Skillshort

Self-Study Preparation Pack

CMA FOUNDATION

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

Mock Test 3 – 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. Sundry debtors ₹1,80,000; further bad debts ₹8,000; provision for doubtful debts 5%; provision for discount on debtors 2%. The provision for discount is:

(a) ₹3,600
(b) ₹3,428
(c) ₹3,440
(d) ₹3,268

2. Return of goods by a customer is recorded in the

(a) purchase returns book
(b) sales book
(c) sales returns (returns inward) book
(d) journal proper only

3. Which error is NOT disclosed by the trial balance?

(a) Posting to the wrong side of an account
(b) Wrong totalling of the sales book
(c) Omitting to post one side of an entry
(d) Error of principle

4. The imprest system is associated with the

(a) petty cash book
(b) ledger
(c) purchases book
(d) bank book

5. Financial accounts do not record non-financial events such as a strike because of the

(a) business entity concept
(b) money measurement concept
(c) accrual concept
(d) cost concept

6. Purchase price of a machine ₹3,90,000; freight ₹8,000; installation ₹10,000; annual insurance ₹14,000; residual value ₹25,000; useful life 5 years. Annual depreciation under the straight line method is:

(a) ₹81,600
(b) ₹79,400
(c) ₹73,000
(d) ₹76,600

7. The concept which treats the business and its owner as separate is the

(a) money measurement concept
(b) accrual concept
(c) going concern concept
(d) business entity concept

8. A machine costing ₹2,50,000 is depreciated at 25% p.a. on the written down value method. Depreciation for year 2 is:

(a) ₹46,875
(b) ₹62,500
(c) ₹1,40,625
(d) ₹1,25,000

9. Pass book shows a credit balance of ₹20,100. Cheques issued but not presented ₹19,100; a customer's cheque of ₹1,600 deposited was dishonoured but not recorded in the cash book. Balance as per cash book is:

(a) ₹2,600
(b) ₹40,800
(c) ₹37,600
(d) ₹-600

10. Goods returned by Mrs. Richa worth ₹14,000 were wrongly passed through the sales day book. If not detected, this results in

(a) decrease in gross profit
(b) decrease in net profit
(c) no change in gross profit
(d) increase in gross profit

11. Interest allowed by the bank but not recorded in the cash book makes the cash book balance

(a) negative
(b) higher than the pass book balance
(c) lower than the pass book balance
(d) equal to the pass book balance

12. Balance as per cash book is ₹51,100. Cheques deposited but not yet credited ₹5,100; interest credited by bank but not entered in the cash book ₹5,050; bank charges not entered ₹590. Balance as per pass book is:

(a) ₹50,460
(b) ₹41,540
(c) ₹60,660
(d) ₹51,740

13. The correct sequence of the accounting cycle is

(a) journal → identification → ledger → adjusted trial balance → adjustments
(b) journal → ledger → identification → adjustments → trial balance
(c) identification → journal → ledger → adjustment entries → adjusted trial balance
(d) identification → journal → ledger → adjusted trial balance → adjustments

14. Cheques issued but not yet presented for payment make the pass book balance

(a) nil
(b) higher than the cash book balance
(c) equal to the cash book balance
(d) lower than the cash book balance

15. Heavy advertisement expenditure for launching a new product with benefit for several years is

(a) deferred revenue expenditure
(b) capital expenditure
(c) revenue expenditure
(d) capital receipt

16. The number of days of grace allowed on a bill payable after a fixed period is

(a) two
(b) three
(c) none
(d) seven

17. A consignor sends 800 units costing ₹500 each (invoice price ₹625). He pays freight ₹8,000. The consignee sells 720 units and spends ₹16,000 on selling. Value of unsold stock at cost is:

(a) ₹40,000
(b) ₹40,800
(c) ₹50,800
(d) ₹42,400

18. In a joint venture A purchases goods for ₹1,45,000. B sells goods costing ₹1,37,000 for ₹1,71,250. The balance of goods is taken over by A at the same profit percentage. Value of goods taken over is:

(a) ₹10,000
(b) ₹6,000
(c) ₹8,000
(d) ₹18,000

19. While valuing unsold stock on consignment, the consignee's selling expenses are

(a) deducted
(b) included fully
(c) included proportionately
(d) not included

20. A bill of ₹1,90,000 is renewed at maturity for 4 months with interest @ 15% p.a. included in the new bill. Amount of the new bill is:

(a) ₹1,99,500 (b) ₹1,80,500
(c) ₹2,18,500 (d) ₹1,90,000

21. On dishonour of an endorsed bill, in the books of the drawee the account credited is

(a) Drawer's Account (b) Endorsee's Account
(c) Bills Payable Account (d) Bank Account

22. The relationship between consignor and consignee is that of

(a) buyer and seller (b) principal and agent
(c) partners (d) creditor and debtor

23. Gross profit is transferred by debiting

(a) Trading Account and crediting Manufacturing Account
(b) Trading Account and crediting Profit & Loss Account
(c) Profit & Loss Account and crediting Trading Account
(d) Trading Account and crediting Capital Account

24. Sale of old newspapers by a club is shown in the

(a) credit side of the Income and Expenditure Account
(b) debit side of the I&E Account
(c) capital fund
(d) liabilities side of the Balance Sheet

25. Entrance fees received by a club ₹7,00,000, of which 50% is to be capitalised. Amount credited to the Income & Expenditure Account is:

(a) ₹0 (b) ₹4,20,000
(c) ₹7,00,000 (d) ₹3,50,000

26. Opening creditors ₹40,000; credit purchases ₹1,12,300; cash paid to creditors ₹58,000; discount received ₹1,500; returns outward ₹3,800. Closing creditors are:

(a) ₹89,000 (b) ₹96,600
(c) ₹94,300 (d) ₹92,000

27. Life membership fees received by a club are generally

(a) ignored
(b) treated as revenue income
(c) deducted from expenses
(d) capitalised (added to the capital fund)

28. Opening debtors ₹54,000; credit sales ₹1,00,000; cash received from debtors ₹90,000; bad debts ₹2,300; returns inward ₹1,900. Closing debtors are:

(a) ₹63,600 (b) ₹64,400
(c) ₹59,800 (d) ₹64,000

29. Office rent is shown in the

(a) debit side of the Profit & Loss Account
(b) debit side of the Trading Account
(c) Balance Sheet only
(d) credit side of the P&L Account

30. Opening capital ₹5,00,000, closing capital ₹6,00,000, additional capital introduced ₹30,000 and drawings ₹60,000. Profit for the year is:

(a) ₹1,30,000 (b) ₹1,00,000
(c) ₹1,90,000 (d) ₹70,000

31. Discount received is shown in the

(a) credit side of the Trading Account
(b) liabilities side of the Balance Sheet
(c) credit side of the Profit & Loss Account
(d) debit side of the Profit & Loss Account

32. If there is a gross loss, it is transferred to the

(a) credit side of the Profit & Loss Account
(b) Capital Account directly
(c) Balance Sheet
(d) debit side of the Profit & Loss Account

33. Honorarium paid to artists for performance at a club's annual function is recorded in the

(a) Receipts and Payments Account only
(b) Receipts and Payments Account and the Balance Sheet
(c) Receipts and Payments Account and the Income and Expenditure Account
(d) Income and Expenditure Account only

34. Legacies received by a club are

(a) capitalised (b) ignored
(c) treated as income (d) treated as expenditure

35. Gross profit is the difference between

(a) sales and operating expenses
(b) sales and purchases
(c) sales and non-operating expenses
(d) sales and cost of goods sold

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

36. Which is NOT a component of cost of sales in a cost sheet?

(a) Factory cost (b) Financing cost
(c) Prime cost (d) Cost of production

37. Prime cost consists of

(a) factory cost plus office overheads
(b) direct material, direct labour and direct expenses
(c) direct material and factory overheads
(d) all costs of production

38. Cost Accounting Standard (CAS) 3 deals with

(a) cost of utilities
(b) production and operation overheads
(c) administrative overheads
(d) material cost

39. Cost of sales of 1,000 units is ₹40,000. The firm wants a profit of 25% on cost. Selling price per unit is:

(a) ₹50
(b) ₹53
(c) ₹40
(d) ₹10

40. The most appropriate method of costing for a toy-making industry is

(a) job costing
(b) batch costing
(c) process costing
(d) operating costing

41. Which is an example of a composite cost unit?

(a) Chargeable hour
(b) Number of pieces
(c) Room-day
(d) Metric tonne

42. Prime cost ₹3,34,000; factory overheads ₹31,000; opening WIP ₹5,000; closing WIP ₹5,500; sale of scrap ₹4,300. Works (factory) cost is:

(a) ₹3,61,200
(b) ₹3,68,800
(c) ₹3,65,000
(d) ₹3,60,200

43. A cost sheet is prepared to show

(a) the total cost and cost per unit with their components
(b) the financial position
(c) cash flows
(d) tax liability

44. Purchases of raw materials ₹61,000; opening stock of raw material ₹10,000; closing stock of raw material ₹17,000; carriage inward ₹800. Raw material consumed is:

(a) ₹68,800
(b) ₹54,800
(c) ₹61,000
(d) ₹88,000

45. Passenger-kilometre is a cost unit for

(a) hotels
(b) hospitals
(c) transport services
(d) power generation

46. Cost accounting differs from financial accounting because it

(a) is mainly for internal management use
(b) records only past data for outsiders
(c) shows only the balance sheet
(d) is compulsory for all firms

47. Direct material ₹1,97,000; direct wages ₹74,000; direct expenses ₹15,000; factory overheads ₹37,000. Prime cost is:

(a) ₹3,08,000
(b) ₹2,86,000
(c) ₹2,71,000
(d) ₹3,23,000

48. A factor that causes a change in the cost of an activity is a

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

49. Salary of the factory manager is a

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

50. Sale of scrap in a cost sheet is

(a) ignored
(b) deducted from factory cost (works cost)
(c) added to prime cost
(d) added to 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 3

Q	Ans	Explanation / working
1	(d)	PDD = 5% × ₹1,72,000 = ₹8,600; discount = 2% × (₹1,72,000 − ₹8,600) = ₹3,268.
2	(c)	Credit note issued.
3	(d)	Compensating, principle and complete omission are not disclosed.
4	(a)	Fixed float reimbursed periodically.
5	(b)	Only items measurable in money are recorded.
6	(d)	Cost = ₹3,90,000 + ₹8,000 + ₹10,000 = ₹4,08,000 (insurance is revenue). (₹4,08,000 − ₹25,000) ÷ 5 = ₹76,600.
7	(d)	Capital is a liability of the business.
8	(a)	Opening WDV of year 2 = ₹1,87,500; × 25% = ₹46,875.
9	(a)	From pass book ₹20,100: less cheques not presented ₹19,100 (bank is higher); add dishonoured cheque ₹1,600 (cash book still includes it) → ₹2,600.
10	(d)	Sales overstated.
11	(c)	Bank credited it.
12	(a)	Start with cash book ₹51,100; less uncredited cheques ₹5,100; add interest ₹5,050; less charges ₹590 → ₹50,460.
13	(c)	Adjustments come before the adjusted trial balance.
14	(b)	Bank has not yet paid.
15	(a)	Written off over 3–5 years.
16	(b)	Added to find the due date.
17	(b)	80 units × (₹500 + freight ₹10 per unit) = ₹40,800; selling expenses are not added.
18	(a)	Profit = 25% on cost; unsold cost ₹8,000 × 125% = ₹10,000.
19	(d)	Only expenses incurred up to the consignee's godown are added.
20	(a)	Interest = ₹1,90,000 × 15% × 4/12 = ₹9,500; new bill = ₹1,99,500.
21	(a)	Drawee: Dr Bills Payable, Cr Drawer.
22	(b)	Ownership stays with the consignor.
23	(b)	Closing entry.
24	(a)	Small revenue receipt.
25	(d)	50% of ₹7,00,000 = ₹3,50,000 is revenue; ₹3,50,000 goes to the capital fund.
26	(a)	₹40,000 + ₹1,12,300 − ₹58,000 − ₹1,500 − ₹3,800 = ₹89,000.
27	(d)	Non-recurring.
28	(c)	₹54,000 + ₹1,00,000 − ₹90,000 − ₹2,300 − ₹1,900 = ₹59,800.
29	(a)	Administrative expense.
30	(a)	Profit = ₹6,00,000 − ₹5,00,000 + ₹60,000 − ₹30,000 = ₹1,30,000.
31	(c)	Income.
32	(d)	Profit & Loss starts with gross profit or loss.
33	(c)	Cash paid and revenue expense.
34	(a)	Non-recurring receipt.
35	(d)	Trading account result.
36	(b)	Interest is a financial charge.

Q	Ans	Explanation / working
37	(b)	Total direct costs.
38	(b)	CAS-8 utilities, CAS-6 material, CAS-11 administration.
39	(a)	Cost per unit ₹40 × 125% = ₹50.
40	(b)	Identical units in batches.
41	(c)	Two measures combined.
42	(d)	₹3,34,000 + ₹31,000 + ₹5,000 − ₹5,500 − ₹4,300 = ₹3,60,200.
43	(a)	Periodic statement of cost.
44	(b)	₹10,000 + ₹61,000 + ₹800 − ₹17,000 = ₹54,800.
45	(c)	Composite unit.
46	(a)	Purpose and users differ.
47	(b)	Prime cost = material + wages + direct expenses = ₹2,86,000.
48	(c)	Used in ABC.
49	(b)	Indirect production cost.
50	(b)	Reduces cost of production.