

REVISED SYLLABUS 2012

TEST PAPERS

Fundamentals of Accounting (FOA)

QUESTION PAPERS FOR POSTAL STUDENTS ONLY

(FOR APRIL/JUNE/SEPTEMBER/DECEMBER 2015)



**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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Postal Test Papers_P2_Foundation Course_Syllabus 2012

Fundamentals of Accounting (FOA)

Test Paper 1

Answer all questions. Each question carries 2 marks.

Choose the correct answer among the alternatives given. Suitable justification needs to be provided.

Section A: Fundamentals of Financial Accounting [60 marks]

Q1. The basic concepts related to Balance Sheet are

- (a) Cost Concept
- (b) Business Entity Concept
- (c) Accounting Period Concept
- (d) Both (a) and (b) above

Q2. As per the Double entry concept

- (a) Assets + Liabilities = Capital
- (b) Capital = Assets – Liabilities
- (c) Capital – Liabilities = Assets
- (d) Capital + Assets = Liabilities

Q3. Only the significant events which affect the business must be recorded as per the principle of

- (a) Separate Entity
- (b) Accrual
- (c) Materiality
- (d) Going Concern

Q4. The underlying accounting principle(s) necessitating amortization of intangible asset(s) is/are

- (a) Cost Concept
- (b) Realization Concept
- (c) Matching Concept
- (d) Both (a) and (c) above.

Q5. Recording of Fixed Assets at cost ensures adherence of

- (a) Conservatism Concept
- (b) Going Concern Concept
- (c) Cost Concept
- (d) Both (a) and (b) above.

Q6. Which of the following is an example of Personal Account?

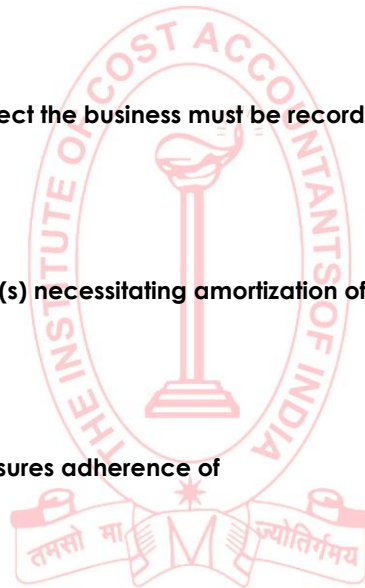
- (a) Machinery
- (b) Rent
- (c) Cash
- (d) Creditor.

Q7. Payment received from Debtor

- (a) Decreases the Total Assets
- (b) Increases the Total Assets
- (c) Results in no change in the Total Assets
- (d) Increases the Total Liabilities

Q8. Cash Purchases

- (a) Increases Assets
- (b) Results in no change in the Total Assets
- (c) Decreases Assets
- (d) Decrease Liability.



Q9. Journal is a

- (a) Book of original entry
- (b) Classified summary of all transactions
- (c) Permanent record
- (d) Both (a) and (b) above.

Q10. Goods returned from X is entered as

- (a) Debit X A/c; Credit Purchase Return A/c
- (b) Debit X A/c; Credit Cash A/c
- (c) Debit Sales Return A/c; Credit X A/c
- (d) Debit X A/c; Credit Sales A/c

Q11. Debit side of Bank Pass book corresponds to –

- (a) Credit side of Cash Book
- (b) Debit side of Cash Book
- (c) Debit side of Trial Balance
- (d) Credit side of Balance Sheet.

Q12. Debit balance as per bank pass book mean —

- (a) Surplus cash
- (b) Bank Overdraft
- (c) Terms deposits with bank
- (d) None of these.

Q13. Provision is created for —

- (a) Unknown Liabilities
- (b) Known Liabilities
- (c) Creation of Secret Reserves
- (d) All the above.

Q14. The main objective of providing depreciation is to

- (a) Calculate the true profit
- (b) Show the true financial position in the Balance Sheet
- (c) Provide funds for replacement of fixed assets
- (d) Both (a) and (b) above

Q15. In which of the following methods, the cost of the asset is spread over in equal proportion during its useful economic life?

- (a) Straight-line method
- (b) Written down value method
- (c) Units-of-production method
- (d) Sum-of-the years'-digits method

Q16. Depreciation is calculated on the

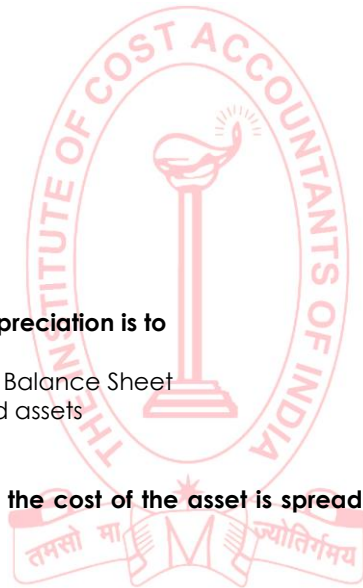
- (a) Cost price of asset
- (b) Market price
- (c) Cost+ Transport+ Installation expenses
- (d) Cost or market values whichever is less.

Q17. Cost of goods sold excludes-

- (a) Opening Stock
- (b) Carriage inward
- (c) Wages & Salary
- (d) Postage & Stamps.

Q18. Which of the following is not classified as inventory in the financial statements?

- (a) Finished goods
- (b) Work-in-process
- (c) Stores and spares



(d) Advance payments made to suppliers for raw materials.

Q19. The creation of provision for doubtful debts given as an adjustment requires

- (a) Debit Profit and Loss Account and deduct the provision from debtors
- (b) Credit Profit & Loss Account and deduct the provision from debtors
- (c) Credit Profit and Loss Account and add the provision to debtors
- (d) Debit Profit & Loss Account and add the provision to debtors.

Q 20. Property, Plant and Equipment are conventionally presented in the Balance Sheet at

- (a) Replacement cost – Accumulated Depreciation
- (b) Historical cost – Salvage Value
- (c) Historical cost – Depreciation portion thereof
- (d) Original cost adjusted for general price-level changes.

Q 21. Outstanding salaries is shown as

- (a) An Asset in the Balance Sheet
- (b) A Liability
- (c) By adjusting it in the P & L A/c
- (d) Both (b) and (c) above.

Q 22. A club paid subscription fees of `1,400. Out of which ` 200 is prepaid. In such case

- (a) P&L A/C is debited with ` 1,400
- (b) P&L A/C is debited with ` 1,200
- (c) `200 is shown as current asset
- (d) Both (b) and (c) above.

Q 23. Early payment of a Bill of Exchange is known as —

- (a) Retirement
- (b) Renewal
- (c) Discount
- (d) Endorsement.

Q24. A consignor is entitled to _____

- (a) Profit on consignment
- (b) Commission on Sales
- (c) Reimbursement of expenses
- (d) Interest on capital

Q25. What does the balance in Memorandum Joint Venture A/c shows—

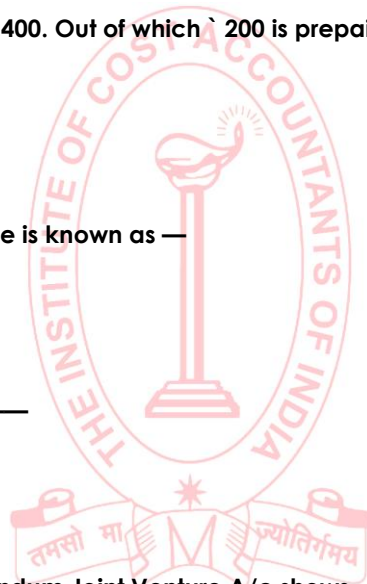
- (a) Profit or Loss
- (b) Closing Stock
- (c) Balance due from other Co-venturer
- (d) Difference in Trial Balance.

Q26. Joint Bank A/c is a -

- (a) Nominal A/c
- (b) Personal A/c
- (c) Real A/c
- (d) Dummy A/c

Q 27. For loose tools which method of depreciation is more appropriate

- (a) Annuity Method
- (b) Reducing Balance Method
- (c) Production Method
- (d) Revaluation Method



Q28. Which of these will cause change in working capital

- (a) Payment of Creditors in cash
- (b) Realization of amount due from the Debtors
- (c) Sale of office equipment for cash
- (d) Providing depreciation on Plant and Machinery.

Q29. Which of the following accounting treatments is/are true in respect of accrued commission appearing on the debit side of a Trial Balance?

- (a) It is shown on the debit side of the Profit and Loss Account
- (b) It is shown on the credit side of the Profit and Loss Account
- (c) It is shown on the liabilities side of the Balance Sheet
- (d) It is shown on the assets side of the Balance Sheet.

Q30. Accounting for Fixed Assets is related to

- (a) AS 7
- (b) AS 14
- (c) AS 10
- (d) AS 21.

Section B: Fundamentals of Cost and Management Accounting [40 marks]

Q 31. Which of the following is not a function of Cost Accounting?

- (a) Cost ascertainment
- (b) Planning and control
- (c) Decision – making
- (d) External reporting.

Q32. A cost is

- (a) A sacrifice
- (b) Release of something
- (c) Measure of consumption of resources
- (d) All of the above.

Q33. The total cost incurred in the operation of a business undertaking other than the cost of manufacturing and production is known as

- (a) Direct cost
- (b) Variable cost
- (c) Commercial cost
- (d) Conversion cost.

Q34. The cost of obsolete inventory acquired several years ago, to be considered in a keep vs. disposal decision is an example of :

- (a) Uncontrollable cost
- (b) Sunk cost
- (c) Avoidable cost
- (d) Opportunity cost.

Q35. Which of the following is an accounting record?

- (a) Bill of Material
- (b) Bin Card
- (c) Stores Ledger.
- (d) All of these.

Q36. Which of the following best describes the manufacturing costs?

- (a) Direct materials, direct labor and factory overhead
- (b) Direct materials and direct labor
- (c) Direct materials, direct labor, factory overhead, and administrative overhead
- (d) Direct labor and factory overhead.

Q37. Which of the following is to be called product cost ?

- (a)Material cost
- (b)Labor cost
- (c)FOH cost
- (d)All of the above.

Q38. Which of the following cannot be used as a base for the determination of overhead absorption rate?

- (a)Number of units produced
- (b)Prime cost
- (c)Conversion cost
- (d)Discount Allowed.

Q39. PVC Company has ordering quantity 10,000 units. They have storage capacity 20,000 units, the average inventory would be:

- (a)20,000
- (b)5,000
- (c)10,000
- (d)25,000

Q40. While transporting petrol, a little quantity will be evaporated; such kind of loss is termed as:

- (a)Normal Loss
- (b)Abnormal Loss
- (c)It is incremental loss
- (d)It cannot be abnormal loss

Q41. Which of the following element must be taken into account while calculating total earnings of a worker under different incentive wage schemes?

- (a)Rate per unit
- (b)Units of production
- (c)Extra time taken by employee to complete the production
- (d)Number of workers employed.

Q42. Which of the following is considered as basic systems of remunerating labor?

- (a)Time rate system
- (b)Piece rate system
- (c)Halsey Premium plan
- (d)Both time rate and piece rate system

Q43. If, Gross profit = ₹ 40,000 GP Margin = 20% of sales What will be the value of cost of goods sold?

- (a)₹160,000
- (b)₹120,000
- (c)₹40,000
- (d)₹90,000.

Q44. Where----- is equal, that point is called Economic order quantity.

- (a)Ordering cost
- (b)Carrying cost
- (c)Ordering and carrying cost
- (d)Per unit order cost.

Q45. Prime cost is :

- (a)The total of direct costs
- (b)All costs incurred in manufacturing a product
- (c)The material cost of a product
- (d)The cost of operating a department

Q46. A segment of the business that generates both revenue and cost is called:

- (a) Profit Center
- (b) Cost Center
- (c) Cost driver
- (d) All of the above.

Q47. Operating cost is often named as:

- (a) Manufacturing cost plus commercial expenses
- (b) Prime cost plus factory overheads
- (c) Direct material plus direct labour
- (d) Selling plus administrative expenses.

Q48. At break-even point of 400 units sold the variable costs were ₹ 400 and the fixed costs were ₹ 200. What will be the 401 units sold contributing to profit before income tax?

- (a) ₹0.50
- (b) ₹1.00
- (c) ₹1.50
- (d) None of the above.

Q49. Depreciation based on the number of units produced would be classified as:

- (a) Out of pocket cost
- (b) Differential cost
- (c) Variable cost
- (d) Fixed cost

Q50. Under perpetual Inventory system the Inventory is treated as:

- (a) Assets
- (b) Liability
- (c) Income
- (d) Expense



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Fundamentals of Accounting(FOA)

Test Paper 2

Answer all questions. Each question carries 2 marks.

Choose the correct answer among the alternatives given. Suitable justification needs to be provided.

Section A: Fundamentals of Financial Accounting [60 marks]

Q1. Accounting does not record non- financial transactions because of

- (a) Entity Concept
- (b) Accrual Concept
- (c) Cost Concept
- (d) Money Measurement Concept.

Q2. Which of the following is not a Fixed Asset?

- (a) Building
- (b) Bank balance
- (c) Plant
- (d) Goodwill.

Q3. The basic concepts related to P & L Account are

- (a) Realization Concept
- (b) Matching Concept
- (c) Cost Concept
- (d) Both (a) and (b) above.

Q4. Under which of the following concepts are shareholders treated as creditors for the amount they paid on the shares they subscribed to?

- (a) Cost Concept
- (b) Duality Concept
- (c) Business Entity Concept
- (d) Since the shareholders own the business, they are not treated as creditors.

Q5. Which of the following is an example of Capital Expenditure?

- (a) Insurance Premium
- (b) Taxes and Legal expenses
- (c) Discount allowed
- (d) Customs duty on Import of Machinery.

Q6. Which of the following events is/are not recorded in the books of a business?

- (a) Significant monetary events after the Balance Sheet date
- (b) Death of a Chief Executive of the Business
- (c) Government investigations into the pricing policies of the Business
- (d) Both (b) and (c) above.

Q7. Payment of Salary is recorded by

- (a) Debiting Salary A/c, Crediting Cash A/c
- (b) Debiting Cash A/c, Crediting Salary A/c
- (c) Debiting Employee A/c, Crediting Cash A/c
- (d) Debiting Cash A/c, Crediting Employee A/c.

Q8. Which of the following transactions would cause a change in "owners' equity"?

- (a) Repayment of a Bank Loan
- (b) Payment of Dividends and Unprofitable Operations

- (c) Sale of Land on Credit
- (d) Purchase of Assets and incurrence of Liabilities

Q9. Which of the following is not an Asset?

- (a) Stock of stationery
- (b) Goodwill
- (c) Profit and Loss Account (Credit Balance)
- (d) Accounts Receivable.

Q10. The periodical total of discount column on receipts side of a Triple Column Cash Book is recorded to the

- (a) Credit side of Discount Account
- (b) Credit side of provision for Discount Account
- (c) Debit side of Discount Account
- (d) Credit side of Debtor's Account.

Q11. Which of the following statements is correct?

- (a) The Trial Balance shows the profit earned by the concern during a period
- (b) The Trial Balance shows only balances of Assets and Liabilities
- (c) The Trial Balance shows only Nominal Account balances
- (d) The Trial Balance has no statutory importance from the point of view of law.

Q12. ₹ 5101 received from M but credited to S A/c . This is an error of-

- (a) Principle
- (b) Omission
- (c) Commission
- (d) Compensating.

Q13. Legacy are generally-

- (a) Capitalized
- (b) Treated Loss
- (c) Revenue Expenses
- (d) Deferred Revenue expenses.

Q14. Which of the following is false?

- (a) Owners Equity + Outsiders Liability = Assets
- (b) Asset – Capital = Liability
- (c) Assets + Capital = Liabilities
- (d) Both (a) and (b) above.

Q15. A book wherein various accounts are opened is called—

- (a) Subsidiary books
- (b) Journal
- (c) Ledger
- (d) Trial Balance.

Q16. Bank reconciliation is a statement prepared to reconcile—

- (a) Trial balance
- (b) Cash book
- (c) Bank A/c
- (d) Cash as per cash book with bank balance as per bank pass book.

Q17. Which of the following is not a method of charging depreciation

- (a) Straight line Method
- (b) Written down value Method
- (c) Discounted present value Method
- (d) Sum of digits Method.

Q18. Bad debts recovered is

- (a) Credited to P&L A/c
- (b) Debited to P&L A/c
- (c) Reduced from debtors in Balance Sheet



(d) Added to debtors in Balance Sheet.

Q19. Sundry debtors as per Trial Balance is ` 43,000 which includes ` 2,200 due from 'H' in respect of goods sent to him on approval basis, the cost price of which is ` 1,800. Rectification would involve:

- (a) Adding ` 2,200 to closing stock
- (b) Deducting ` 1,800 from closing stock and deducting ` 2,200 each from debtors and sales
- (c) Adding ` 1,800 to closing stock and deducting ` 2,200 each from debtors and sales
- (d) Deducting ` 1,800 from debtors.

Q20. Which of the following will not appear in Profit and Loss Account of a business?

- (a) Drawings
- (b) Bad debts
- (c) Accrued expenses
- (d) Reserve for discount on Sundry Creditors.

Q21. Which of the following statements is/are false?

- (a) Accommodation bills are drawn for the benefit of drawer only
- (b) Bills sent for collection is an asset
- (c) Bills of exchange cannot be drawn on a banker
- (d) Both (a) and (c) above.

Q22. When a B/R is endorsed by the Drawer what entry is passed by the Drawee—

- (a) B/R A/c Dr. to Drawer A/c Cr.
- (b) B/P A/c Dr. to Drawer A/c Cr.
- (c) 3rd Party's A/c Dr. to B/P A/c Cr.
- (d) No entry at all.

Q23. Loss on Joint venture is —

- (a) Credited to Profit and Loss A/c
- (b) Debited to co-venturers capital A/c
- (c) Credited to Capital Fund A/c
- (d) Debited to Suspense A/c.

Q24. Which of these accounts are not opened in a joint venture

- (a) Stock reserve
- (b) Joint bank A/c
- (c) Joint venture A/c
- (d) Co-venturers personal A/c.

Q25. AS _____ replaced AS 8

- (a) 29
- (b) 30
- (c) 28
- (d) 26

Q26. On 1st January 2013 X paid ₹120,000 being rent upto 31.12.2013. If the accounts are closed on 31.03.12. ₹90,000 will be shown as –

- (a) Accrued rent
- (b) Prepaid rent / Expenses
- (c) Accrued expenses
- (d) Accrued income.

Q27. The capital of a non-profit organization is generally known as

- (a) Equity
- (b) Accumulated Fund
- (c) Finance Reserve
- (d) Cash Fund.



Q28. Loss of goods in transit is borne by—

- (a) Consignee
- (b) Consignor
- (c) Both (a) and (b) proportionately
- (d) Insurance company

Q29. Closing stock appearing in the Trial Balance is shown in –

- (a) Trading A/c and Balance Sheet
- (b) Profit and Loss A/c
- (c) Balance Sheet only
- (d) Trading A/c only.

Q30. Tax deducted at source appears in the Balance Sheet

- (a) On the assets side under current assets
- (b) On the assets side under loans and advances
- (c) On the liabilities side under current liabilities
- (d) On the liabilities side under provisions.

Section B : Fundamentals of Cost and Management Accounting [40 marks]

Q31. One of the most important tools in cost planning is:

- (a) Direct cost
- (b) Cost Sheet
- (c) Budget
- (d) Marginal Costing.

Q32. Conversion cost is equal to the total of

- (a) Material Cost and direct wages
- (b) Material Cost and indirect wages
- (c) Direct wages and factory overhead
- (d) Material cost and factory overhead.

Q33. Which of the following is not a relevant cost?

- (a) Replacement cost
- (b) Sunk cost
- (c) Marginal cost
- (d) Standard cost.

Q34. Input in a process is 4000 units and normal loss is 20%. When finished output in the process is only 3240 units, there is an :

- (a) Abnormal loss of 40 units
- (b) Abnormal gain of 40 units
- (c) Neither abnormal loss nor gain.
- (d) Abnormal loss of 60 units.

Q35. Idle capacity of a plant is the difference between:

- (a) Maximum capacity and practical capacity
- (b) Practical capacity and normal capacity
- (c) Practical capacity and capacity based on sales expectancy
- (d) Maximum capacity and actual capacity.

Q36. When P/V ratio is 40% and sales value is ₹10,000, the variable cost will be

- (a) ₹ 4000
- (b) ₹ 6000
- (c) ₹10000
- (d) Variable Cost cannot be calculated from data given.

Q 37. When production is below standard specification or quality and cannot be rectified by incurring additional cost, it is called

- (a) Defective
- (b) Spoilage
- (c) Waste
- (d) Scrap

Q38. Selling and distribution overhead does not include:

- (a) Cost of warehousing
- (b) Repacking cost
- (c) Transportation cost
- (d) Demurrage charges.

Q39. If, Sales = ₹800,000 , Markup rate = 25% of cost , What would be the value of Gross profit?

- (a) ₹ 200,000
- (b) ₹ 160,000
- (c) ₹480,000
- (d) ₹ 640,000.

Q40. EOQ is a point where:

- (a) Ordering cost is equal to carrying cost
- (b) Ordering cost is higher than carrying cost
- (c) Ordering cost is lesser than the carrying cost
- (d) Total cost is maximum.

Q41. Which of the following best describe piece rate system?

- (a) The increased volume of production results in decreased cost of production
- (b) The increased volume of production in minimum time
- (c) Establishment of fair standard rates
- (d) Higher output is a result of efficient management.

Q42. The term Cost apportionment is referred to:

- (a) The costs that cannot be identified with specific cost centers.
- (b) The total cost of factory overhead needs to be distributed among specific cost centers but must be divided among the concerned department/cost centers.
- (c) The total cost of factory overhead needs to be distributed among specific cost centers.
- (d) None of the above.

Q43. The time lag between indenting and receiving material is called:

- (a) Lead time
- (b) Idle time
- (c) Stock out time
- (d) None of the above.

Q44. While preparing the Cost of Goods Sold and Income Statement, the over applied FOH is:

- (a) Add back, subtracted
- (b) Subtracted, add back
- (c) Add back, add back
- (d) Subtracted, subtracted.

Q45. Data of a company XYZ is given below

Particulars	₹
Sales	15,00,000
Variable cost	9,00,000
Fixed Cost	4,00,000

Break Even Sales in ₹ _____

- (a) ₹1, 00,000
- (b) ₹ 2, 00,000

- (c) ₹ 13,00,000
(d) None of the given options .

Q46. Which of the following represents a CVP equation?

- (a) Sales = Contribution margin (Rs.) + Fixed expenses + Profits
(b) Sales = Contribution margin ratio + Fixed expenses + Profits
(c) Sales = Variable expenses + Fixed expenses + profits
(d) Sales = Variable expenses – Fixed expenses + profits .

Q47. Group bonus schemes are generally suitable where :

- (a) Output depends on individual efforts
(b) Output of individual workers can be measured easily
(c) It is necessary to create a collective interest in the work
(d) Normal loss rate is high.

Q48. Overtime premium may be treated, depending on the circumstances, as :

- (a) Part of direct wages
(b) Part of production overheads
(c) Part of capital order
(d) All of the above.

Q49. CAS 8 requires each type of utility to be treated as :

- (a) separate cost object.
(b) not part of cost as not included in material.
(c) not part of cost as they do not form part of product.
(d) treated as administrative overheads.

Q50. Which of the following systems of inventory valuation computes cost of goods sold as a residual amount?

- (a) Weighted Average.
(b) Last-in-First-out.
(c) Periodic Inventory System.
(d) Specific Identification.



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Fundamentals of Accounting (FOA)

Test Paper 3

Answer all questions. Each question carries 2 marks.

Choose the correct answer among the alternatives given. Suitable justification needs to be provided.

Section A: Fundamentals of Financial Accounting [60 marks]

Q1. Recording of Capital contributed by the owner as liability ensures the adherence of principle of

- (a) Double Entry
- (b) Going Concern
- (c) Separate Entry
- (d) Materiality.

Q2. P & L Account is prepared for a period of one year by following

- (a) Consistency Concept
- (b) Conservatism Concept
- (c) Accounting Period Concept
- (d) Cost Concept.

Q3. The accounting measurement that is not consistent with the Going Concern concept is

- (a) Historical Cost
- (b) Realization
- (c) The Transaction Approach
- (d) Liquidation Value.

Q4. Provision for bad debt is made as per the

- (a) Entity Concept
- (b) Conservatism Concept
- (c) Cost Concept
- (d) Going Concern Concept

Q5. Purchase of goods on credit from A is recorded as

- (a) Debit Purchases A/c; Credit Cash A/c
- (b) Debit A A/c; Credit Purchases A/c
- (c) Debit Purchases A/c; Credit A A/c
- (d) Debit A A/c; Credit Stock A/c.

Q6. When Fixed Assets are sold

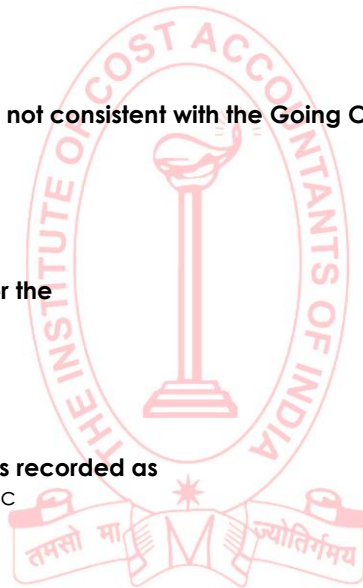
- (a) The Total Assets will increase
- (b) The Total Liabilities will increase
- (c) The Total Assets will decrease
- (d) There is no change in the Total Assets.

Q7. Withdrawals by proprietor would

- (a) Reduce both Assets and Owner's Equity
- (b) Reduce Assets and increase Liabilities
- (c) Reduce Owner's Equity and increase Liabilities
- (d) Have no affect on the Balance Sheet.

Q8. Trade discount allowed at the time of Sale of goods.

- (a) Is recorded in Sales Book
- (b) Is recorded in Cash Book
- (c) Is recorded in Journal
- (d) Is not recorded in Books of Accounts.



Q9. R Ltd. makes purchases on credit. If the purchases are not as per the specifications, the company returns them to the suppliers. The book, that is used to record such returns is

- (a) Returns Inward Book
- (b) Returns Outward Book
- (c) Cash Book
- (d) Journal Proper.

Q10. Which of the following statements is false?

- (a) Credit side total of Discount column of Cash Book is an income
- (b) Credit balance of Bank Pass Book is an overdraft
- (c) Debit balance of Bank column of Cash Book is an Asset
- (d) Debit balance of Cash column of Cash Book is an Asset.

Q11. Purchase of Fixed Assets on credit is originally recorded in

- (a) Purchases Book
- (b) Ledger
- (c) Cash Book
- (d) Journal Proper.

Q12. Bank Overdraft is shown as a

- (a) Current Liability
- (b) Contingent Liability
- (c) Unsecured Loan
- (d) Provision.

Q13. ₹500 paid as cartage on new Plant and Machinery, this was debited to Carriage Inward A/c. This is an error of-

- (a) Principle
- (b) Omission
- (c) Commission
- (d) Compensating.

Q14. Which of the following assets is a fictitious asset

- (a) Goodwill A/c
- (b) Prepaid Rent A/c
- (c) Outstanding Salary A/c
- (d) Preliminary expenses A/c.

Q15. Which of these is not a process of Accounting-

- (a) Printing
- (b) Summarizing
- (c) Classifying
- (d) Journals.

Q16. Endowment fund receipt is treated as-

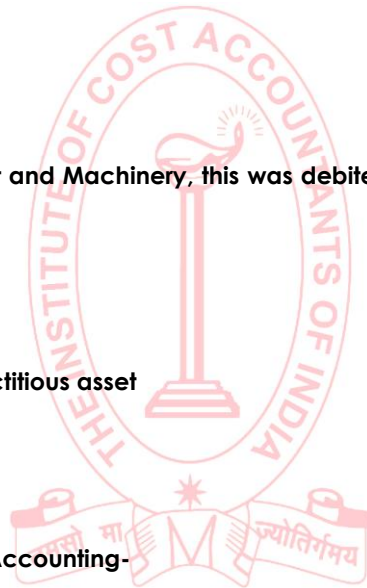
- (a) Casual Receipt
- (b) Revenue Receipt
- (c) Loss
- (d) Expenses.

Q17. Opening entries are generally passed through-

- (a) General Journal
- (b) Purchase Journal
- (c) Profit and Loss A/c
- (d) Suspense A/c.

Q18. Which of the following is not a contingent liability?

- (a) Claims against the company not acknowledged as debts
- (b) Debts included on debtors which are doubtful in nature



- (c) Uncalled liability on partly paid shares
- (d) Arrears of cumulative fixed dividends.

Q19. Closing stock is generally valued at

- (a) Cost Price
- (b) Market Price
- (c) Cost price or Market price whichever is higher
- (d) Cost price or Market price whichever is lower.

Q20. The concept of conservatism will have the effect of

- (a) Overstatement of Assets
- (b) Understatement of Assets
- (c) Overstatement of Liabilities
- (d) Understatement of Liabilities.

Q21. Closing stock in the Trial Balance implies that

- (a) It is already adjusted in the opening stock
- (b) It is adjusted in the Purchase A/c
- (c) It is adjusted in the Cost of Sale A/c
- (d) It is adjusted in the Profit & Loss A/c.

Q22. Which of the following should not be treated as revenue expenditure?

- (a) Interest on loans and debentures
- (b) Annual fire insurance premiums on Plant and Equipment
- (c) Sales tax paid in connection with the purchase of office equipment
- (d) Small expenditures on long-lived assets, such as ₹20 for a paper weight.

Q23. From the accounting point of view, loss means

- (a) Increase in Liability
- (b) Decrease in asset
- (c) Increase in owner's equity
- (d) Decrease in Owner's equity.

Q24. Which of the following is a Real A/c

- (a) Salary A/c
- (b) Bank A/c
- (c) Building A/c
- (d) Goodwill A/c.

Q25. Depreciation is a process of

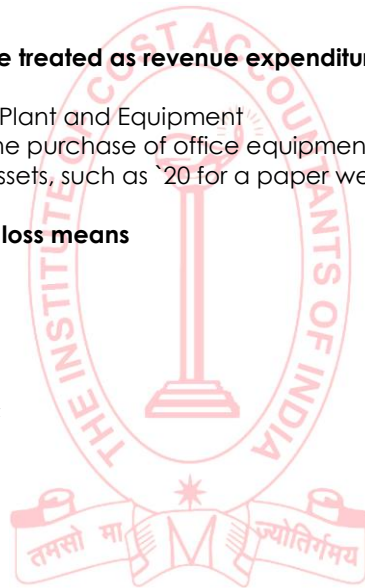
- (a) Valuation
- (b) Valuation and allocation
- (c) Allocation
- (d) Appropriation

Q26. The drawer of a trade bill passes relevant entries with regard to the transaction involved in it. But, in case of an accommodation bill, he passes an entry in addition to the usual entries. The additional entry so passed is with respect to

- (a) Discounting of the bill with the bank
- (b) Payment of the bill on due date
- (c) Remitting or receiving the amount
- (d) Sending the bill to bank for collection

Q27. A consignee is entitled to _____

- (a) Commission on sales
- (b) Reimbursement of the expenses
- (c) Del credere commission
- (d) All of the above.



Q28. Joint Venture is a —

- (a) Personal A/c
- (b) Nominal A/c
- (c) Real A/c
- (d) Memorandum A/c.

Q29. Which of these is not a feature of a Joint venture

- (a) Continuing business
- (b) No firm name
- (c) Partners called co-venturer
- (d) Partnership for limited purpose.

Q30. Opening Stock ₹ 15,000, Closing Stock ₹ 6,000, Total Purchase during the year ₹ 30,000. Given that Opening Stock inadvertently includes postage stamps of ₹ 1,500. Find the cost of goods sold

- (a) ₹ 40,000
- (b) ₹ 39,000
- (c) ₹ 37,500
- (d) ₹ 36,000.

Section B : Fundamentals of Cost and Management Accounting [40 marks]

Q31. A cost centre is :

- (a) A unit of product or service in relation to which costs are ascertained
- (b) An amount of expenditure attributable to an activity
- (c) A production or service location, function, activity or item of equipment for which costs are accumulated
- (d) A centre for which an individual budget is drawn up.

Q32. The cost of electricity bill of the factory is treated as:

- (a) Fixed cost
- (b) Variable cost
- (c) Step cost
- (d) Semi variable cost.

Q33. A store ledger card is similar to the _____.

- (a) Stock ledger
- (b) Bin card
- (c) Material card
- (d) Purchase requisition card.

Q34. The forex component of imported material cost is converted

- (a) At the rate on the date of settlement
- (b) At the rate on the date of transaction
- (c) At the rate on date of delivery
- (d) None of the above.

Q35. Total unit costs are

- (a) Independent of the cost system, used to generate them
- (b) Needed for determining product contribution
- (c) Irrelevant in marginal analysis
- (d) Relevant for cost-volume-profit analysis.

Q36. A company maintains a margin of safety of 25% on its current sales and earns a profit of ₹ 30 lakhs per annum. If the company has a profit volume (P/V) ratio of 40%, its current sales amount to

- (a) ₹ 200 lakhs
- (b) ₹ 300 lakhs
- (c) ₹ 325 lakhs
- (d) None of the above.

Q37. H Ltd. Manufactures product BM for last 5 years. The company maintains a margin of safety of 37.5% with overall contribution to sales ratio of 40%. If the fixed cost is ₹ 5 lakh, the profit of the company is

- (a) ₹24.00 lacs
- (b) ₹12.50 lakh
- (c) ₹ 3.00 lakh
- (d) None of the above.

Q38. Maximum possible productive capacity of a plant when no operating time is lost , is its

- (a) Practical capacity
- (b) Theoretical capacity
- (c) Normal capacity
- (d) Capacity based on sales expectancy.

Q39. When overtime is required for meeting urgent orders, overtime premium should be

- (a) Charged to Costing Profit and Loss A/c
- (b) Charged to overhead costs
- (c) Charged to respective jobs
- (d) None of the above.

Q40. Average consumption x Emergency time is a formula for the calculation of:

- (a) Lead time
- (b) Re-order level
- (c) Maximum consumption
- (d) Danger level.

Q41. Which of the following is not true about differential costs?

- (a) It is a broader concept than variable cost as it takes into account additional fixed costs caused by management decisions
- (b) With the passage of time and change in situation, differential costs will vary
- (c) The difference in cost between buying them from outside or make them in the company is differential cost, irrelevant for decisions
- (d) They are extra or incremental costs caused by a particular decision.

Q42. Which of the following statement is TRUE about historical cost?

- (a) It is always relevant to decision making
- (b) It is always irrelevant to decision making
- (c) It is always an opportunity cost
- (d) It is always realizable value.

Q43. ABC Company makes a single product which it sells for ₹20 per unit. Fixed costs are ₹75,000 per month and product has a profit/volume ratio of 40%. In that period actual sales were ₹225,000.

Required: Calculate ABC Company Break Even point in ₹

- (a) ₹187, 500
- (b) ₹562, 500
- (c) ₹ 1,500,000
- (d) None of above.

Q44. All of the following are true EXCEPT:

- (a) Profit + Fixed cost + Variable cost = Sales
- (b) Profit + Fixed cost = Sales – Variable cost
- (c) Contribution margin – Fixed cost = Profit
- (d) Profit + Fixed cost = Sales + Variable cost.

Q45. The components of total factory cost are:

- (a) Direct Material + Direct Labor
- (b) Direct Labor + FOH
- (c) Prime Cost only
- (d) Prime Cost + FOH

Q46. Which of the following is not a method of costing ?

- (a) Marginal costing
- (b) Job costing
- (c) Process costing
- (d) Operating costing.

Q47. In a shutdown decision, one has to consider :

- (a) Contribution
- (b) Identifiable fixed cost, if any
- (c) Impact of shutdown on other products, if any
- (d) All of the above.

Q48. Any activity for which a separate measurement of costs is desired is called :

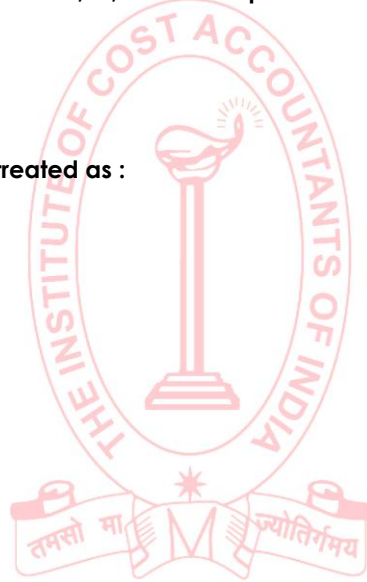
- (a) Cost unit
- (b) Cost centre
- (c) Cost object
- (d) Profit unit.

Q49. The firms monthly cost of production is ₹1,46,000 at an output level of 8,000 units. If it achieves an output level of 12,000 units it will incur production cost of ₹ 1,94,000 cost of production for 15,000 units is :

- (a) ₹ 1,80,000
- (b) ₹ 2,00,000
- (c) ₹ 50,000
- (d) ₹ 2,30,000.

Q50. The basic research cost should be treated as :

- (a) Product cost
- (b) Production cost
- (c) Production overhead
- (d) Period cost.



Postal Test Papers_P2_Foundation Course_Syllabus 2012

Fundamentals of Accounting(FOA)

Test Paper 4

Answer all questions. Each question carries 2 marks.

Choose the correct answer among the alternatives given. Suitable justification needs to be provided.

Section A: Fundamentals of Financial Accounting [60 marks]

Q1. Which of the following is true?

- (a) Bank Account is a Personal Account
- (b) Stock of stationery Account is a Nominal Account
- (c) Returns Inward Account is a Personal Account
- (d) Outstanding rent Account is a Nominal Account.

Q2. Gross Profit is the difference between

- (a) Net Sales and Cost of goods sold
- (b) PAT and Dividends
- (c) Net Sales and Cost of production
- (d) Net Sales and Direct costs of productions.

Q3. If the Going Concern concept is no longer valid, which of the following is true?

- (a) All prepaid assets would be completely written-off immediately
- (b) Total contributed Capital and Retained Earnings would remain unchanged
- (c) Intangible Assets would continue to be carried at net Amortized historical cost
- (d) Land held as an Investment would be valued at its realizable value.

Q4. Which of the following concept is not considered as basic principle of accounting?

- (a) Materiality Concept
- (b) Consistency Concept
- (c) Matching Concept
- (d) Logical Concept.

Q5. Withdrawal of goods from stock by the owner of the business for personal use should be recorded by

- (a) Debiting Stock Account and crediting Capital Account
- (b) Debiting Capital Account and crediting Drawings Account
- (c) Debiting Drawings Account and Crediting Stock Account
- (d) Debiting Stock Account and Crediting Drawings Account.

Q6. If the Petty Cash fund is not reimbursed just prior to year end and an appropriate adjusting entry is not made, then

- (a) The petty cash account is to be returned to the company's cashier
- (b) Expenses are overstated and Cash is understated
- (c) Cash is overstated and expenses are understated
- (d) Cash is overstated and expenses are overstated.

Q7. Purchase of goods on credit

- (a) Increases Liabilities
- (b) Increases Assets
- (c) Increases both Assets and Liabilities
- (d) Decreases Assets.

Q8. If Office Equipment is purchased for cash, what effect will this transaction have on the financial position of the company?

- (a) There is no change in the Assets, Liabilities and Owners' Equity
- (b) There is a decrease in Assets, increase in Liabilities and no change in Owners' Equity

- (c) There is a decrease in Assets, no change in Liabilities and a decrease in Owners' Equity
- (d) There is an increase in Assets, decrease in Liabilities and no change in Owners' Equity

Q9. Which of the following is/are fixed asset(s)?

- (a) Closing inventory
- (b) Fixed Deposits in a bank
- (c) Patents
- (d) Prepaid expenses.

Q10. Which of the following is a liability of a firm?

- (a) Debit balance of analytical Petty Cash Book
- (b) Credit balance of Bank Pass book
- (c) Debit balance of Bank column of Cash Book
- (d) Credit balance of Bank column of Cash Book

Q11. Which of the following errors is an error of principle?

- (a) Total sales figure was taken as ₹19,373 instead of ₹ 19,733
- (b) A discount of ₹ 30 allowed to Mr.A was not recorded in the discount allowed account
- (c) Legal charges for acquisition of building for ₹ 500 was entered in the Legal Expenses Account
- (d) ₹ 1,000 received from Mr. X was posted to the credit of Mr. M.

Q12. Which column of Cash Book is never balanced?

- (a) Discount Column
- (b) Cash
- (c) Bank
- (d) Petty Cash.

Q13. Interest Account will have-

- (a) Debit balance only
- (b) Credit balance only
- (c) Debit or Credit balance
- (d) No balance at all.

Q14. If goods worth ₹ 1,750 returned to a supplier is wrongly entered in sales return book as ₹1,570 , then

- (a) Net Profit will decrease by ₹3,140
- (b) Gross Profit will increase by ₹ 3,320
- (c) Gross Profit will decrease by ₹ 3,500
- (d) Gross Profit will decrease by ₹ 3,320.

Q15. AS 4 deals with

- a) Prior period adjustments.
- b) Fixed assets
- c) Current assets
- d) Contingencies and Events occurring after the Balance Sheet Date.

Q16. The portion of the acquisition cost of the asset yet to be allocated is known as

- (a) Written down value
- (b) Accumulated value
- (c) Salvage value
- (d) Residual Value.

Q17. Which of the following is an external cause of depreciation

- (a) Routine repair and maintenance
- (b) Misuse
- (c) Obsolescence
- (d) Wear and tear.



Q18. Which of the following is not depreciated

- (a) Building
- (b) Land
- (c) Plant and Machinery
- (d) Office equipment.

Q19. Prepaid expenses are valued on the Balance Sheet at

- (a) Replacement cost
- (b) Current cost
- (c) Cost to acquire less accumulated amortization
- (d) Cost less expired portion.

Q20. If unexpired insurance appears in the Trial Balance, it should be

- (a) Credited to the Profit & Loss Account
- (b) Debited to the Profit & Loss Account
- (c) Shown on the liabilities side of the Balance Sheet
- (d) Shown on the assets side of the Balance Sheet.

Q21. Which of the following is not an intangible asset?

- (a) Trade mark
- (b) Franchise
- (c) Accounts Receivable
- (d) Secret Profit.

Q22. A Bill of Exchange is drawn on 1st April, 2013 payable after 3 months. The due date of the bill is

- (a) 30th June, 2013
- (b) 1st July, 2013
- (c) 4th July, 2013
- (d) 4th August, 2013.

Q23. A foreign bill of exchange is generally drawn up in —

- (a) Triplicate
- (b) Duplicate
- (c) Single
- (d) Quadruplicate.

Q24. Consignment Account is a _____ A/c

- (a) Personal
- (b) Nominal
- (c) Real
- (d) Dummy.

Q25. Profit or loss on joint venture business is shared by the co-venturers —

- (a) Equally
- (b) In the ratio of capital contributed
- (c) In the agreed upon ratio
- (d) As per seniority.

Q26. AS 30 deals with

- (a) Accounting Policy
- (b) Financial Investment presentation
- (c) Financial Investment Reinvestment Measurement
- (d) Financial Investment disclosure.

Q27. Under casting of the total of Sales A/c will affect —

- (a) Gross Profit and Loss
- (b) Debtors A/c
- (c) Closing Stock
- (d) Working Capital.

Q28. XYZ send goods worth ₹ 1,00,000 to Y on consignment basis at 20% above the cost price. The goods are sold by the consignee on a mark of 15% on invoice price. Find the total mark up % over the cost price of the goods —

- (a)30%
- (b)38%
- (c)35%
- (d)25%.

Q29. Business expenses excludes...

- (a)Fire insurance premium of office building
- (b)LIC premium on the life of proprietor
- (c)Interest on capital
- (d)Repair of office furniture.

Q30. Narrations are usually given at the end of

- (a)Each journal entry
- (b)Each page
- (c)Each column
- (d)Each account.

Section B: Fundamentals of Cost and Management Accounting

Q31. In cost accounting, unavoidable loss is charged to which of the following?

- (a)Factory over head control account
- (b)Work in process control account
- (c)Marketing overhead control account
- (d)Administration overhead control account.

Q32. A typical factory overhead cost is:

- (a)Distribution
- (b)Internal audit
- (c)Compensation of plant manager
- (d)Design.

Q33. Which of the given units can never become part of first department of Cost of Production Report?

- (a)Units received from preceding department
- (b)Units transferred to subsequent department
- (c)Lost units
- (d)Units still in process.

Q34. While constructing a Break even chart, the gap between sales line and variable cost line shows which of the following?

- (a)Fixed cost
- (b)Break even point
- (c)Contribution margin
- (d)Variable cost.

Q35. A machine cost ₹ 60,000 five years ago. It is expected that the machine will generate future revenue of 40,000. Alternatively, the machine could be scrapped for ₹35,000. An equivalent machine in the same condition cost 38,000 to buy now. Required: Identify the realizable value with the help of given data.

- (a)₹60,000
- (b)₹ 40,000
- (c)₹ 35, 000
- (d)₹38,000.

Q36. Which of the following is not included in the administration cost ?

- (a)Salaries of general office staff
- (b)Salaries of foremen
- (c)Office supplies and expenses
- (d)Postage, stationary, telephone etc.

Q37. Cost of sales is :

- (a)Total costs incurred in production, administration and marketing functions
- (b)Works cost plus administration overheads
- (c)Aggregate of works, administration and marketing overheads
- (d)Prime costs plus marketing overheads.

Q38. A standard rate is paid to the employee when he completed his job:

- (a)In time less than the standard
- (b)In standard time
- (c)In time more than standard
- (d)Both in standard time and more than the standard time.

Q39. Store incharge after receiving the material as per the goods received note, places the material at its location and makes an entry in_____ .

- (a)Bin Card
- (b)Store Ledger Card
- (c)Stock Ledger
- (d)None of the above.

Q40. Overtime that is necessary in order to fulfill customer orders is called:

- (a)Avoidable overtime
- (b)Unavoidable overtime
- (c)Premium Overtime
- (d)Flex time.

Q41. What will be the impact of normal loss on the overall per unit cost ?

- (a)Per unit cost will increase
- (b)Per unit cost will decrease
- (c)Per unit cost remain unchanged
- (d)Normal loss has no relation to unit cost.

Q42. Direct materials cost is ₹80,000. Direct labor cost is ₹ 60,000. Factory overhead is ₹90,000. Beginning goods in process were ₹ 15,000. The cost of goods manufactured is ₹245,000. What is the cost assigned to the ending goods in process?

- (a)₹ 45,000
- (b)₹15,000
- (c)₹ 30,000
- (d)There will be no ending Inventory.

Q43. The contribution margin increases when sales volume and price remain the same and:

- (a)Variable cost per unit decreases
- (b)Variable cost per unit increases
- (c)Fixed costs per unit increase
- (d)All of the above.

Q44. While calculating the finished goods ending inventory, what would be the formula to calculate per unit cost?

- (a)Cost of goods sold / number of units sold
- (b)Cost of goods to be manufactured/ number of units manufactured
- (c)Cost of goods manufactured / number of units manufactured
- (d)Total manufacturing cost / number of units manufactured .

Q45. Percentage of Margin of Safety can be calculated in which one of the following ways?

- (a) Based on budgeted Sales
- (b) Using budget profit
- (c) Using profit & Contribution ratio
- (d) All of the above.

Q46. Interest on own capital is a:

- (a) Cash cost
- (b) Notional cost
- (c) Sunk cost
- (d) Part of prime cost.

Q47. Normal stores losses are :

- (a) Part of prime cost
- (b) Part of production overheads
- (c) Part of selling and distribution overheads
- (d) Written-off to costing and profit and loss account.

Q48. The methods of treating cost of small tools in cost accounts include :

- (a) Charging to expense
- (b) Charging to stores
- (c) Capitalizing in a small tools account
- (d) All of the above .

Q49. Angle of incidence defines :

- (a) Systematic risk in CAPM model
- (b) Post BEP relationship between total cost and total revenue
- (c) Incidental factors in investments
- (d) Marginal cost of production.

Q50. The process of distribution of overheads allotted to a particular department or cost centre over the units produced is called :

- (a) Allocation
- (b) Apportionment
- (c) Absorption
- (d) Departmentalization.

