is drawn payable 2 months after date. Its due date (ignoring holidays) is:

(a) 23 July 2026
(b) 22 August 2026
(c) 20 July 2026
(d) 21 July 2026

23. Income received in advance is shown in the balance sheet as a

(a) fixed asset
(b) capital
(c) current asset
(d) current liability

24. Provision for doubtful debts appears in the balance sheet as a

(a) deduction from sundry debtors
(b) addition to debtors
(c) liability
(d) fixed asset

25. Drawings by the proprietor are

(a) deducted from capital in the balance sheet
(b) added to capital
(c) shown as an expense in P&L
(d) shown as an asset

26. Outstanding salary is shown

(a) added to salary in P&L and as a current liability
(b) deducted from salary and as an asset
(c) only in the balance sheet
(d) only in the P&L account

27. Laptops held for sale by a computer dealer are

(a) fixed assets
(b) intangible assets
(c) investments
(d) current assets (stock-in-trade)

28. Opening creditors ₹32,000; credit purchases ₹46,500; cash paid to creditors ₹38,000; discount received ₹2,400; returns outward ₹3,900. Closing creditors are:

(a) ₹42,000
(b) ₹39,000
(c) ₹40,500
(d) ₹34,200

29. A Receipts and Payments Account is a

(a) statement of income on accrual basis
(b) summary of cash and bank transactions
(c) nominal account
(d) balance sheet

30. Sales ₹2,10,000; opening stock ₹42,000; purchases ₹1,39,000; direct expenses ₹16,500; closing stock ₹71,000. Gross profit is:

(a) ₹83,500 (b) ₹71,000
(c) ₹-58,500 (d) ₹1,00,000

31. The Receipts and Payments Account records

(a) non-cash items as well
(b) both capital and revenue items, only in cash
(c) only capital items
(d) only revenue items

32. The Income and Expenditure Account of a not-for-profit organisation is prepared on the

(a) basis of receipts only
(b) cash basis and records capital items
(c) accrual basis and records only revenue items
(d) cash basis

33. Opening debtors ₹75,000; credit sales ₹2,67,000; cash received from debtors ₹1,80,000; bad debts ₹2,000; returns inward ₹4,800. Closing debtors are:

(a) ₹1,62,000 (b) ₹1,59,200
(c) ₹1,55,200 (d) ₹1,64,800

34. Goods withdrawn by the proprietor for personal use are credited to the

(a) Capital Account (b) Stock Account
(c) Sales Account (d) Purchases Account

35. A club has 400 members paying an annual subscription of ₹1,000. Subscription received during the year is ₹4,00,000, which includes ₹15,000 for the previous year and ₹5,000 for the next year. Subscription to be credited to the Income & Expenditure Account is:

(a) ₹4,20,000 (b) ₹4,00,000
(c) ₹4,80,000 (d) ₹3,85,000

Section B – Fundamentals of Cost Accounting (Q36–50)

36. Royalty paid on the basis of units produced is a

(a) administration overhead (b) selling overhead
(c) direct expense (d) factory overhead

37. Cost of sales ₹3,36,750; advertisement ₹8,000; commission to salesmen = 50% of advertisement. Cost of goods sold is:

(a) ₹3,48,750 (b) ₹3,24,750
(c) ₹3,28,750 (d) ₹3,40,750

38. Classification of costs into fixed, variable and semi-variable is by

(a) behaviour (b) nature
(c) function (d) time

39. A location, person or item of equipment for which costs are ascertained is a

(a) profit centre (b) cost driver
(c) cost unit (d) cost centre

40. Cost of sales of 1,000 units is ₹40,000. The firm wants a profit of 20% on cost. Selling price per unit is:

(a) ₹40
(b) ₹50
(c) ₹8
(d) ₹48

41. Conversion cost equals

(a) direct labour + direct expenses + factory overheads
(b) direct material + direct labour
(c) prime cost + office overheads
(d) total cost – profit

42. Fixed cost per unit

(a) is zero
(b) remains constant
(c) decreases as output increases
(d) increases as output increases

43. Direct expenses are also called

(a) overheads
(b) indirect expenses
(c) administration costs
(d) chargeable expenses

44. Purchases of raw materials ₹81,000; opening stock of raw material ₹2,500; closing stock of raw material ₹7,500; carriage inward ₹1,200. Raw material consumed is:

(a) ₹77,200
(b) ₹87,200
(c) ₹91,000
(d) ₹81,000

45. Cost of free samples and gifts is included in

(a) prime cost
(b) factory overheads
(c) office and administrative overheads
(d) selling and distribution overheads

46. Opportunity cost is

(a) a sunk cost
(b) the historical cost
(c) the benefit forgone from the next best alternative
(d) an out-of-pocket cost

47. Classification into production, administration, selling and distribution costs is

(a) classification by controllability
(b) functional classification
(c) behavioural classification
(d) classification by nature

48. Classification of costs into material, employee cost and expenses is classification by

(a) controllability
(b) nature of expense
(c) function
(d) behaviour

49. Direct material ₹1,19,000; direct wages ₹21,000; direct expenses ₹11,500; factory overheads ₹29,000. Prime cost is:

(a) ₹1,40,000
(b) ₹1,69,000
(c) ₹1,51,500
(d) ₹1,80,500

50. Works cost is also called

(a) prime cost
(b) factory cost
(c) conversion cost
(d) cost of sales

Answer Key with Explanations

EXAM TIP Scoring

Score = 2 × correct answers (no negative marking). For every wrong numerical, redo it from the working shown and note the formula in your mistake log.

Answer key – Mock Test 1

Q	Ans	Explanation / working
1	(a)	Fixed instalment.
2	(d)	It is an expense (nominal account).
3	(d)	Traditional (golden) rules.
4	(a)	Cost = ₹8,40,000 + ₹23,000 + ₹40,000 = ₹9,03,000 (insurance is revenue). (₹9,03,000 − ₹40,000) ÷ 4 = ₹2,15,750.
5	(d)	Opening WDV of year 2 = ₹1,53,000; × 15% = ₹22,950.
6	(d)	They are passed at the end of the period.
7	(c)	No cash outflow.
8	(a)	ICMAI's four frameworks: conceptual, legal, institutional, regulatory.
9	(c)	Recurring, benefit within the year.
10	(c)	Stock at cost or NRV, whichever is lower.
11	(a)	Ledger posting.
12	(a)	Start with cash book ₹53,300; less uncredited cheques ₹13,800; add interest ₹4,950; less charges ₹270 → ₹44,180.
13	(d)	From pass book ₹18,600: less cheques not presented ₹6,200 (bank is higher); add dishonoured cheque ₹3,700 (cash book still includes it) → ₹16,100.
14	(b)	Capital = Assets − Liabilities = ₹3,10,000.
15	(c)	Basis of the accounting equation.
16	(b)	Like partnership without agreement.
17	(c)	300 units × (₹500 + freight ₹10 per unit) = ₹1,53,000; selling expenses are not added.
18	(b)	Rebate is income for the drawee.
19	(c)	Interest = ₹1,70,000 × 9% × 6/12 = ₹7,650; new bill = ₹1,77,650.
20	(b)	Recovered from the acceptor.
21	(c)	Bank credits the amount only on realisation.
22	(a)	20 May 2026 + 2 months = 20 July 2026 + 3 days of grace = 23 July 2026.
23	(d)	Unearned income.
24	(a)	Valuation of debtors.
25	(a)	Withdrawal for personal use.
26	(a)	Expense incurred but not paid.
27	(d)	Held for sale in the ordinary course.
28	(d)	₹32,000 + ₹46,500 − ₹38,000 − ₹2,400 − ₹3,900 = ₹34,200.
29	(b)	Real account.
30	(a)	COGS = ₹42,000 + ₹1,39,000 + ₹16,500 − ₹71,000 = ₹1,26,500; GP = ₹83,500.
31	(b)	Statement 1 and 2 are both true.
32	(c)	Like a P&L account.
33	(c)	₹75,000 + ₹2,67,000 − ₹1,80,000 − ₹2,000 − ₹4,800 = ₹1,55,200.
34	(d)	Dr Drawings, Cr Purchases (at cost).
35	(b)	Income is on accrual basis – 400 × ₹1,000 = ₹4,00,000 (check: ₹4,00,000 − ₹15,000 − ₹5,000 + outstanding ₹20,000).
36	(c)	Traceable to output.

Q	Ans	Explanation / working
37	(b)	COGS = cost of sales − selling overheads = ₹3,36,750 − ₹8,000 − ₹4,000 = ₹3,24,750.
38	(a)	Response to output changes.
39	(d)	Cost unit is the unit of output.
40	(d)	Cost per unit ₹40 × 120% = ₹48.
41	(a)	Cost of converting material.
42	(c)	Total fixed cost is spread.
43	(d)	E.g., royalty on production.
44	(a)	₹2,500 + ₹81,000 + ₹1,200 − ₹7,500 = ₹77,200.
45	(d)	Promotional cost.
46	(c)	Used in decisions, not in books.
47	(b)	By activity.
48	(b)	CAS-1.
49	(c)	Prime cost = material + wages + direct expenses = ₹1,51,500.
50	(b)	Prime cost + factory overheads.