Skillshort

Self-Study Preparation Pack

CMA INTERMEDIATE

Paper 6: Financial Accounting (FA)

Chapter-wise Practice Questions with Answers

50 MCQs in 5 chapter sets + 10 descriptive problems with full solutions · Original Skillshort questions · Figures verified in Python

5 MCQ sets | 10 problems | Answer keys with reasons | Exam-level difficulty

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This subject pack has 6 parts

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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.

Part A – Chapter-wise MCQs

Each set is followed by its answer key. Attempt a set in 25 minutes after finishing the related chapters.

Set 1 – Chapters 1–4 (Fundamentals, accounting cycle, BRS, depreciation)

1. SEBI's disclosure requirements for listed entities belong to which framework of accounting?

(a) Conceptual
(b) Legal
(c) Institutional
(d) Regulatory

2. Changing the depreciation method every year without reason violates the

(a) Consistency convention
(b) Materiality convention
(c) Entity concept
(d) Money measurement concept

3. Which is a revenue receipt?

(a) Sale of old machinery
(b) Loan from bank
(c) Interest received on investments
(d) Capital introduced

4. Bad debts ₹3,000; old PDD ₹5,000; new PDD required ₹6,000. The net charge to P&L is

(a) ₹6,000
(b) ₹4,000
(c) ₹9,000
(d) ₹1,000

5. A credit purchase of ₹5,000 not recorded in the books at all is an error of

(a) Commission
(b) Principle
(c) Omission – trial balance unaffected
(d) Omission – trial balance affected

6. The sales book is undercast by ₹1,000 (difference taken to suspense). The rectification entry is

(a) Sales Dr; To Suspense
(b) Suspense Dr; To Sales
(c) Debtors Dr; To Sales
(d) Sales Dr; To Debtors

7. Pass book credit balance ₹30,000; cheques deposited not credited ₹4,000; cheques issued not presented ₹6,000. Cash book balance is

(a) ₹32,000
(b) ₹28,000
(c) ₹40,000
(d) ₹20,000

8. Cost ₹1,00,000; WDV depreciation at 20%. Book value after 2 years is

(a) ₹60,000
(b) ₹64,000
(c) ₹80,000
(d) ₹36,000

9. A machine of ₹80,000 is bought on 1 October; SLM 10% p.a.; year ends 31 March. First-year depreciation is

(a) ₹8,000
(b) ₹4,000
(c) ₹2,000
(d) ₹6,000

10. Which is a contra entry?

(a) Cash sales
(b) Cash deposited into bank
(c) Cheque received from a debtor
(d) Bank charges

Set 1 – Answer key

Q	Ans	Explanation / working
1	(d)	SEBI, RBI, MCA and IRDAI prescribe and enforce rules – the **regulatory** framework.
2	(a)	**Consistency** – policies are followed from period to period.
3	(c)	Interest is a recurring receipt of the business.
4	(b)	3,000 + 6,000 − 5,000 = **₹4,000**.
5	(c)	Complete omission – **trial balance still agrees**.
6	(b)	Sales A/c was credited short – **Suspense Dr; To Sales A/c ₹1,000**.
7	(b)	30,000 + 4,000 − 6,000 = **₹28,000** (Dr).
8	(b)	1,00,000 × 0.8 × 0.8 = **₹64,000**.
9	(b)	80,000 × 10% × 6/12 = **₹4,000**.
10	(b)	Both sides are in the cash book (cash and bank columns).

Set 2 – Chapters 5–9 (Bills, consignment, JV, final accounts, NPO, incomplete records)

11. A bill dated 31 January 2026 is payable one month after date. Its due date is

(a) 28 February 2026 (b) 3 March 2026
(c) 2 March 2026 (d) 4 March 2026

12. Noting charges paid by the holder on dishonour are ultimately recovered from the

(a) Drawer (b) Drawee (acceptor)
(c) Bank (d) Endorsee

13. Account sales is sent by the

(a) Consignor to the consignee (b) Consignee to the consignor
(c) Buyer to the consignee (d) Bank to the consignor

14. 40 units unsold at invoice price ₹600 (cost + 20%). Stock reserve is

(a) ₹4,800 (b) ₹4,000
(c) ₹2,400 (d) ₹24,000

15. Under the memorandum method of JV, each co-venturer maintains

(a) A Joint Bank A/c
(b) A Joint Venture with (other party) A/c
(c) Only a Memorandum JV A/c
(d) A Consignment A/c

16. Annual insurance premium of ₹12,000 is paid on 1 July 2025. Prepaid insurance on 31 March 2026 is

(a) ₹9,000 (b) ₹3,000
(c) ₹6,000 (d) Nil

17. Salaries of ₹55,000 were paid for 11 months; monthly salary ₹5,000. Salary expense for the year is

(a) ₹55,000 (b) ₹60,000
(c) ₹50,000 (d) ₹65,000

18. Specific donations received by an NPO are

(a) Credited to I&E A/c
(b) Added to the specific fund on the liabilities side
(c) Shown as an asset
(d) Credited to the capital fund always

19. Opening debtors ₹20,000; closing ₹25,000; cash received from debtors ₹1,00,000. Credit sales are

(a) ₹95,000 (b) ₹1,05,000
(c) ₹1,25,000 (d) ₹1,20,000

20. The Receipts and Payments A/c of an NPO is a

(a) Nominal account
(b) Summary of cash and bank (real account)
(c) Personal account
(d) Memorandum account

Set 2 – Answer key

Q	Ans	Explanation / working
11	(b)	No 31 February – last day of the month (28 Feb) + 3 days of grace = **3 March 2026**.
12	(b)	The **acceptor** who dishonoured the bill bears them.
13	(b)	The consignee reports sales, expenses and commission in the **account sales**.
14	(b)	Loading per unit = 600 × 20/120 = 100; 40 × 100 = **₹4,000**.
15	(b)	Each keeps a **"Joint Venture with ... A/c"**; the Memorandum JV A/c is prepared to find profit.
16	(b)	Policy runs to 30 June 2026 → 3 months prepaid = **₹3,000**.
17	(b)	12 × 5,000 = **₹60,000**; outstanding ₹5,000.
18	(b)	Shown under the **specific fund**; related expenses are deducted from it.
19	(b)	25,000 + 1,00,000 − 20,000 = **₹1,05,000**.
20	(b)	A **summary of the cash book**, a real account.

Set 3 – Chapters 10–11 (Partnership)

21. C brings ₹60,000 as capital for a 1/4 share. Adjusted capitals of A and B total ₹1,50,000. Hidden goodwill is

(a) ₹90,000 (b) ₹30,000
(c) ₹60,000 (d) ₹2,40,000

22. C takes his 1/5 share entirely from A. The sacrificing ratio is

(a) A only (1:0) (b) Old ratio
(c) Equal (d) New ratio

23. On retirement, the continuing partners compensate the retiring partner for goodwill in the

(a) Old ratio (b) Sacrificing ratio
(c) Gaining ratio (d) Capital ratio

24. Under the surrender value method, the JLP appears in the balance sheet at

(a) Policy amount (b) Total premiums paid
(c) Surrender value (d) Nil

25. Under s. 37, the interest rate payable on an outgoing partner's unsettled share is

(a) 6% p.a. (b) 9% p.a.
(c) 12% p.a. (d) Bank rate

26. Garner v Murray requires the solvent partners to bear an insolvent partner's deficiency in the ratio of

(a) Profit sharing
(b) Capitals (fixed or last agreed)
(c) Drawings
(d) Equal

27. Realisation expenses paid by a partner on behalf of the firm are recorded as
(a) Realisation Dr; To Cash
(b) Realisation Dr; To Partner's Capital
(c) Partner's Capital Dr; To Realisation
(d) Partner's Capital Dr; To Cash

28. An unrecorded asset taken over by a partner on dissolution is recorded as
(a) Realisation Dr; To Partner's Capital
(b) Partner's Capital Dr; To Realisation
(c) Asset Dr; To Realisation
(d) No entry

29. Under the net assets method, purchase consideration on conversion of a firm into a company is
(a) Total of payments made
(b) Agreed value of assets taken over less liabilities taken over
(c) Book value of capital
(d) Market value of shares

30. The minimum number of partners in an LLP is
(a) 1 (b) 2
(c) 3 (d) 7

Set 3 – Answer key

Q	Ans	Explanation / working
21	(b)	Implied capital 60,000 × 4 = 2,40,000; actual 1,50,000 + 60,000 = 2,10,000 → **₹30,000**.
22	(a)	Only A sacrifices.
23	(c)	**Gaining ratio**.
24	(c)	**Surrender value**; excess premium written off.
25	(a)	**6% p.a.** (or profit share, at his option).
26	(b)	**Capital ratio** before dissolution.
27	(b)	The partner is credited – **Realisation Dr; To Partner's Capital**.
28	(b)	The partner is debited with its value.
29	(b)	**Net assets method**.
30	(b)	**Two**, with at least two designated partners (one resident in India).

Set 4 – Chapters 12–15 (Lease, branch, departmental, insurance, HP)

31. A bargain purchase option in a lease indicates a
(a) Operating lease (b) Finance lease
(c) Short-term lease (d) Cancellable lease

32. In a finance lease, depreciation on the asset is charged by the
(a) Lessor (b) Lessee
(c) Both (d) Neither

33. Operating lease payments are recognised by the lessee
(a) On a straight-line basis over the lease term
(b) As paid
(c) At the end of the lease
(d) In OCI

34. Under the stock and debtors method, loading on goods sent is credited to

(a) Branch Stock A/c
(b) Branch Adjustment A/c
(c) Goods Sent to Branch A/c
(d) Branch P&L A/c

35. Goods invoiced to a branch for ₹1,00,000 at cost + 25%. Loading is

(a) ₹25,000
(b) ₹20,000
(c) ₹12,500
(d) ₹80,000

36. Departmental rent is normally apportioned on the basis of

(a) Sales
(b) Floor area
(c) Number of employees
(d) Purchases

37. Stock at the date of fire ₹1,00,000; loss ₹50,000; policy ₹80,000 with average clause. Claim is

(a) ₹50,000
(b) ₹40,000
(c) ₹80,000
(d) ₹62,500

38. For a loss-of-profit claim, the rate of gross profit is

(a) Gross profit ÷ sales from the trading account
(b) (Net profit + insured standing charges) ÷ turnover of the last financial year
(c) Net profit ÷ turnover
(d) Standing charges ÷ turnover

39. In the hirer's books the asset is recorded at

(a) Hire purchase price
(b) Cash price
(c) Down payment
(d) Instalments paid

40. On repossession, the hire vendor values the goods at ₹30,000 against the hirer's book value of ₹40,000. The hirer's loss on repossession is

(a) ₹30,000
(b) ₹10,000
(c) ₹40,000
(d) Nil

Set 4 – Answer key

Q	Ans	Explanation / working
31	(b)	One of the AS 19 indicators of a **finance lease**.
32	(b)	The **lessee** recognises the asset and depreciates it.
33	(a)	**Straight-line**, unless another systematic basis is more representative.
34	(b)	Loading is credited to **Branch Adjustment A/c** (debit Goods Sent to Branch).
35	(b)	1,00,000 × 25/125 = **₹20,000**.
36	(b)	**Floor area** occupied.
37	(b)	50,000 × 80,000 ÷ 1,00,000 = **₹40,000**.
38	(b)	Insurance-sense **GP rate**.
39	(b)	**Cash price**; interest is charged to P&L.
40	(b)	40,000 − 30,000 = **₹10,000**.

Set 5 – Chapters 16–17 (Accounting Standards)

41. Ind AS are converged with

(a) US GAAP
(b) IFRS
(c) AS
(d) IPSAS

42. Under AS 1, significant accounting policies should be disclosed
(a) Anywhere in the annual report
(b) In one place as part of the financial statements
(c) Only in the directors' report
(d) Only if changed

43. Spare parts expected to be used for more than one period are, under AS 10,
(a) Inventory
(b) PPE
(c) Expensed
(d) Intangibles

44. An upward revaluation of PPE under AS 10 (no previous decrease) is credited to
(a) P&L
(b) Revaluation surplus
(c) Capital reserve
(d) General reserve

45. Under AS 11, a non-monetary item carried at historical cost is reported using the
(a) Closing rate
(b) Exchange rate at the date of the transaction
(c) Average rate
(d) Forward rate

46. An exchange difference on settlement of a monetary item within the same year is, under AS 11,
(a) Recognised in P&L
(b) Added to the asset
(c) Taken to reserve
(d) Deferred

47. Under AS 12, a grant related to a specific depreciable asset may be
(a) Credited to P&L immediately
(b) Deducted from the gross value of the asset
(c) Credited to general reserve
(d) Ignored

48. Under AS 16, borrowing costs include
(a) Dividend on equity
(b) Exchange differences to the extent they adjust interest cost
(c) Cost of equity
(d) Preference dividend in all cases

49. Under AS 22, permanent differences
(a) Create DTA
(b) Create DTL
(c) Do not create deferred tax
(d) Reverse in later years

50. Under AS 22, deferred tax is measured at
(a) The rate of the year of reversal, estimated
(b) Tax rates enacted or substantively enacted by the balance sheet date
(c) The average rate
(d) The rate of the year of origination

Set 5 – Answer key

Q	Ans	Explanation / working
41	(b)	**IFRS**, with some carve-outs.
42	(b)	**In one place**.
43	(b)	They meet the definition of **PPE**.
44	(b)	**Revaluation surplus** in reserves.

Q	Ans	Explanation / working
45	(b)	**Transaction-date rate**.
46	(a)	**P&L** (subject to para 46/46A options for long-term items).
47	(b)	Either **deducted from cost** or treated as **deferred income**.
48	(b)	Exchange differences regarded as an **adjustment to interest** are borrowing costs.
49	(c)	Permanent differences never reverse – **no deferred tax**.
50	(b)	**Enacted or substantively enacted** rates.

Part B – Descriptive Practice Questions

QUESTION D1 – Bad debts, PDD and discount (6 marks)

Debtors ₹2,00,000 before writing off bad debts of ₹5,000. Old PDD ₹8,000. Maintain PDD at 5% and a provision for discount at 2%. Compute the P&L charges and the net debtors.

SOLUTION D1

Good debtors 1,95,000; new PDD 5% = **9,750**; P&L charge for bad debts and PDD = 5,000 + 9,750 − 8,000 = **₹6,750**. Provision for discount = 2% × (1,95,000 − 9,750) = **₹3,705**. Net debtors in the balance sheet = 1,95,000 − 9,750 − 3,705 = **₹1,81,545**.

QUESTION D2 – Change in depreciation method (6 marks)

A machine costing ₹5,00,000 was bought on 1 April 2023 and depreciated at 20% WDV. From 1 April 2025 the company switches to SLM over the remaining useful life of 5 years (nil residual). Compute depreciation for 2025-26.

SOLUTION D2

WDV on 1 April 2025 = 5,00,000 × 0.8 × 0.8 = ₹3,20,000. Under AS 10 a change in depreciation method is a **change in accounting estimate** – applied **prospectively**: 3,20,000 ÷ 5 = **₹64,000** a year. No retrospective recomputation.

QUESTION D3 – Consignment at invoice price (8 marks)

1,000 units costing ₹80 are consigned at invoice price ₹100; consignor's freight ₹5,000. The consignee sells 800 units at ₹120 and gets 5% commission. Find the profit on consignment (cost basis) and the stock reserve if accounts are kept at invoice price.

SOLUTION D3

Closing stock 200 units at cost = 200 × 80 + 200/1,000 × 5,000 = **₹17,000**. Consignment A/c: Dr goods 80,000 + freight 5,000 + commission 4,800 (5% of 96,000) = 89,800; Cr sales 96,000 + stock 17,000 = 1,13,000 → **profit ₹23,200**. If kept at invoice price: goods sent ₹1,00,000 with loading ₹20,000 reversed; stock at invoice 200 × 100 + 1,000 = 21,000 with a **stock reserve of ₹4,000** – the profit is unchanged.

QUESTION D4 – Consumption of sports material (5 marks)

Stock of sports material: opening ₹4,000, closing ₹6,000. Paid to suppliers ₹19,000; creditors opening ₹2,000, closing ₹3,000. Compute the amount for I&E.

SOLUTION D4

Purchases = 19,000 − 2,000 + 3,000 = 20,000. Consumption = 4,000 + 20,000 − 6,000 = **₹18,000** (debited to I&E); closing stock ₹6,000 and creditors ₹3,000 appear in the balance sheet.

QUESTION D5 – Retirement and goodwill (6 marks)

A, B and C share profits 2:2:1. C retires; A and B will share 3:2. Goodwill is valued at ₹50,000 (not to be raised). Pass the entry.

SOLUTION D5

Gain: A = 3/5 − 2/5 = 1/5; B = 2/5 − 2/5 = 0. C's share of goodwill = 50,000 × 1/5 = ₹10,000. **A's Capital Dr ₹10,000; To C's Capital ₹10,000.** B neither gains nor sacrifices.

QUESTION D6 – Garner v Murray (7 marks)

A, B and C share equally; fixed capitals ₹30,000, ₹20,000 and ₹4,000. Loss on realisation ₹18,000. C is insolvent and contributes nothing. Show how C's deficiency is borne.

SOLUTION D6

Loss share ₹6,000 each. C: 4,000 − 6,000 = deficiency **₹2,000**. A and B bring cash equal to their share of the realisation loss (₹6,000 each). The deficiency is borne in the ratio of capitals before dissolution, 30,000 : 20,000 = 3:2 → **A ₹1,200, B ₹800**. A's final claim = 30,000 − 1,200 = ₹28,800; B's = 20,000 − 800 = ₹19,200.

QUESTION D7 – Stock and debtors method (8 marks)

Goods are invoiced to a branch at cost + 25%. Opening stock at invoice ₹25,000; goods sent ₹1,50,000; sales ₹1,40,000 (cash 60,000, credit 80,000); closing stock at invoice ₹30,000. Find the shortage and the branch gross profit.

SOLUTION D7

Branch Stock A/c: 25,000 + 1,50,000 − 1,40,000 − 30,000 = **shortage ₹5,000** (invoice price), cost ₹4,000. Branch Adjustment A/c: loading on opening 5,000 + on goods sent 30,000 − on closing 6,000 − on shortage 1,000 = **gross profit ₹28,000**. Check: sales 1,40,000 − cost of sales (20,000 + 1,20,000 − 24,000 − 4,000 = 1,12,000) = 28,000. The cost of the shortage (₹4,000) is charged to P&L as an abnormal loss.

QUESTION D8 – Integral foreign branch (6 marks)

Translate: fixed assets USD 10,000 (rate on acquisition ₹70); debtors USD 5,000 (closing rate ₹85); revenue USD 20,000 (average rate ₹82).

SOLUTION D8

Fixed assets (non-monetary, historical rate) = **₹7,00,000**; debtors (monetary, closing rate) = **₹4,25,000**; revenue (average rate) = **₹16,40,000**. The resulting exchange difference goes to P&L (integral foreign operation, AS 11).

QUESTION D9 – AS 10 and AS 16 (8 marks)

Machine list price ₹1,00,00,000; GST 18% (input credit available); transport 2% and erection 3% of list price; directly attributable testing cost ₹1,50,000. A loan of ₹80 lakh at 12% was taken on 1 April 2025 to finance it; installation takes 15 months (ready 30 June 2026). Compute the amount capitalised up to 31 March 2026.

SOLUTION D9

List price 1,00,00,000 + transport 2,00,000 + erection 3,00,000 + testing 1,50,000 + borrowing cost 80,00,000 × 12% = 9,60,000 → **₹1,16,10,000** (capital work-in-progress). GST is excluded because input credit is available. The asset takes more than 12 months – a **qualifying asset** under AS 16, so interest is capitalised until it is ready.

QUESTION D10 – Deferred tax (6 marks)

Book depreciation ₹30 lakh; tax depreciation ₹40 lakh; an expense of ₹5 lakh is disallowed this year under s. 43B and will be allowed next year on payment. Tax rate 25%. Compute the net deferred tax.

SOLUTION D10

Depreciation timing difference ₹10 lakh (taxable later) → **DTL ₹2.5 lakh**. s. 43B disallowance ₹5 lakh (deductible later) → **DTA ₹1.25 lakh** (reasonable certainty). **Net DTL ₹1.25 lakh** debited to P&L.