FOUNDATION EXAMINATION **SET 1**
MODEL QUESTION PAPER **TERM – DEC 2026**
PAPER – 2 **SYLLABUS 2022**

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

Time Allowed: 1 Hour Full Marks: 100

Answer all questions. Each question carries 2 marks.
Choose the correct option from the given four alternatives

1.	_____ states that to make financial statements meaningful only important and relevant information should be provided to the users of accounting information.		
	(a)	Convention of Materiality	O
	(b)	Dual aspect Concept	O
	(c)	Convention of Full Disclosure	O
	(d)	Matching concept	O
2.	Identify which of the following statements are true or false: *Statement 1*: Book-keeping is the activity which is concerned with recording and classifying financial data related to an organisation's operations in the order of its occurrence. *Statement 2*: Book-keeping is a sub-set of accounting.		
	(a)	Only Statement 1 is true	O
	(b)	Only Statement 2 is true	O
	(c)	Both statements are true	O
	(d)	Both statements are false	O
3.	Insurance claim received by an organisation for machines damaged by earthquake is a/ an		
	(a)	Revenue receipt	O
	(b)	Capital receipt	O
	(c)	Capital expenditure	O
	(d)	Accrued income	O
4.	In the context of balancing ledger accounts, 'c/f' stands for		
	(a)	Carrying fast	O
	(b)	Casting forward	O
	(c)	Carriage forward	O
	(d)	Carried forward	O
5.	ABC Ltd. Account is of which is of the nature of -		
	(a)	Tangible Real Account	O
	(b)	Intangible Real Account	O
	(c)	Representative Personal Account	O
	(d)	Artificial Personal Account	O
6.	Which of the following entry/entries is/are made in the Journal Proper?		
	(a)	Opening Entries	O
	(b)	Closing Entries	O
	(c)	Adjustment Entries	O
	(d)	All the above	O

7.	Identify which of the following statements are true or false: *Statement 1*: Bank Reconciliation Statement is prepared for a period of time. *Statement 2*: Bank Reconciliation Statement is not a part of double entry book-keeping system.		
	(a)	Only Statement 1 is true	O
	(b)	Only Statement 2 is true	O
	(c)	Both statements are true	O
	(d)	Both statements are false	O
8.	A withdrawal of cash ₹50,000 from the business's bank account by Ms. Poonam, the proprietor for personal purpose should be recorded by crediting		
	(a)	Drawings A/c	O
	(b)	Capital A/c	O
	(c)	Purchases A/c	O
	(d)	Bank A/c	O
9.	The debts earlier written-off as bad, if recovered subsequently are		
	(a)	Credited to Bad Debts Account	O
	(b)	Credited to Debtors Account 000000000000	O
	(c)	Credited to Bad Debt recovery Account	O
	(d)	Credited to Provision for Bad Debts Account	O
10.	When an overdraft as per Cash Book is the starting point, few cheques of ₹ 65,000 were deposited in to bank but a cheque of ₹ 10,000 was not recorded in Cash Book, then-		
	(a)	Added by ₹ 10,000	O
	(b)	Deducted by ₹ 10000	O
	(c)	Added by ₹ 65,000	O
	(d)	Deducted by ₹20,000	O
11.	A receipt of ₹24,000 from Mr. Rajesh Kulkarni, a debtor, which has been omitted to be recorded in the books would result in		
	(a)	increase of profits by ₹24,000	O
	(b)	decrease of profits by ₹24,000	O
	(c)	Neither any increase, nor any decrease in profits	O
	(d)	increase of equity by ₹24,000	O
12.	Which of the following is not a column in a Triple-column Cash Book?		
	(a)	Cash column	O
	(b)	Bank column	O
	(c)	Discount column	O
	(d)	Petty cash column	O

13.	Which of the following is not a feature of Trial Balance:		
	(a)	It is a list of debit and credit balances which are extracted from various ledger accounts.	O
	(b)	It is not an account. It is only a statement of debit and credit balances of account.	O
	(c)	It is a part of financial statements	O
	(d)	It is usually prepared at the end of the accounting year, but it can also be prepared anytime as and when required.	O
14.	The original cost of a machine is ₹12,75,000 and Freight and Installation charges are ₹ 75,000. The estimated useful life of the machine is 10 years. If the scrap value of the machine is ₹90,000 then the depreciation for the third year under Straight Line Method will be--		
	(a)	₹ 1,26,000	O
	(b)	₹ 1,27,500	O
	(c)	₹ 1,35,000	O
	(d)	₹ 1,09,350	O
15.	Ginen: Sundry Debtors ₹21,00,000; Further Bad Debts ₹ 20,000. If the firm provides 5% provision for Bad & Doubtful Debts and 2% Provision for discount on debtors, then the amount of Provision for Discount on Debtors will be-		
	(a)	₹39,520	O
	(b)	₹42,000	O
	(c)	₹43,680	O
	(d)	₹41,600	O
16.	In accounting for consignment, which of the following account is never maintained in the books of the consignor?		
	(a)	Consignee A/c	O
	(b)	Consignment Debtors A/c	O
	(c)	Commission Received A/c	O
	(d)	Consignment A/c	O
17.	With reference to consignment accounting, identify which of the following is correct.		
	(a)	Normal loss of goods is debited to Consignment Account	O
	(b)	Abnormal loss of goods is debited to Consignment Account	O
	(c)	Normal loss of goods is credited to Consignment Account	O
	(d)	Abnormal loss of goods is credited to Consignment Account	O
18.	M and N enter into joint venture and M purchased a piece of land for ₹ 12,00,000 and spend ₹20,000 on various expenses. N sells the entire land for₹ 15,00,000 meeting selling expenses amounted to ₹40,000. The profit sharing ratio is equal. N remits M the amount due. The amount of remittance will be		
	(a)	₹14,60,000	O
	(b)	₹13,40,000	O
	(c)	₹14,40,000	O
	(d)	₹12,80,000	O

19.	Ankur and Zubin enter into a joint venture sharing profits and losses in the ratio of 3:2. Ankur purchased 1,000 pieces of ink pens @ ₹250 each and 2,000 pieces of ball pens @ ₹60 each. Zubin sold all the pens: Ink pens @ ₹300 each, while Ball pens @ ₹80 each. Given that Zubin incurred selling expenses ₹20,000 and same set of books are maintained to record the joint venture transactions, the share of profit of Ankur is		
	(a)	₹90,000	O
	(b)	₹70,000	O
	(c)	₹42,000	O
	(d)	₹28,000	O
20.	Which of the following is not a party of bills of exchange?		
	(a)	Drawer	O
	(b)	Drawee	O
	(c)	Payee	O
	(d)	Guarantor	O
21.	A bill of exchange received from a debtor in relation to credit sale of goods is		
	(a)	Debited to Bill Receivable A/c	O
	(b)	Credited to Bill Receivable A/c	O
	(c)	Debited to Debtors A/c	O
	(d)	Credited to Sales A/c	O
22.	Noting charges are paid by the --------- of the bill but this expense has to be borne by the ---------- of the bill.		
	(a)	Drawer; Acceptor	O
	(b)	Holder; Drawer	O
	(c)	Holder; Acceptor	O
	(d)	Drawer; Holder	O
23.	Amit sold goods to Vijay worth ₹1,50,000 on Oct. 1, 2026. On the same day, he drew on Vijay a bill of that amount for 3 months, which Vijay duly accepted. Amit immediately got the bill discounted with the bank @ 10% p.a. Before the due date, Vijay became insolvent, and ultimately his estate could pay only 60% of the amount due. How much will be the amount of deficiency in the books of Vijay?		
	(a)	₹1,50,000	O
	(b)	₹1,46,250	O
	(c)	₹90,000	O
	(d)	₹60,000	O
24.	Which of the following is not shown in the Trading Account?		
	(a)	Opening inventories	O
	(b)	Sales	O
	(c)	Purchase returns	O
	(d)	Carriage outward	O

25.	Carriage outwards is-		
	(a)	Debited to Trading Account	O
	(b)	Debited to Profit and Loss Account	O
	(c)	Debited to either Trading Account or Profit and Loss Account	O
	(d)	Shown in Balance Sheet	O
26.	If outstanding salaries of ₹72,000 is omitted to be recorded, then the gross profit will be		
	(a)	Overstated by ₹72,000	O
	(b)	Understated by ₹72,000	O
	(c)	Unchanged	O
	(d)	Understated by ₹1,44,000	O
27.	Which of the following financial statements is/are not prepared on cash basis of accounting?		
	(a)	Trading Account	O
	(b)	Profit and Loss Account	O
	(c)	Income and Expenditure Account	O
	(d)	All the above	O
28.	By nature, 'Work-in-Progress' is a		
	(a)	Current asset	O
	(b)	Non-current tangible asset	O
	(c)	Non-current intangible asset	O
	(d)	Fictitious asset	O
29.	In case of a sole proprietorship business, the value of Closing inventory appearing in Trial Balance is to be reflected in		
	(a)	Only Trading account	O
	(b)	Trading Account and Balance Sheet	O
	(c)	Profit & Account and Balance Sheet	O
	(d)	Only Balance Sheet	O
30.	Given: Provision for bad and doubtful debts on 01/04/2025: ₹ 15,500 Sundry Debtors on 31/03/2026: ₹ 3,85,000 Provision for bad and doubtful debts on 31/03/2026: ₹ 19,800 Which of the following amount will be deducted from sundry debtors in Balance sheet as at 31st March, 2026?		
	(a)	₹15,500	O
	(b)	₹19,800	O
	(c)	₹35,300	O
	(d)	₹4,300	O

31.	The grocery business of Mr. Adarsh Gupta showed the following: Capital on 01.04.2025 ₹3,00,000; Capital on 31.03.2026 ₹3,90,000; Drawings during 2025-26 ₹30,000; Additional capital introduced by Mr. Gupta during the year ₹20,000. Calculate the net profit of 2025-26.		
	(a)	₹1,00,000	O
	(b)	₹90,000	O
	(c)	₹80,000	O
	(d)	(₹80,000)	O
32.	If sales are ₹12,50,000, Opening Stock is ₹ 1,62,500 and the rate of G.P on cost of goods sold is 25%, then the cost of goods sold will be-		
	(a)	₹10,41,667	O
	(b)	₹11,30,000	O
	(c)	₹10,00,000	O
	(d)	₹10,87,500	O
33.	Consider the following statements: *Statement 1*: Income & Expenditure Account begins and closes with the balances of cash and bank on the respective dates. *Statement 2*: Income & Expenditure Account is by nature a nominal account.		
	(a)	Only Statement 1 is true	O
	(b)	Only Statement 2 is true	O
	(c)	Both statements are true	O
	(d)	Both statements are false	O
34.	Any donation received by a non-profit organisation for a specific purpose is		
	(a)	a capital receipt	O
	(b)	a revenue receipt	O
	(c)	a liability	O
	(d)	a contingent asset	O
35.	As on March 31, 2026, the books of accounts reflected the following regarding the sports equipment: Sports equipment on March 31, 2025: ₹12,40,000; Sports equipment on March 31, 2026: ₹13,00,000; Given that no sports equipment has been sold during 2025-26, and the amount of depreciation on sports equipment for the year 2025-26 is ₹5,00,000, determine the value of Sports equipment purchased during 2025-26.		
	(a)	₹4,40,000	O
	(b)	₹5,60,000	O
	(c)	₹20,40,000	O
	(d)	₹60,000	O
36.	In costing, Direct Expenses are also referred to as		
	(a)	Overheads	O
	(b)	Process expenses	O
	(c)	Chargeable expenses	O
	(d)	Operational expenses	O

37.	Which of the following is an example of chargeable expense?		
	(a)	Royalty	O
	(b)	Hire charges of a specific equipment	O
	(c)	Excise duty	O
	(d)	All the above	O
38.	Which of the following is an example of Selling and Distribution Overheads?		
	(a)	Research and experiment cost	O
	(b)	Office salaries	O
	(c)	Outward carriage expenses	O
	(d)	Legal expenses	O
39.	In the context of cost accounting, CAS 14 deals with _____.		
	(a)	Material Cost	O
	(b)	Overheads	O
	(c)	Employee Cost	O
	(d)	Pollution Control Cost	O
40.	The aggregate of Works Cost and Administration expenses is called		
	(a)	Total Cost	O
	(b)	Cost of Sales	O
	(c)	Cost of Production	O
	(d)	Factory Cost	O
41.	In the context of decision making, Historical costs are		
	(a)	Relevant costs	O
	(b)	Variable costs	O
	(c)	Irrelevant costs	O
	(d)	Controllable costs	O
42.	Given: Raw Material Consumed ₹1,95,000; Direct Wages ₹1,40,000; Power and fuel ₹25,000. If the other factory overheads are 80% of power and fuel, then factory cost will be-		
	(a)	₹3,65,000	O
	(b)	₹3,80,000	O
	(c)	₹ 3,60,000	O
	(d)	₹ 3,35,000	O
43.	---------- is included in a Cost Sheet?		
	(a)	Cost of samples and free gifts	O
	(b)	Dividends to share holders	O
	(c)	Reserve for bad debts	O
	(d)	Share premium	O

44.	Which of the following is the appropriate cost driver for Machine Set-up activity?		
	(a)	Machine hours	O
	(b)	Number of machines	O
	(c)	Set-up Hours	O
	(d)	HP of machines	O
45.	Sunk Costs are also termed as		
	(a)	Marginal costs	O
	(b)	Irrecoverable costs	O
	(c)	Irrelevant costs	O
	(d)	Non-controllable costs	O
46.	When cost items cannot be directly charged to or accurately identified with any cost centres, the method through which they are distributed amongst the cost centres on some pre-determined basis is known as		
	(a)	Cost reporting	O
	(b)	Cost allotment	O
	(c)	Cost attainment	O
	(d)	Cost apportionment	O
47.	Which of the following is not an example of Factory Overheads?		
	(a)	Carriage inwards	O
	(b)	Depreciation of machinery	O
	(c)	Repairs and maintenance	O
	(d)	Drawing office expenses	O
48.	Which of the following is the classification of costs 'by functionality'?		
	(a)	Job cost, Batch cost, Contract cost, Process cost & Joint cost	O
	(b)	Direct costs & Indirect costs	O
	(c)	Production cost, Administration cost, Selling & Distribution cost, Research & Development cost	O
	(d)	Fixed costs, Variable costs & Semi-variable costs	O
49.	From the following data of M/s Tinka Ltd., ascertain the Cost of Production: Finished goods (Opening inventory): ₹1,50,000; Finished goods (Closing inventory): ₹2,50,000; Cost of Goods Sold: ₹9,50,000; Distribution overheads: ₹75,000.		
	(a)	₹10,50,000	O
	(b)	₹8,50,000	O
	(c)	₹12,75,000	O
	(d)	₹13,50,000	O
50.	Which of the following is an example of Service Cost Centre of a hotel?		
	(a)	Rooms	O
	(b)	Restaurant	O
	(c)	Cafeteria	O
	(d)	Reception	O