

CAT COURSE EXAMINATION

DECEMBER 2025

252197

FUNDAMENTALS OF FINANCIAL ACCOUNTING

Time Allowed: 1 hour

Full Marks: 60

Choose the correct answer from the given four alternatives:

1×60=60

1. As per _____, the business is treated as distinct and separate from the individuals who own or manage it.

- (A) Matching Concept
- (B) Accrual Concept
- (C) Cost Concept
- (D) Entity Concept

2. Furniture purchased by a furniture trader for resale will be treated as

- (A) Capital Expenditure
- (B) Revenue Expenditure
- (C) Neither Revenue nor Capital Expenditure
- (D) Both (A) and (B)

3. Freight and carriage paid on purchase of machinery is

- (A) Revenue Expenditure
- (B) Deferred Revenue Expenditure
- (C) Capital Expenditure
- (D) Nominal Expenditure

4. Nominal Account represents

- (A) Profit & gain
- (B) Loss/Expenses
- (C) Both (A) and (B)
- (D) Financial position

5. Outstanding Salary Account is a

- (A) Nominal Account
- (B) Representative Personal Account
- (C) Tangible Assets Account
- (D) Artificial Personal Account

6. In an Account if total of debit side is more than the total of credit side, the balance is known as the

- (A) Negative balance
- (B) Debit balance
- (C) Positive balance
- (D) Credit balance

7. Ledger contains various _____ in it

- (A) transactions
- (B) entries
- (C) accounts
- (D) accounting summary

8. Which financial statement represents the accounting equation–

Assets = Liabilities + Owner's equity?

- (A) Profit and Loss Account
- (B) Statement of Cash flows
- (C) Balance Sheet
- (D) Trading Account

9. The debts written off as bad, if recovered subsequently are

- (A) credited to Bad Debts Recovered A/c.
- (B) credited to Debtor's Personal Account.
- (C) debited to Profit and Loss Account.
- (D) credited to Bad Debts Account.

10. A Trial Balance shows

- (A) honesty of accountants.
- (B) accuracy of account.
- (C) only arithmetical accuracy of accounts.
- (D) None of the above

11. Cash received from Vinil ₹ 750/- is wrongly posted to the debit side of his account, rectification requires in his account:

- (A) Credit of ₹ 750
- (B) Debit of ₹ 750
- (C) Credit of ₹ 1,500
- (D) No entry is required

12. ₹ 2000 paid as wages for erecting a machine should be debited to

- (A) Repair A/c
- (B) Machine A/c
- (C) Capital A/c
- (D) Furniture A/c

13. A Bank Reconciliation Statement is prepared by

- (A) Banker
- (B) Accountant of the business
- (C) Auditor
- (D) Registrar

14. While preparing a Bank Reconciliation Statement, if you start with debit balance as per Cash Book, cheques sent to bank but not collected should be

- (A) added.
- (B) deducted.
- (C) either added or deducted as per requirement.
- (D) Not required to be adjusted.

15. Debit balance as per Bank Pass Book means

- (A) Surplus cash
- (B) Bank overdraft
- (C) Term deposits with bank
- (D) None of the above

16. A company's Net Worth is also called as

- (A) Market Share
- (B) Revenue
- (C) Owner's Equity
- (D) None of the above

17. Which of the following is the internal cause for depreciation?

- (A) Wear and tear
- (B) Depletion or exhaustion
- (C) Both (A) & (B)
- (D) None of the above

18. For charging depreciation, on which of the following assets, the depletion method is adopted?

- (A) Plant & Machinery
- (B) Land & Building
- (C) Goodwill
- (D) Wasting assets like mines and quarries

19. Obsolescence means decline in the value of asset due to

- (A) technological changes.
- (B) introduction of better process/ techniques.
- (C) change in taste, fashion, etc.
- (D) All of the above

20. Purchase price of machine ₹ 8,97,000, installation charges ₹ 30,000, residual value is ₹ 40,000, estimated useful life 5 years. Calculate the amount of annual depreciation under straight line method:

- (A) ₹ 1,77,400
- (B) ₹ 1,71,400
- (C) ₹ 1,85,400
- (D) ₹ 1,79,400

21. The cost of a machine was ₹ 20,00,000. After two years the book value of the machine is ₹ 10,00,000. The Straight-line percentage depreciation is

- (A) 50%
- (B) $33\frac{1}{3}\%$
- (C) 25%
- (D) 16.67%

22. If sales are ₹ 48,000 and the rate of G.P on cost of goods sold is 25%, then the cost of goods sold will be

- (A) ₹ 38,400
- (B) ₹ 40,000
- (C) ₹ 36,000
- (D) ₹ 32,000

23. Goodwill is _____ asset.

- (A) a tangible
- (B) an intangible
- (C) a fictitious
- (D) an artificial

24. _____ is the difference between Assets and Liabilities.

- (A) Gross Working Capital
- (B) Net Working Capital
- (C) Capital
- (D) Fixed Assets

25. Opening Stock ₹ 50,000, Closing Stock ₹ 40,000 and Purchases is ₹ 1,90,000. If the profit margin is 20% on the sales then sales are _____.

- (A) ₹ 2,25,000
- (B) ₹ 2,16,000
- (C) ₹ 2,50,000
- (D) ₹ 2,40,000

26. If the manager is entitled to a commission of 5% on profits before deduction of this commission and if the net profit after charging such commission is ₹ 4,56,000 then the manager's commission will be

- (A) ₹ 22,800
- (B) ₹ 23,400
- (C) ₹ 24,000
- (D) ₹ 44,400

27. Credit Note issued to Debtors and Debit Note received from Debtors are source documents for

- (A) Purchase Book
- (B) Sales Book
- (C) Return Inward Book
- (D) Return Outward Book

28. Opening and closing entries are recorded in:

- (A) Bills Receivable Book
- (B) Bills Payable Book
- (C) Journal Proper
- (D) Cash Book

29. In case of a trading firm, Cost of Goods Sold is equal to

- (A) Sales – Gross Profit.
- (B) Sales – Closing stock + Purchases.
- (C) Closing stock + Purchases – Opening stock.
- (D) Sales + Opening stock – (Purchases + Closing stock).

30. Which of the following is not a financial statement?

- (A) Trading Account
- (B) Profit and Loss Account
- (C) Balance Sheet
- (D) Trial Balance

31. 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

32. Liquid Assets do not include–

- (A) Trade Receivable
- (B) Cash and cash equivalent
- (C) Inventory
- (D) Short term investment

33. Endowment fund receipt is treated as
- (A) Donation
 - (B) Revenue Receipt
 - (C) Capital Receipt
 - (D) Subsidy
34. Which one of the following is not prepared by non-profit organizations?
- (A) Receipts and Payments Account
 - (B) Income & Expenditure Account
 - (C) Profit and Loss Account
 - (D) Balance Sheet
35. Which of the following item(s) is (are) shown in the Income and Expenditure Account?
- (A) Only items of capital nature
 - (B) Only items of revenue nature which are received during the period of accounts
 - (C) Only items of revenue nature pertaining to the period of accounts
 - (D) Both the items of capital and revenue nature
36. A purchase of ₹ 45,000 was recorded by the supplier as ₹ 54,000. At the time of preparation of Receivable Reconciliation Statement it should be
- (A) added by ₹ 9,000.
 - (B) deducted by ₹ 9,000.
 - (C) deducted by ₹ 45,000.
 - (D) added by ₹ 54,000.
37. The following account has a credit balance:
- (A) Plant and Equipment Account
 - (B) Purchase Returns Account
 - (C) Purchase Account
 - (D) Drawings Account
38. The cost of a Fixed Asset of a business has to be written off over its
- (A) Natural Life
 - (B) Accounting Life
 - (C) Physical Life
 - (D) Useful Life
39. When a trial balance doesn't tally, the difference is
- (A) transferred to Suspense Account.
 - (B) credited to Capital Account.
 - (C) credited to Sundry Creditors Account.
 - (D) No action is required.
40. _____ is a resource owned by the business with purpose of using it for generating future profit.
- (A) Capital
 - (B) Asset
 - (C) Liability
 - (D) Surplus

41. End of the accounting year 2024-25, commission received in advance was ₹ 17,000. It will be shown—

- (A) Assets side in Balance Sheet
- (B) Liabilities side in Balance Sheet
- (C) By reducing from commission on assets side of Balance Sheet
- (D) By reducing from commission on debit side of Profit and Loss Account

42. Funds flow statement is prepared on the basis of _____.

- (A) Profit and Loss account of the current year
- (B) The Balance Sheets of the previous year and current year
- (C) Both (A) and (B)
- (D) None of the above

43. Which of the following is not an example of financing activities?

- (A) Repayment of bank loan of ₹ 2,25,000
- (B) Issue of shares of ₹ 8,50,000 to Machinery Vendor
- (C) Equity Dividend paid ₹ 80,000
- (D) Debentures issued ₹ 4,20,000

44. Overall profitability ratio indicates the percentage of return on the

- (A) Total Long-Term Loans
- (B) Total Current Assets
- (C) Total Capital Employed
- (D) Total Non-Current Assets

45. Closing inventory of Chandu Ltd. is ₹ 14,00,000 and total liquid assets are ₹ 70,00,000. If the current liabilities are ₹ 35,00,000 then Current Ratio will be

- (A) 2.4 : 1
- (B) 2 : 1
- (C) 1.6 : 1
- (D) 5 : 1

46. Books of Poorva Ltd. shows, Opening Stock ₹ 2,00,000, Closing Stock ₹ 3,00,000 and Cost of Goods Sold ₹ 21,00,000. Stock turnover ratio will be

- (A) 10.5 times
- (B) 7 times
- (C) 8.4 times
- (D) 21 times

47. An activity that falls under operating activity in the cash flow statement is:

- (A) Cash received on sale of the office furniture
- (B) Cash paid for salaries and wages to employees
- (C) Cash paid to purchase of the own debenture
- (D) Cash paid on redemption of preference shares

48. Which of the following is not a method of charging depreciation?

- (A) Insurance Policy Method
- (B) Reducing Balance Method
- (C) Working Hours Method
- (D) Realisation Method

49. Consider the following data and identify the amount of Sundry Debtors which will be shown in Balance Sheet.

Particulars	₹
Bad debts (from trial balance)	16,000
Sundry Debtors (from trial balance)	3,65,000
Provision for doubtful debts (old)	20,000
Current year's provision for doubtful debts (new)	8,000

- (A) ₹ 3,65,000
- (B) ₹ 3,57,000
- (C) ₹ 3,45,000
- (D) ₹ 3,41,000

50. Provision for discount on debtors is created only on

- (A) Total debtors
- (B) Total debtors after providing provision for bad debts
- (C) Insolvent debtors.
- (D) Bad and doubtful debtors

51. Which of the following is not a component / activities of a Cash Flow Statement?

- (A) Operating Activities
- (B) Administrative Activities
- (C) Financial Activities
- (D) Investing Activities

52. Working Capital will increase

- (A) when Net Current Assets increase.
- (B) when Net Current Assets decrease.
- (C) when Net Current Liabilities increase.
- (D) All of the above

53. Which of the following transaction(s) does/do not create flow of funds?

- (A) Payment made to Creditors
- (B) Cash received from Debtors
- (C) Bills Receivable discounted from Bank
- (D) All of the above

54. Given:

₹ 10, Equity Share Capital ₹ 20,00,000; Profit before Tax ₹ 7,40,000; Earning per Equity Share ₹ 2.50; Dividend paid per equity share ₹ 2.00. The Dividend Pay-out Ratio will be

- (A) 125%
- (B) 80%
- (C) 37%
- (D) 54%

55. Stock Turnover Ratio is

- (A) Profitability Ratio
- (B) Activity Ratio
- (C) Long-term Solvency Ratio
- (D) Short-term Solvency Ratio

56. Which of the following is not a Short-term Solvency Ratio?

- (A) Liquidity Ratio
- (B) Current Ratio
- (C) Absolute Liquidity Ratio
- (D) Price Earning Ratio

57. Given:

Opening Stock ₹ 2,60,000; Closing Stock ₹ 3,20,000; Purchases ₹ 13,50,000 and Sales ₹ 17,20,000.

The Gross Profit Ratio will be

- (A) 20%
- (B) 25%
- (C) 30%
- (D) 33.33%

58. The formula, "Credit Sales/Average Accounts Receivable" is used to calculate

- (A) Debtors Collection Period
- (B) Debtors Turnover Ratio
- (C) Credit Sales Ratio
- (D) Debtors Volume Ratio

59. Given: "Machinery A/c Dr. ₹ 2,50,000
To Machinery Mart's A/c ₹ 2,50,000"

Which of the following rule has been applied in the above Journal Entry?

- (A) Debit all expenses or losses and Credit all incomes or gains.
- (B) Debit what comes into business and Credit what goes out of business
- (C) Debit the receiver and Credit the giver.
- (D) Both (B) and (C)

60. Indian Accounting Standard (IND AS)-7 deals with-

- (A) Statement of Cash Flows
- (B) Construction Contracts
- (C) Events after the reporting period
- (D) Presentation of financial statements

APPLIED BUSINESS AND INDUSTRIAL LAWS

Time Allowed: 1 hour

Full Marks: 40 (1×40)

Choose the correct answer from the given four alternatives:

61. If part of contract is illegal, then the whole contract will be —
- Voidable
 - Void
 - Legal
 - Illegal
62. _____ rightly remarked “Law is a rule of civil conduct, prescribed by the supreme power of state, commanding what is right and prohibiting what is wrong”.
- Justice Blackstone
 - Justice Patterson
 - Lord Nolan
 - Lord Hasbury
63. The term “Quid Pro Quo” is applied in connection with—
- Capacity of the parties
 - Free Consent
 - Lawful Consideration
 - Lawful object
64. When goods are displayed in a shop window with price tags attached to them, the offer comes from the —
- Offerer
 - Shop owner
 - General Public
 - Customer
65. MR RANO entered into a contract with MSTINU to marry her on a fixed date. However before the marriage date, Rano went mad. With reference to the Indian Contract Act, 1872 which is the valid response ?
- TINU can't marry till Rano dies.
 - The executor of Rano can enforce the contract against Tinu.
 - The contract becomes void.
 - All of the above statements are correct.
66. The maxim “Nemo dat quid non habet” means that:
- No one can give what he himself does not have.
 - One can give what he himself does have.
 - Non owner can also have valid transfer.
 - All of the above
67. A forced B to sell his flat worth ₹ 50 lakh for ₹ 25 lakh by threatening him to expose his illicit affairs. B agree to sell at the price offered by A. Such contract is invalid as the consent is not a free consent, as it was obtained by :
- Coercion
 - Undue influence
 - Misrepresentation
 - Mistake

68. If the parties to a contract agree to discharge the original contract, and the same parties enter into a new contract by means change in one or more terms of the original contract, then it is known as:

- (A) Novation
- (B) Alternation
- (C) Rescission
- (D) Remission

69. What is NOT an exception to the rule "No consideration, No contract" ?

- (A) Contract out of natural love and affection
- (B) Completed gift
- (C) Payment for a crime
- (D) Agency

70. If a contract is broken by one party under the Indian Contract Act, 1872, which of the following is NOT a remedy available to the other party ?

- (A) Suit for specific performance
- (B) Suit for damages
- (C) Acquisition of property without compensation
- (D) Suit for injunction

71. A Contract is a combination of —

- (A) Agreement and Free Consent
- (B) Agreement and Consideration
- (C) Agreement and Enforceability
- (D) Agreement and Competence of parties.

72. When can a proposal be revoked according to Section 5 of the Indian Contract Act, 1872 ?

- (A) At any time after acceptance is communicated.
- (B) Only after acceptance is received by the proposer.
- (C) At any time before acceptance is completed as against the proposer.
- (D) Only after the acceptance letter is posted.

73. Which concept distinguished an invitation to offer from an offer ?

- (A) Legal obligation
- (B) Communication
- (C) Capacity
- (D) Consent

74. In the context of pledge, who is referred to as the "Pawner" ?

- (A) The person providing the security
- (B) The person entitled to detain goods
- (C) The bailor
- (D) The bailee

75. Which of the following is not an essential element of an offer ?

- (A) Offer may be specific or general.
- (B) Offer is a declaration of intention.
- (C) Offer must create legal obligation.
- (D) Terms of offer must be definite and certain.

76. Transfer of documents of title to the goods sold to the buyer, amounts to

- (A) Actual delivery
- (B) Symbolic delivery
- (C) Constructive delivery
- (D) None of the the above

77. _____ is / are not good(s) under the Sale of Goods Act, 1930.

- (A) Rare Coins / Currency notes
- (B) Railway Bridge
- (C) Electricity
- (D) Patent Right

78. Under a contract of sale, if the price is payable on a fixed day irrespective of delivery, and the buyer fails to pay, what can the seller do ?

- (A) Cancel the contract immediately.
- (B) Sue the buyer for the price, even if goods are not delivered or property not transferred.
- (C) Only ask for damages.
- (D) Return the goods to the supplier.

79. An auction sale is complete on the —

- (A) Payment of price
- (B) Delivery of goods
- (C) Fall of hammer
- (D) Signing of agreement

80. If goods are sold on “approval or sale or return” basis, ownership passes to the buyer:

- (A) when goods are delivered.
- (B) when the buyer signifies approval or adopts the transaction.
- (C) when the seller sends the invoice.
- (D) when the buyer inspects the goods.

81. How many whole-time members are there in the composition of Authority of IRDA?

- (A) Maximum 3 whole-time members
- (B) Maximum 4 whole-time members
- (C) Maximum 5 whole-time members
- (D) Maximum 6 whole-time members

82. When was the word ‘companies’ in the Banking Companies Act, 1949 substituted by ‘regulation’ ?

- (A) 1949
- (B) 1965
- (C) 1983
- (D) 2006

83. What is the minimum paid-up equity required for an insurer carrying on life insurance or general insurance business ?

- (A) ₹ 50 Crore
- (B) ₹ 100 Crore
- (C) ₹ 200 Crore
- (D) ₹ 500 Crore

84. Which of the following is a spontaneous source of working capital finance ?

- (A) Bank loan
- (B) Trade creditors
- (C) Issue of Shares
- (D) Public deposit

85. For how many months is a cheque generally valid before a banker may refuse payment due to expiry ?

- (A) 1 month
- (B) 3 months
- (C) 6 months
- (D) 12 months

86. A person who is admitted to the benefits of a partnership but not a partner is called _____.

- (A) Active partner
- (B) Minor partner
- (C) Silent partner
- (D) Nominal partner

87. Maximum number of partners in Limited Liability Partnership (LLP) is _____.

- (A) 50
- (B) 200
- (C) 250
- (D) Unlimited

88. As per Indian Partnership Act, liability of an incoming partner for the firm's past debts is:

- (A) Unlimited
- (B) Limited to debts after admission
- (C) No liability
- (D) Paid by all partners equally

89. A Garment Factory in Delhi has 35 female workers. According to Section 48 of the Factories Act, is the Factory required to provide a crèche facility ?

- (A) Yes, because it has more than 30 female workers.
- (B) No, because it has less than 50 female workers.
- (C) No, because only factories with more than 100 workers need a creche.
- (D) Yes, but only if at least 20 workers have children below 6 years.

90. How many Central Labour Laws are subsumed under the Code on Wages, 2019 ?

- (A) Two
- (B) Three
- (C) Four
- (D) Five

91. What is the "cost of living allowance" under the Code on Wages, 2019 for minimum wages ?

- (A) A fixed allowance given to all employees, irrespective of inflation
- (B) An amount adjusted in line with changes in the cost of living index
- (C) Bonus based on company profit
- (D) Overtime allowance

92. As per the Code on Wages, 2019, what is the requirement regarding women members on the Advisory Boards ?

- (A) Half must be Government Officers.
- (B) One-third must be women.
- (C) All must be independent persons.
- (D) All must be employers.

93. Under the Employees' State Insurance Act, 1948, a person has to file an appeal to the High Court within how many days from an order of the ESI Court ?

- (A) 15 days
- (B) 30 days
- (C) 45 days
- (D) 60 days

94. What is the maximum wages limit for contribution under the Employees' Provident Fund Scheme as of 01.09.2014 ?

- (A) ₹ 10,000
- (B) ₹ 12,000
- (C) ₹ 15,000
- (D) ₹ 20,000

95. Under the payment of Gratuity Act, in order to modify the nomination made, an employee shall submit written notice to the employer in —

- (A) Form "H"
- (B) Form "I"
- (C) Form "G"
- (D) Form "K"

96. Acts done in excess of the legal powers of the doers of a company is known as the Doctrine of _____.

- (A) Ultra Vires
- (B) Indor Management
- (C) Conservation
- (D) Materiality

97. Which of the following establishment is NOT covered by the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 ?

- (A) All Factories
- (B) Tea Factories in Assam
- (C) Shops and Establishments
- (D) Educational Institutions

98. According to the Companies Act, 2013, what action should be taken if the required quorum is not present within half an hour of the appointed meeting time ?

- (A) The meeting is postponed as per the decision of the Board.
- (B) The meeting is adjourned to the same day and time in the following week.
- (C) The meeting continues with available members.
- (D) New notice is issued and the meeting is postponed by 30 days.

99. What does moral management require from managers ?

- (A) Strictly following company policies
- (B) Ethical behavior and sensitivity to stakeholders
- (C) Ignoring unethical practices
- (D) Prioritizing personal benefits over organizational ethics

100. Which of the following is NOT one of the seven commonly recognized principles of business ethics ?

- (A) Be trustful
- (B) Meet obligations
- (C) Maximize profit at any cost
- (D) Maintain accounting control