Skillshort

Self-Study Preparation Pack

CMA FOUNDATION

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

Mock Test 2 – 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

Contents

Instructions	2
Section A – Fundamentals of Financial Accounting (Q1–35)	2
Section B – Fundamentals of Cost Accounting (Q36–50)	5
Answer Key with Explanations	7

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. Which is NOT a feature of a bank reconciliation statement?

(a) It is an account
(b) It is prepared by an entity having a bank account
(c) It is prepared on a particular date
(d) It is not part of the double-entry system

2. Balance as per cash book is ₹50,100. Cheques deposited but not yet credited ₹4,400; interest credited by bank but not entered in the cash book ₹3,800; bank charges not entered ₹280. Balance as per pass book is:

(a) ₹42,180
(b) ₹50,980
(c) ₹58,020
(d) ₹49,220

3. Decline in the value of an asset due to change in taste, fashion or technology is called

(a) amortisation
(b) obsolescence
(c) wear and tear
(d) depletion

4. Cash discount allowed is recorded on the

(a) sales book
(b) purchase book
(c) debit side of the cash book (discount column)
(d) credit side of the cash book

5. Sundry debtors ₹1,90,000; further bad debts ₹6,000; provision for doubtful debts 5%; provision for discount on debtors 2%. The provision for discount is:

(a) ₹3,616
(b) ₹3,800
(c) ₹3,496
(d) ₹3,680

6. A trial balance is prepared to

(a) check the arithmetical accuracy of the ledger
(b) find the profit
(c) record transactions
(d) show the financial position

7. Provision for discount on debtors is calculated on debtors after deducting

(a) discount allowed only
(b) bad debts and discount allowed
(c) bad debts and provision for doubtful debts
(d) bad debts only

8. Annual insurance of a machine is

(a) charged to profit and loss as revenue expense
(b) depreciated over its life
(c) deducted from the residual value
(d) added to the cost of the machine

9. Bank balance as per cash book ₹27,400. Cheques deposited ₹11,400, of which only ₹8,500 were credited. Dividend ₹1,360 collected by the bank was entered in the cash book as ₹1,720. Balance as per pass book is:

(a) ₹24,140 (b) ₹15,640
(c) ₹24,860 (d) ₹29,940

10. The Companies Act, 2013 and the Income-tax Act, 1961 form part of the

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

11. The ledger that contains accounts of incomes and expenses is the

(a) debtors ledger (b) private ledger
(c) nominal ledger (d) personal ledger

12. Capital receipt among the following is

(a) sale proceeds of an old machine
(b) commission earned
(c) interest received
(d) rent received

13. A machine costing ₹1,70,000 is depreciated at 20% p.a. on the written down value method. Depreciation for year 3 is:

(a) ₹21,760 (b) ₹87,040
(c) ₹1,02,000 (d) ₹34,000

14. Pass book shows a credit balance of ₹39,800. Cheques issued but not presented ₹14,500; a customer's cheque of ₹950 deposited was dishonoured but not recorded in the cash book. Balance as per cash book is:

(a) ₹55,250 (b) ₹53,350
(c) ₹26,250 (d) ₹24,350

15. Bad debts recovered are

(a) credited to the Profit & Loss Account
(b) debited to the Bad Debts Account
(c) added to sundry debtors
(d) credited to the debtor's personal account

16. A bill of ₹1,00,000 is renewed at maturity for 4 months with interest @ 12% p.a. included in the new bill. Amount of the new bill is:

(a) ₹1,04,000 (b) ₹96,000
(c) ₹1,00,000 (d) ₹1,12,000

17. When goods are sent at invoice price, the loading on unsold stock is eliminated through a

(a) general reserve (b) suspense account
(c) stock reserve (d) provision for doubtful debts

18. A bill dated 1 February 2026 is drawn payable 2 months after date. Its due date (ignoring holidays) is:

(a) 2 April 2026 (b) 1 April 2026
(c) 4 May 2026 (d) 4 April 2026

19. Normal loss on consignment is

(a) credited to the consignment account separately
(b) absorbed in the cost of the remaining goods
(c) charged to the P&L account directly
(d) ignored in stock valuation

20. In a joint venture A purchases goods for ₹1,15,000. B sells goods costing ₹1,10,000 for ₹1,37,500. The balance of goods is taken over by A at the same profit percentage. Value of goods taken over is:

(a) ₹6,250 (b) ₹11,250
(c) ₹5,000 (d) ₹3,750

21. The party who sends goods to its agent for sale on its behalf is the

(a) consignee (b) consignor
(c) co-venturer (d) partner

22. The statement sent by the consignee to the consignor showing sales, expenses and commission is the

(a) proforma invoice (b) credit note
(c) account sales (d) bill of exchange

23. Wages and salaries shown together in a trial balance are taken to the

(a) Trading Account
(b) Manufacturing Account only if stated
(c) Balance Sheet
(d) Profit & Loss Account

24. Net profit is added to

(a) liabilities as a reserve (b) assets
(c) drawings (d) capital in the balance sheet

25. A club has 500 members paying an annual subscription of ₹500. Subscription received during the year is ₹2,45,000, which includes ₹7,500 for the previous year and ₹2,500 for the next year. Subscription to be credited to the Income & Expenditure Account is:

(a) ₹2,60,000 (b) ₹2,45,000
(c) ₹2,37,500 (d) ₹2,50,000

26. Interest received appears in the financial statements of a sole proprietor on the

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

27. Carriage inward is shown in the

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

28. Specific donations (for a building fund) are

(a) capitalised and shown on the liabilities side as a separate fund
(b) ignored
(c) credited to the I&E Account
(d) deducted from expenses

29. Goods worth ₹5,000 distributed as free samples are

(a) debited to purchases
(b) credited to sales
(c) debited to advertisement and credited to purchases
(d) ignored

30. A business wants to earn a profit of 50% on sales. The mark-up on cost should be:

(a) 50% (b) 200%
(c) 33.33% (d) 100%

31. The excess of income over expenditure of a club is called

(a) gross profit (b) net profit
(c) surplus (d) capital fund

32. Carriage outward is shown in the

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

33. Opening debtors ₹30,000; credit sales ₹2,02,000; cash received from debtors ₹1,04,000; bad debts ₹1,600; returns inward ₹2,100. Closing debtors are:

(a) ₹1,27,500 (b) ₹1,28,000
(c) ₹1,24,300 (d) ₹1,28,500

34. Entrance fees received by a club ₹27,00,000, of which 25% is to be capitalised. Amount credited to the Income & Expenditure Account is:

(a) ₹27,00,000 (b) ₹6,75,000
(c) ₹20,25,000 (d) ₹0

35. Closing stock, if given outside the trial balance, appears in the

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

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

36. Which of the following are operating (production) cost centres?

(a) All of the above (b) Machine shop
(c) Welding shop (d) Assembly shop

37. CASB stands for

(a) Cost Accounting Sampling Board
(b) Cost Accounting Setting Board
(c) Cost Accounting Selection Board
(d) Cost Accounting Standards Board

38. Direct material ₹1,57,000; direct wages ₹65,000; direct expenses ₹11,500; factory overheads ₹47,000. Prime cost is:

(a) ₹2,22,000 (b) ₹2,80,500
(c) ₹2,69,000 (d) ₹2,33,500

39. Cost reduction means

(a) keeping cost within standards
(b) a real and permanent reduction in unit cost without affecting quality
(c) temporary saving
(d) reducing quality to lower cost

40. Prime cost ₹1,84,000; factory overheads ₹23,000; opening WIP ₹5,000; closing WIP ₹9,000; sale of scrap ₹1,500. Works (factory) cost is:

(a) ₹2,09,500 (b) ₹2,04,500
(c) ₹2,01,500 (d) ₹2,07,000

41. Bad debts are

(a) part of prime cost
(b) excluded from cost accounts
(c) part of administration overheads always
(d) part of factory overheads

42. Which item is excluded from cost accounts?

(a) Factory rent (b) Depreciation of plant
(c) Salesmen's salary (d) Income tax paid

43. Cost of sales ₹1,53,530; advertisement ₹8,500; commission to salesmen = 100% of advertisement. Cost of goods sold is:

(a) ₹1,70,530 (b) ₹1,36,530
(c) ₹1,45,030 (d) ₹1,53,530

44. Cost of sales of 1,000 units is ₹80,000. The firm wants a profit of 25% on cost. Selling price per unit is:

(a) ₹107 (b) ₹80
(c) ₹20 (d) ₹100

45. In general, costing is the technique and process of

(a) ascertaining cost
(b) auditing
(c) recording financial transactions
(d) preparing final accounts

46. Salary of the company secretary is an

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

47. CAS-1 deals with

(a) classification of cost (b) material cost
(c) employee cost (d) capacity determination

48. Adoption of identical costing principles and procedures by several units of the same industry by mutual agreement is

(a) standard costing (b) historical costing
(c) marginal costing (d) uniform costing

49. The main purpose of cost accounting is to

(a) maximise profits
(b) fix the selling price only
(c) prepare financial statements
(d) provide information to management for decision making

50. Variable cost per unit

(a) decreases with output (b) remains constant
(c) is zero at all levels (d) increases with output

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 2

Q	Ans	Explanation / working
1	(a)	BRS is a statement, not an account.
2	(d)	Start with cash book ₹50,100; less uncredited cheques ₹4,400; add interest ₹3,800; less charges ₹280 → ₹49,220.
3	(b)	Not physical.
4	(c)	Discount allowed column on the receipts side.
5	(c)	PDD = 5% × ₹1,84,000 = ₹9,200; discount = 2% × (₹1,84,000 − ₹9,200) = ₹3,496.
6	(a)	It does not detect all errors.
7	(c)	Discount is allowed only to good debtors.
8	(a)	Only costs to bring the asset to working condition are capitalised.
9	(a)	Less uncredited ₹2,900; less excess dividend entry ₹360 → ₹24,140.
10	(b)	Laws governing accounts.
11	(c)	General ledger has the rest.
12	(a)	Non-recurring, from capital asset.
13	(a)	Opening WDV of year 3 = ₹1,08,800; × 20% = ₹21,760.
14	(c)	From pass book ₹39,800: less cheques not presented ₹14,500 (bank is higher); add dishonoured cheque ₹950 (cash book still includes it) → ₹26,250.
15	(a)	The debtor's account was already closed.
16	(a)	Interest = ₹1,00,000 × 12% × 4/12 = ₹4,000; new bill = ₹1,04,000.
17	(c)	Brings stock back to cost.
18	(d)	1 February 2026 + 2 months = 1 April 2026 + 3 days of grace = 4 April 2026.
19	(b)	Inherent loss raises unit cost.
20	(a)	Profit = 25% on cost; unsold cost ₹5,000 × 125% = ₹6,250.
21	(b)	Consignee is the agent.
22	(c)	Periodic report.
23	(a)	Combined item treated as direct expense.
24	(d)	Belongs to the owner.
25	(d)	Income is on accrual basis – 500 × ₹500 = ₹2,50,000 (check: ₹2,45,000 − ₹7,500 − ₹2,500 + outstanding ₹15,000).
26	(d)	Non-operating income.
27	(b)	Direct expense.
28	(a)	Must be used for the purpose.
29	(c)	Reduce goods available for sale.
30	(d)	Mark-up on cost = 50 ÷ (100 − 50) = 100%.
31	(c)	Added to the capital fund.
32	(b)	Selling expense.
33	(c)	₹30,000 + ₹2,02,000 − ₹1,04,000 − ₹1,600 − ₹2,100 = ₹1,24,300.
34	(c)	75% of ₹27,00,000 = ₹20,25,000 is revenue; ₹6,75,000 goes to the capital fund.
35	(d)	Two effects.
36	(a)	All three convert materials into products.

Q	Ans	Explanation / working
37	(d)	Set up by ICMAI.
38	(d)	Prime cost = material + wages + direct expenses = ₹2,33,500.
39	(b)	Cost control keeps to targets.
40	(c)	₹1,84,000 + ₹23,000 + ₹5,000 − ₹9,000 − ₹1,500 = ₹2,01,500.
41	(b)	Financial loss.
42	(d)	Purely financial items are excluded.
43	(b)	COGS = cost of sales − selling overheads = ₹1,53,530 − ₹8,500 − ₹8,500 = ₹1,36,530.
44	(d)	Cost per unit ₹80 × 125% = ₹100.
45	(a)	CIMA definition.
46	(a)	General management cost.
47	(a)	Basis of cost classification.
48	(d)	Inter-firm comparison.
49	(d)	Ascertainment, control and decision support.
50	(b)	Total varies directly.