FOUNDATION EXAMINATION | SET 2

MODEL QUESTION PAPER | TERM DEC-2025

PAPER - 2

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

Time Allowed: 1 Hour | Full Marks: 100

Answer all questions. Each question carries 2 marks.

1.	Which concept recognizes revenues and expenses in the period they occur, regardless of cash movement?		
	(a)	Accrual Concept	O
	(b)	Money Measurement Concept	O
	(c)	Realisation Concept	O
	(d)	Matching Concept	O
2.	A bill of exchange dated 15th March 2025 is drawn payable 3 months after date. What will be the legally due date of the bill, considering the applicable grace period?		
	(a)	15th June 2025	O
	(b)	16th June 2025	O
	(c)	18th June 2025	O
	(d)	17th June 2025	O
3.	The amount overdrawn from a bank beyond the available balance with prior approval is called:		
	(a)	Bank Overdraft	O
	(b)	Bills Receivable	O
	(c)	Cash Credit	O
	(d)	Loan Payable	O
4.	The Sports Club of Orissa received ₹2,000 as subscription during 2022–2023. The following adjustments are to be made: • Subscription outstanding for 2021–2022: ₹200 • Subscription received in advance on 31.3.2022 for 2022–2023: ₹50 • Subscription received in advance on 31.3.2023 for 2023–2024: ₹40 • Subscription outstanding for 2022–2023 on 31.3.2023: ₹90 What amount will be shown as subscription income in the Income & Expenditure Account for 2022–2023?		
	(a)	₹2,000	O
	(b)	₹1,800	O
	(c)	₹1,900	O
	(d)	₹2,100	O

5.	Preliminary expenses incurred at the time of formation of a company are classified as:		
	(a)	Revenue expenditure	O
	(b)	Capital expenditure	O
	(c)	Deferred revenue expenditure	O
	(d)	Non-operating expenditure	O
6.	"Power & fuel" expenses used in factory operations are shown under:		
	(a)	Profit & Loss A/c –Office Expenses	O
	(b)	Balance Sheet – Liability Side	O
	(c)	Profit & Loss A/c- Selling Expenses	O
	(d)	Trading Account- Direct Expense	O
7.	All initial contributions made by co-venturers are recorded in:		
	(a)	Co-venturers' A/c	O
	(b)	Profit and Loss A/c	O
	(c)	Joint Venture A/c	O
	(d)	Joint Bank A/c	O
8.	The Income and Expenditure Account records only:		
	(a)	Capital items	O
	(b)	Cash items	O
	(c)	Revenue items	O
	(d)	Deferred revenue items	O
9.	From the following details ascertain the adjusted bank balance as per Cash Book – overdraft as per cash book ₹80,000; cheque received entered twice in the Cash Book ₹5,000; credit side of bank column cast short by ₹ 500; bank charges amounting to ₹ 200 entered twice; cheque issued but dishonoured ₹2,000.		
	(a)	₹80,500	O
	(b)	₹85,500	O
	(c)	₹85,000	O
	(d)	₹83,300	O

10. 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

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

11. Which costing method is most suitable for the sugar industry?

(a)	Job Costing	O
(b)	Batch Costing	O
(c)	Process Costing	O
(d)	Service Costing	O

12. Which of the following costs will not be included in the capital cost of a machine?

(a)	Annual maintenance charges	O
(b)	Purchase price of the machine	O
(c)	Wages paid for installing the machine	O
(d)	Transport cost of the machine	O

13. Which of the following accounts are maintained in the joint venture when separate set of books are maintained :

(a)	Joint Bank A/c	O
(b)	Joint Venture A/c	O
(c)	Co-venturer A/c	O
(d)	All of these	O

14. Which costing method applies to hospitals and similar service organizations?

(a)	Contract Costing	O
(b)	Operating/Service Costing	O
(c)	Process Costing	O
(d)	Job Costing	O

15.	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
16.	If investments are made against a Special Fund, any income earned on those investments is:		
	(a)	Treated as general income	O
	(b)	Added to Capital Fund	O
	(c)	Transferred to Receipts & Payments A/c	O
	(d)	Credited to the specific Special Fund	O
17.	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 :		
	(a)	₹ 3,550	O
	(b)	₹ 3,600	O
	(c)	₹ 3,400	O
	(d)	₹ 3,800	O
18.	Heavy advertising cost of ₹20,000 for launching a new product is classified as:		
	(a)	Capital Expenditure	O
	(b)	Revenue Expenditure	O
	(c)	Deferred Revenue Expenditure	O
	(d)	Preliminary Expenditure	O
19.	How is a legacy received by a non-profit organization treated in the accounts?		
	(a)	Added to Capital Fund after deducting taxes	O
	(b)	Credited to Income and Expenditure Account	O
	(c)	Added to Receipts and Payments Account only	O
	(d)	Treated as revenue income	O
20.	For opening Joint Bank Account, in case of separate sets of books :		
	(a)	venturer a/c will be debited and Co- venturers A/c will be credited	O
	(b)	Joint Bank A/c is debited and Ventures Capital A/c is credited	O
	(c)	Joint Venture A/c is debited and Joint Bank A/c will be credited	O
	(d)	Joint Bank A/c will be debited and Joint Venture A/c will be credited	O

21.	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
22.	Based on the Subscription Account below, what is the total amount of cash received for subscriptions during 2023? • Opening outstanding for 2022: ₹400 (of which ₹200 was received in 2023) • Advance at 1.1.2023: ₹100 • Advance at 31.12.2023: ₹80 • Outstanding at 31.12.2023: ₹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
23.	The following is included in financial accounts, but not in cost accounts.		
	(a)	carriage and freight	O
	(b)	Excise duty	O
	(c)	Royalty	O
	(d)	Dividend paid	O
24.	Given the following data: • Opening Inventory of Finished Goods: ₹30,000 • Closing Inventory of Finished Goods: ₹50,000 • Cost of Goods Sold (COGS): ₹1,90,000 What is the Cost of Production?		
	(a)	₹1,70,000	O
	(b)	₹2,10,000	O
	(c)	₹1,90,000	O
	(d)	₹2,30,000	O
25.	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

26.	Given the following information: • Gross Factory Cost = ₹58,000 • Net Factory Cost = ₹54,000 • Opening Stock of Work-in-Progress = ₹8,000 What is the Closing Stock of Work-in-Progress?		
	(a)	₹10,000	O
	(b)	₹12,000	O
	(c)	₹14,000	O
	(d)	₹8,000	O
27.	'M' and 'N' enter into joint venture where 'M' supplies goods worth ₹6,000 and spe nd ₹100 on various expenses. 'N' sells the entire lot for ₹7,500 meeting selling expe nses amounted to ₹200 profit sharing ratio equal. N remits M the amount due. The a mount of remittance will be :		
	(a)	₹ 6,700	O
	(b)	₹ 7,300	O
	(c)	₹ 6,400	O
	(d)	₹ 6,100	O
28.	Obsolescence is a type of:		
	(a)	Planned maintenance	O
	(b)	Sudden and unpredictable loss in asset value	O
	(c)	Predictable depreciation	O
	(d)	Operating expense	O
29.	Which financial statement represents the accounting equation-Assets = Liabilities + Owner's equity:		
	(a)	Income Statement	O
	(b)	Statement of Cash flows	O
	(c)	Balance Sheet	O
	(d)	None	O
30.	Depreciation on furniture given only in adjustments is:		
	(a)	Ignored	O
	(b)	Shown only in Balance Sheet	O
	(c)	Debited to P&L A/c and deducted from asset in Balance Sheet	O
	(d)	Shown only in P&L A/c	O

31.	An amount of ₹200 withdrawn by the owner for personal use was wrongly debited to Trade Expenses. The correct rectification entry is:		
	(a)	Dr. Drawings A/c ₹200 Cr. Cash A/c ₹200	O
	(b)	Dr. Trade Expenses A/c ₹200 Cr. Drawings A/c ₹200	O
	(c)	Dr. Capital A/c ₹200 Cr. Trade Expenses A/c ₹200	O
	(d)	Dr. Drawings A/c ₹200 Cr. Trade Expenses A/c ₹200	O
32.	Investments that are intended to be held for more than one year are classified as:		
	(a)	Current Investments	O
	(b)	Non-current Investments	O
	(c)	Short-term Investments	O
	(d)	Realisable Investments	O
33.	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
34.	Wages of ₹550 paid to the firm's own workmen for making additions to machinery were wrongly debited to Wages A/c instead of Machinery A/c. The correct rectification entry is:		
	(a)	Dr. Wages A/c ₹550 Cr. Machinery A/c ₹550	O
	(b)	Dr. Capital A/c ₹550 Cr. Wages A/c ₹550	O
	(c)	Dr. Machinery A/c ₹550 Cr. Wages A/c ₹550	O
	(d)	Dr. Suspense A/c ₹550 Cr. Wages A/c ₹550	O
35.	Which of the following is a part of both Prime cost and conversion cost		
	(a)	Direct Material	O
	(b)	Indirect Labour	O
	(c)	Indirect Material	O
	(d)	Direct Labour	O

36.	Posting ₹500 to the wrong side of a customer's account is an example of:		
	(a)	Error of Omission	O
	(b)	Error of Commission	O
	(c)	Error of Principle	O
	(d)	Compensating Error	O
37.	Which of the following is included in distribution overheads but not in administration overheads?		
	(a)	Salaries of top management	O
	(b)	Cost of outward transportation	O
	(c)	Office rent for head office	O
	(d)	Cost of internal audit	O
38.	Errors of full omission will:		
	(a)	Affect the Trial Balance	O
	(b)	Not affect the Trial Balance	O
	(c)	Be detected by Trial Balance	O
	(d)	Lead to a suspense account	O
39.	Which of the following is considered a direct expense?		
	(a)	Hire charges of equipment used for a specific job	O
	(b)	Salary of factory supervisor	O
	(c)	Depreciation on factory building	O
	(d)	Office rent for head office	O
40.	An example of a production overhead is:		
	(a)	Sales commission	O
	(b)	Excise duty on finished goods	O
	(c)	Supervisor's salary in a factory	O
	(d)	Royalty for a patented product design	O
41.	Prepaid Insurance A/c is a:		
	(a)	Representative Personal Account	O
	(b)	Artificial Personal Account	O
	(c)	Real Account	O
	(d)	Nominal Account	O

42.	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
43.	Which of the following is not an advantage of maintaining a journal?		
	(a)	Transactions are recorded immediately	O
	(b)	Helps in preparing trial balance directly	O
	(c)	Provides chronological record with narration	O
	(d)	Facilitates easy ledger posting	O
44.	In Activity-Based Costing (ABC), which of the following is the most appropriate cost driver for Machine Set-up?		
	(a)	Number of Deliveries	O
	(b)	Set-up Hours or Number of Set-ups	O
	(c)	Machine Hours	O
	(d)	Direct Labour Hours	O
45.	If a company decides to use its idle factory space for production instead of renting it out for ₹4,000 per month, the opportunity cost is:		
	(a)	4,000	O
	(b)	₹0	O
	(c)	The cost of raw materials used in production	O
	(d)	The depreciation on factory building	O
46.	Based on which of the following concepts, is share capital account shown on the liabilities side of a balance sheet?		
	(a)	business entity concept	O
	(b)	money measurement concept	O
	(c)	going concern concept	O
	(d)	matching concept	O

47.	Which of the following is an example of a Sunk Cost?		
	(a)	Future lease payments on a new warehouse	O
	(b)	Cost of hiring new employees	O
	(c)	Amount spent on a market research report last year	O
	(d)	Opportunity cost of capital	O
48.	Unavoidable costs are typically:		
	(a)	Variable in nature and easily reduced	O
	(b)	Fixed in nature and must be incurred under any operating condition	O
	(c)	Linked with inefficient resource use	O
	(d)	Only incurred when business expands	O
49.	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
50.	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		
	(a)	₹11,000	O
	(b)	₹8,500	O
	(c)	₹10,000	O
	(d)	None of the above	O