FOUNDATION EXAMINATION **SET 2**
MODEL QUESTION PAPER **TERM – DEC 2026**
PAPER – 2 **SYLLABUS 2022**

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

Time Allowed: 1 Hour Full Marks: 100

Answer all questions. Each question carries 2 marks.
Choose the correct option from the given four alternatives

1.	Which of the following items are shown in the Income Statement of a business entity?		
	(a)	All types of revenue as well as capital receipts and payments for a accounting period	O
	(b)	All revenue incomes and revenue expenses for a accounting period	O
	(c)	All Capital incomes and capital expenditure for a accounting period	O
	(d)	All types of revenue as well as capital incomes and revenue expenses for a accounting period	O
2.	The primary objective of _____ is to maintain systematic recording of transactions on a regular basis.		
	(a)	Journalising	O
	(b)	Finalisation	O
	(c)	Accountancy	O
	(d)	Book-keeping	O
3.	Which of the following is an Accounting Convention?		
	(a)	Conservatism	O
	(b)	Periodicity	O
	(c)	Accrual	O
	(d)	Matching	O
4.	For the application of ---------- concept several adjustments are made for prepaid expenses, accrued incomes, etc.		
	(a)	Business Entity	O
	(b)	Materiality	O
	(c)	Periodicity	O
	(d)	Matching	O
5.	Which of the following statements are true or false: Statement 1: Dual aspect concept is commonly expressed in the form of accounting equation. Statement 2: It provides the basis of recording transactions in the books of accounts.		
	(a)	Both statements are true	O
	(b)	Both statements are false	O
	(c)	Only Statement 1 is false	O
	(d)	Only Statement 2 is false	O
6.	Which of the following is/are function(s) of accounting ?		
	(a)	Identification of monetary transactions and events;	O
	(b)	Measurement of the identified transactions and events;	O
	(c)	Classifying and summarizing of the recorded transactions;	O
	(d)	All the above	O

7.	Which of the following is not a Framework of Accounting:		
	(a)	Environmental Framework	O
	(b)	Regulatory Framework	O
	(c)	Institutional Framework	O
	(d)	Legal Framework	O
8.	Import duty on raw material is a		
	(a)	Capital expenditure	O
	(b)	Revenue expenditure	O
	(c)	Deferred revenue expenditure	O
	(d)	Book adjustment	O
9.	Due to a recovery of bad debt		
	(a)	Increases net profit	O
	(b)	Decreases net profit	O
	(c)	Increases gross profit and net profit	O
	(d)	None of the above	O
10.	Which of the following statements regarding Capital expenditure is correct?		
	(a)	It is debited to Income Statement.	O
	(b)	The amount involved in such an expenditure is generally small	O
	(c)	It is always incurred after the commencement of operations of an entity.	O
	(d)	It is non-recurring in nature.	O
11.	When the total of Debit-side of a ledger account exceeds that of the Credit-side, the balancing figure gets inserted on the credit-side and this type of balance is referred to as		
	(a)	Positive balance	O
	(b)	Credit balance	O
	(c)	Debit balance	O
	(d)	Favourable balance	O
12.	When the proprietor withdraws goods for personal use out of the those purchased for business purpose, _____ is debited and _____ is credited.		
	(a)	Drawings A/c; Goods Purchased A/c	O
	(b)	Drawings A/c; Purchases A/c	O
	(c)	Capital A/c; Opening Stock A/c	O
	(d)	Proprietor's personal A/c; Purchases A/c	O
13.	Which of the following is an example of capital expenditure?		
	(a)	An extension of railway tracks in the factory area	O
	(b)	Construction of basement costing ₹ 2,15,000 at the factory premises	O
	(c)	Carriage of ₹15,500 spent on machinery purchased and installed	O
	(d)	All the above.	O

14.	Goods sold on credit to M/s Mahesh Enterprises were omitted to be recorded in the book of primary entry. This error would affect		
	(a)	No ledger account	O
	(b)	Only Sundry Debtors A/c	O
	(c)	Only Sales A/c	O
	(d)	Sundry Debtors A/c and Sales A/c	O
15.	Bank Reconciliation Statement is prepared by		
	(a)	Banker	O
	(b)	Organisation's Accountant	O
	(c)	Organisation's Auditor	O
	(d)	All of the above	O
16.	When goods are sent by consignor to the consignee, Consignor sends ---------- to Consignee		
	(a)	a Account Sales	O
	(b)	a Proforma Invoice	O
	(c)	Both Account Sales and Proforma Invoice	O
	(d)	Del-Credre Commission	O
17.	The relation between consignor and consignee is that of		
	(a)	Bailor and Bailee	O
	(b)	Principal and Agent	O
	(c)	Employer and Employee	O
	(d)	Pledgor and Pledgee	O
18.	K'of Kanpur sends out certain goods to 'N' of Nagpur at cost + 50%. 60% of the goods received by 'N' is sold at ₹1,65,000 at 10% above invoice price. Invoice value of goods send out is----------.		
	(a)	₹ 2,75,000	O
	(b)	₹ 3,02,500	O
	(c)	₹ 2,50,000	O
	(d)	₹3,75,000	O
19.	What will be the accounting entry for goods supplied out of own stock by a co-venturer in case separate set of books are maintained in relation to joint venture business?		
	(a)	Debit: Joint Bank A/c; Credit: Venturer's Capital A/c	O
	(b)	Debit: Joint Venture A/c; Credit: Joint Bank A/c	O
	(c)	Debit: Joint Venture A/c; Credit: Venturer's Capital A/c	O
	(d)	Debit: Venturer's Capital A/c; Credit: Joint Venture A/c	O
20.	In a joint venture, A and B contribute ₹10,000 and ₹20,000 respectively. Goods were purchased for ₹22,400, while expenses incurred were ₹1,600. Sales amounted to ₹28,000. The remaining goods were taken-over by B at an agreed value of ₹800. A and B share profit and loss in 1:2 ratio respectively. What is B's share of profit from the joint venture?		
	(a)	₹1,600	O
	(b)	₹3,200	O

	(c)	₹4,800	O
	(d)	₹23,200	O
21.	A bill of exchange drawn on 23.11.2026 as payable 60 days after date was accepted on 24.11.2026. The date of maturity of the bill will be		
	(a)	22.01.2026	O
	(b)	24.01.2026	O
	(c)	25.01.2026	O
	(d)	27.01.2026	O
22.	Which of the following is/are basic feature(s) of a Joint Venture business?		
	(a)	The profit or loss on joint venture is shared between the co-venturers in the agreed ratio	O
	(b)	The co-venturers may or may not contribute initial capital.	O
	(c)	It is done for a specific purpose and hence has a limited duration.	O
	(d)	All the above	O
23.	Drawer and Payee of a bill of exchange is the same person when		
	(a)	Drawer held the bill till maturity	O
	(b)	Drawer discounted the bill with the banker	O
	(c)	Drawer sent the bill for collection to the bank	O
	(d)	Drawer endorsed the bill to a creditor	O
24.	Which of the following financial statements is not prepared by a Not-for-profit Organization?		
	(a)	Receipts and Payments Account	O
	(b)	Profit and Loss Account	O
	(c)	Income and Expenditure Account	O
	(d)	Balance Sheet	O
25.	If closing stock is wrongly valued at ₹1,20,000 instead of ₹1,40,000, the resultant gross profit will be		
	(a)	Overstated by ₹20,000	O
	(b)	Understated by ₹20,000	O
	(c)	Unchanged	O
	(d)	Understated by ₹2,60,000	O
26.	Which of the following is prepared to determine the cost of goods manufactured?		
	(a)	Trading Account	O
	(b)	Profit and Loss Account	O
	(c)	Manufacturing Account	O
	(d)	Income and Expenditure Account	O
27.		Which of the following statement is correct	
	(a)	In the Profit and Loss Account, Gross Loss is shown on debit side and Net Profit is shown on credit side.	O
	(b)	In the Profit and Loss Account, Gross Loss is shown on debit side and Net Profit is shown	O

		on debit side.	
	(c)	Gross Loss is shown on debit side of Trading Account and Net Profit is shown on debit side of Profit and Loss Account	O
	(d)	Gross Loss is shown on credit side of Trading Account and Net Profit is shown on debit side of Trading Account	O
28.	Provision for doubtful debts is created to		
	(a)	Increase profit	O
	(b)	Reflect debtors at realizable value	O
	(c)	Reduce liabilities	O
	(d)	Increase assets	O
29.	Ravi's Trial Balance as on March 31, 2026 reflects the following: 12% Bank loan ₹1,60,000. Given that during 2025-26, Interest paid on bank loan amounted to ₹15,200. On basis of the above detail, which statement is correct?		
	(a)	Trading A/c will be debited with ₹19,200	O
	(b)	Profit & Loss A/c will be debited with ₹15,200	O
	(c)	Profit & Loss A/c will be credited with ₹19,200	O
	(d)	Balance Sheet will reflect Outstanding Interest on Loan ₹4,000 under Liabilities	O
30.	Which of the following is true regarding Balance Sheet?		
	(a)	Balance Sheet is prepared before drafting Income Statements.	O
	(b)	Balance Sheet reflects the operating results of an organisation during a period	O
	(c)	The various items of Balance Sheet should appear in a particular order called Marshalling.	O
	(d)	Balance Sheet is to be drafted only in vertical format.	O
31.	Copyrights Account appearing in Balance Sheet is categorized as		
	(a)	Personal Account	O
	(b)	Real Account	O
	(c)	Nominal Account	O
	(d)	Contra Account	O
32.	The capital of a non-profit organisation is technically referred known as		
	(a)	Reserve Capital	O
	(b)	Capital Reserve	O
	(c)	Accumulated Fund	O
	(d)	Cash Fund	O
33.	Which of the following is true about Income & Expenditure Account?		
	(a)	It is a real account	O
	(b)	It deals with transactions of revenue nature only.	O
	(c)	It is drafted on cash basis.	O
	(d)	None of the above	O

34.	Any income arising from Prize Fund, a special fund of a sports club is treated by		
	(a)	Adding to the balance of the Prize Fund in Balance Sheet	O
	(b)	Adding to the balance of the General Fund in Balance Sheet	O
	(c)	Adding to the Bank balance in Balance Sheet	O
	(d)	Crediting to Income & Expenditure Account	O
35.	Income & Expenditure Account of Mumbai Pool Club shows Subscription of ₹9,00,000 for the year 2025-26, while Subscription appears in the Receipts & Payments Account at ₹8,55,000. Ascertain the amount of Arrear Subscription on March 31, 2026, given that Arrear Subscription and Advance Subscription on March 31, 2025 were `90,000 and ₹35,000 respectively; and		
	(a)	₹1,35,000	O
	(b)	₹10,000	O
	(c)	₹1,70,000	O
	(d)	₹1,00,000	O
36.	_____ is the logical unit for accumulation of costs.		
	(a)	Cost object	O
	(b)	Cost centre	O
	(c)	Cost unit	O
	(d)	Cost driver	O
37.	Which method of costing is appropriate for the Canteen of a factory?		
	(a)	Multiple Costing	O
	(b)	Job Costing	O
	(c)	Process Costing	O
	(d)	Service Costing	O
38.	Which of the following costing method is appropriate for a printing press?		
	(a)	Batch costing	O
	(b)	Job costing	O
	(c)	Contract costing	O
	(d)	Operating costing	O
39.	The main purpose of _____ is to provide a base for control through variance accounting.		
	(a)	Absorption costing	O
	(b)	Historical costing	O
	(c)	Standard costing	O
	(d)	Direct costing	O
40.	Which of these costs involves the movement of a cash outlay?		
	(a)	Imputed cost	O
	(b)	Out-of-pocket cost	O
	(c)	Sunk cost	O
	(d)	Opportunity cost	O

41.	Which of the following cost unit is the most appropriate for Passengers Transport Company?		
	(a)	Passenger	O
	(b)	Kilometer	O
	(c)	Tonne-Kilometer	O
	(d)	Passenger- Kilometer	O
42.	Which of these Cost Accounting Standards(CAS) does not match the Titles given alongside it ?		
	(a)	CAS-5:Cost of production	O
	(b)	CAS-7:Material Cost	O
	(c)	CAS-10: Direct expenses	O
	(d)	CAS-11 Administrative overheads	O
43.	Which of the following statements are true or false: Statement 1: Contract costing is a basic method of specific order costing. Statement 2: Contract costing is actually similar to job costing.		
	(a)	Both statements are true	O
	(b)	Both statements are false	O
	(c)	Only Statement 1 is false	O
	(d)	Only Statement 2 is false	O
44.	Expenditure incurred in moving articles to and from prospective customers as in the case of goods sold on 'sale or return' basis is also included in		
	(a)	Marketing costs	O
	(b)	Distribution costs	O
	(c)	Production costs	O
	(d)	Development costs	O
45.	GACAP stands for		
	(a)	Generally Accepted Cost Auditing Principles	O
	(b)	Generally Accepted Cost Accounting Principles	O
	(c)	Generally Adopted Cost Accounting Principles	O
	(d)	Generally Accepted Cost Accounting Procedures	O
46.	According to Classification by nature of expense, costs are classified among:		
	(a)	Manufacturing cost, Administrative cost, selling cost and Distribution cost	O
	(b)	Fixed cost, Variable cost and Semi variable cost	O
	(c)	Material cost, Employee cost and Expenses.	O
	(d)	Job cost, Batch cost, Contract cost, Process cost and Joint cost	O
47.	The term 'Works Cost' is also referred to as		
	(a)	Prime Cost	O
	(b)	Production Cost	O
	(c)	Service cost	O

	(d)	Factory Cost	O
48.	_____ measure actual performance and give comparisons of budgets with actual results.		
	(a)	Performance Reports	O
	(b)	Budgets	O
	(c)	Business Policy	O
	(d)	Statement of Cost	O
49.	From the following data of a factory, ascertain the amount of Prime Cost: Direct materials: ₹1,25,000; Direct Wages: ₹30,000; Production overheads: 35,000; Chargeable expenses: 200% of Direct Wages.		
	(a)	₹1,55,000	O
	(b)	₹1,65,000	O
	(c)	₹2,15,000	O
	(d)	₹2,50,000	O
50.	Which of the following is included in financial accounts, but in cost accounts?		
	(a)	Dividend paid	O
	(b)	Freight inwards	O
	(c)	Goods and services tax on inputs	O
	(d)	Cost of patent	O