



CMA FOUNDATION DEC-2025 EXAMINATION

PAPER-02 Fundamental of Financial and Cost Accounting [SET-2]

TIME: 1 HOURS

MARKS:100

1. Which of the following would be considered an internal user of the financial statement.

- A. Shareholder.
- B. Creditor.
- C. Debtor .
- D. Finance Manager.**

Explanation:

Internal users are individuals within a company who use the financial information to make decisions about the business operations. A finance manager is directly involved in managing the company's finances and uses the financial statements to assess performance, plan for the future, and make strategic decisions.

2. Which of the following is the common accounting concept?

- W. Accrual concept
- X. Evidence concept
- Y. Matching concept
- Z. Reliability concept**

Select the correct answer from the options given below -

- a. X&Z
- b. W only
- c. W,Y&Z
- d. W&Y**

3. If the assumption of the going concern is not valid, the financial statements should -

- a. Not be necessary to clearly state this fact.
- b. Clearly state this fact.**
- c. Clearly state this fact if it suggested by auditor.
- d. Clearly state this fact if it suggested by internal auditor.

If the assumption of the going concern is not valid, the financial statements should clearly state this fact. The financial statements must also disclose the basis on which they were prepared (e.g., liquidation basis) and the reasons why the entity is not considered a going concern.

4. Accounting is a measurement and communication process of the activities of the firm that are measurable in monetary terms.

- a. Money Measurement**
- b. Cost concept
- c. Going Concern Concept
- d. Dual Aspect Concept



Explanation: The Money Measurement concept in accounting states that only transactions and events that can be expressed in monetary terms are recorded, meaning only quantifiable financial activities are included.

5. A machine with book value of ₹10,000 has been sold for ₹ 13,000. The amount realized is:

- a) Capital receipt and profit involved should be transferred to capital reserve
- b) Revenue Receipt
- c) Capital receipt and profit involved should be transferred to General Reserve
- d) Capital receipt and profit involved should be transferred to Profit & Loss A/c

Capital receipt: Since the machine is considered a fixed asset, its sale is considered a capital transaction. This means the proceeds received are classified as capital receipts.

Profit on sale: The machine was sold for more than its book value (₹10,000), resulting in a profit of ₹3,000. When a fixed asset is sold at a profit, and it is considered a capital asset, the profit is typically transferred to the Capital Reserve. This reserve represents accumulated gains from the sale of capital assets.

6. Festival advance of ₹ 25,000 was given to employees at the time of Deepawali. It is a

- A. Revenue expenditure
- B. Capital expenditure
- C. Deferred revenue expenditure
- D. Not an expense

A Diwali advance given to employees is not an expense. It is considered an advance that will be recovered from future salaries, making it an asset on the balance sheet, not an expenditure.

7. Compensation to Injured Workers is ____.

- a) Assets
- b) Losses
- c) Expenses
- d) None of the Above

it can be considered an expense related to the cost of employing workers and the risks associated with the business operations.

8. Ram purchased a car 10,000 paid 3000 as cash and balance amount will be paid in three equal installments due to this ____.

- a) Total assets increase by 10,000
- b) Total liabilities increase by ₹3000
- c) Assets will increase by ₹ 7000 with corresponding increase in liability by ₹ 7000
- d) Both (b) and (c)

9. The balance of Sales day book is ₹25,000; ₹5000 were paid by debtors than balance of Sales book will be transferred by which Amount.



- a) ₹25,000
- b) ₹5000
- c) ₹30,000
- d) ₹10,000

- the Sales Day Book initially shows total sales of ₹25,000.
- Debtors paid ₹5000, which reduces the amount owed to the company, but it doesn't change the original total sales recorded in the Sales Day Book.
- Therefore, when transferring the balance to the General Ledger, the entire original amount of ₹25,000 is still transferred, as it represents the total sales for the period.

10. From which language the word 'Journal' is derived ?

- (A) Sanskrit
- (B) Gujarati
- (C) Latin
- (D) Greek

11. Shiva who was a creditor for 47,000, his account was settled for 45,850. At the time of settlement, shiva's Account would be debited by

- A. 45,850
- B. 47,000
- C. 1,150
- D. None of the above

12. In ledger there are ----- columns:

- a) 4
- b) 6
- c) 8
- d) 10

13. Debit balance as per cash book is ₹1,500. Cheque deposited but not cleared 100, Cheque issued but not presented 150, Dividend collected by the bank is 50, Interest allowed by the bank is 50. Balance as per Pass book?

- A. 1,550
- B. 1,650
- C. 1,600
- D. 1,950

- debit balance as per Cash Book: ₹1,500
- Add: Cheque issued but not presented: + ₹150



- Add: Dividend collected by the bank: + ₹50
- Add: Interest allowed by the bank: + ₹50
- Less: Cheque deposited but not cleared: - ₹100
- Balance as per Pass Book: ₹1,500 + ₹150 + ₹50 + ₹50 - ₹100 = ₹1,650

14. Overdraft as per cash book means

- A. Credit balance in the pass book
- B. Credit balance in the bank column of the cash book
- C. Debit balance in the pass book
- D. Debit balance in the cash book

15. The balances of all liabilities accounts, income accounts, profits, capital are placed in the _____ of the trial balance.

- a. Credit column
- b. Debit column
- c. Ledger folio
- d. None of the above

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

- A) Total sales figures was taken as Rs. 19,373 instated of Rs. 19,733
- B) A discount of Rs. 30 allowed to Mr. A was not recorded in the discount allowed account
- C) Legal charges for acquisition of building for Rs. 500 was entered in the legal expenses
- D) Account Rs. 1,000 received from Mr. X was posted to the credit of Mr. M

17. Purchase of goods for Rs. 13,500 has been recorded as Rs. 13,000 in the purchases book. This is

- A) Error of omission
- B) Error of commission
- C) Error of principle
- D) None

18. Total depreciation of an asset cannot exceed its:

- A) Scrap value
- B) Residual value
- C) Market value
- D) Depreciable value



19. A purchased a car for rs. 5,60,000 and incurred rs.25,000 for repairs etc. he paid rs.10,000 as insurance and rs.1500 for petrol. What amount should be debited to car A/C:

- a) 5,60,000
- b) 5,96,500
- c) 5,95,000
- d) 5,85,000

20. Consider the following data and find out the amount which will be debited to Profit and Loss Account, Bad debts ₹11,600, provision for doubtful debts (old) ₹ 12,000, current year's provision (new) ₹11,800.

- a) ₹11,000
- b) ₹11,200
- c) ₹11,400
- d) ₹11,600

Amount to be debited to P&L Account = ₹11,600 + ₹11,800 - ₹12,000

21. Provision for discount on debtors is calculated on the amount of debtors

- a. before deducting provision for doubtful debts.
- b. After deducting provision for doubtful debts.
- c. Before deducting actual debit and provision for doubtful debts
- d. After adding actual had and doubtful debts.

22. X sends out goods to Y, costing 3,60,000. Goods are to be sold at cost plus 25% on sales. The consignor asked consignee to pay an advance for an amount equivalent to 60% of sales value. The amount of advance will be:

- a) 2,88,000
- b) 2,16,000
- c) 2,70,000
- d) 3,36,000

Working Note: If Sale Value = ₹ 100 than,

Profit = $100 \times 25\% = ₹ 25$

Cost = $100 - 25 = ₹ 75$ Therefore,

Sales Value = $3,60,000 \times 100/75 = ₹ 4,80,000$

Advance $60\% \times 4,80,000 = ₹ 2,88,000$.

23. Consignment Account is a ____ A/c.

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



Explanation : Consignment account is a **Nominal account**. It is in fact special Trading and Profit and Loss account and therefore its balance shows the Profit and Loss made on particular consignment. Here its nature is nominal account because all expenses and the transactions relating to trading and sales is been recorded over here

24. Peeru and simu are entered in the business of buy and sale of goods grain for a period of one year and sharing the profit in the ratio of 3:2 this agreement is a?

- a. Partnership
- b. Consignment
- c. **joint- venture**
- d. lease

25. What will be the accounting for goods purchased for joint venture by co-venturer in case separate set of books are maintained?

- a) Debit: Goods A/c; Credit: Co-Venturer's A/c
- b) Debit: Joint Venture A/c; Credit: Joint Bank A/c
- c) Debit: Co-Venturer's A/c; Credit: Joint Venture A/c
- d) **Debit: Joint Venture A/c; Credit: Co-Venturer's A/c**

26. R & M entered into Joint venture to purchase and sell new year gifts. The agreed to share profits equally. R purchased goods of ₹ 1,00,000 and spent ₹10,000 in sending goods to M. He also paid ₹5,000 for insurance. M spent ₹10,000 and selling expenses and sold the goods for ₹2,00,000. Remaining goods were taken over by him at ₹5,000. Find out profit on venture:

- a) ₹70,000
- b) ₹75,000
- c) **₹80,000**
- d) ₹85,000

27. Which act applies to the Joint Venture business?

- (A) Companies Act, 2013
- (B) **No particular law**
- (C) Partnership Act, 1932
- (D) Co-operative Societies Act

28. Retirement of bill means

- a. sending the bill for collection
- b. cancellation of the bill
- c. endorsing the bill in favour of third party
- d. **making payment before the due date.**



29. If a bill drawn on 13th July 2018 for 60 days, payment must be made on

- a. 15th September, 2018
- b. 14th September, 2018
- c. 13th September, 2018
- d. 12th September, 2018

July: $31 - 13 = 18$

days remaining

August: 31 days

September: 11 days

Total days: $18 + 31 + 11 = 60$ days

30. External Liabilities + Capital =

- a. Net value of business
- b. Total Assets
- c. Net profit
- d. Gross profit

31. Financial statements do not consider:

- a) Assets expressed in monetary terms.
- b) Liabilities expressed in monetary terms.
- c) Only assets expressed in non-monetary terms.
- d) Assets and liabilities expressed in non-monetary terms.

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32. Telra Company had 20,000 beginning inventory and ₹24,000 ending inventory. Net sales were ₹ 1,60,000; purchases 80,000; purchases returns and allowances ₹ 5,000 and freight-in ₹ 6,000. Cost of goods sold for the period is:

- a) ₹69,000
- b) ₹49,000
- c) ₹77,000
- d) ₹85,000

Working Note: Cost of Goods Sold = $20,000 + 80,000 - 5,000 + 6,000 - 24,000 = ₹77,000$.

33. Purchases 90,000; Sales ₹80,000; Profit is 20% of sales. Closing stock?

- a) ₹10,000
- b) ₹20,000
- c) ₹6,000
- d) ₹26,000



Working Note:

Profit $80,000 \times 20\% = 16,000$

Cost of goods Sold = $80,000 - 16,000 = ₹64,000$

Closing Stock = $90,000 - 64,000 = ₹26,000$.

34. If Sales = 8,00,000, Markup rate = 25% of cost. What would be the value of Gross Profit?

a) 2,00,000

b) 1,60,000

c) 4,80,000

d) 6,40,000

Working Note:

Suppose Cost = 100 then SP $100 + 25\% = 125$

Gross Profit $8,00,000 \times 25/125 = ₹1,60,000$.

35. There are 250 members in the Srikrishna Club where annual subscription is 500. During 2016-17, subscription received 97,500 and subscription receivable is 47,500. What amount of subscription received in advance during 2016-17?

a. 20,000

b. 25,000

c. 27,500

d. 50,000

[Subscription received = 97,500 + O/s C.Y. 47,500 – Advance CY = Income & exp. (250×500) 1,25,000

$97,500 + 47,500 - \text{advance CY} = 1,25,000 = 20,000$

36. In which year income received and amount paid are recorded in Receipt – Payments Account ?

a. Current year

b. Previous year

c. Next year

d. Any year

37. Donations received by Gymkhana club in the form of endowment are treated as:

a) Revenue receipts

b) Deferred revenue receipts

c) Capital receipts.

d) General income

38. Subscription fees paid: 4,000; Prepaid fees at end: 1,000; Outstanding fees at end: 500. Profit & loss account is to be debited with:

a) ₹3,500



- b) ₹4,500
- c) ₹5,500
- d) ₹2,500

Working Note:

Subscription to be recognized as Income = Subscription received - Received in advance + Arrears
4,000-1,000+500-3,500

39. Variable costs are fixed

- a. Depend upon the entity
- b. For a period
- c. **Per unit**
- d. For a particular process of production

40. CAS-21 is related to [MMIMP]

- a. Cost Accounting Standard on Overburden Removal Cost.
- b. Cost Accounting Standard on Interest and Financing Charges
- c. Cost Accounting Standard on Joint Cost
- d. **Cost Accounting Standard on Quality Control**

41. Advertisement costs are termed as [MMIMP]

- a. Direct Expenses
- b. Cost of Production
- c. **Selling Overhead**
- d. Distribution Overhead

42. From the following information, find out purchases when raw material consumed is 26,500; Closing stock 4,500 and opening stock 3,000. [MMIMP]

- a. 26,500
- b. 25,000
- c. **28,000**
- d. 34,000

43. Combination of more than one cost unit is,

- A. Combined cost unit
- B. Comprehensive cost unit
- C. **Composite cost unit**
- D. None of the above

Explanation: A composite cost unit is a unit of measurement used to determine the cost of a service or product when multiple variables are involved: Examples Tonne-miles, Patient-days, Passenger-miles:



44. Depreciation on building is an example of [MMIMP]

- A. Committed costs
- B. Policy and managed costs
- C. Discretionary costs
- D. Step costs

Explanation: Committed costs are costs that a company has already decided to incur in the future, and cannot be avoided. They are different from incurred costs, which are costs that occur when a resource is used.

45. The following information was taken from Smart Company's accounting records for the year ended on March 31, 2013: [MMIMP]

Particulars	₹
Increase in raw materials inventory	15,000
Decrease in finished goods inventory	35,000
Raw materials purchased	4,30,000
Direct Labour	2,00,000
Factory overhead	3,00,000
Freight	45,000

There was no work in process inventory at the beginning or end of the year. Smart's cost of goods sold is:

- a) ₹9,50,000
- b) ₹9,65,000
- c) ₹9,75,000
- d) ₹9,95,000

Working Note: Factory Cost = Raw material consumed + Direct Labour + Freight + Factory Overhead = (4,30,000 - 15,000) + 2,00,000 + 45,000 + 3,00,000 = ₹9,60,000

Cost of Goods Sold = Factory Cost + Decrease in Finished Goods Inventory = 9,60,000 + 35,000 = ₹9,95,000.

46. Prime cost and factory cost are Rs.6,10,000 and rs.6,70,000 respectively. If the factory overhead is absorbed @ 60 per cent of the direct wages then amount of direct wages would be: [MMIMP]

- a) ₹1,86,000
- b) ₹31,000
- c) ₹4,84,000
- d) ₹1,00,000

Working Note: Factory Overheads = Factory Cost - Prime Cost = 6,70,000 - 6,10,000 = Rs. 60,000

Factory Overheads = 60% x Direct Wages 60,000 = 60% x Direct Wages

Direct Wages = 60,000/60% = Rs.1,00,000



47. From the following information, find out purchases of raw material when raw material consumed is Rs.53,000, closing stock Rs.9,000 and opening stock Rs.6,000:

- a) ₹53,000
- b) ₹56,000
- c) ₹50,000
- d) ₹68,000

Working Note: Raw Material Purchased =

Raw Material Consumed + Closing Stock - Opening Stock = 53,000 + 9,000 - 6,000 = ₹56,000.

48. Given that: Value of Raw Materials consumed is 2,00,000, Raw Materials purchased is 1,50,000 and Closing Stock of Raw Materials is 80,000, calculate the value of Opening Stock of Raw Materials. [MMIMP]

- a) ₹4,30,000
- b) ₹30,000
- c) ₹2,70,000
- d) ₹ 1,30,000

Working Note: Opening Stock = Raw Material Consumed + Closing Stock - Raw Material Purchased = 2,00,000 + 80,000 - 1,50,000 = ₹1,30,000.

49. If the Opening Stock of finished goods is 3,000 units, the production during the period is 30,000 units, Closing Stock of finished goods is 5,000 units and if 5 per unit is spent on every unit sold, then find out the total selling expenses. [MMIMP]

- a) ₹1,40,000
- b) ₹1,50,000
- c) ₹1,60,000
- d) None of these

Working Note: Units Sold = 3,000 + 30,000 - 5,000 = 28,000

Selling Expenses = 28,000 × 5 = ₹1,40,000.

50. Gross Factory cost ₹58,000, Net Factory cost = ₹54,000. Opening stock of WIP ₹ 8,000, Find out Closing stock of WIP. [MMIMP]

- a) ₹12,000
- b) ₹13,000
- c) ₹10,500
- d) ₹11,000

Working Note: Net Factory Cost = Gross Factory Cost + Opening WIP - Closing WIP

54,000 = 58,000 + 8,000 - Closing WIP

Closing WIP = 58,000 + 8,000 - 54,000 = ₹12,000.