CA CPT SAMPLE PAPER

FUNDAMENTAL ACCOUNTING (60MARKS)

1. Which of the following provide framework and accounting policies so that the financial statements of different enterprises become comparable?
   (a) Business Standards
   (b) Accounting Standards
   (c) Market Standards
   (d) None of these

2. Prorata basis allotted 5000 shares out of 7500 shares were applied, then 600 shares were applied by a person, how many shares allotted and how much amount adjusted to allotment account. If application money is Rs.2 per share ______. ______
   (a) 400 shares 600/-  (b) 200 shares 300/-  (c) 200 shares 600/-  (d) 300 shares 500/-

3. Cash a/c is a ______
   (a) Real a/c
   (b) Nominal
   (c) Personal
   (d) None

4. Working capital is ______
   (a) Current Assets – Current liabilities
   (b) Fixed Assets – Current liabilities
   (c) Fixed Assets – liabilities
   (d) Fixed Assets – Current Assets

5. Securities premium used for the purpose of
   (a) Dividends
   (b) fully paid bonus shares
   (c) capital loss
   (d) none of these

6. If there is no agreement in between the partners for sharing profits & losses then they share profits or losses in the ratio of ______
   (a) capital ratio at the beginning
   (b) equally
   (c) capital ratio at the ending
   (d) none of the above

7. Liability on bills discounted at the time of final accounts is treated as ______
   (a) not an liability
   (b) current liability
   (c) differed liability
   (d) contingent liability

8. In sale by description, subject matter can be in the form of
   (a) sample words
   (b) symbols
   (c) numbers
   (d) all of the above

9. As per accrual concept, which of the followings is not true
   (a) revenue – expenditure = profit
   (b) revenue – profit = expenditure
   (c) sales + gross profit = revenue
   (d) revenue = profit + expenditure

10. The credit balance in the ledger account shows
    (a) revenue or an asset
    (b) expense or an asset
    (c) expense or an liability
    (d) revenue or an liability

11. The liability of a partner in a firm to outside is ______
    (a) unlimited
    (b) Unlimited up to their capital sharing ratio
    (c) Unlimited up to their guaranteed amount
12. Provision for doubtful debts is Rs.1000 & debtors are Rs.90,000 at end of year, provision for doubtful debt 1% required, then the entry
   (a) P & L A/c Dr 900  To provision for doubtful debts 900
   (b) Provision for doubtful debts 900  To P & C A/c 900
   (c) P & L A/c Dr 100  To RDD A/c 100
   (d) none of these

13. The sale __ is completed with reserved price
   (a) sale by sample  (b) sale by description
   (c) sale by auction  (d) sale by staple

14. The buyer refused to take delivery and the seller refused to take return then the goods are
   (a) Deemed to be in transit  (b) Not deemed to be in transit
   (c) both  (d) none of these

15. Purchased the asset for Rs. 2,00,000 with available discount 20% then what amount should be credited to debentures A/c, when the purchase consideration is discharged by the issue of debentures.
   (a) Rs.2,00,000  (b) Rs.1,80,000  (c) Rs. 1,60,000  (d) Rs.2,40,000

16. A purchased a computer on 1-4-06 for Rs.60,000 and another on 1-10-07 for Rs. 40,000. He charged depreciation @ 20% p.a under straight line method. What will be the balance as on 31-03-09
   (a) Rs.40,000  (b) Rs.64,000  (c) Rs.52,000  (d) Rs.48,000

17. Cost of goods sold Rs.10,000, Opening stock Rs.2,000 and Closing stock Rs. 3,000. Find the amount of purchases
   (a) Rs.10,000  (b) Rs.11,000  (c) Rs.15,000  (d) Rs.9,000

18. An amount of Rs. 8765 paid to M was debited to N
   (a) increase in net profit  (b) Decrease in net profit
   (c) increase in asset  (d) no effect on net profit

19. Rosa paid Rs.1,200 on 1-7-09 towards yearly subscription (July 1, 2009 to June 30, 2010) of a newspaper. It means she has to make adjustment of _____ expenses for finalization of a/c for the year ended 31-3-10
   (a) Rs.300 as prepaid  (b) Rs.300 as outstanding
   (c) Rs.200 as prepaid  (d) Rs.200 as outstanding

20. Which of the following statements best describes the purpose of financial accounting in a limited liability company?
   (a) To assist in the day-to-day management of the company
   (b) To enable the business to pay the correct amount of tax
   (c) To ensure that the business pays the correct dividend
   (d) To help the directors discharge their obligations to the shareholders
21. Which of the following statements is correct?
   (a) Accounting profit is the difference between cash receipts and cash paid in a period.
   (b) Accounting profit is the total of cash sales in the year less the expenses for the period.
   (c) Accounting profit is the difference between revenue income and expenses for the period.
   (d) Accounting profit is the difference between revenue income and cash payments for the period.

22. Which of the following statements is correct in relation to a trial balance?
   (a) It shows the financial position of a business.
   (b) All the balances in the trial balance will be summarized on the business balance sheet.
   (c) It is a list of balances and forms the starting point for the preparation of the business accounts.
   (d) It is part of the published accounts of a business.

23. Which of the following accounting concepts are being followed when a company operates a provision for bad debts account?
   (a) Consistency, prudence, accruals, going concern.
   (b) Accruals, consistency, going concern.
   (c) Prudence, consistency, going concern.
   (d) Prudence, accruals, going concern.

24. The double entry required to write off a specific bad debt is:
   (a) Debit sales, credit trade debtor.
   (b) Debit profit and loss, credit trade debtor.
   (c) Debit trade debtor, credit profit and loss.
   (d) Debit profit and loss, credit provision for bad debts.

25. An ordinary share dividend is:
   (a) Part of the company profits used to reward the shareholders for their investment.
   (b) Interest on money lent to the company by its shareholders.
   (c) An expense of running the company.
   (d) The directors’ remuneration.

26. Statements of Standard Accounting Practice and Financial Reporting Standards should be complied with when preparing the final accounts of a limited company because:
   (a) The Companies Act 1985 demands that they are used.
   (b) The auditors will insist they are followed.
   (c) The directors are under a legal obligation to ensure they are followed.
   (d) They ensure that the accounts present a ‘true and fair view’.

27. Which of the following statements regarding manufacturing accounts is correct?
   (a) All manufacturing companies must prepare a manufacturing account.
   (b) A manufacturing account is useful as an aid to financial reporting for manufacturing companies.
(c) A management accounting system is needed to produce a manufacturing account.
(d) Manufacturing accounts are always produced annually by manufacturing companies.

28. Direct expenses are those which can be identified with particular products. Which of the following items is a direct cost?
(a) The rent of the factory in which products are made.
(b) The wages of the production supervisor.
(c) A royalty paid to the holder of a patent after each item is produced.
(d) The cost of the glue used to attach labels to the products.

29. Which of the following statements is true?
The main accounts of a debating society will consist of the following:
(a) An income and expenditure account and a balance sheet.
(b) A trading account, a profit and loss account and a balance sheet.
(c) A profit and loss account and a balance sheet.
(d) A trading account, an income and expenditure account and a balance sheet.

30. A profit-making service sector entity records what is originally contributed by its shareholders in which account?
(a) Income and expenditure
(b) Accumulated fund
(c) Capital
(d) Members’

31. In a cash flow statement a bonus issue will:
(a) be included in cash flow from investing activities.
(b) be included in cash flow from financing activities.
(c) not appear as no cash flow occurs as a result of a bonus issue.
(d) be included as part of cash flow from operations.

32. The main reason for a company preparing a cash flow statement is:
(a) To comply with legal requirements.
(b) To show the financial position of the company at the end of a period.
(c) To show the profit or loss of the company for the period.
(d) To show, in a standard format, the sources and uses of cash during the period.

33. The current ratio is an indicator of which following characteristic of an organization?
(a) The current level of profitability.
(b) The future level of profitability.
(c) The investment potential.
(d) The liquidity in the short term.
The following data was extracted from the records of XYZ Ltd at 31 December 2001 and is to be used for Questions 34 and 35.

<table>
<thead>
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<th>Description</th>
<th>£000</th>
</tr>
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<td>Sales</td>
<td>2500</td>
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<tr>
<td>Cost of sales</td>
<td>1200</td>
</tr>
<tr>
<td>Stock at 31 December 2001</td>
<td>350</td>
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<tr>
<td>Stock at 1 January 2001</td>
<td>300</td>
</tr>
<tr>
<td>Debtors</td>
<td>340</td>
</tr>
<tr>
<td>Creditors</td>
<td>400</td>
</tr>
</tbody>
</table>

34. The debtors collection period in days was?
   (a) 43  (b) 45  (c) 50  (d) 58

35. The rate of stock turnover was?
   (a) 3.5 times  (b) 3.7 times  (c) 6.3 times  (d) 7.7 times

36. Which of the following items is unlikely to be found in the directors’ report for a limited company?
   (a) A description of the accounting policies of the company.
   (b) Details of corporate donations to charities.
   (c) Details of corporate donations to political parties.
   (d) Details of the company’s health and safety policy.

37. An audit of most limited company financial statements is required because:
   (a) The Cadbury Report into corporate governance recommended that one should be undertaken.
   (b) The shareholders of a company usually request one.
   (c) It is required by the Companies Act.
   (d) Banks or other lenders usually request one to be carried out.

38. A group of companies must prepare consolidated accounts when which of the following situations exists?
   (a) A parent company has one or more subsidiary companies.
   (b) When a parent company has overseas subsidiaries.
   (c) When a parent company trades from the same address as its subsidiaries.
   (d) When a company has a participating interest in another associated company.

39. Which of the following factors is not a defect of the traditional historical cost method of accounting under inflationary conditions?
   (a) Assets which have not been revalued are recorded at historic cost.
   (b) Debtors and other monetary assets lose value with inflation.
   (c) Asset values are objectively recorded at historic cost.
   (d) Depreciation charges tend to be understated if based on the historic cost of fixed assets.
40. Which of the following factors is likely to be an area of difficulty in a large multinational group of companies?
   (a) Compliance with international accounting standards.
   (b) Foreign currency translation.
   (c) The preparation of the group financial statements.
   (d) All of the above.

41. Which of the following statements is true?
   (a) A management accountant should instruct other staff what to do.
   (b) A management accountant provides a service for other managers.
   (c) A management accountant must remain aloof from other staff.
   (d) A management accountant’s job is largely to crunch numbers.

42. Which of the following items is not an essential ingredient of a planning and control system?
   (a) A clear statement of the entity’s objectives.
   (b) A detailed budget for each department.
   (c) Disciplinary action when actual costs exceed budgeted costs.
   (d) A formalized organizational managerial structure.

43. Which of the following is likely to be classified as a direct material cost of a motor car wheel?
   (a) The metal used to manufacture it.
   (b) The metal used to manufacture one of the tools used in the car wheel factory.
   (c) The cost of operating the raw material stores in the factory.
   (d) The cost of the quality operation on the finished car wheels.

44. Which of the following is not a method of pricing raw material issues from stock?
   (a) Standard costing.
   (b) Unit cost.
   (c) Marginal cost.
   (d) Continuous weighted average.

45. Production overheads are absorbed into production units by the use of an overhead absorption rate. Which one of the following best describes how the absorption rate is calculated?
   (a) Total number of units produced divided by the total cost centre overheads.
   (b) Total number of units produced multiplied by the unit overhead cost.
   (c) Total cost centre overheads divided by the cost centre activity level.
   (d) Total indirect costs for the business divided by the total number of units produced.

46. If there has been an over recovery of overheads, at the end of the accounting period the amount concerned should be?
   (a) Debited to the company profit and loss account.
   (b) Credited to the company profit and loss account.
   (c) Carried forward to the next accounting period as a cost saving.
   (d) Used to reduce next period’s overhead recovery rate.
47. Which method of depreciation is approved as per the income tax rules?
   (a) Sinking fund method  (b) Written Down Value Method
   (c) Annuity Method       (d) None of the above

48. Securities premium used for the purpose of
   (a) Dividends            (b) fully paid bonus shares
   (c) capital loss         (d) none of these

49. Balance in share forfeiture account is shown under the head of ____
   (a) share capital        (b) reserves & surplus
   (c) secured loans         (d) current liabilities

50. Error relating to fundamental aspect of ____
   (a) error of principle    (b) error of commission
   (c) error of compensating (d) error of omission

51. When there is no agreement, interest on loan taken from a partner is allowed at ____ p.a.
   (a) 6%                    (b) 12%            (c) 8%
   (d) None

52. Dishonour of a cheque deposited in bank is recorded in:
   (a) Returns inward book   (b) Bills receivable book
   (c) Cash Book            (d) Sales book

53. If a firm makes a number of promissory notes usually, it would be convenient to record
    the transactions in
   (a) Bills Receivable Book (b) Bills Payable Book
   (c) Journal Proper        (d) Sales Book

54. C of Chennai sent out 5000 boxes to D of Delhi costing Rs.20 each. Expenses of C were
    Rs.5000 4/5th of the goods were sold by D at Rs.25/- each. The profit on consignment
    would be:
    (a) 16,000  (b) 20,000  (c) 15,000  (d) 5,000

55. C a dealer in washing machine have a stock of 4 machines as follows:

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<th>Particulars</th>
<th>Mod A</th>
<th>Mod B</th>
<th>Mod C</th>
<th>Mod D</th>
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<td>Cost</td>
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<td>20,000</td>
<td>22,500</td>
<td>30,000</td>
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<tr>
<td>Net realizable value</td>
<td>13,500</td>
<td>22,000</td>
<td>20,500</td>
<td>32,500</td>
</tr>
</tbody>
</table>

Calculate the value of Inventory.
   (a) 88,500  (b) 92,000  (c) 87,500  (d) 84,000

56. On the death of partner, profit (or) loss on revaluation of assets and liabilities is transferred
    to the capital accounts of partners as per ______
   (a) Sacrificing Ratio (b) Gaining ratio
   (c) New profit sharing ratio (d) Old profit sharing ratio

57. Calls in advance are recorded under which heading of the balance sheet?
   (a) Share capital       (b) Reserves & Surplus
   (c) Miscellaneous Expenditure (d) none
58. On 01.08.2009 Anand draws a bill for 30 days after sight. Date of acceptance is 08.08.2009. Then the due date will be:
   (a) 03-09-2009  (b) 04-09-2009  (c) 10-09-2009  (d) 07-09-2009

59. Provision for bad and doubtful debts should be deducted in balance sheet from
   (a) Capital  (b) Cash  (c) Debtors  (d) Creditors

60. On the death of a partner the amount of JLP should be credited to capital accounts of:
   (a) all partners including the deceased partner in profit sharing ratio
       (b) Remaining partners in their profit sharing ratio
       (c) Remaining partners equally
       (d) Deceased partner only
ANSWERS

FUNDAMENTAL ACCOUNTING

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