



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

## FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING (PAPER - 2)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
1	The revenues and expenses of a company are displayed in which statement?	Balance Sheet	Cash Flow Statement	Income Statement	Periodicity
2	The main Purpose of Financial Accounting is?	To Provide financial information to shareholders	To maintain Balance Sheet	To minimize taxes	To keep track of liabilities
3	Accounting provides information on :	Cost and income for managers	Company's tax liability for a particular year	Financial conditions of an institutions	All of the above
4	The determination of expenses for an accounting period is based on the concept of	Objectivity	Materiality	Matching	Periodicity
5	Accounting does not record non-financial transactions because of	Entity Concept	Accrual Concept	Cost Concept	Money Measurement Concept
6	Provision for bad debt is made as per the	Entity Concept	Conservatism Convention	Cost Concept	Going Concern Concept
7	Fixed Assets and Current Assets are categorized as per concept of	Separate Entity	Going Concern	Consistency	Time period
8	Omission of paise and showing the round figures in Financial Statements is based on	Conservatism Concept	Consistency Concept	Materiality Concept	Realization Concept
9	P & L Account is prepared for period of one year by following	Consistency Concept	Conservatism Concept	Accounting Period Concept	Cost Concept
10	An expenditure is capital in Nature when	The receiver of the amount is going to treat it	It increase the quantity of fixed assets for the purchase of fixed assets	It is paid as interests on loans for the business	It is maintains a fixed assets
11	Capital expenditures are recorded in the	Balance Sheet	Profit and Loss A/c	Trading A/c	Manufacturing A/c
12	Which of the following transaction is of capital nature	Purchases of a truck	Replacement of old trucks	Cost of repairing of truck	All of the above
13	₹ 5,000 incurred for up gradation of computer by installation of 128 MB Ram is	Capital Expenditure	Deferred Revenue Expenditure	Revenue Expenditure	None of the above
14	Entrance fee of ₹ 20,000 received by a club is a	Capital Receipts	Revenue Receipt	Capital Expenditure	Revenue Expenditure
15	Life membership fees received by a club is a	Revenue Expenditure	Capital Expenditure	Deferred Revenue Expenditure	Capital Receipt
16	Cost of goods purchased for resale is an example of	Capital Expenditure	Revenue Expenditure	Deferred Revenue Expenditure	None of These
17	Import duty of raw material purchased	Revenue Expenditure	Capital Expenditure	Deferred Revenue Expenditure	None of These



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18	Received from Soloman & co., an invoice for ₹ 1,500 for repairs to factory walls	Revenue Expenditure	Capital Expenditure	Deferred Revenue Expenditure	None of These
19	Compensation received from government for compulsory acquisition of land	Revenue Expenditure	Capital Expenditure	Deferred Revenue Expenditure	None of These
20	All revenue receipts and expenditures are shown in	Balance Sheet	Trading and Profit and Loss A/c	Cash Flow Statement	Statement of Affairs
21	A bad debt recovered during the year will be	Capital Expenditure	Revenue Expenditure	Capital Receipt	Revenue Receipt
22	Insurance claim received on account of machinery damaged completely by fire is	Capital Receipt	Revenue Receipt	Capital Expenditure	Revenue Expenditure
23	Amount of ₹ 5,000 spent as lawyers' fees to defend a suit claiming that the firm's factory site belonged to the plaintiff's land is:	Capital Expenditure	Revenue Expenditure	Deferred Revenue Expenditures	None
24	Money spent ₹ 10,000 as travelling expenses of the directors on trips abroad for purchase of capital assets is	Capital Expenditure	Revenue Expenditure	Deferred Revenue Expenditures	None
25	Nominal Account represents	Profit & gain	Loss/Expenses	None	Both (a) and (b)
26	S.B.I Account is a ...	Nominal	Artificial Personal Account	Representative Personal Account	None
27	The process of recording business transactions in a book of original entry is known as	Journal	Balance	posting	none
28	Prepaid rent is a :	Nominal A/c	Representative Personal A/c	Tangible Assets A/c	None
29	In an Account if debit > credit side, the balance is known as the :	Negative balance	Debit balance	Positive balance	Credit balance
30	A sale of goods to Ram for cash should be debited to:	Ram	Cash	Sales	Capital
31	A withdrawal of cash from business by the proprietor should be credited to :	Drawing A/c	Capital A/c	Cash A/c	Purchase A/c
32	Rent Account is :	Personal	Real	Nominal	None
33	Ledger contains various _____ in it :	Transactions	Entries	Accounts	None
34	The process of transfer of entries from day book to ledgers is called :	Simple posting	Journal posting	Transaction	Ledger posting
35	The rent paid to landlord is credited to :	Landlord's A/c	Rent A/c	Cash A/c	None
36	Which financial statement represents the accounting equation- Assets = Liabilities + Owner's equity:	Income Statement	Statement of Cash flows	Balance Sheet	None



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37	The debts written off as bad, if recovered subsequently are	Credited to Bad Debts Recovered A/c	Credited to Trade Receivables Account	Debited to Profit and Loss Account	None
38	A trial balance will not balance if	correct entry is posted twice	The purchase on credit basis is debited to purchases and credited to cash	₹ 500 cash payment to creditors is debited to creditors for ₹ 50 and credited to cash as ₹ 500	None of the above
39	A Trial Balance shows	Honesty of accountants	Accuracy of account	Only arithmetical accuracy of accounts	None of these
40	The process of recording business transactions in a book of original entry is known as	Journal	Balance	Posting	none
41	In an Account if debit > credit side, the balance is known as the	Negative balance	Debit balance	Positive balance	Credit balance
42	Ledger contains various in it :	Transactions	Entries	Accounts	None
43	The process of transfer of entries from day book to ledgers is called :	Simple posting	Journal posting	Transaction	Ledger posting
44	A Ledger is also called :	Book of Original entry	Book of Primary entry	Book of Final entry	None of the above
45	Whenever errors are noticed in the accounting records, they should be rectified :	At the time of preparation of Trial Balance	without waiting the accounting year to end	After the preparation of Final Accounts	in the next accounting year
46	A Trial Balance will not tally if :	correct journal entry is posted twice	credit purchase debited to purchases and credited to cash	₹5,000 cash paid to creditors is debited	none of the above to creditors for ₹500 and credited to cash as ₹5,000
47	Sales of Shyam of ₹ 500 not recorded in the books would affect :	Shyam's Account	Sales Account	Sales Account and Shyam's Account	Cash Account
48	Errors of carry forward from one year to another affects :	Personal Account	Real Account	Nominal Account	both (a) and (b)
49	Goods worth ₹ 272 returned by Lala passed through the books as ₹ 722. The rectification entry is	Lala will be debited by ₹ 450	Lala will be debited by ₹ 272	Lala will be credited by ₹ 722	Lala will be credited by ₹ 272
50	If a receipt of ₹ 200 from rajesh (debtor) has not been recorded in the books the profits would show	An increase of ₹ 2,000	A decrease of ₹ 200	Neither an increase nor a decrease	None of the above



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51	A credit purchase of ₹ 950 from sudhir was recorded in purchases book as ₹ 590. The rectification entry is	purchases account will be debited by ₹ 360	sudhir will be credited by ₹ 590	purchases account will be debited by ₹ 950	sudhir will be credited by ₹950
52	Which of these errors affect only one account	errors of casting	errors of carry forward	errors of posting	All the three
53	Which of these is/are recurring (indirect expenses)?	transit insurance and freight	octroi	loading and unloading	godown rent and insurance
54	On receipt of goods the consignee debits which of these accounts :	Purchase Account	Goods Account	Consignors Account	None of these
55	X sends out goods to Y, costing ₹1,50,000. Goods are to be sold at cost +33 1/3%. The consignor asked consignee to pay an advance for an amount equivalent to 60% of sales value. The amount of advance will be :	₹ 1,20,000	₹ 1,00,000	₹ 1,50,000	None
56	Goods of the invoice value of ₹ 2,40,000 sent out to consignee at 20 % profit on cost the loading amount will be :	₹ 40,000	₹ 48,000	₹ 50,000	none
57	Goods sent on consignment account is of the nature of :	Personal Account	Nominal Account	Real Account	Sales Account
58	Out of the given option which cannot be treated as part of cost of purchase for valuing stock on hand :	packing	octroi	delivery charges	freight
59	X sends out 100 bags to Y costing ₹1,000 each. 60 bags were sold at 10% above cost price. Sale value will be :	₹ 66,000	₹ 65,000	₹ 60,000	₹ 65,500
60	The consignment accounting is made on the following basis :	accrual basis	realization basis	cash basis	all of above
61	Which of the following term is true about consignment?	sale of goods	hypothecation of	shipment of goods	mortgage of goods
62	Which of these accounts are not opened in the books of consignor?	Consignment Account	Commission Account	Goods Send on Consignment Account	Consignees Personal Account
63	For closing stock held by consignee which account must be debited :	Consignment Stock	Sales Account	Consignee Account	Consignment Account
64	X of Kanpur sends out 1000 boxes to Y Delhi costing ₹ 200 each at an invoice price of ₹ 220 each goods sent out on consignment to be credited in general trading will be :	₹ 2,00,000	₹ 2,40,000	₹ 40,000	None
65	A proforma invoice is sent by :	consignee to consignor	consignor to consignee	debtor to consignee	debtor to consignor
66	Commission will be shared by :	consignor and consignee	only consignee	only consignor	third party
67	X of Mumbai sends out certain goods at cost +25%. Invoice value of the goods is ₹2,00,000. 4/5th of the goods were sold by consignee at ₹1,76,000. Commission 2% upto invoice value and 10% of any surplus above invoice. The amount of commission will be :	₹ 4,800	₹ 5,200	₹ 3,200	₹ 1,600



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68	Joint venture account is of the nature of :	Personal A/c	Nominal A/c	Real A/c	Suspense A/c
69	A and B purchased a piece of land for ₹40,000 and sold it for ₹60,000 in 2021. Originally A had contributed ₹24,000 and B ₹16,000. What will be the profit on venture?	₹ 20,000	₹ 16,000	₹ 30,000	Nil
70	A, for joint venture with B, Purchased goods costing ₹2,00,000. B sold 80% of the goods for ₹2,50,000. Balance of goods were taken over by B at cost less 25%. Find out profit on venture?	₹ 80,000	₹ 90,000	₹ 50,000	None of these
71	If unsold goods costing ₹20,000 is taken over by venture at ₹15,000 the Joint venture A/c will be credited by :	₹ 20,000	₹ 15,000	₹ 5,000	Nil
72	Memorandum Joint Venture Account is :	Personal Account	Real Account	Nominal Account	None of the above
73	A purchased goods costing ₹42,500. B sold goods of ₹40,000 at ₹50,000. Balance goods were taken over by A at same gross profit percentage as in case of sale. The amount of goods taken over will be :	₹ 3,125	₹ 2,500	₹ 3,000	None
74	What is the nature of joint venture with co-venture account :	Nominal Account	Real Account	Personal Account	None of these
75	'M' and 'N' enter into joint venture where 'M' supplies goods worth ₹6,000 and spend ₹100 on various expenses. 'N' sells the entire lot for ₹7,500 meeting selling expenses amounted to ₹200 profit sharing ratio equal. N remits M the amount due. The amount of remittance will be :	₹ 6,700	₹ 7,300	₹ 6,400	₹ 6,100
76	A and B purchased a piece of land for ₹ 20,000 and sold it for ₹60,000 in 2021. Originally A had contributed ₹12,000 and B ₹8,000. The profit on venture will be :	₹ 40,000	₹ 20,000	₹ 60,000	Nil
77	A and B enter into joint venture sharing profit and loss in the ratio 1:1 A purchased goods costing ₹20,000. B sold the goods for ₹25,000. A is entitled to get 1% commission on purchase and B is entitled to get 5% commission on sales the profit will be :	₹ 3,550	₹ 3,600	₹ 3,400	₹ 3,800
78	Goods costing ₹10,000 destroyed by an accident, insurance claim nil :	₹10,000 will be credited to joint venture account	No entry will be made in the books of joint venture	₹10,000 will be debited in Joint venture account as loss	₹ 8,000 will be credited in joint venture account



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79	Which of the following statement is true?	There is no difference between joint venture and partners	Consignment and joint venture is same	There is not separate a ct for joint venture	In case of joint ventu re, the number of thir d party is none only
80	Which of the following accounts are maintained in the joint venture when separate set of books are maintained :	Joint Bank A/c	Joint Venture A/c	Co-ventruer A/c	All of these
81	If A coventurer takes away goods under memorandum joint venture method then he will debit these goods in his books to :	Joint Venture Account	Personal Account	Purchases Account	Sales Account
82	For opening Joint Bank Account, in case of separate sets of books :	Ventruer a/c will be de bited and Co-ventures A/c will be cr edited	Joint Bank A/c is debit ed and Ventures Capit al A/c is credited	Joint Venture A/c is d ebited and Joint Bank A/c will be credited	Joint Bank A/c will b e debited and Joint V enture A/c will be cre dited
83	The person other than the original creditor to whom the amount in th e bill is made payable to is known as the _____ of the bill.	holder	payee	drawer	endorser
84	Payment of Bills of exchange is received :	by drawer	by holder in due course of due date	by endorsee	by bank
85	Retirement of bill means:	making payment befor e the due date	cancellation of the bill	sending the bill for collection	endorsing the bill in f avour of third party
86	At the time of retirement of a bill, the acceptor debits:	Bills Receivable Acco unt	bill Payable Account	Discount	None of the above
87	The party who is ordered to pay the amount is known as _____ :	payee	Drawer	drawee	endorsee
88	In which of these ways a bill of exchange cannot be disposed of _____ :	discounting with bank	retain till maturity	endorsement to creditors	destroyed
89	Bills Receivable Book is a part of the _____ :	Ledger	Balance Sheet	Journal	Profit and Loss Acco unt
90	X Sold goods to Y for ₹30,00,00. ½ of the amount will be received in cash and the balance through a B/R for what amount X should dra w a bill Y .	₹ 1,50,000	₹ 3,00,000	₹ 1,00,000	₹ 1,20,000
91	A person who endorses a bill is called _____ :	drawer	drawee	Bank	endorser
92	At the time of dishonor of an endorsed bill which one or these accounts would be credited by the drawee _____ :	Bill Payable Account	Drawer	Bank	Bill Dishonored Account
93	Date on which the payment of the bill is to be made _____ :	public holiday	date of grace	due date	date of bill + 3 days
94	Kuntal draws a bill on shyam for ₹ 3,000. Kuntal endorsed it to Ram. Ram endorsed it to Rahim. The payee of the bill will be:	Kuntal	Ram	Shyam	Rahim



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95	If the due date is a public holiday what will be the due date of the bill	following day	preceding day	the same day only	one month later
96	On 1.8.23, X draws a bill on Y for 30 days after sight The date of acceptance is 8-8-23. The due date of the bill will be	8.9.2023	10.9.2023	11.9.2023	9.9.2023
97	If bill drawn on 3rd July 2023 for 40 days, payment must be made on	16th August, 2023	15th August, 2023	12th August, 2023	14th August, 2023
98	The purpose of preparing final accounts is to ascertain :	Profit & Loss A/c	Capital	The value of assets	Profit or loss and financial position
99	If the manager is entitled to a commission of 5% on profits before deduction this commission, he will get a commission of ₹____ on a profit of ₹ 8,400	400	442.11	420	None of these
100	The balance of the petty cash is :	An expense	An income	An asset	A liability
101	Fixed assets are :	Kept in the business for use over a long time for earning income	Meant for resale	Meant for conversion into cash as quickly as possible	All of the above
102	The manufacturing account is prepared:	To ascertain the profit or loss on the goods produced	To ascertain the cost of the manufactured goods	To show the sale proceeds from the goods produced during the year	both (b) and (c)
103	A company wishes to earn a 20% profit margin on selling price. Which of the following is the profit mark upon cost, which will achieve the required profit margin?	33%	25%	20%	None of these
104	At the time of preparation of financial accounts, bad debts recovered account will be transferred to	Debtors A/c	Profit & Loss A/c	Profit & loss Adjustment A/c	Profit & loss Appropriation A/c
105	Depreciation appearing in the Trial Balance should be	Debited to P & L A/c	Shown as liability in balance sheet	reduced from related asset in balance sheet	both (a) and (c) above
106	Gross profit is equal to	sales – cost of goods sold	sales – closing stock + purchase	opening stock + purchases – closing stock	none of the above
107	The profit and loss Account shows the	financial results of the concern for a period	Financial position of the concern on particular date	financial results of the concern on a particular date	cost of goods sold during the period
108	Which of the following is not a part of financial statement?	Profit and loss account	Balance sheet	Cash flow statement	Trial balance
109	Based on which of the following concepts, is share capital account shown on the liabilities side of a balance sheet?	business entity concept	money measurement concept	going concern concept	matching concept



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110	Closing stock appearing in the trial balance is shown in –	Trading A/c and Balance Sheet	Profit and Loss A/c	Balance Sheet only	Trading A/c only
111	Consider the following data and identify the amount which will be deducted from sundry debtors in Balance sheet. Particulars ₹ Bad debts (from trial balance) 1,600 Provision for doubtful debts (old) 2,000 Current year's provision (new) 800	₹ 400	₹ 800	₹ 2,000	₹ 2,400
112	Inventory is :	Included in the category of fixed assets	An investment	A part of current assets	An intangible fixed asset
113	Endowment fund receipt is treated as -	Capital Receipt	Revenue Receipt	Loss	Expenses
114	Which one of the following is not prepared by non-profit organizations :	Profit and Loss Account	Income & Expenditure Account	Receipts and Payments Account	Balance Sheet
115	Legacy are generally -	Capitalized	Treated Loss	Revenue Expenses	Deferred Revenue expenses
116	Any donation received for a specific purpose is a :	Assets	Revenue receipts	Capital receipts	None of the above
117	The receipts and payments account of a non-profit organization is a :	Nominal Account	Real Account	Income Statement Account	Financial Account
118	The capital of a non-profit organization is generally known as :	Equity	Accumulated Fund	Finance Reserve	Cash Fund
119	If ₹1,500 was outstanding at the beginning of the year towards subscription and ₹10,000 is received during the year, with ₹2,500 still outstanding at the end of the year the amount to be taken to receipts and payments account is	₹ 11,000	₹ 8,500	₹ 10,000	None of the above
120	Any revenue expenses for which a separate fund is available will be	Debited to the separate fund	Debited to Income and Expenditure Account	Capitalized and shown in the Balance Sheet	None of the above
121	Sale of old materials must be shown on the credit side of	Cash Book	Income and Expenditure Account	Balance Sheet	None of the above
122	The information for the preparation of receipts and payments account is taken from	Cash Book	Income and Expenditure Account	Cash Book and Balance Sheet	None
123	Any donation received for a specific purpose is a	Capital receipt	Revenue receipt	Liability	None of the above



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124	The Receipts and Payments Account shows the following details: Subscription Arrears ₹500 Current ₹10,500 Advance ₹800 There are 1,200 members each paying an annual subscription of ₹10. The amount to be credited to Income and Expenditure Account will be	₹ 11,800	₹ 11,300	₹ 12,000	None of the above
125	Any income arising from special fund will be credited to	Special Fund in the Balance Sheet	Income and Expenditure Account	General Fund in the Balance Sheet	None of the above
126	Income and Expenditure Account shows subscriptions at ₹10,000. Subscriptions accrued in the beginning of the year and at the end of the year were ₹1,000 and ₹1,500 respectively. The figure of subscriptions received appearing in Receipts and Payments Account will be	₹ 9,500	₹ 11,000	₹ 10,000	None of the above
127	Which of the following item(s) is (are) shown in the Income and Expenditure Account	Only items of capital nature	Only items of revenue nature which are received during the period of accounts	Only items of revenue nature pertaining to the period of accounts	Both the items of capital and revenue nature
128	The total cost incurred in the operation of a business undertaking other than the cost of manufacturing and production is known as:	direct cost	Variable cost	commercial cost	conversion cost
129	Which of the following is not a relevant cost?	Replacement cost	Sunk cost	Marginal cost	standard cost
130	Process cost is very much applicable in:	construction industry	pharmaceutical industry	Air line company	none of these
131	The main purpose of cost accounting is to:	maximize profits,	help in inventory valuation	provide information to management for decision making	Aid in the fixation of selling price
132	Opportunity cost is the best example of:	sunk cost	Standard cost	relevant cost	irrelevant cost
133	Costs are classified into fixed costs, variable costs and semi-variable costs, it is known as:	functional classification	behavioral classification	element wise classification	classification according to controllability
134	Which method of costing is used for determination of costs for printing industry?	process costing	operating costing	batch costing	job costing
135	Over which of the following costs, management is likely to have least control :	wages cost	building insurance cost	machinery breakdown cost	advertisement cost
136	Variable costs are fixed :	for a period	per unit	depends upon the entity	for a particular process of production



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137	In behavioral analysis', costs are divided into :	production and non-production costs	controllable and non-controllable costs	direct and indirect costs	fixed and variable costs
138	Prime cost plus factory overheads is known as :	factory on cost	conversion cost	factory cost	marginal cost
139	Which of the following items is excluded from cost Accounts?	Income tax	interest on debentures	cash discount	All of these
140	The following is included in financial accounts, but not in cost accounts :	carriage and freight	Excise duty	Royalty	Dividend paid
141	Advertisements are treated as :	direct expenses	cost of production	selling overheads	distribution overheads
142	Which cost system description applies to the manufacture of 20 engraved doors for the new club house at a golf course?	contract	process	Batch	service
143	Prime cost may be correctly termed as :	the sum of direct material and labour cost with all other costs excluded.	the total of all cost items which can be directly charged to product units.	The total costs incurred in producing a finished unit.	the sum of the large cost there in a product cost.
144	The guidance and regulation by executive action of the cost of operating an undertaking is said to be :	Budgetary control	cost control	cost analysis	None
145	Direct expenses are also known as :	Overhead expenses	process expenses	chargeable expenses	None
146	Indirect material cost is a part of :	Prime cost	Factory overhead	chargeable expenses	None of these
147	Which of the following is a part of both Prime cost and conversion cost :	Direct Material	Indirect Labour	Indirect Material	Direct Labour
148	Statement showing break-up of costs is known as :	cost-sheet	statement of profit	production account	Tender
149	The works cost plus administration expenses :	Total Cost	Cost of production	cost of sales	Factory cost
150	Directors remuneration and expenses form a part of :	Production overhead	Administration overhead	Selling overhead	Distribution overhead
151	Cost reduction is :	Long term phenomena	It challenges the standards	It is carried out without compromising the quality	All of the above
152	Interest on own capital is :	Cash cost	Notional cost	Sunk cost	Part of Prime Cost
153	Which accounting concept ensures that personal transactions of the owner are kept separate from the business?	Going Concern	Money Measurement	Business Entity	Dual Aspect
154	The assumption that a business will continue for the foreseeable future is based on which concept?	Accrual Concept	Conservatism	Going Concern	Consistency
155	Recording revenue when it is earned, not when cash is received, follows which concept?	Realisation	Cash Basis	Prudence	Materiality



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156	The convention of conservatism advises accountants to:	Record all future gains	Ignore future losses	Anticipate no profit but provide for all losses	Recognise profit only when cash is received
157	The principle that the same accounting methods should be used each year is called:	Matching Concept	Consistency Convention	Cost Concept	Objectivity Concept
158	Expenditure on acquiring or improving a fixed asset is known as:	Deferred Revenue Expenditure	Capital Expenditure	Revenue Expenditure	Miscellaneous Expenditure
159	Rent paid for factory premises is an example of:	Capital Expenditure	Revenue Expenditure	Deferred Revenue Expenditure	Preliminary Expense
160	Sale proceeds from old machinery would be classified as:	Capital Receipt	Revenue Receipt	Deferred Receipt	Suspense Receipt
161	The cost of overhauling a second-hand machine before putting it into use is:	Revenue Expenditure	Capital Expenditure	Deferred Expense	Miscellaneous Expense
162	The first step in the accounting cycle is:	Journalising	Posting to Ledger	Identification of Transactions	Preparing Trial Balance
163	If an owner invests ₹50,000 cash into the business, the accounting equation will show:	Assets ↑ and Liabilities ↓	Assets ↑ and Capital ↑	Assets ↓ and Capital ↑	Assets ↓ and Liabilities ↓
164	The double-entry system means:	Each transaction affects two accounts	Each account has two names	Two sets of books are kept	Transactions are recorded twice
165	If goods worth ₹2,000 are purchased on credit, which effect will occur?	Increase in Cash and Decrease in Stock	Increase in Stock and Increase in Creditors	Increase in Debtors and Decrease in Cash	Decrease in Creditors and Increase in Stock
166	Purchases made on credit are first recorded in:	Cash Book	Journal Proper	Purchases Book	Sales Book
167	All transactions involving immediate cash payments are entered in:	Petty Cash Book	Journal Proper	Cash Book	Ledger
168	The book used to record returns of goods sold to customers is called:	Purchases Return Book	Sales Return Book	Journal Proper	Credit Note Register
169	The main purpose of preparing a Trial Balance is to:	Determine profits	Check the arithmetic accuracy of ledger postings	Record all transactions	Finalise the cash book
170	If a business owner takes goods for personal use, which account is credited?	Drawings Account	Purchases Account	Capital Account	Sales Account
171	Which of the following is an example of Deferred Revenue Expenditure?	Purchase of Machinery	Heavy Advertisement Cost	Rent Paid	Sale of Old Asset
172	The Accounting Equation represents the relationship between:	Assets, Liabilities and Expenses	Assets, Liabilities and Capital	Income, Expenses and Profit	Cash, Debtors and Creditors
173	Which of the following entries is recorded in Journal Proper?	Credit sales of goods	Cash purchases of goods	Depreciation adjustment	Credit purchase of goods
174	Opening entries are recorded in:	Cash Book	Journal Proper	Ledger	Sales Book
175	Rectification entries are required when:	Payment of salaries	An error is detected in recording transactions	A new asset is purchased	Cash is deposited in bank



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

## FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING (PAPER - 2)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
176	Posting from a Journal to Ledger is done to:	Record the original transaction	Classify transactions under accounts	Adjust accounts for depreciation	Correct errors
177	The Bank Column in a Cash Book records:	Only cash transactions	Only bank transactions	Credit sales	Credit purchases
178	A Contra entry in Cash Book is made when:	Cash is deposited in bank or withdrawn from bank	Goods are purchased on credit	Bad debts are written off	Interest is received
179	A Bank Reconciliation Statement is prepared to:	Record cash payments	Adjust bank balance in Cash Book to match the Pass Book	Record credit sales	Record bad debts
180	Cheques issued but not yet presented for payment are:	Added to bank balance in BRS	Deducted from bank balance in BRS	Recorded in Journal Proper	Ignored
181	A bank charge not recorded in Cash Book is:	Added in BRS	Deducted in BRS	Recorded in Sales Book	Ignored
182	Accrued expenses are recorded to:	Increase revenue	Match expenses to the period incurred	Record cash payment	Correct opening balance
183	Suspense account is used when:	Trial Balance tallies	Bad debts are written off	Cash is received	Trial Balance does not tally
184	Provision for doubtful debts is created to:	Record actual bad debts	Increase revenue	Anticipate possible bad debts	Record prepaid expenses
185	Straight Line Method of depreciation results in:	Same amount each year	Reducing balance each year	No depreciation	Increasing balance each year
186	Diminishing Balance Method results in:	Same depreciation annually	Depreciation decreases over time	Depreciation increases over time	No effect on asset value
187	If machinery cost ₹60,000 and depreciation is 10% SLM, depreciation for first year is:	₹ 10,000	₹ 6,500	₹ 6,000	₹ 60,000
188	The purpose of creating provision for doubtful debts is to:	Avoid writing off bad debts	Anticipate possible losses on receivables	Increase cash balance	Record prepaid expenses
189	Consignment is a transaction in which:	Ownership is transferred to consignee	Ownership remains with consignor till sold by the consignee	Ownership remains with consignee until sale	Goods are sold to the consignee at a fixed price
190	The consignee is:	The owner of goods	The buyer of goods	The agent who sells goods on behalf of consignor	The customer
191	Goods sent on consignment are credited in:	Consignment Account	Sales Account	Consignee Account	Goods Sent on Consignment Account



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### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
192	Expenses incurred by consignee are:	Debited to Consignment Account	Ignored in accounts	Debited to Consignee Account	Credited to Consignor Account
193	Del-credere commission is given to:	Encourage consignee to sell more	Compensate consignee for carriage	Cover bad debt risk by consignee	Cover loading/unloading charges
194	If goods worth ₹50,000 are sent and normal loss is 10%, cost per unit increases by:	10%	11.11%	5%	Remains same
195	Which of the following is non-recurring expense?	Godown rent	Insurance in transit	Salary to salesman	Commission
196	Joint Venture is a:	Partnership	Temporary business arrangement for a specific purpose	Sole proprietorship	Government contract
197	In Joint Venture, profit is shared:	Equally always	By the person who invested more	According to agreed ratio	By the government
198	If A and B share profit equally and profit is ₹20,000, share of A is:	₹ 15,000	₹ 20,000	₹ 10,000	₹ 30,000
199	A Bill of Exchange is drawn by:	Drawee	Drawer	Endorser	Acceptor
200	The person who accepts the bill is called:	Drawee	Drawer	Payee	Debtor
201	The financial statements of a sole proprietorship mainly include:	Trading and Profit & Loss Account and Balance Sheet	Receipts and Payments Account	Income and Expenditure Account	Cash Flow Statement
202	Which account shows the gross profit or loss of a business?	Trading Account	Profit & Loss Account	Balance Sheet	Cash Account
203	Wages paid for installation of machinery should be:	Debited to Wages Account	Debited to Machinery Account	Debited to Profit & Loss Account	Credited to Capital Account
204	Closing stock is shown in:	Trading Account (credit side) and Balance Sheet (asset side)	Trading Account (debit side) only	Profit & Loss Account	Balance Sheet (liability side)
205	Drawings by the proprietor are deducted from:	Capital	Cash	Liabilities	Purchases
206	Outstanding expenses are shown in the Balance Sheet as:	Asset	Liability	Income	Expense
207	Depreciation is treated as:	Liability	Expense	Asset	Provision
208	Carriage inwards is charged to:	Trading Account	Profit & Loss Account	Balance Sheet	Capital Account
209	Carriage outwards is charged to:	Trading Account	Profit & Loss Account	Balance Sheet	Suspense Account
210	Accrued income appears on the:	Asset side of the Balance Sheet	Liability side of the Balance Sheet	Trading Account	Profit & Loss Account (debit side)



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### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
211	If closing stock is ₹20,000 more, profit will:	Increase by ₹20,000	Decrease by ₹20,000	Remain unchanged	Cannot be determined
212	Interest on capital is:	Expense for business	Income for proprietor	Both 1 and 2	None of these
213	Balance Sheet is prepared to show:	Financial position of business	Profit or loss of business	Gross profit of the business	Receipts and payments details
214	The main aim of a Not-for-Profit Organisation is to:	Earn profit	Provide service	Increase sales	Reduce expenses
215	Which statement is prepared first in an NPO?	Receipts and Payments Account	Income and Expenditure Account	Balance Sheet	Trial Balance
216	Receipts and Payments Account is similar to:	Cash Book	Profit & Loss Account	Trading Account	Balance Sheet
217	Subscription received in advance is shown as:	Liability	Asset	Expense	Income
218	Subscription outstanding is shown as:	Asset	Liability	Expense	Income
219	Donation for a specific purpose is treated as:	Revenue receipt	Capital receipt	Income	Expense
220	Honorarium paid to a guest speaker is:	Expense	Liability	Asset	Income
221	Legacy received by an NPO is treated as:	Capital receipt	Revenue receipt	Expense	Liability
222	The system under which a fixed sum is given to the petty cashier is known as:	Voucher System	Imprest System	Ledger System	Balance System
223	Cost Accounting is primarily concerned with:	Recording financial transactions	Determining cost and controlling it	Tax computation	Investment analysis
224	Which of the following best defines cost accounting?	It records only cash expenses	It deals with the ascertainment and control of cost	It shows financial position of the business	It is used only for taxation purposes
225	The main purpose of cost accounting is to:	Satisfy government requirements	Provide cost information for internal management	Prepare financial statements	Determine tax liability
226	One of the primary advantages of cost accounting is:	Helps in tax assessment	Aids in cost control and reduction	Increases government regulation	Eliminates accounting errors
227	Who are the main users of cost accounting information?	Shareholders	Public	Tax authorities	Management
228	Which of these functions is not a function of cost accounting?	Ascertainment of cost	Control of cost	Distribution of profit	Decision-making
229	Financial accounting is mainly for:	Internal management	External reporting	Cost determination	Budget preparation
230	Financial accounting shows:	Overall business performance	Profit per product	Cost per department	Cost variance
231	Cost data assists management in:	Dividend distribution	Make-or-buy decisions	Tax payment	Financial audits
232	Cost accounting helps in budgeting by:	Providing historical cost trends	Hiding overheads	Avoiding control systems	Recording cash receipts



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### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
233	A cost centre is:	A person or location where costs are incurred	A product sold to customers	A cost driver	A fixed cost item
234	A cost unit is:	A unit of measurement for cost ascertainment	A cost element	A ledger account	An overhead
235	Which of the following can be a cost unit?	Per kilometre in transport company	Per meal in restaurant	Per student in school	All of these
236	A cost driver is:	Any factor causing a change in the cost of an activity	A person controlling costs	A measure of profit	A fixed cost
237	Which is an example of a cost centre?	Maintenance department	Factory as a whole	Packing section	All of these
238	According to Cost Accounting Standard 1 (CAS-1), cost classification is primarily based on which of the following factors?	Nature, function, and behavior	Purpose, production, and profit	Income, expenses, and assets	Cash flow and accrual
239	A semi-variable cost includes—	Only a fixed component	Only a variable component	Both fixed and variable components	Neither fixed nor variable components
240	A cost sheet is prepared to show—	Income statement of a company	Cost and profit of a product or job	Only material cost	Financial position
241	Prime cost includes—	Direct material + Direct labor + Direct expenses	Factory overhead + Direct material	Administrative expenses + Selling expenses	Indirect material + Indirect labor+ Indirect expenses
242	Factory cost is also known as—	Prime cost	Works cost	Operating cost	Administrative cost
243	Cost of goods sold =	Works cost + Administrative overhead	Cost of production + Opening stock of finished goods – Closing stock of finished goods	Prime cost + Factory overhead	Cost of sales – Selling overhead
244	Cost of sales =	Cost of production + Selling and distribution overheads	Prime cost + Factory overheads	Cost of goods sold – Administrative overheads	Works cost + Selling overheads
245	Profit as per cost sheet is determined as—	Selling price – Cost of sales	Selling price – Cost of goods sold	Cost of production – Selling price	Administrative overhead – Selling overhead
246	When opening stock of work-in-progress exceeds closing stock, the difference is—	Added to works cost	Deducted from works cost	Ignored	Added to selling cost
247	Which of the following is not a component of total cost?	Prime cost	Factory cost	Financial cost	Selling and distribution overhead



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### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
248	Cost sheet helps management primarily in—	Auditing	Planning, control, and decision making	Statutory reporting	Tax computation
249	If closing stock of finished goods increases, the cost of goods sold will—	Increase	Decrease	Remain same	Fluctuate randomly
250	The starting point of a cost sheet is—	Prime cost	Direct materials consumed	Sales	Factory overheads
251	Opportunity cost is—	The cost that is unavoidable	The benefit foregone by choosing one alternative over another	The same as sunk cost	Always included in financial accounts
252	The closing stock of raw materials is valued at—	Cost price or market price, whichever is higher	Cost price or market price, whichever is lower	Replacement cost	Standard cost



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#### ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
1	The revenues and expenses of a company are displayed in which statement?	Income Statement	3
2	The main Purpose of Financial Accounting is?	To Provide financial information to shareholders	1
3	Accounting provides information on :	All of the above	4
4	The determination of expenses for an accounting period is based on the concept of	Matching	3
5	Accounting does not record non-financial transactions because of	Money Measurement Concept	4
6	Provision for bad debt is made as per the	Conservatism Convention	2
7	Fixed Assets and Current Assets are categorized as per concept of	Going Concern	2
8	Omission of paise and showing the round figures in Financial Statements is based on	Materiality Concept	3
9	P & L Account is prepared for period of one year by following	Accounting Period Concept	3
10	An expenditure is capital in Nature when	It increase the quantity of fixed assets for the purchase of fixed assets	2
11	Capital expenditures are recorded in the	Balance Sheet	1
12	Which of the following transaction is of capital nature	Purchases of a truck	1
13	₹ 5,000 incurred for up gradation of computer by installation of 128 MB Ram is	Capital Expenditure	1
14	Entrance fee of ₹ 20,000 received by a club is a	Capital Receipts	1
15	Life membership fees received by a club is a	Capital Receipt	4
16	Cost of goods purchased for resale is an example of	Revenue Expenditure	2
17	Import duty of raw material purchased	Revenue Expenditure	1
18	Received from Soloman & co., an invoice for ₹ 1,500 for repairs to factory walls	Revenue Expenditure	1
19	Compensation received from government for compulsory acquisition of land	None of These	4
20	All revenue receipts and expenditures are shown in	Trading and Profit and Loss A/c	2
21	A bad debt recovered during the year will be	Revenue Receipt	4
22	Insurance claim received on account of machinery damaged completely by fire is	Capital Receipt	1
23	Amount of ₹ 5,000 spent as lawyers' fees to defend a suit claiming that the firm's factory site belonged to the plaintiff's land is:	Revenue Expenditure	2
24	Money spent ₹ 10,000 as travelling expenses of the directors on trips abroad for purchase of capital assets is	Capital Expenditure	1
25	Nominal Account represents	Both (a) and (b)	4
26	S.B.I Account is a ...	Artificial Personal Account	2
27	The process of recording business transactions in a book of original entry is known as	Journal	1
28	Prepaid rent is a :	Representative Personal A/c	2
29	In an Account if debit > credit side, the balance is known as the :	Debit balance	2
30	A sale of goods to Ram for cash should be debited to:	Cash	2
31	A withdrawal of cash from business by the proprietor should be credited to :	Cash A/c	3
32	Rent Account is :	Nominal	3
33	Ledger contains various _____ in it :	Accounts	3
34	The process of transfer of entries from day book to ledgers is called :	Ledger posting	4
35	The rent paid to landlord is credited to :	Cash A/c	3



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#### ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
36	Which financial statement represents the accounting equation- Assets = Liabilities + Owner's equity:	Balance Sheet	3
37	The debts written off as bad, if recovered subsequently are	Credited to Bad Debts Recovered A/c	1
38	A trial balance will not balance if	₹ 500 cash payment to creditors is debited to creditors for ₹ 50 and credited to cash as ₹ 500	3
39	A Trial Balance shows	Only arithmetical accuracy of accounts	3
40	The process of recording business transactions in a book of original entry is known as	Journal	1
41	In an Account if debit > credit side, the balance is known as the	Debit balance	2
42	Ledger contains various in it :	Accounts	3
43	The process of transfer of entries from day book to ledgers is called :	Ledger posting	4
44	A Ledger is also called :	Book of Final entry	3
45	Whenever errors are noticed in the accounting records, they should be rectified :	without waiting the accounting year to end	2
46	A Trial Balance will not tally if :	₹5,000 cash paid to creditors is debited	3
47	Sales of Shyam of ₹ 500 not recorded in the books would affect :	Sales Account and Shyam's Account	3
48	Errors of carry forward from one year to another affects :	both (a) and (b)	4
49	Goods worth ₹ 272 returned by Lala passed through the books as ₹ 722. The rectification entry is	Lala will be debited by ₹ 450	1
50	If a receipt of ₹ 200 from rajesh (debtor) has not been recorded in the books the profits would show	Neither an increase nor a decrease	3
51	A credit purchase of ₹ 950 from sudhir was recorded in purchases book as ₹ 590. The rectification entry is	purchases account will be debited by ₹ 360	1
52	Which of these errors affect only one account	All the three	4
53	Which of these is/are recurring (indirect expenses)?	godown rent and insurance	4
54	On receipt of goods the consignee debits which of these accounts :	None of these	4
55	X sends out goods to Y, costing ₹ 1,50,000. Goods are to be sold at cost +33 1/3%. The consignor asked consignee to pay an advance for an amount equivalent to 60% of sales value. The amount of advance will be :	₹ 1,20,000	1
56	Goods of the invoice value of ₹ 2,40,000 sent out to consignee at 20% profit on cost the loading amount will be :	₹ 40,000	1
57	Goods sent on consignment account is of the nature of :	Real Account	3
58	Out of the given option which cannot be treated as part of cost of purchase for valuing stock on hand :	delivery charges	3
59	X sends out 100 bags to Y costing ₹1,000 each. 60 bags were sold at 10% above cost price. Sale value will be :	₹ 66,000	1
60	The consignment accounting is made on the following basis :	accrual basis	1
61	Which of the following term is true about consignment?	shipment of goods	3



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#### ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
62	Which of these accounts are not opened in the books of consignor?	Commission Account	2
63	For closing stock held by consignee which account must be debited :	Consignment Stock	1
64	X of Kanpur sends out 1000 boxes to Y Delhi costing ₹ 200 each at an invoice price of ₹ 220 each goods sent out on consignment to be credited in general trading will be :	₹ 2,00,000	1
65	A proforma invoice is sent by :	consignor to consignee	2
66	Commission will be shared by :	only consignee	2
67	X of Mumbai sends out certain goods at cost +25%. Invoice value of the goods is ₹2,00,000. 4/5th of the goods were sold by consignee at ₹1,76,000. Commission 2% upto invoice value and 10% of any surplus above invoice. The amount of commission will be :	₹ 4,800	1
68	Joint venture account is of the nature of :	Nominal A/c	2
69	A and B purchased a piece of land for ₹40,000 and sold it for ₹ 60,000 in 2021. Originally A had contributed ₹24,000 and B ₹16,000. What will be the profit on venture?	₹ 20,000	1
70	A, for joint venture with B, Purchased goods costing ₹2,00,000 . B sold 80% of the goods for ₹2,50,000. Balance of goods were taken over by B at cost less 25%. Find out profit on venture?	₹ 80,000	1
71	If unsold goods costing ₹20,000 is taken over by venture at ₹15,000 the Joint venture A/c will be credited by :	₹ 15,000	2
72	Memorandum Joint Venture Account is :	Nominal Account	3
73	A purchased goods costing ₹42,500. B sold goods of ₹40,000 at ₹50,000. Balance goods were taken over by A at same gross profit percentage as in case of sale. The amount of goods taken over will be :	₹ 3,125	1
74	What is the nature of joint venture with co-venture account :	Personal Account	3
75	'M' and 'N' enter into joint venture where 'M' supplies goods worth ₹6,000 and spend ₹100 on various expenses. 'N' sells the entire lot for ₹7,500 meeting selling expenses amounted to ₹200 profit sharing ratio equal. N remits M the amount due. The amount of remittance will be :	₹ 6,700	1
76	A and B purchased a piece of land for ₹ 20,000 and sold it for ₹60,000 in 2021. Originally A had contributed ₹12,000 and B ₹8,000. The profit on venture will be :	₹ 40,000	1
77	A and B enter in to joint venture sharing profit and loss in the ratio 1:1 A purchased goods costing ₹20,000. B sold the goods for ₹25,000. A is entitled to get 1% commission on purchase and B is entitled to get 5% commission on sales the profit will be :	₹ 3,550	1
78	Goods costing ₹10,000 destroyed by an accident, insurance claim nil :	No entry will be made in the books of joint venture	2
79	Which of the following statement is true?	There is not separate act for joint venture	3
80	Which of the following accounts are maintained in the joint venture when separate set of books are maintained :	All of these	4
81	If A coventurer takes away goods under memorandum joint venture method then he will debit these goods in his books to :	Purchases Account	3



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SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
82	For opening Joint Bank Account, in case of separate sets of books :	Joint Bank A/c is debited and Ventures Capital A/c is credited	2
83	The person other than the original creditor to whom the amount in the bill is made payable to is known as the _____ of the bill.	payee	2
84	Payment of Bills of exchange is received :	by holder in due course of due date	2
85	Retirement of bill means:	making payment before the due date	1
86	At the time of retirement of a bill, the acceptor debits:	bill Payable Account	2
87	The party who is ordered to pay the amount is known as :	drawee	3
88	In which of these ways a bill of exchange cannot be disposed of :	destroyed	4
89	Bills Receivable Book is a part of the :	Journal	3
90	X Sold goods to Y for ₹30,00,00. ½ of the amount will be received in cash and the balance through a B/R for what amount X should draw a bill Y .	₹ 1,50,000	1
91	A person who endorses a bill is called :	endorser	4
92	At the time of dishonor of an endorsed bill which one or these accounts would be credited by the drawee :	Drawer	2
93	Date on which the payment of the bill is to be made :	due date	3
94	Kuntal draws a bill on shyam for ₹ 3,000. Kuntal endorsed it to Ram. Ram endorsed it to Rahim. The payee of the bill will be:	Rahim	4
95	If the due date is a public holiday what will be the due date of the bill	preceding day	2
96	On 1.8.23, X draws a bill on Y for 30 days after sight The date of acceptance is 8-8-23. The due date of the bill will be	10.9.2023	2
97	If bill drawn on 3rd July 2023 for 40 days, payment must be made on	14th August, 2023	4
98	The purpose of preparing final accounts is to ascertain :	Profit or loss and financial position	4
99	If the manager is entitled to a commission of 5% on profits before deduction this commission, he will get a commission of ₹ _____ on a profit of ₹ 8,400	420	3
100	The balance of the petty cash is :	An asset	3
101	Fixed assets are :	Kept in the business for use over a long time for earning income	1
102	The manufacturing account is prepared:	To ascertain the cost of the manufactured goods	2
103	A company wishes to earn a 20% profit margin on selling price. Which of the following is the profit mark upon cost, which will achieve the required profit margin?	25%	2
104	At the time of preparation of financial accounts, bad debts recovered account will be transferred to	Profit & Loss A/c	2
105	Depreciation appearing in the Trial Balance should be	Debited to P & L A/c	1
106	Gross profit is equal to	sales – cost of goods sold	1
107	The profit and loss Account shows the	financial results of the concern for a period	1
108	Which of the following is not a part of financial statement?	Trial balance	4
109	Based on which of the following concepts, is share capital account shown on the liabilities side of a balance sheet?	business entity concept	1
110	Closing stock appearing in the trial balance is shown in –	Balance Sheet only	3





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#### ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
136	Variable costs are fixed :	per unit	2
137	In behavioral analysis', costs are divided into :	fixed and variable costs	4
138	Prime cost plus factory overheads is known as :	factory cost	3
139	Which of the following items is excluded from cost Accounts?	All of these	4
140	The following is included in financial accounts, but not in cost accounts :	Dividend paid	4
141	Advertisements are treated as :	selling overheads	3
142	Which cost system description applies to the manufacture of 20 engraved doors for the new club house at a golf course?	Batch	3
143	Prime cost may be correctly termed as :	the total of all cost items which can be directly charged to product units.	2
144	The guidance and regulation by executive action of the cost of operating an undertaking is said to be :	cost control	2
145	Direct expenses are also known as :	chargeable expenses	3
146	Indirect material cost is a part of :	Factory overhead	2
147	Which of the following is a part of both Prime cost and conversion cost :	Direct Labour	4
148	Statement showing break-up of costs is known as :	cost-sheet	1
149	The works cost plus administration expenses :	Cost of production	2
150	Directors remuneration and expenses form a part of :	Administration overhead	2
151	Cost reduction is :	All of the above	4
152	Interest on own capital is :	Notional cost	2
153	Which accounting concept ensures that personal transactions of the owner are kept separate from the business?	Business Entity	3
154	The assumption that a business will continue for the foreseeable future is based on which concept?	Going Concern	3
155	Recording revenue when it is earned, not when cash is received, follows which concept?	Realisation	1
156	The convention of conservatism advises accountants to:	Anticipate no profit but provide for all losses	3
157	The principle that the same accounting methods should be used each year is called:	Consistency Convention	2
158	Expenditure on acquiring or improving a fixed asset is known as:	Capital Expenditure	2
159	Rent paid for factory premises is an example of:	Revenue Expenditure	2
160	Sale proceeds from old machinery would be classified as:	Capital Receipt	1
161	The cost of overhauling a second-hand machine before putting it into use is:	Capital Expenditure	2
162	The first step in the accounting cycle is:	Identification of Transactions	3
163	If an owner invests ₹50,000 cash into the business, the accounting equation will show:	Assets ↑ and Capital ↑	2
164	The double-entry system means:	Each transaction affects two accounts	1
165	If goods worth ₹2,000 are purchased on credit, which effect will occur?	Increase in Stock and Increase in Creditors	2
166	Purchases made on credit are first recorded in:	Purchases Book	3
167	All transactions involving immediate cash payments are entered in:	Cash Book	3
168	The book used to record returns of goods sold to customers is called:	Sales Return Book	2
169	The main purpose of preparing a Trial Balance is to:	Check the arithmetic accuracy of ledger postings	2
170	If a business owner takes goods for personal use, which account is credited?	Purchases Account	2



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#### ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
171	Which of the following is an example of Deferred Revenue Expenditure?	Heavy Advertisement Cost	2
172	The Accounting Equation represents the relationship between:	Assets, Liabilities and Capital	2
173	Which of the following entries is recorded in Journal Proper?	Depreciation adjustment	3
174	Opening entries are recorded in:	Journal Proper	2
175	Rectification entries are required when:	An error is detected in recording transactions	2
176	Posting from a Journal to Ledger is done to:	Classify transactions under accounts	2
177	The Bank Column in a Cash Book records:	Only bank transactions	2
178	A Contra entry in Cash Book is made when:	Cash is deposited in bank or withdrawn from bank	1
179	A Bank Reconciliation Statement is prepared to:	Adjust bank balance in Cash Book to match the Pass Book	2
180	Cheques issued but not yet presented for payment are:	Deducted from bank balance in BRS	2
181	A bank charge not recorded in Cash Book is:	Deducted in BRS	2
182	Accrued expenses are recorded to:	Match expenses to the period incurred	2
183	Suspense account is used when:	Trial Balance does not tally	4
184	Provision for doubtful debts is created to:	Anticipate possible bad debts	3
185	Straight Line Method of depreciation results in:	Same amount each year	1
186	Diminishing Balance Method results in:	Depreciation decreases over time	2
187	If machinery cost ₹60,000 and depreciation is 10% SLM, depreciation for first year is:	₹ 6,000	3
188	The purpose of creating provision for doubtful debts is to:	Anticipate possible losses on receivables	2
189	Consignment is a transaction in which:	Ownership remains with consignor till sold by the consignee	2
190	The consignee is:	The agent who sells goods on behalf of consignor	3
191	Goods sent on consignment are credited in:	Goods Sent on Consignment Account	4
192	Expenses incurred by consignee are:	Debited to Consignment Account	1
193	Del-credere commission is given to:	Cover bad debt risk by consignee	3
194	If goods worth ₹50,000 are sent and normal loss is 10%, cost per unit increases by:	11.11%	2
195	Which of the following is non-recurring expense?	Insurance in transit	2
196	Joint Venture is a:	Temporary business arrangement for a specific purpose	2
197	In Joint Venture, profit is shared:	According to agreed ratio	3
198	If A and B share profit equally and profit is ₹20,000, share of A is:	₹ 10,000	3
199	A Bill of Exchange is drawn by:	Drawer	2
200	The person who accepts the bill is called:	Drawee	1
201	The financial statements of a sole proprietorship mainly include:	Trading and Profit & Loss Account and Balance Sheet	1
202	Which account shows the gross profit or loss of a business?	Trading Account	1
203	Wages paid for installation of machinery should be:	Debited to Machinery Account	2
204	Closing stock is shown in:	Trading Account (credit side) and Balance Sheet (asset side)	1
205	Drawings by the proprietor are deducted from:	Capital	1
206	Outstanding expenses are shown in the Balance Sheet as:	Liability	2
207	Depreciation is treated as:	Expense	2
208	Carriage inwards is charged to:	Trading Account	1
209	Carriage outwards is charged to:	Profit & Loss Account	2
210	Accrued income appears on the:	Asset side of the Balance Sheet	1
211	If closing stock is ₹20,000 more, profit will:	Increase by ₹20,000	1
212	Interest on capital is:	Both 1 and 2	3



## THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

### FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING (PAPER - 2)

#### ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
213	Balance Sheet is prepared to show:	Financial position of business	1
214	The main aim of a Not-for-Profit Organisation is to:	Provide service	2
215	Which statement is prepared first in an NPO?	Receipts and Payments Account	1
216	Receipts and Payments Account is similar to:	Cash Book	1
217	Subscription received in advance is shown as:	Liability	1
218	Subscription outstanding is shown as:	Asset	1
219	Donation for a specific purpose is treated as:	Capital receipt	2
220	Honorarium paid to a guest speaker is:	Expense	1
221	Legacy received by an NPO is treated as:	Capital receipt	1
222	The system under which a fixed sum is given to the petty cashier is known as:	Imprest System	2
223	Cost Accounting is primarily concerned with:	Determining cost and controlling it	2
224	Which of the following best defines cost accounting?	It deals with the ascertainment and control of cost	2
225	The main purpose of cost accounting is to:	Provide cost information for internal management	2
226	One of the primary advantages of cost accounting is:	Aids in cost control and reduction	2
227	Who are the main users of cost accounting information?	Management	4
228	Which of these functions is not a function of cost accounting?	Distribution of profit	3
229	Financial accounting is mainly for:	External reporting	2
230	Financial accounting shows:	Overall business performance	1
231	Cost data assists management in:	Make-or-buy decisions	2
232	Cost accounting helps in budgeting by:	Providing historical cost trends	1
233	A cost centre is:	A person or location where costs are incurred	1
234	A cost unit is:	A unit of measurement for cost ascertainment	1
235	Which of the following can be a cost unit?	All of these	4
236	A cost driver is:	Any factor causing a change in the cost of an activity	1
237	Which is an example of a cost centre?	All of these	4
238	According to Cost Accounting Standard 1 (CAS-1), cost classification is primarily based on which of the following factors?	Nature, function, and behavior	1
239	A semi-variable cost includes—	Both fixed and variable components	3
240	A cost sheet is prepared to show—	Cost and profit of a product or job	2
241	Prime cost includes—	Direct material + Direct labor + Direct expenses	1
242	Factory cost is also known as—	Works cost	2
243	Cost of goods sold =	Cost of production + Opening stock of finished goods – Closing stock of finished goods	2
244	Cost of sales =	Cost of production + Selling and distribution overheads	1
245	Profit as per cost sheet is determined as—	Selling price – Cost of sales	1
246	When opening stock of work-in-progress exceeds closing stock, the difference is—	Added to works cost	1
247	Which of the following is not a component of total cost?	Financial cost	3
248	Cost sheet helps management primarily in—	Planning, control, and decision making	2
249	If closing stock of finished goods increases, the cost of goods sold will—	Decrease	2
250	The starting point of a cost sheet is—	Direct materials consumed	2
251	Opportunity cost is—	The benefit foregone by choosing one alternative over another	2
252	The closing stock of raw materials is valued at—	Cost price or market price, whichever is lower	2