CMA FOUNDATION DEC-2025 EXAMINATION

JIC TEST SERIES ROUND-1

PAPER-02 Fundamental of Financial and Cost Accounting [SET-1]

TIME: 1 HOURS **MARKS:100**

1. **In which of the following forms of business the owners are directly responsible for the debts of the business.**
   - **A. Sole proprietor.**
   - B. Corporate body.
   - C. Both
   - D. None of above.

2. **The method of stock valuation should be followed consistently and it should not be changed frequently .**
   - a. Full disclosure concept
   - **b. Consistency concept**
   - c. Dual aspect concept
   - d. concept of objectivity

3. **A Ltd purchased goods of 10,00,000 and sold 90% of goods and remaining goods market value is 90,000 and closing stock is 10%. But it recorded at 90,000 and not ₹ 1,00,000. Which concept does A Ltd follows:**
   - A. Materiality Concept
   - B. Cost Concept
   - C. Entity Concept
   - **D. Conservatism concept**

4. **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**
5. **Which one is not considered as capital expenditure?**
   - **A. Depreciation**
   - B. Architect's fees
   - C. Demolition cost
   - D. Legal cost for buying property

6. **A machine with book value of ₹10,000 has been sold for ₹ 13,000. The amount realised 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

7. When revenue income received in cash,

a. Increase in assets - increase in liability
b. Increase in assets - decrease in liability
c. Increase in assets - increase in capital
d. Increase in capital - decrease in liability

8. ....method is A=C+L for presentation of accounting transaction .

a. American
b. Indian
c. Japanese
d. Chinese

9. At the end of year , after closing the Trading account, where will be it transfered ?

A. To Capital A/C
B. To Profit & Loss A/C
C. To Balance Sheet
D. To Suspense A/C

10. Which of the following is step of Accounting cycle?

a. ledger
b. Adjusted trial balance
c. Financial statement
d. All of the above

11. In case of a debt becoming bad, the amount should be credited to:

a) Trade receivables account.
b) Bad debts account.
c) Cash account.
d) Bad Debts Reserve account.

12. M/s A enterprises has bank balance of 8,800 as per cash book and the following were found. Three cheques deposited in bank 5,800 but only one cheque for 2,000 was cleared. Dividend collected by bank 1,250 was wrongly entered in cash book as 1,520. What is the balance as per pass book?

A. 3,480
B. 4,730
C. 2,730
D. 3,750

13. Bank has directly paid 1,250 for rent as per standing instructions. In BRS starting with Pass Book overdraft

A. 1,250 will be added to Pass Book overdraft
B. 2,500 will be added to Pass Book overdraft
C. This amount will be ignored
D. 1,250 will be deducted from Pass Book overdraft.

14. Balance as per cash book ₹5,000. Cheques issued but not presented for payment? ₹2,000 and cheques sent for collection but not collected ₹1,500. The bank has wrongly debited the account of the firm by ₹ 200. Balance as per pass book will be:

a) ₹5,500
b) ₹5,300
c) ₹5,700
d) ₹8,300

Working Note: Balance as per Passbook = Balance as per Cashbook + Cheque issued but not presented - Cheques sentbut not collected - Bank Charges wrongly debited = 5,000 +2,000-1,500-200 = ₹5,300.

15. Opening stock is overstated by ₹500 and closing stock is overstated by₹1200. Effect on profit:

a) ₹1700 (overstated)
b) ₹1200 (understated)
c) ₹1700 (understated)
d) ₹700 (overstated)

16. A machinery with original cost of rs.10,00,000 and nil salvage value acquired on 1st april, 2019 with 4 years useful life was depreciated using straight line method. Is was decided to sell the machinery on 1st October 2022 for rs.1,20,000. What shall be the gain or (loss) on the sale of machinery?

a) Loss of rs.1,30,000
b) Gain of rs.1,20,000
c) Loss of rs.5000
d) None of these

Working note:- depreciation = 10,00,000 *3.5/4 = 8,75,000
WDV (rs) = 10,00,000 – 8,75,000 = rs.1,25,000
Gain /(loss) = 1,20,000 – 1,25,000 = rs. 5,000

17. X sends out goods to Y, costing ₹2,50,000. Goods are to be sold at cost +25%. The consignor asked consignee to pay an advance for an amount equivalent to 60% of sales value. The amount of advance will be:

a) ₹1,80,000
b) ₹2,00,000

c) ₹1,50,000
d) **₹1,87,500**

Working note: Sales Value = 2,50,000 x 125% = ₹3,12,500
Advance 60% × 3,12,500 = ₹1,87,500.

18. X consigned goods costing 33,000 to Y at a invoice price of 20% above cost. 3/4th goods were sold by Y at 33.33% above cost, half of which were on credit. Determine the amount to be recorded to goods sent on consignment:

a) ₹33,000
b) ₹39,600
c) ₹47,520
d) ₹37,920

Working Note: Goods sent on Consignment 33,000+20% = ₹39,600.

19. A sent out certain goods to B as to show a profit of 20% on Invoice Price. 1/10th goods were lost in transit. The cost price of the goods lost is ₹20,000. The invoice value of the goods sent out is:

a) ₹2,50,000
b) ₹2,00,000
c) ₹2,25,000
d) ₹2,40,000

Working Note: Invoice Price of Goods lost 20,000 × 100/80 = 25,000
Invoice Price of Goods Sent = 25,000 *10/1 = ₹ 2,50,000.

20. A & B entered into Joint Venture to share profits and losses in the ratio of 2:1. A supplied 20 TV costing ₹ 2,00,000 to B, incurring freight charges of ₹ 10,000. B sold 19 TV for ₹ 2,40,000 and by took over the remaining 1 refrigerators for himself. The result of Joint venture= ___.

a) Loss 40,000
b) Profit 30,000
c) Profit 40,000
d) **Profit 40,500**

working Note: Cost of Goods taken over = 2,10,000 * 1/20 = ₹ 10,500.
Profit/ (Loss) Sales + Value of goods taken over - Purchases – Expenses = 2,40,000 +10,500 - 2,00,000 - 10,000 = ₹ 40,500.
Note: Assuming goods are taken over by B at Cost.

21. A for joint venture with B. purchased goods costing ₹ 2,20,000. B sold 80% of the goods for ₹ 2,80,000, Balance of goods were taken over by B at cost plus 10%. Find out profit on joint venture.
    a)
    b) 60,000
    c) 1,21,600
    d) 1,08,400
    e) 99,600

    Working Note: Cost of Goods taken over = 2,20,000 x 20% = ₹ 44,000.
    Value of Goods taken over = 44,000 x 110% = ₹48,400
    Profit/ (Loss)= Sales + Value of goods taken over - Purchases
    = 2,80,000 + 48,400 - 2,20,000 = ₹1,08,400.

22. X spending a sum of ₹10,000 on account of joint venture, will be credited to _____ account in case of the records being maintained in the books of X:
    a) Memorandum joint Venture
    b) Joint Venture
    c) Co-venturer
    d) Cash

23. When Bills Receivable is returned dishonoured by the drawee, which of these A/c is debited by the drawee?
    a) Drawer A/c
    b) Bank A/c
    c) B/P A/c
    d) B/R A/c

24. X draws a trade bill of ₹ 25,000 for 6 months on Y. After holding the bill for 1.5 months. X discounts the bill with bank @ 10% p.a. The amount of discount on bill is:
    a) 937.50
    b) 625
    c) 1350
    d) 612.50

25. It 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 than SP 100 + 25% = 125

Gross Profit 8,00,000 x 25/125 = ₹1,60,000.

26. 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 80,000×20%=16,000
Cost of goods Sold = 80,000-16,000 = ₹64,000
Closing Stock = 90,000 - 64,000 = ₹26,000.

27. In case of sole proprietorship, income tax is:

a) Debited to profit and loss account.
b) Shown in the balance sheet as a current liability.
c) Treated as proprietor's personal expense.
d) None of the above.

28. -----------------is a financial expense.

a) Foreman salary
b) Office building rent
c) Interest on debt
d) Warehouse charges

29. Tax deducted at source A/c appears in:

a) Asset side
b) Liability side
c) Profit and loss A/c
d) Debited to capital A/c

30. 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

31. Which of the following items are shown in receipt and payment account?

a) Only items of revenue nature pertaining to the period accounts.
b) Any items of capital nature,
c) Both the items of capital and revenue nature which are received during the period accounts.
d) Only items of revenue nature which are received during the period accounts.

32. ON 31ST December,2011 a club had subscription in arrears of rs. 16,000 and in advance rs.4,000 respectively. During the year ended on 31.12.2012, the club received subscription of

rs.2,08,000 which includes rs.10,400 relating to 2013. What amount of subscription will be recognized as income for the year 2013?

a) Rs.2,12,000
b) Rs.1,96,000
c) Rs.1,81,600
d) **Rs.1,85,600**

Working Note:
Subscription to be recognized as Income = Subscription received - Received in advance (Closing)+ Received in advance (Opening)+Arrears (Closing) - Arrears (Opening)
2,08,000-10,400+4,000+0-16,000 =₹1,85,600.

33. Subscription received during the year ₹70,000; subscription outstanding at the beginning of the year ₹7,000. Income from subscription was shown as 75,000. What amount will be shown as subscription outstanding at the end of the year?

a) ₹12,000
b) ₹ 7,000
c) ₹ 5,000
d) ₹ 10,000

Working Note:
Outstanding Subscription (Closing) = Subscription to be recognized as Income - Subscription received + Outstanding (Opening) = 75,000-70,000 +7,000 = ₹12,000.

34. Income and Expenditure Account reveals :

a. Surplus or Deficiency
b. Cash in Hand
c. Net Profit
d. Capital Account

35. The written down value of the abandoned plant less its salvage value is [MMIMP]

a. Imputed cost
b. Sunk cost
c. Avoidable Cost
d. Opportunity cost

Explanation : A sunk cost is an expense that has already been incurred and cannot be recovered. Sunk costs are also known as retrospective costs.

36. Over which the following costs, management is likely to have least control? [MMIMP]

a. Wages cost
b. Building Insurance cost
c. Machinery Breakdown cost
d. Advertisement cost

37. 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

38. Cost of free samples and gifts are included in [MMIMP]

a. Prime Cost
b. Factory Overhead
c. Office and Administrative Overheads
d. Selling & Distribution Overheads

39. One of the most important tools in cost planning is: [MMIMP]

(A). Direct Tax
(B). Cost Sheet
(C). Budget
(D). Marginal Sheet

40. The total cost incurred in the operation of a business undertaking other than the cost of manufacturing and production is known as: [MMIMP]

(A). Direct cost
(b) Variable cost
(C). Commercial cost
(D). Conversion cost

Explanation: Commercial costs encompass all expenses related to marketing, selling, and distribution of a product. This includes costs like advertising, sales commissions, and shipping. It is distinct from production costs which involve the direct materials, labor, and overhead involved in manufacturing.

41. A segment of the business that generates both revenue anal cost in called [MMIMP]

A. Profit centre
B. Cost centre
C. Cost driver
D. All of these

42. Under which of the following, all cost of production is considered as product cost regardless of whether they are variable or fised in nature? [MMIMP]

A. Absorption costing
B. Direct costing
C. Marginal costing
D. Variable costing

43. The following data pertains to product X of Asian Ltd.: [MMIMP]

Particulars	₹
Direct Materials	80
Direct labour	60
Variable overheads	45
Fixed overheads	25
Total cost	210

If selling price equals variable costs plus 25% markup , selling price of the product X is:

a) 162.25
b) 206.25
c) 175.00
d) **231.25**

Working Note: Selling Price = VC x 125% = (80+60+45) x 125% = ₹ 231.25.

44. If the direct labour is 42,000 and FOH is 40% of conversion cost. What will be the amount of FOH? [MMIMP]

a) ₹63,000
b) ₹30,000
c) ₹28,000
d) ₹16,800

Working Note: Conversion Cost = Direct labour + Factory Overheads
Conversion Cost= 42,000 + 0:4 Conversion Cost
0.6 Conversion Cost = 42,000
Conversion Cost =₹70,000
Factory Overheads = 40% x 70,000 = ₹28,000.

45. If the Direct Material = 12,000 Direct labour = 8,000 and other Direct Cost 2,000 then what will be the prime cost? [MMIMP]

a) 12,000
b) 14,000
c) 20,000
d) **22,000**

Working Note: Prime Cost = 12,000 + 8,000 + 2,000 = 22,000.

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**

47. Calculate the amount of Factory Rent given that: Prime Cost is Rs.6,50,000, Works Cost is 200% of Prime Cost, Depreciation on Plant is Rs.2,50,000 and Power & Fuel is Rs.1,70,000. [MMIMP]

a) ₹5,20,000
b) ₹2,80,000
c) ₹2,30,000
d) ₹3,20,000

Working Note: Works Cost = 200% x 6,50,000 = Rs.13,00,000
Factory OH = Works Cost-Prime Cost
= 13,00,000-6,50,000 = ₹6,50,000
Factory OH = Depreciation + Power & 8 Fuel + Factory Rent
=6,50,000 = 2,50,000 +1,70,000 + Factory Rent
Factory Rent=6,50,000 -4,20,000 =Rs.2,30,000

48. If the prime cost is ₹5,00,000, Factory cost is Rs.8,00,000 and office overheads are 75 per cent of the factory overheads, then cost of production will be: [MMIMP]

a) ₹19,00,000
b) ₹14,00,000
c) ₹10,25,000
d) ₹11,00,000

Working Note: Factory OH = 8,00,000- 5,00,000 =₹3,00,000
Office OH = 3,00,000×75%=Rs.2,25,000
Cost of Production = Factory Cost + Office OH =
8,00,000+ 2,25,000 = ₹10,25,000

49. A company wants to sell 1,00,000 units at Rs.12 each. Fixed costs are .₹3,80,000. In order to earn a profit of Rs.1,20,000, the variable cost per unit should be [MMIMP]

a) ₹7.00
b) ₹10.80
c) ₹8.20
d) ₹8.00

Working Note: Variable Cost = Sales - Fixed Cost-Profit
=12,00,000-3,80,000 -1,20,000 = ₹7,00,000
Variable cost per unit = 7,00,000/1,00,000 = Rs.7 per unit.

50. Gross Factory cost ₹58,000, Net Factory cost = Rs.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 = Rs.12,000.