Skillshort

Self-Study Preparation Pack

CMA FOUNDATION

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

Module-wise Practice Questions with Answers

All 4 modules · original MCQs that do not repeat the mocks · numericals computed by program · key with working after each module

55 MCQs | Working for every numerical | Target: 80% per module

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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.

How to practise

Do each module set at exam speed (**about 70 seconds a question**) after revising that module in file 01. Check with the key below the set. Below 70% → revise the formulas in file 06 and repeat after two days.

Module 1: Accounting Fundamentals

1. Under the going concern assumption, fixed assets are shown at

(a) cost less depreciation
(b) replacement cost
(c) realisable value
(d) nil value

2. Purchase price of a machine ₹4,10,000; freight ₹27,000; installation ₹15,000; annual insurance ₹7,000; residual value ₹40,000; useful life 4 years. Annual depreciation under the straight line method is:

(a) ₹1,03,000
(b) ₹1,04,750
(c) ₹1,13,000
(d) ₹92,500

3. Trade discount is

(a) shown in the profit and loss account
(b) recorded on the credit side of the cash book
(c) not recorded in the books of account
(d) recorded on the debit side of the cash book

4. Bank balance as per cash book ₹14,900. Cheques deposited ₹5,400, of which only ₹1,700 were credited. Dividend ₹1,760 collected by the bank was entered in the cash book as ₹2,030. Balance as per pass book is:

(a) ₹11,470
(b) ₹9,230
(c) ₹10,930
(d) ₹18,330

5. The book used by accountants for recording transactions chronologically in the first place is the

(a) challan
(b) ledger
(c) journal
(d) invoice

6. Purchase of furniture on credit is recorded in the

(a) sales book
(b) purchases book
(c) journal proper
(d) cash book

7. Under the written down value method, depreciation is charged on the

(a) residual value
(b) book value at the beginning of each year
(c) market value
(d) original cost every year

8. Accounting concepts, conventions and principles form the

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

9. A suspense account is opened when

(a) the cash book does not balance
(b) the trial balance does not agree
(c) stock is undervalued
(d) the BRS shows a difference

10. Sundry debtors ₹1,00,000; further bad debts ₹8,000; provision for doubtful debts 5%; provision for discount on debtors 3%. The provision for discount is:

(a) ₹2,622 (b) ₹2,760
(c) ₹2,862 (d) ₹3,000

11. Total assets of a business are ₹6,60,000 and outside liabilities are ₹1,20,000. The owner's capital is:

(a) ₹6,60,000 (b) ₹1,20,000
(c) ₹7,80,000 (d) ₹5,40,000

12. Valuing closing stock at cost or net realisable value, whichever is lower, follows the convention of

(a) consistency (b) conservatism
(c) materiality (d) full disclosure

13. Pass book shows a credit balance of ₹11,300. Cheques issued but not presented ₹13,400; a customer's cheque of ₹4,000 deposited was dishonoured but not recorded in the cash book. Balance as per cash book is:

(a) ₹-6,100 (b) ₹20,700
(c) ₹28,700 (d) ₹1,900

14. Wages paid for installation of a new machine debited to the Wages Account is an error of

(a) omission (b) commission
(c) principle (d) compensating error

15. The matching concept requires that

(a) transactions are recorded at cost
(b) expenses of a period are matched with the revenues of that period
(c) debit equals credit
(d) assets equal liabilities

16. An overdraft as per cash book means

(a) a credit balance in the pass book
(b) a credit balance in the cash book
(c) a debit balance in the cash book
(d) a positive bank balance

Answer key – Module 1

Q	Ans	Explanation / working
1	(a)	The business will continue.
2	(a)	Cost = ₹4,10,000 + ₹27,000 + ₹15,000 = ₹4,52,000 (insurance is revenue). (₹4,52,000 − ₹40,000) ÷ 4 = ₹1,03,000.
3	(c)	Shown only as a deduction in the invoice.
4	(c)	Less uncredited ₹3,700; less excess dividend entry ₹270 → ₹10,930.
5	(c)	Book of original (prime) entry.
6	(c)	Purchases book records only credit purchase of goods.
7	(b)	Diminishing balance.
8	(c)	Theoretical base.
9	(b)	Temporary account until errors are found.
10	(a)	PDD = 5% × ₹92,000 = ₹4,600; discount = 3% × (₹92,000 − ₹4,600) = ₹2,622.
11	(d)	Capital = Assets − Liabilities = ₹5,40,000.
12	(b)	Prudence.
13	(d)	From pass book ₹11,300: less cheques not presented ₹13,400 (bank is higher); add dishonoured cheque ₹4,000 (cash book still includes it) → ₹1,900.

Q	Ans	Explanation / working
14	(c)	Capital item treated as revenue.
15	(b)	Basis of accrual accounting.
16	(b)	Amount owed to the bank.

Module 2: Accounting for Special Transactions

1. Del credere commission is paid to the consignee for

(a) selling above invoice price
(b) extra storage
(c) advertising
(d) bearing the risk of bad debts

2. When each co-venturer records only his own transactions, the profit is found through a

(a) Joint Bank Account
(b) Realisation Account
(c) Memorandum Joint Venture Account
(d) Consignment Account

3. A bill of ₹2,70,000 is renewed at maturity for 6 months with interest @ 12% p.a. included in the new bill. Amount of the new bill is:

(a) ₹2,70,000
(b) ₹3,02,400
(c) ₹2,53,800
(d) ₹2,86,200

4. A bill dated 10 January 2026 is drawn payable 2 months after date. Its due date (ignoring holidays) is:

(a) 12 April 2026
(b) 11 March 2026
(c) 13 March 2026
(d) 10 March 2026

5. In a joint venture, when a separate set of books is maintained, the accounts opened are

(a) Joint Venture A/c, Joint Bank A/c and Co-venturers' A/cs
(b) Memorandum Joint Venture A/c only
(c) Joint Venture A/c and Joint Bank A/c only
(d) Joint Venture A/c and Co-venturers' A/cs only

6. The document sent by the consignor to the consignee giving details of goods sent is the

(a) debit note
(b) account sales
(c) bill of lading only
(d) proforma invoice

7. A joint venture is a

(a) company
(b) permanent partnership
(c) cooperative society
(d) temporary partnership for a specific purpose

8. A bill of ₹3,00,000 is renewed at maturity for 2 months with interest @ 15% p.a. included in the new bill. Amount of the new bill is:

(a) ₹3,45,000
(b) ₹3,07,500
(c) ₹3,00,000
(d) ₹2,92,500

9. Abnormal loss on consignment is

(a) debited to the consignee
(b) credited to the consignment account and transferred to P&L (net of insurance claim)
(c) added to the cost of good units
(d) ignored

10. In a joint venture A purchases goods for ₹1,25,000. B sells goods costing ₹1,21,000 for ₹1,45,200. The balance of goods is taken over by A at the same profit percentage. Value of goods taken over is:

(a) ₹8,800 (b) ₹3,200
(c) ₹4,800 (d) ₹4,000

11. When a bill is discounted with the bank, the discount charged is debited to

(a) Bank Account (b) Discount Account
(c) Bills Receivable Account (d) Drawee's Account

12. In the books of the drawer, a bill of exchange is

(a) a liability (b) an expense
(c) bills receivable (d) bills payable

13. A consignor sends 800 units costing ₹400 each (invoice price ₹480). He pays freight ₹8,000. The consignee sells 640 units and spends ₹15,000 on selling. Value of unsold stock at cost is:

(a) ₹78,400 (b) ₹65,600
(c) ₹64,000 (d) ₹68,600

14. Consignment debtors account is maintained in the books of the consignee when the consignor pays

(a) ordinary commission (b) del credere commission
(c) special commission (d) royalty

15. When the drawee requests renewal of a bill, interest for the extended period is

(a) ignored
(b) credited to the drawee
(c) debited to the drawee and credited to interest
(d) paid by the drawer

16. Bills receivable in the balance sheet appear under

(a) non-current assets (b) current assets
(c) investments (d) equity

Answer key – Module 2

Q	Ans	Explanation / working
1	(d)	Additional commission.
2	(c)	Prepared from combined information.
3	(d)	Interest = ₹2,70,000 × 12% × 6/12 = ₹16,200; new bill = ₹2,86,200.
4	(c)	10 January 2026 + 2 months = 10 March 2026 + 3 days of grace = 13 March 2026.
5	(a)	Complete set for the venture.
6	(d)	Account sales is sent by the consignee.
7	(d)	Ends when the venture is completed.
8	(b)	Interest = ₹3,00,000 × 15% × 2/12 = ₹7,500; new bill = ₹3,07,500.
9	(b)	Avoidable loss.
10	(c)	Profit = 20% on cost; unsold cost ₹4,000 × 120% = ₹4,800.
11	(b)	Loss to the drawer.
12	(c)	For the drawee it is bills payable.
13	(b)	160 units × (₹400 + freight ₹10 per unit) = ₹65,600; selling expenses are not added.
14	(b)	Consignee bears bad debts.
15	(c)	Included in the new bill or paid in cash.
16	(b)	Realisable within the operating cycle.

Module 3: Preparation of Final Accounts

1. Prepaid insurance is shown

(a) added to insurance and as a liability
(b) deducted from insurance in P&L and as a current asset
(c) as a fixed asset
(d) only in P&L

2. Sales ₹3,00,000; opening stock ₹72,000; purchases ₹2,14,000; direct expenses ₹15,000; closing stock ₹39,000. Gross profit is:

(a) ₹53,000
(b) ₹38,000
(c) ₹-40,000
(d) ₹86,000

3. Goods returns appearing in the credit column of a trial balance are

(a) sales returns
(b) purchase returns
(c) returns inward
(d) bills returns

4. Trademarks are classified as

(a) current assets
(b) intangible assets
(c) contingent assets
(d) fictitious assets

5. The capital of a not-for-profit organisation is called

(a) share capital
(b) capital fund (general fund)
(c) reserve capital
(d) owner's equity

6. Opening debtors ₹69,000; credit sales ₹2,31,000; cash received from debtors ₹2,00,000; bad debts ₹2,300; returns inward ₹4,600. Closing debtors are:

(a) ₹93,100
(b) ₹1,00,000
(c) ₹1,02,300
(d) ₹97,700

7. Opening capital ₹3,50,000, closing capital ₹5,30,000, additional capital introduced ₹1,00,000 and drawings ₹30,000. Profit for the year is:

(a) ₹3,10,000
(b) ₹1,80,000
(c) ₹1,10,000
(d) ₹2,50,000

8. Entrance fees received by a club ₹30,00,000, of which 40% is to be capitalised. Amount credited to the Income & Expenditure Account is:

(a) ₹18,00,000
(b) ₹12,00,000
(c) ₹0
(d) ₹30,00,000

9. The opening balance of a Receipts and Payments Account represents

(a) cash and bank balance at the beginning
(b) surplus of the previous year
(c) outstanding subscriptions
(d) capital fund

10. Which is NOT an approach to marshalling the balance sheet?

(a) Liquidity order
(b) Permanence order
(c) Mixed order
(d) Flexibility order

11. Closing stock given inside the trial balance appears

(a) only in the Balance Sheet
(b) only in the Trading Account
(c) in the Profit & Loss Account
(d) in both the Trading Account and the Balance Sheet

12. Manufacturing account is prepared to find the

(a) financial position
(b) gross profit
(c) net profit
(d) cost of goods manufactured

13. Opening creditors ₹31,000; credit purchases ₹1,14,200; cash paid to creditors ₹43,000; discount received ₹2,600; returns outward ₹5,400. Closing creditors are:

(a) ₹1,02,200
(b) ₹1,05,000
(c) ₹99,400
(d) ₹94,200

Answer key – Module 3

Q	Ans	Explanation / working
1	(b)	Paid in advance.
2	(b)	COGS = ₹72,000 + ₹2,14,000 + ₹15,000 − ₹39,000 = ₹2,62,000; GP = ₹38,000.
3	(b)	Returns outward have a credit balance.
4	(b)	No physical existence.
5	(b)	Accumulated surpluses and capitalised receipts.
6	(a)	₹69,000 + ₹2,31,000 − ₹2,00,000 − ₹2,300 − ₹4,600 = ₹93,100.
7	(c)	Profit = ₹5,30,000 − ₹3,50,000 + ₹30,000 − ₹1,00,000 = ₹1,10,000.
8	(a)	60% of ₹30,00,000 = ₹18,00,000 is revenue; ₹12,00,000 goes to the capital fund.
9	(a)	Real account.
10	(d)	Marshalling – arrangement of assets and liabilities.
11	(a)	Already adjusted against purchases.
12	(d)	Prepared before the trading account.
13	(d)	₹31,000 + ₹1,14,200 − ₹43,000 − ₹2,600 − ₹5,400 = ₹94,200.

Module 4: Fundamentals of Cost Accounting

1. Cost of sales of 1,000 units is ₹64,000. The firm wants a profit of 20% on cost. Selling price per unit is:

(a) ₹13
(b) ₹64
(c) ₹77
(d) ₹80

2. Process costing is suitable for

(a) printing jobs
(b) construction
(c) chemical and oil refining industries
(d) transport

3. Cost of loose tools is part of

(a) prime cost
(b) factory cost
(c) distribution overheads
(d) chargeable expenses

4. Purchases of raw materials ₹96,000; opening stock of raw material ₹3,000; closing stock of raw material ₹4,000. Raw material consumed is:

(a) ₹97,000 (b) ₹96,000
(c) ₹95,000 (d) ₹1,03,000

5. A cost that has already been incurred and cannot be changed by any decision is a

(a) relevant cost (b) opportunity cost
(c) sunk cost (d) marginal cost

6. Cost of sales ₹1,27,580; advertisement ₹10,000; commission to salesmen = 50% of advertisement. Cost of goods sold is:

(a) ₹1,12,580 (b) ₹1,42,580
(c) ₹1,32,580 (d) ₹1,17,580

7. The appropriate cost unit for the cement industry is

(a) megawatt (b) metric tonne
(c) cubic feet (d) chargeable hour

8. Operating costing is used in

(a) steel mills (b) toy making
(c) transport and hotels (d) shipbuilding

9. Prime cost ₹2,78,000; factory overheads ₹59,000; opening WIP ₹20,000; closing WIP ₹9,500; sale of scrap ₹2,600. Works (factory) cost is:

(a) ₹3,44,900 (b) ₹3,50,100
(c) ₹3,37,000 (d) ₹3,23,900

10. Direct material ₹1,97,000; direct wages ₹27,000; direct expenses ₹3,000; factory overheads ₹45,000. Prime cost is:

(a) ₹2,27,000 (b) ₹2,69,000
(c) ₹2,72,000 (d) ₹2,24,000

Answer key – Module 4

Q	Ans	Explanation / working
1	(c)	Cost per unit ₹64 × 120% = ₹77.
2	(c)	Continuous production.
3	(b)	Factory overhead.
4	(c)	₹3,000 + ₹96,000 − ₹4,000 = ₹95,000.
5	(c)	Irrelevant to decisions.
6	(a)	COGS = cost of sales − selling overheads = ₹1,27,580 − ₹10,000 − ₹5,000 = ₹1,12,580.
7	(b)	Weight-based.
8	(c)	Service industries.
9	(a)	₹2,78,000 + ₹59,000 + ₹20,000 − ₹9,500 − ₹2,600 = ₹3,44,900.
10	(a)	Prime cost = material + wages + direct expenses = ₹2,27,000.