



**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.	Insurance claim received on account of machinery damaged completely by fire is		
	(a)	Capital Receipt	O
	(b)	Revenue Receipt	O
	(c)	Capital Expenditure	O
	(d)	Revenue Expenditure	O
2.	A, for joint venture with B, purchased goods costing ₹2,00,000. B sold 80% of the goods for ₹2,50,000. Balance of goods were taken over by B at cost less 25%. Find out profit on venture?		
	(a)	₹ 80,000	O
	(b)	₹ 90,000	O
	(c)	₹ 50,000	O
	(d)	None of these	O
3.	The information for the preparation of receipts and payments account is taken from		
	(a)	Cash Book	O
	(b)	Income and Expenditure Account	O
	(c)	Cash Book and Balance Sheet	O
	(d)	None	O
4.	The Receipts and Payments Account shows the following details: Subscription Arrears ₹500 Current ₹10,500 Advance ₹800 There are 1,200 members each paying an annual subscription of ₹10. The amount to be credited to Income and Expenditure Account will be		
	(a)	₹11,800	O
	(b)	₹11,300	O
	(c)	₹12,000	O
	(d)	None of the above	O



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

**Syllabus - 2022
TERM JUNE-2026**

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

5.	Money spent ₹10,000 as travelling expenses of the directors on trips abroad for purchase of capital assets is:		
	(a)	Revenue expenditure	O
	(b)	Capital expenditure	O
	(c)	Deferred revenue expenditure	O
	(d)	None	O
6.	If sales are ₹2,000 and the rate of Gross Profit (G.P.) on cost of goods sold is 25%, then the cost of goods sold will be:		
	(a)	₹1,500	O
	(b)	₹1,750	O
	(c)	₹1,800	O
	(d)	₹1,600	O
7.	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
8.	Which one of the following is not prepared by non-profit organisations:		
	(a)	Profit and Loss Account	O
	(b)	Income & Expenditure Account	O
	(c)	Receipts and Payments Account	O
	(d)	Balance Sheet	O
9.	Freight and cartage on the new machine ₹ 150, and erection charges ₹ 500 are:		
	(a)	Revenue expenditure	O
	(b)	Capital expenditure	O
	(c)	Deferred revenue expenditure	O
	(d)	Contingent Liability	O



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

**Syllabus - 2022
TERM JUNE-2026**

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

10.	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		<input type="radio"/>
(b)	₹8,500		<input type="radio"/>
(c)	₹10,000		<input type="radio"/>
(d)	None of the above		<input type="radio"/>
11.	Process cost is very much applicable in:		
(a)	Construction industry		<input type="radio"/>
(b)	Pharmaceutical industry		<input type="radio"/>
(c)	Airline company		<input type="radio"/>
(d)	None of these		<input type="radio"/>
12.	Mr. Vikas and Mrs. Vaibhavi, who are husband and wife, start a consulting business by bringing in their personal cash of ₹5,00,000 and ₹2,50,000 respectively. What will be the journal entry in the books of the firm?		
(a)	Cash A/c Dr. ₹7,50,000 To Capital A/c ₹7,50,000		<input type="radio"/>
(b)	Cash A/c Dr. ₹7,50,000 To Mr. Vikas' Capital A/c ₹5,00,000 To Mrs. Vaibhavi's Capital A/c ₹2,50,000		<input type="radio"/>
(c)	Mr. Vikas' Capital A/c Dr. ₹5,00,000 Mrs. Vaibhavi's Capital A/c Dr. ₹2,50,000 To Cash A/c ₹7,50,000		<input type="radio"/>
(d)	Cash A/c Dr. ₹5,00,000 To Mr. Vikas' Capital A/c ₹5,00,000		<input type="radio"/>
13.	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		<input type="radio"/>



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

**Syllabus - 2022
TERM JUNE-2026**

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

	(b)	₹ 2,40,000	<input type="radio"/>
	(c)	₹ 40,000	<input type="radio"/>
	(d)	None	<input type="radio"/>
14.	Prime Cost is ₹50,000. Direct Labour is 70% of Prime Cost. What is the amount of Direct Material?		
	(a)	₹35,000	<input type="radio"/>
	(b)	₹15,000	<input type="radio"/>
	(c)	₹50,000	<input type="radio"/>
	(d)	₹20,000	<input type="radio"/>
15.	The basic accounting equation is expressed as:		
	(a)	Assets = Liabilities – Equity	<input type="radio"/>
	(b)	Assets + Liabilities = Equity	<input type="radio"/>
	(c)	Assets = Liabilities + Equity	<input type="radio"/>
	(d)	Assets – Liabilities = Expenses	<input type="radio"/>
16.	Average Stock = ₹12,000. Closing Stock is ₹3,000 more than Opening Stock. What is the value of Closing Stock?		
	(a)	₹10,500	<input type="radio"/>
	(b)	₹15,000	<input type="radio"/>
	(c)	₹9,000	<input type="radio"/>
	(d)	₹13,500	<input type="radio"/>
17.	On 5.9.2026, A draws a bill on B for 60 days after sight. The bill is accepted on 12.9.2026. What will be the due date of the bill (after adding days of grace)?		
	(a)	11th November 2026	<input type="radio"/>
	(b)	14th November 2026	<input type="radio"/>
	(c)	13th November 2026	<input type="radio"/>



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

**Syllabus - 2022
TERM JUNE-2026**

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

	(d)	15th November 2026	O
18.	Fixtures with a book value of ₹2,500 are sold for ₹1,600, and new fixtures of ₹4,000 are acquired. Cartage on purchase is ₹100. Which of the following statements is correct?		
	(a)	Sale of old fixtures ₹1,600 → Capital Expenditure	O
	(b)	Loss on sale of old fixtures ₹900 → Capital Expenditure	O
	(c)	Purchase of new fixtures ₹4,000 + Cartage ₹100 → Capital Expenditure	O
	(d)	Cartage on purchase ₹100 → Revenue Expenditure	O
19.	Sundry Debtors = ₹50,000. Old Provision for Bad & Doubtful Debts = ₹4,000. New PBD required = 10% of Sundry Debtors. The additional provision to be credited will be:		
	(a)	₹4,000	O
	(b)	₹5,000	O
	(c)	₹6,000	O
	(d)	₹1,000	O
20.	In a Consignment, the relationship between the consignor and the consignee is that of:		
	(a)	Master and Servant	O
	(b)	Seller and Buyer	O
	(c)	Principal and Agent	O
	(d)	Partners	O
21.	Which of the following statements about a Trial Balance is correct?		
	(a)	It is an account showing only debit balances.	O
	(b)	It proves complete accounting accuracy of the books of accounts.	O
	(c)	It is a list of debit and credit balances extracted from ledger accounts to check arithmetical accuracy.	O
	(d)	It forms a part of the final financial statements	O



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

**Syllabus - 2022
TERM JUNE-2026**

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

22.	Based on which of the following concepts, is share capital account shown on the liabilities side of a balance sheet?		
	(a)	Matching Concept	O
	(b)	Going Concern Concept	O
	(c)	Business Entity Concept	O
	(d)	Accrual Concept	O
23.	Factory cost is also known as—		
	(a)	Prime cost	O
	(b)	Works cost	O
	(c)	Operating cost	O
	(d)	Administrative cost	O
24.	Raw Material Consumed = ₹26,500, Opening Stock = ₹3,000, Closing Stock = ₹4,500. Find Purchases.		
	(a)	₹23,000	O
	(b)	₹28,000	O
	(c)	₹30,000	O
	(d)	₹27,00	O
25.	A machine is purchased for ₹1,20,000 with ₹20,000 installation expenses. Residual value is ₹30,000 and life is 10 years. What is the rate of depreciation under the Straight-Line Method (SLM)?		
	(a)	8%	O
	(b)	10%	O
	(c)	12%	O
	(d)	15%	O
26.	Factory Cost is ₹3,95,000. Office and Administration Overheads are 7.315% of Factory Cost. Find the amount of Office and Administration Overheads.		
	(a)	₹27,894	O



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

**Syllabus - 2022
TERM JUNE-2026**

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

	(b)	₹28,894	O
	(c)	₹29,500	O
	(d)	₹30,894	O
27.	Which of the following statements is true regarding the 'Risk of Loss' in these two arrangements?		
	(a)	In Joint Venture, risk is shared; in Consignment, risk remains with the consignor.	O
	(b)	In both cases, the party in possession of the goods bears all risk.	O
	(c)	In Consignment, risk transfers to the consignee once goods are received.	O
	(d)	In Consignment, risk is shared; in Joint Venture, it stays with one person.	O
28.	The main Purpose of Financial Accounting is?		
	(a)	To maintain Balance Sheet	O
	(b)	To Provide financial information to shareholders	O
	(c)	To minimize taxes	O
	(d)	To keep track of liabilities	O
29.	A Purchased goods costing ₹42,500. B sold goods costing ₹40,000 for ₹50,000. The remaining goods were taken over by A at the same gross profit percentage as on sale. The value of goods taken over will be:		
	(a)	₹2,500	O
	(b)	₹3,000	O
	(c)	₹3,125	O
	(d)	₹3,500	O
30.	Carriage outwards is charged to:		
	(a)	Trading Account	O
	(b)	Profit & Loss Account	O
	(c)	Balance Sheet	O
	(d)	Suspense Account	O

**FOUNDATION EXAMINATION****PRACTICE TEST PAPER****PAPER - 2****FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING****Syllabus - 2022****TERM JUNE-2026**

31.	An amount of ₹400 withdrawn by the owner for personal use was wrongly debited to Trade Expenses. The correct rectification entry is:	
(a)	Dr. Drawings A/c ₹400 Cr. Cash A/c ₹400	O
(b)	Dr. Trade Expenses A/c ₹400 Cr. Drawings A/c ₹400	O
(c)	Dr. Capital A/c ₹200 Cr. Trade Expenses A/c ₹400	O
(d)	Dr. Drawings A/c ₹200 Cr. Trade Expenses A/c ₹400	O
32.	The main aim of a Not-for-Profit Organisation is to:	
(a)	Provide services	O
(b)	Earn profit	O
(c)	Increase sales	O
(d)	Reduce expenses	O
33.	At the time of retirement of a bill, the acceptor debits:	
(a)	Bills Receivable Account	O
(b)	Bill Payable Account	O
(c)	Discount	O
(d)	None of the above	O
34.	The business opened a current account with PP National Bank by depositing ₹1,00,000. Which of the following is the correct journal entry?	
(a)	Cash A/c Dr. ₹1,00,000 To Bank A/c ₹1,00,000	O
(b)	PP National Bank A/c Dr. ₹1,00,000 To Cash A/c ₹1,00,000	O
(c)	PP National Bank A/c Dr. ₹1,00,000 To Capital A/c ₹1,00,000	O
(d)	Cash A/c Dr. ₹1,00,000 To Capital A/c ₹1,00,000	O



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

**Syllabus - 2022
TERM JUNE-2026**

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

35.	A cost unit is:		
	(a)	A unit of measurement for cost ascertainment	O
	(b)	A cost element	O
	(c)	A ledger account	O
	(d)	An overhead	O
36.	Amount of ₹ 5,000 spent as lawyers' fees to defend a suit claiming that the firm's factory site belonged to the plaintiff's land is:		
	(a)	Capital Expenditure	O
	(b)	Revenue Expenditure	O
	(c)	Deferred Revenue Expenditures	O
	(d)	None	O
37.	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
38.	Old furniture sold for ₹200 to Sethi was wrongly recorded in the Sales Book. Which of the following is the correct rectification entry?		
	(a)	Dr. Sales A/c ₹200 Cr. Furniture A/c ₹200	O
	(b)	Dr. Sethi A/c ₹200 Cr. Sales A/c ₹200	O
	(c)	Dr. Furniture A/c ₹200 Cr. Sethi A/c ₹200	O
	(d)	Dr. Cash A/c ₹200 Cr. Furniture A/c ₹200	O
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	O
	(b)	Purpose, production, and profit	O
	(c)	Income, expenses, and assets	O
	(d)	Cash flow and accrual	O

**FOUNDATION EXAMINATION****PRACTICE TEST PAPER****PAPER - 2****FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING****Syllabus - 2022****TERM JUNE-2026**

40.	Which of the following is not a component of total cost?	
(a)	Prime cost	O
(b)	Factory cost	O
(c)	Financial cost	O
(d)	Selling and distribution overhead	O
41.	Customs duty of ₹20,000 is paid on import of machinery and ₹6,000 is paid on import of raw materials. How should these be treated in accounting?	
(a)	Both ₹20,000 and ₹6,000 treated as Capital Expenditure	O
(b)	Both ₹20,000 and ₹6,000 treated as Revenue Expenditure	O
(c)	₹20,000 treated as Capital Expenditure and ₹6,000 treated as Revenue Expenditure	O
(d)	₹20,000 treated as Revenue Expenditure and ₹6,000 treated as Capital Expenditure	O
42.	From the following expenses, which should be disregarded in estimating production cost? <ul style="list-style-type: none">• Rent, rates and insurance of office – ₹2,500• Bad debts – ₹200• Discount allowed – ₹300• Bank charges – ₹100• Donations – ₹150	
(a)	Rent, rates and insurance of office – ₹2,500 and Bank charges – ₹100	O
(b)	Bad debts – ₹200, Discount allowed – ₹300, Donations – ₹150	O
(c)	Rent, rates and insurance of office – ₹2,500, Bad debts – ₹200, Bank charges – ₹100	O
(d)	All expenses should be included in cost	O
43.	Which of these errors affect only one account	
(a)	errors of casting	O
(b)	errors of carry forward	O
(c)	errors of posting	O
(d)	All the three	O



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

**Syllabus - 2022
TERM JUNE-2026**

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

44.	Who are the main users of cost accounting information?		
	(a)	Shareholders	<input type="radio"/>
	(b)	Public	<input type="radio"/>
	(c)	Tax authorities	<input type="radio"/>
	(d)	Management	<input type="radio"/>
45.	Gross Factory Cost = 58,000. Net Factory Cost = 54,000. Opening stock of work-in-progress is 8,000. Find closing stock of work-in-progress.		
	(a)	₹10,000	<input type="radio"/>
	(b)	₹12,000	<input type="radio"/>
	(c)	₹14,000	<input type="radio"/>
	(d)	₹16,000	<input type="radio"/>
46.	If closing stock is ₹20,000 more, profit will:		
	(a)	Increase by ₹20,000	<input type="radio"/>
	(b)	Decrease by ₹20,000	<input type="radio"/>
	(c)	Remain unchanged	<input type="radio"/>
	(d)	Cannot be determined	<input type="radio"/>
47.	When opening stock of work-in-progress exceeds closing stock, the difference is—		
	(a)	Added to works cost	<input type="radio"/>
	(b)	Deducted from works cost	<input type="radio"/>
	(c)	Added to selling cost	<input type="radio"/>
	(d)	Ignored	<input type="radio"/>
48.	The closing stock of raw materials is valued at—		
	(a)	Cost price or market price, whichever is higher	<input type="radio"/>
	(b)	Cost price or market price, whichever is lower	<input type="radio"/>
	(c)	Replacement cost	<input type="radio"/>
	(d)	Standard cost	<input type="radio"/>
49.	Cost of goods sold =		
	(a)	Works cost + Administrative overhead	<input type="radio"/>
	(b)	Cost of production + Opening stock of finished goods – Closing stock of	<input type="radio"/>



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

**Syllabus - 2022
TERM JUNE-2026**

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

		finished goods	
	(c)	Prime cost + Factory overhead	O
	(d)	Cost of sales – Selling overhead	O
50.		Inventory is	
	(a)	Included in the category of fixed assets	O
	(b)	An investment	O
	(c)	A part of current assets	O
	(d)	An intangible fixed asset	O