



**FOUNDATION EXAMINATION
PRACTICE TEST PAPER
PAPER - 2**

**Syllabus - 2022
TERM JUNE-2026**

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

Time Allowed: 1 Hour

Full Marks: 100

Answer all questions. Each question carries 2 marks.

1.	The determination of expenses for an accounting period is based on the concept of _____.		
	(a)	Objectivity	O
	(b)	Materiality	O
	(c)	Matching	O
	(d)	Periodicity	O
2.	Fixed Assets and Current Assets are categorized as per concept of _____.		
	(a)	Separate Entity	O
	(b)	Going Concern	O
	(c)	Consistency	O
	(d)	Time period	O
3.	₹ 5,000 incurred for up gradation of computer by installation of 128 MB Ram is		
	(a)	Capital Expenditure	O
	(b)	Deferred Revenue Expenditure	O
	(c)	Revenue Expenditure	O
	(d)	None of the above	O
4.	Received from Soloman & co., an invoice for ₹ 1,500 for repairs to factory walls		
	(a)	Revenue Expenditure	O
	(b)	Capital Expenditure	O
	(c)	Deferred Revenue Expenditure	O
	(d)	None of the above	O
5.	A sale of goods to Sita for cash should be debited to:		
	(a)	Sita	O
	(b)	Cash	O
	(c)	Sales	O
	(d)	Capital	O
6.	Which financial statement represents the accounting equation-Assets = Liabilities + Owner's equity:		
	(a)	Income Statement	O



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	(b)	Statement of Cash Flow	O
	(c)	Balance Sheet	O
	(d)	Trading Account	O
7.	A trial balance will not balance if		
	(a)	correct entry is posted twice	O
	(b)	The purchase on credit basis is debited to purchases and credited to cash	O
	(c)	₹ 500 cash payment to creditors is debited to creditors for ₹ 50 and credited to cash as ₹ 500	O
	(d)	None of the above	O
8.	The process of transfer of entries from day book to ledgers is called :		
	(a)	Ledger posting	O
	(b)	Journalising	O
	(c)	Transaction	O
	(d)	Reconciliation	O
9.	Goods worth ₹ 272 returned by Lala passed through the books as ₹ 722. The rectification entry is		
	(a)	Lala will be debited by ₹ 450	O
	(b)	Lala will be debited by ₹ 272	O
	(c)	Lala will be credited by ₹ 722	O
	(d)	Lala will be credited by ₹ 272	O
10.	Bills Receivable Book is a part of the :		
	(a)	Ledger	O
	(b)	Balance Sheet	O
	(c)	Journal	O
	(d)	Profit and Loss Account	O
11.	Owner withdrew ₹7,000 cash for personal use. How is this recorded in the ledger?		
	(a)	Debit Capital A/c, Credit Cash A/c	O
	(b)	Debit Drawings A/c, Credit Cash A/c	O
	(c)	Debit Cash A/c, Credit Drawings A/c	O



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	(d)	Debit Personal A/c, Credit Cash A/c	O
12.	Sale of old materials must be shown on the credit side of _____.		
	(a)	Cash Book	O
	(b)	Income and Expenditure Account	O
	(c)	Balance Sheet	O
	(d)	None of these	O
13.	Bank charges entered in the Pass Book but not in the Cash Book will:		
	(a)	Increase Cash Book balance	O
	(b)	Increase Pass Book balance	O
	(c)	Decrease Cash Book balance	O
	(d)	Decrease Pass Book balance	O
14.	The accounting principle that justifies creating a Provision for Doubtful Debts is:		
	(a)	Matching Principle	O
	(b)	Conservatism (Prudence) Principle	O
	(c)	Going Concern Principle	O
	(d)	Consistency Principle	O
15.	A machine is purchased for ₹90,000 with ₹10,000 installation expenses. Residual value is ₹20,000 and life is 8 years. What is the rate of depreciation under SLM?		
	(a)	8%	O
	(b)	12.5%	O
	(c)	10%	O
	(d)	15%	O
16.	X sends out goods to Y, costing ₹1,50,000. Goods are to be sold at cost +33 1/3%. The consignee asked consignee to pay an advance for an amount equivalent to 60% of sales value. The amount of advance will be :		
	(a)	₹1,20,000	O
	(b)	₹1,00,000	O
	(c)	₹1,50,000	O



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	(d)	₹1,35,000	O
17.	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 :		
	(a)	₹2,00,000	O
	(b)	₹2,40,000	O
	(c)	₹40,000	O
	(d)	₹2,80,000	O
18.	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?		
	(a)	₹10,000	O
	(b)	₹20,000	O
	(c)	₹16,000	O
	(d)	₹30,000	O
19.	If unsold goods costing ₹20,000 is taken over by venture at ₹15,000 the Joint venture A/c will be credited by :		
	(a)	₹20,000	O
	(b)	₹15,000	O
	(c)	₹5,000	O
	(d)	₹1,000	O
20.	Payment of Bills of exchange is received :		
	(a)	by drawer	O
	(b)	by holder in due course of due date	O
	(c)	by endorsee	O
	(d)	by bank	O
21.	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 .		
	(a)	₹1,50,000	O
	(b)	₹3,00,000	O
	(c)	₹1,00,000	O
	(d)	₹1,20,000	O
22.	If the due date is a public holiday what will be the due date of the bill		



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	(a)	following day	O										
	(b)	preceding day	O										
	(c)	the same day only	O										
	(d)	one month later	O										
23.	Goods of the invoice value of ₹ 2,40,000 sent out to consignee at 20% profit on cost the loading amount will be :												
	(a)	₹40,000	O										
	(b)	₹48,000	O										
	(c)	₹50,000	O										
	(d)	₹24,000	O										
24.	Based on the Subscription Account below, what is the total amount of cash received for subscriptions during 2025? • Opening outstanding for 2024: ₹400 (of which ₹200 was received in 2025) • Advance at 1.1.2025: ₹100 • Advance at 31.12.2025: ₹80 • Outstanding at 31.12.2025: ₹140 • Amount in Income & Expenditure A/c: ₹3,000												
	(a)	₹3,000	O										
	(b)	₹3,040	O										
	(c)	₹3,220	O										
	(d)	₹2,860	O										
25.	Consider the following data and identify the amount which will be deducted from sundry debtors in Balance sheet. <table style="margin-left: auto; margin-right: auto;"><thead><tr><th></th><th style="text-align: right;">Particulars</th></tr><tr><th></th><th style="text-align: right;">₹</th></tr></thead><tbody><tr><td>Bad debts (from trial balance)</td><td style="text-align: right;">1,600</td></tr><tr><td>Provision for doubtful debts (old)</td><td style="text-align: right;">2,000</td></tr><tr><td>Current year's provision (new)</td><td style="text-align: right;">800</td></tr></tbody></table>			Particulars		₹	Bad debts (from trial balance)	1,600	Provision for doubtful debts (old)	2,000	Current year's provision (new)	800	
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Bad debts (from trial balance)	1,600												
Provision for doubtful debts (old)	2,000												
Current year's provision (new)	800												
	(a)	₹400	O										
	(b)	₹800	O										
	(c)	₹2,000	O										
	(d)	₹2,400	O										
26.	The information for the preparation of receipts and payments account is taken from												



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	(a)	Cash Book	O
	(b)	Income and Expenditure Account	O
	(c)	Cash Book and Balance Sheet	O
	(d)	Trading Account	O
27.	The purpose of preparing final accounts is to ascertain :		
	(a)	Profit & Loss A/c	O
	(b)	Capital	O
	(c)	The value of assets	O
	(d)	Profit or loss and financial position	O
28.	At the time of preparation of financial accounts, bad debts recovered account will be transferred to		
	(a)	Debtors A/c	O
	(b)	Profit & Loss A/c	O
	(c)	Profit & loss Adjustment A/c	O
	(d)	Profit & loss Appropriation A/c	O
29.	Closing stock appearing in the trial balance is shown in –		
	(a)	Trading A/c and Balance Sheet	O
	(b)	Profit and Loss A/c	O
	(c)	Balance Sheet only	O
	(d)	Trading A/c only	O
30.	If closing stock is ₹20,000 more, profit will:		
	(a)	Increase by ₹20,000	O
	(b)	Decrease by ₹20,000	O
	(c)	Remain unchanged	O
	(d)	Cannot be determined	O
31.	If goods worth ₹50,000 are sent and normal loss is 10%, cost per unit increases by:		
	(a)	10%	O
	(b)	11.11%	O
	(c)	5%	O



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	(d)	Remains same	O
32.	Drawings by the proprietor are deducted from:		
	(a)	Capital	O
	(b)	Cash	O
	(c)	Liability	O
	(d)	Purchases	O
33.	Subscription received in advance is shown as:		
	(a)	Liability	O
	(b)	Asset	O
	(c)	Expense	O
	(d)	Income	O
34.	Gross Factory Cost = ₹58,000 Net Factory Cost = ₹54,000 Opening stock of work-in-progress = ₹8,000 Find the closing stock of work-in-progress.		
	(a)	₹12,000	O
	(b)	₹14,000	O
	(c)	₹10,000	O
	(d)	₹8,000	O
35.	Suspense account is used when:		
	(a)	Trial Balance tallies	O
	(b)	Bad debts are written off	O
	(c)	Cash is received	O
	(d)	Trial Balance does not tally	O
36.	The starting point of a cost sheet is—		
	(a)	Prime cost	O
	(b)	Direct materials consumed	O
	(c)	Sales	O
	(d)	Factory overheads	O
37.	A factory has the following expenses: Direct materials: ₹1,00,000 Direct labour: ₹50,000 Factory overheads: ₹35,000 What is the prime cost?		
	(a)	₹1,80,000	O
	(b)	₹1,30,000	O



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	(c)	₹80,000	<input type="radio"/>
	(d)	₹1,50,000	<input type="radio"/>
38.	Unavoidable costs are typically:		
	(a)	Variable in nature and easily reduced	<input type="radio"/>
	(b)	Fixed in nature and must be incurred under any operating condition	<input type="radio"/>
	(c)	Linked with inefficient resource use	<input type="radio"/>
	(d)	Only incurred when business expands	<input type="radio"/>
39.	According to Cost Accounting Standard 1 (CAS-1), cost classification is primarily based on which of the following factors?		
	(a)	Nature, function, and behaviour	<input type="radio"/>
	(b)	Purpose, production, and profit	<input type="radio"/>
	(c)	Income, expenses, and assets	<input type="radio"/>
	(d)	Cash flow and accrual	<input type="radio"/>
40.	Which of the following is not a component of total cost?		
	(a)	Prime cost	<input type="radio"/>
	(b)	Factory cost	<input type="radio"/>
	(c)	Financial cost	<input type="radio"/>
	(d)	Selling and distribution overhead	<input type="radio"/>
41.	At 1,000 units, the total cost is ₹1,20,000. Fixed cost is ₹50,000. What is the variable cost per unit?		
	(a)	₹30	<input type="radio"/>
	(b)	₹70	<input type="radio"/>
	(c)	₹20	<input type="radio"/>
	(d)	₹50	<input type="radio"/>
42.	A business has the following expenses: • Rent ₹17,000 • Salaries ₹25,000 • Interest ₹5,000 • Discount received ₹2,000 What will be the total expenses shown in the Profit & Loss Account?		
	(a)	₹45,000	<input type="radio"/>
	(b)	₹47,000	<input type="radio"/>



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	(c)	₹43,000	O
	(d)	₹5,000	O
43.	Which is an example of a cost centre?		
	(a)	Maintenance department	O
	(b)	Factory as a whole	O
	(c)	Packing section	O
	(d)	All of these	O
44.	Cost of goods sold =		
	(a)	Works cost + Administrative overhead	O
	(b)	Cost of production + Opening stock of finished goods – Closing stock of finished goods	O
	(c)	Prime cost + Factory overhead	O
	(d)	Cost of sales – Selling overhead	O
45.	Which of the following pairs correctly matches the industry with its typical cost unit?		
	(a)	Power Industry – Metric Tonne (MT)	O
	(b)	Cement Industry – Kilo Watt Hour (KWH)	O
	(c)	Automobile Industry – Number of Vehicles	O
	(d)	Audit Firm – Metric Tonne (MT)	O
46.	If a company decides to use its idle factory space for production instead of renting it out for ₹8,000 per month, the opportunity cost is:		
	(a)	₹8,000	O
	(b)	₹0	O
	(c)	The cost of raw materials used in production	O
	(d)	The depreciation on factory building	O
47.	Which of the following is typically a non-controllable cost for a department manager?		
	(a)	Cost of overtime wages for department staff	O
	(b)	Departmental utility expenses	O
	(c)	Travel expenses of departmental employees	O
	(d)	Corporate office rent allocated to the department	O
48.	According to Cost Accounting Standard 1 (CAS-1), cost classification is primarily based on which of the following factors?		
	(a)	Nature, function, and behaviour	O
	(b)	Purpose, production, and profit	O



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	(c)	Income, expenses, and assets	O
	(d)	Cash flow and accrual	O
49.		Statement showing break-up of costs is known as :	
	(a)	cost-sheet	O
	(b)	statement of profit	O
	(c)	production account	O
	(d)	Tender	O
50.		Directors remuneration and expenses form a part of :	
	(a)	Production overhead	O
	(b)	Administration overhead	O
	(c)	Selling overhead	O
	(d)	Distribution overhead	O