Mock Test Paper - Series I: April, 2024

Date of Paper: 29th April, 2024

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

Question No. **1** is compulsory.

Answer any **four** questions from the remaining **five** questions.

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

(Time allowed: 3 Hours) **(100 Marks)**

1. (a) State with reasons whether the following statements are True or False:

   (i) Accounting Standards for non-corporate entities in India are issued by the Central Government.

   (ii) Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.

   (iii) Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.

   (iv) Discount at the time of retirement of a bill is a gain for the drawee.

   (v) Business of partnership comes to an end on death of a partner.

   (vi) Receipts and Payments Account highlights total income and expenditure. **(6 Statements x 2 Marks = 12 Marks)**

   (b) Discuss the limitations which must be kept in mind while evaluating the Financial Statements. **(4 Marks)**

   (c) The balance of Machinery Account of a firm on 1st April, 2023 was ₹ 28,54,000. Out of this, a plant having book value of ₹ 2,16,000 as on 1st April, 2023 was sold on 1st July, 2023 for ₹ 82,000. On the same date a new plant was purchased for ₹ 4,58,000 and ₹ 22,000 was spent on its erection. On 1st November, 2023 a new machine was purchased for ₹ 5,60,000. Depreciation is written off @ 15% per annum under the diminishing balance method. Calculate the depreciation for the year ended 31st March, 2024. **(4 Marks)**

   (12+4+4= 20 Marks)

2. (a) Mr. Bhatt's trial balance as on 31st March, 2024 did not agree. The difference was put to a Suspense Account.

During the next trading period, the following errors were discovered:

(i) The total of the Purchases Book of one page, ₹ 5,615 was carried forward to the next page as ₹ 6,551.

(ii) A sale of ₹ 462 was entered in the Sales Book as ₹ 642 and posted to the credit of the customer.

(iii) A return to creditor, ₹ 300 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.

(iv) Cash received from Geet, ₹ 895 was posted to debit of Meet.

(v) Goods worth ₹ 1,400 were dispatched to a customer before the close of the year but no invoice was made out.

(vi) Goods worth ₹ 1,600 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on Sale.

(vii) ₹ 500 due from Mr. Manas was omitted to be taken to the trial balance.

(viii) Sale of goods to Mr. Deep for ₹ 6,000 was omitted to be recorded.

You are required to give journal entries to rectify the errors in a way so as to show the current year's profit or loss correctly **(10 Marks)**

(b) The Bank Pass Book of Account No.7749 of Ms. Tina showed an overdraft of ₹ 1,34,300 on 31st March 2024. On going through the Pass Book, the accountant found the following:

(i) A Cheque of ₹4,320 credited in the pass book on 28th March 2024 being dishonoured is debited again in the pass book on 1st April 2024. There was no entry in the cash book about the dishonour of the cheque until 15th April 2024.

(ii) Bankers had credited her account with ₹ 11,200 for interest collected by them on her behalf, but the same has not been entered in her cash book.

(iii) Out of ₹ 82,000 paid in by Ms. Tina in cash and by cheques on 31st March 2024 cheques amounting to ₹ 30,000 were collected on 7th April, 2024.

(iv) Out of Cheques amounting to ₹ 31,200 drawn by her on 27th March, 2024 a cheque for ₹ 10,000 was encashed on 3rd April, 2024.

(v) Bankers seems to have given here wrong credit for ₹ 2,000 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for ₹ 1,200 against her account No.8765.

(vi) A cheque for ₹ 4,000 entered in Cash Book but omitted to be banked on 31st March, 2024.

(vii) A Bill Receivable for ₹ 20,800 previously dishonoured (Discount ₹ 800) with the Bank had been dishounoured but advice was received on 1st April, 2024.

(viii) A Bill for ₹ 40,000 was retired /paid by the bank under a rebate of ₹ 700 but the full amount of the bill was credited in the bank column of the Cash Book.

(ix) A Cheque for ₹ 9,600 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2024.

Prepare Bank Reconciliation Statement as on 31st March, 2024.

(10 Marks)

(10 +10 = 20 Marks)

3. (a) Lucky does not maintain proper books of accounts. However, he maintains a record of his bank transactions and also is able to give the following information from which you are required to prepare his final accounts for the year 2023:

	1.1.2023	31.12.2023
	₹	₹
Debtors	1,02,500	–
Creditors	–	46,000
Stock	50,000	62,500
Bank Balance	–	50,000
Fixed Assets	7,500	9,000

Details of his bank transactions were as follows:

	₹
Received from debtors	3,40,000
Additional capital brought in	5,000
Sale of fixed assets (book value ₹ 2,500)	1,750
Paid to creditors	2,80,000
Expenses paid	49,250
Personal drawings	25,000
Purchase of fixed assets	5,000

No cash transactions took place during the year. Goods are sold at cost plus 25%. Cost of goods sold was ₹ 2,60,000. **(10 Marks)**

(b) Arun, Varun and Tarun are in partnership, sharing profits and losses equally.

Tarun died on 30th June 2023. The Balance Sheet of Firm as at 31st March 2023 stood as:

Liabilities	Amount	Assets		Amount
Creditors	20,000	Land and Building		1,50,000
General Reserve	12,000	Investments		65,000
Capital Accounts:		Stock in trade		15,000
Arun	1,00,000	Trade receivables	35,000	
Varun	75,000	Less: Provision for doubtful debt	(2,000)	33,000
Tarun	75,000	Cash in hand		7,000
		Cash at bank		12,000
	2,82,000			2,82,000

In order to arrive at the balance due to Tarun, it was mutually agreed that:

(i) Land and Building be valued at ₹ 1,75,000

(ii) Debtors were all good, no provision is required

(iii) Stock is valued at ₹ 13,500

(iv) Goodwill will be valued at one Year's purchase of the average profit of the past five years. Tarun's share of goodwill be adjusted in the account of Arun and Varun.

(v) Tarun's share of profit from 1st April 2023, to the date of death be calculated on the basis of average profit of preceding three years.

(vi) The profit of the preceding five years ended 1st March were:

2023	2022	2021	2020	2019
25,000	20,000	22,500	35,000	28,750

You are required to prepare:

(1) Revaluation account

(2) Capital accounts of the partners and

(3) Balance sheet of the Firm as at 1st July, 2023. **(10 Marks)**

(10 + 10 = 20 Marks)

4 (a) Amar, Akbar and Antony are in partnership. The following is their Balance Sheet as at March 31, 2024 on which date they dissolved their partnership. They shared profit in the ratio of 5:3:2.

Liabilities		₹	Assets	₹
Creditors		80,000	Plant and machinery	60,000
Loan A/c –	Amar	20,000	Premises	80,000
Capital A/cs -	Amar	1,00,000	Stock	60,000
	Akbar	30,000	Debtors	1,20,000
	Antony	90,000		
		3,20,000		3,20,000

It was agreed to repay the amounts due to the partners as and when the assets were realised, viz.

April 15, 2024	₹ 60,000
May 1, 2024	₹ 1,46,000
May 31, 2024	₹ 94,000

Prepare a statement showing how the distribution should be made under maximum loss method.

(10 Marks)

(b) The following information of M/s. Zara Club are related for the year ended 31st March, 2024:

(1)

Balances	As on 01-04-2023 (₹)	As on 31-3-2024 (₹)
Stock of Sports Material	6,75,000	10,12,500
Amount due for Sports Material	6,07,500	8,77,500
Subscription due	1,01,250	1,48,500
Subscription received in advance	81,000	47,250

(2) Subscription received during the year ₹ 33,75,000

(3) Payments for Sports Material during the year ₹ 20,25,000

You are required to:

(A) Ascertain the amount of Subscription and Sports Material that will appear in Income & Expenditure Account for the year ended 31.03.2024 and

(B) Also show how these items would appear in the Balance Sheet as on 31.03.2024. **(10 Marks)**

(10 + 10 = 20 Marks)

5. (a) From the following information, draw up a Trial Balance in the books of Shri Hari Om as on 31st March,2024:

Particulars	Amount (₹)	Particulars	Amount (₹)
Capital	4,20,000	Purchases	1,08,000
Discount Allowed	3,600	Carriage Inward	26,100
Carriage Outwards	6,900	Sales	1,80,000
Return Inward	900	Return Outwards	2100
Rent and Taxes	3,600	Plant and Machinery	2,42,100
Stock on 1st April 2023	46,500	Sundry Debtors	60,600

Sundry Creditors	36,000	Investments	10,800
Commission Received	5,400	Cash in Hand	300
Cash at bank	30,300	Motor Cycle	1,03,800
Stock on 31st March, 2024	61,500		

(5 Marks)

(b) Attempt any ONE out of the two sub parts i.e. either (i) or (ii).

(i) Following information is provided for M/s. VS Wires for the year ended 31st March, 2024:

	₹
Opening Inventory	6,00,000
Purchases	40,32,000
Carriage Inwards	1,80,000
Wages	3,00,000
Sales	66,00,000
Returns inward	6,00,000
Returns outward	4,32,000
Closing Inventory	12,00,000

You are required to pass necessary closing entries in the journal proper of M/s. VS Wires. **(5 Marks)**

OR

(ii) Mr. Mandeep runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2024.

Opening work-in-progress (27,000 units)	78,000
Closing work-in-progress (42,000 units)	1,44,000
Opening inventory of Raw Materials	7,80,000
Closing inventory of Raw Materials	9,60,000
Purchases	24,60,000
Hire charges of Machinery @ ₹ 0.70 per unit manufactured	
Hire charges of factory	7,80,000
Direct wages-contracted @ ₹ 0.80 per unit manufactured	
and @ ₹ 0.40 per unit of closing W.I.P.	
Repairs and maintenance	5,40,000
Units produced - 15,00,000 units	

You are required to prepare a Manufacturing Account of Mr. Mandeep for the year ended 31-03-2024. **(5 Marks)**

(c) Face Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) provides thefollowing information as at 31 March, 2023:

	Particulars	₹	₹
Shareholder's fund			
(a)	Authorized Share Capital		
	90,000 equity shares of ₹10 each fully paid up		9,00,000
	Issued, Subscribed & Paid up		
	60,000 equity shares of ₹ 10 each fully paid up		6,00,000
(b)	Reserve and Surplus		
	Profit & Loss Account	3,24,000	
	Debenture redemption reserve	36,000	3,60,000
Non-current liabilities			
(a)	Long term borrowings		
	12% Debentures		3,60,000
Current Liabilities			
(a)	Trade Payable		3,45,000
	Total		16,65,000
Non-current Assets			
(a)	Property, Plant and Equipment	3,45,000	
(b)	Non-current Investments (DRR Investment)	54,000	3,99,000
Current Assets			
(a)	Inventories	4,05,000	
(b)	Trade Receivables	2,25,000	
(c)	Cash in Hand	90,000	
(d)	Cash at Bank	5,46,000	12,66,000
	Total		16,65,000

At the AGM on 01.04.2023, it was resolved:

(a) To give existing equity shareholders the option to purchase one ₹ 10 share at ₹ 15 for every four shares (held prior to the bonus distribution). This option was taken up by all the shareholders.

(b) To issue one bonus share for every five shares held.

(c) To repay the debentures at a premium of 3%.

Give the necessary journal entries for these transactions. **(10 Marks)**

(5 + 5 + 10 = 20 Marks)

6. (a) Avent Limited is a company with an authorised share capital of ₹ 1,00,00,000 in equity shares of ₹ 10 each, of which 6,00,000 shares had been issued and fully paid up on 31st March, 2023. The company proposes to make a further issue of 1,35,000 of these ₹ 10 shares at a price of ₹ 14 each, the arrangement of payment being :

(i) ₹ 2 per share payable on application, to be received by 31st May, 2023;

(ii) Allotment to be made on 10th June, 2023 and a further ₹ 5 per share (including the premium to be payable);

(iii) The final call for the balance to be made, and the money received by 31st December, 2023.

Applications were received for 5,60,000 shares and dealt with as follows:

(1) Applicants for 10,000 shares received allotment in full;

(2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;

(3) Applicants for 5,00,000 shares 'received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and

(4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of Avent Limited. **(15 Marks)**

(b) Discuss the factors taken into consideration for calculation of depreciation. **(5 Marks)**

Or

Write short notes on Accommodation bill and Renewal of bill. **(5 Marks)**

(15 + 5 = 20 Marks)

Mock Test Paper - Series II: May, 2024

Date of Paper: 22nd May, 2024

Time of Paper: 2 P.M. to 5 P.M.

MOCK TEST PAPER II

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

*Question No. **1** is compulsory.*

*Answer any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

(Time allowed: 3 Hours) **(100 Marks)**

1. (a) State with reasons whether the following statements are True or False:

   i. Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt.

   ii. In the balance sheet of Angel Limited, preliminary expenses amounting to ₹ 15 lakhs and securities premium account of ₹ 105 lakhs are appearing; The accountant can use the balance in securities premium account to write off preliminary expenses.

   iii. The financial statements must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.

   iv. In case of admission of a new partner in a partnership firm, the profit/loss on revaluation account is transferred to all partners in their new profit sharing ratio.

   v. The debit notes issued are used to prepare Sales Return Book.

   vi. Debenture holders enjoy the voting rights in the company.

   (6 Statements x 2 Marks = 12 Marks)

   (b) Change in accounting policy may have a material effect on the items of financial statements." Explain the statement with the help of an example.

   (4 Marks)

   (c) A Plant & Machinery costing ₹ 80,00,000 is depreciated on straight line basis assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by ₹ 3,20,000. The remaining useful life was reassessed at 8 years. Calculate Depreciation for the fifth year. **(4 Marks)**

   (12 + 4 + 4 = 20 Marks)

2. (a) M/s Manas, Profit and loss account showed a net profit of ₹ 32,00,000, after considering the closing stock of ₹ 30,00,000 on 31st March, 2024. Subsequently the following information was obtained from scrutiny of the books:

(i) Purchases for the year included ₹ 1,20,000 paid for new electric fittings for the shop.

(ii) M/s Manas gave away goods valued at ₹ 3,20,000 as free samples for which no entry was made in the books of accounts.

(iii) Invoices for goods amounting to ₹ 20,00,000 have been entered on 25th March, 2024, but the goods were not included in stock.

(iv) In March, 2024 goods of ₹ 16,00,000 sold and delivered were taken in the sales for April, 2024.

(v) Goods costing ₹ 6,00,000 were sent on sale or return in March, 2024 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2024 these were taken as sales for March, 2024.

You are required to determine the adjusted net profit for the year ended on 31.3.2024 and calculate the value of stock on 31st March, 2024.

(10 Marks)

(b) On 30th September, 2023, the bank account of Akhil, according to the bank column of the Cash- Book, was overdrawn to the extent of ₹ 16,248. On the same date the bank statement showed a credit balance of ₹ 83,032 in favour of Akhil. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for ₹ 52,56,000 deposited on 29th September, 2023 was credited by the bank only on 3rd October, 2023

2. A payment by cheque for ₹ 64,000 has been entered twice in the Cash Book.

3. On 29th September, 2023, the bank credited an amount of ₹ 4,69,600 received from a customer of Akhil, but the advice was not received by Akhil until 1st October, 2023.

4. Bank charges amounting to ₹ 2,320 had not been entered in the Cash Book.

5. On 6th September, 2023, the bank credited ₹ 80,000 to Akhil in error.

6. A bill of exchange for ₹ 5,60,000 was discounted by Akhil with his bank. This bill was dishonoured on 28th September, 2023 but no entry had been made in the books of Akhil.

7. Cheques issued upto 30th September, 2023 but not presented for payment upto that date totalled ₹ 53,04,000.

You are required :

(a) to show the appropriate rectifications required in the Cash Book of Akhil, to arrive at the correct balance on 30th September, 2023 and

(b) to prepare a bank reconciliation statement as on that date. **(10 Marks)**

(10 +10 = 20 Marks)

3. (a) Following are the Manufacturing A/c, Creditors A/c and Raw Material A/c provided by M/s. Praveen related to financial year 2023-24. There are certain figures missing in these accounts.

Raw Material A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock A/c	1,27,000	By Raw Materials Consumed	
To Creditors A/c	-	By Closing Stock	-

Creditors A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000		-

Manufacturing A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Raw Material A/c	-	By Trading A/c	17,44,000
To Wages	3,65,000		
To Depreciation	2,15,000		
to Direct Expenses	2,49,000		

Additional Information:

(i) Purchase of machinery worth ₹ 12,00,000 on 1st April; 2023 has been omitted, Machinery is chargeable at a depreciation rate of 15%.

(ii) Wages include the following:

Paid to factory workers - ₹ 3,15,000

Paid to labour at office - ₹ 50,000

(iii) Direct expenses included the following :

Electricity charges - ₹ 80,000

of which 25% pertained to office

Fuel charges	- ₹ 25,000
Freight inwards	- ₹ 32,000
Delivery charges to customers	- ₹ 22,000

You are required to prepare revised Manufacturing A/c and Raw Material A/c. **(10 Marks)**

(b) Ram Lakhan and Bharat are partners in a firm. On 1st April 2022 their fixed capital stood at ₹ 1,50,000, ₹ 75,000 and ₹ 75,000 respectively.

As per the provision of partnership deed:

(1) Bharat was entitled for a salary of 15,000 p.a.

(2) All the partners were entitled to interest on capital at 5% p.a.

(3) Profits and losses were to be shared in the ratio of Capitals of the partners.

Net Profit for the year ended 31st March, 2023 of ₹ 99,000 and 31st March,2024 of ₹ 1,35,000 was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors. **(5 Marks)**

(c) The profits and losses for the previous years are: 2020 Profit ₹ 10,000, 2021 Loss ₹ 17,000, 2022 Profit ₹ 50,000, 2023 Profit ₹ 75,000. The average Capital employed in the business is ₹ 2,00,000. The rate of interest expected from capital invested is 10%. The remuneration from alternative employment of the proprietor ₹ 6,000 p.a. Calculate the value of goodwill on the basis of 2 years' purchases of Super Profits based on the average of 3 years. **(5 Marks)**

(10 + 5 + 5 = 20 Marks)

4. (a) The Balance Sheet of a Partnership Firm M/s Alpha and Associates consisted of two partners X and Y who were sharing Profits and Losses in the ratio of 5 : 3 respectively. The position as on 31-03-2024 was as follows:

Liabilities	₹	Assets	₹
X's Capital	4,10,000	Land & Building	3,80,000
Y's Capital	3,30,000	Plant & Machinery	1,70,000
Profit & Loss A/c	1,12,000	Furniture	1,09,480
Trade Creditors	54,800	Stock	1,45,260
		Sundry debtors	60,000
		Cash at Bank.	42,060
	9,06,800		9,06,800

On the above date, Z was admitted as a partner on the following terms:

(a) Z should get 1/5th of share of profits.

(b) Z brought ₹ 2,40,000 as his capital and ₹ 32,000 for his share of Goodwill.

(c) Plant and Machinery would be depreciated by 15% and Land & Buildings would be appreciated by 40%.

A provision for doubtful debts to be created at 5% on sundry debtors.

An unrecorded liability of ₹ 6,000 for repairs to Buildings would be recorded in the books of accounts.

(d) Immediately after Z's admission, Goodwill brought by him would be adjusted among old partners. Thereafter, the capital accounts of old partners would be adjusted through the current accounts of partners in such a manner that the capital accounts of all the partners would be in their profit sharing ratio.

Prepare Revaluation A/c, Capital Accounts of the partners, New profit sharing ratio and Balance Sheet of the Firm after the admission of Z.

(10 Marks)

(b) Ram carried on business as retail merchant. He has not maintained regular account books. However, he always maintained ₹ 10,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of 25% on sales.

Following information is given to you:

Assets and Liabilities	As on 1.4.2023	As on 31.3.2024
Cash in Hand	10,000	10,000
Sundry Creditors	40,000	90,000
Cash at Bank	50,000 (Cr.)	80,000 (Dr.)
Sundry Debtors	1,00,000	3,50,000
Stock in Trade	2,80,000	?

Analysis of his bank pass book reveals the following information:

(a) Payment to creditors ₹ 7,00,000

(b) Payment for business expenses ₹ 1,20,000

(c) Receipts from debtors ₹ 7,50,000

(d) Loan from Laxman ₹ 1,00,000 taken on 1.10.2023 at 10% per annum

(e) Cash deposited in the bank ₹ 1,00,000

He informs you that he paid creditors for goods ₹ 20,000 in cash and salaries ₹ 40,000 in cash. He has drawn ₹ 80,000 in cash for personal expenses. During the year Ram had not introduced any additional capital. Surplus cash if any, to be taken as cash sales.

Prepare:

(i) Trading and Profit and Loss Account for the year ended 31.3.2024.

(ii) Balance Sheet as at 31st March, 2024. **(10 Marks)**

(10 + 10 = 20 Marks)

5. (a) M/s. VB wires were unable to agree the Trial Balance as on 31st March, 2024 and have raised a suspense account for the difference. Next year the following errors were discovered:

(i) Repairs made during the year were wrongly debited to the building A/c - ₹ 37,500.

(ii) The addition of the 'Freight' column in the purchase journal was short by ₹ 4,500.

(iii) Goods to the value of ₹ 3,150 returned by a customer, Seven & Co., had been posted to the debit of Seven & Co. and also to sales returns.

(iv) Sundry items of furniture sold for ₹ 90,000 had been entered in the sales book, the total of which had been posted to sales account.

(v) A bill of exchange (received from Comfort & Co.) for ₹ 60,000 had been returned by the bank as. dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes.

(5 Marks)

(b) From the following information supplied by Fazilka Club, prepare Receipts and Payments account and Income and Expenditure Account for the year ended 31st March 2024.

	01.04.2023 ₹	31.03.2024 ₹
Outstanding subscription	70,000	1,00,000
Advance subscription	12,500	15,000
Outstanding salaries	7,500	9,000
Cash in Hand and at Bank	55,000	?
10% Investment	70,000	35,000
Furniture	14,000	7,000
Machinery	5,000	10,000
Sports goods	7,500	12,500

Subscription for the year amount to ₹ 1,50,000/-. Salaries paid ₹ 30,000. Face value of the Investment was ₹ 87,500, 50% of the Investment was sold at 80% of Face Value. Interest on investments was received ₹ 7,000. Furniture was sold for ₹ 4000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date

of the year. Charge depreciation @ 15% p.a. on Machinery and Sports goods and @10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses:	₹ 25,000
Rent:	₹ 12,000 out of which ₹ 1,000 outstanding
Misc. Expenses:	₹ 2,500

(15 Marks)

(5+15 = 20 Marks)

6. (a) Amar Limited issued 20,000 Equity shares of, 10 each at a premium of 10%, payable ₹ 2 on application; ₹ 4 on allotment (including premium); ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. M who held 2000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 200 shares and one another shareholder having 100 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears, Company also paid interest on calls in advance to Mr. M. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. **(15 Marks)**

(b) Write short notes on any two of the following:

(i) Bill of exchange and the various parties to it.

(ii) Retirement of bills of exchange.

OR

Explain, in brief, the basic considerations for distinguishing between capital and revenue expenditures? **(5 Marks)**

(15 + 5 = 20 Marks)

Mock Test Paper - Series III: June, 2024

Date of Paper: 5th June, 2024

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

*Question No. **1** is compulsory.*

*Answer any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

(Time allowed: 3 Hours) **(100 Marks)**

1. (a) State with reasons whether the following statements are True or False:

   i. Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.

   ii. If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.

   iii. The financial statements must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.

   iv. Limited Liability Partnership (LLP) is governed by Indian Partnership Act, 1932.

   v. Nominal Accounts are kept under Single Entry System.

   vi. A person holding preference shares of a company cannot hold equity shares of the same company.

   (6 Statements x 2 Marks = 12 Marks)

   (b) Differentiate between provision and contingent liability. **(4 Marks)**

   (c) Give journal entries to rectify the following errors located in the books of a trader after preparing the trial balance:

   (i) An amount of ₹ 13,500 received on account of interest was credited to commission account.

   (ii) A sale of ₹ 5,920 was posted from sales book to the debit of M/s Kamal traders at ₹ 5,290.

   (iii) ₹ 44,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c.

   (iv) Goods returned by customer for ₹ 20,000. The same have been taken into stock but no entry passed in the books of accounts.

   (4 Marks)

2. (a) A Firm purchased an old Machinery for ₹ 37,000 on 1st January, 2020 and spent ₹ 3,000 on its overhauling. On 1st July 2021, another machine was purchased for ₹ 10,000. On 1st July 2022, the machinery which was purchased on 1st January 2020, was sold for ₹ 28,000 and the same day a new machinery costing ₹ 25,000 was purchased. On 1st July, 2023, the machine which was purchased on 1st July, 2021 was sold for ₹ 2,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2021 and the rate was increased to 15% per annum. The books are closed on 31st December every year.

Prepare Machinery account for four years from 1st January, 2020.

(10 Marks)

(b) Ram Setu Ltd. keeps no stock records but a physical inventory of stock is made at the end of each quarter and the valuation is taken at cost. The company's year ends on 31st March, 2024 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2024 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2024 with the stock figure as on 31st December, 2023 and some other information is available to you:

(i) The cost of stock on 31st December, 2023 as shown by the inventory sheet was ₹ 7,20,000.

(ii) On 31st December, stock sheet showed the following discrepancies:

(a) A page total of ₹ 45,000 had been carried to summary sheet as ₹ 54,000.

(b) The total of a page had been undercast by ₹1,800.

(iii) Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2024 totalled ₹ 6,30,000. Out of this ₹ 27,000 related to goods received prior to 31st December, 2023. Invoices entered in April, 2024 relating to goods received in March, 2024 totalled ₹ 36,000.

(iv) Sales invoiced to customers totalled ₹ 8,10,000 from January to March, 2024. Of this ₹ 45,000 related to goods dispatched before 31st December, 2023. Goods dispatched to customers before 31st March, 2024 but invoiced in April, 2024 totalled ₹ 36,000.

(v) During the final quarter, credit notes at invoiced value of ₹ 9,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2024. **(10 Marks)**

(10 +10 = 20 Marks)

3. (a) Dr. Gulleria started private practice on 1st April, 2023 with ₹ 2,00,000 of his own fund and ₹ 3,00,000 borrowed at an interest of 12 p.a. on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

Receipts	₹	Payments	₹
Own Capital	2,00,000	Medicines Purchased	2,45,000
Loan	3,00,000	Surgical Equipment	2,50,000
Prescription Fees	6,60,000	Motor Car	3,20,000
Visiting Fees	2,50,000	Motor Car Expenses	1,20,000
Lecture Fees	24,000	Wages and Salaries	1,05,000
Pension Received	3,00,000	Rent of Clinic	60,000
		General Charges	49,000
		Household Expenses	1,80,000
		Household Furniture	25,000
		Expenses on Daughter's college admission	2,15,000
		Interest on Loan	36,000
		Balance at Bank	1,10,000
		Cash in Hand	19,000
	17,34,000		17,34,000

1/3rd of the motor car expenses may be treated as applicable to the private use of car and ₹ 30,000 of salaries are in respect of domestic servants. The stock of medicines in hand on 31st March, 2024 was valued at ₹ 95,000.

You are required to prepare his private practice income and expenditure account and capital account for the year ended 31st March, 2024. Ignore depreciation on fixed assets. **(8 Marks)**

(b) P Q and R are partners sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2024 stood as:

Liabilities		₹	Assets		₹
Capital Accounts			Building		10,00,000
P	8,00,000		Furniture		2,40,000
Q	4,20,000		Office equipments		2,80,000
R	4,00,000	16,20,000	Stock		2,50,000
Sundry Creditors		3,70,000	Sundry debtors	3,00,000	
General Reserves		3,60,000	Less: Provision for Doubtful debts	30,000	2,70,000

			Cash at Bank		3,10,000
		23,50,000			23,50,000

Q retired on 1st April, 2024 subject to the following conditions:

(i) Office Equipments revalued at ₹ 3,27,000.

(ii) Building revalued at ₹ 15,00,000. Furniture is written down by ₹ 40,000 and Stock is reduced to Rs,2,20,000.

(iii) Provision for doubtful debts is to be created @ 5% on debtors.

(iv) Goodwill was to be valued at 3 years purchase of average 4 years profit which were:

Year	₹
2020	90,000
2021	1,40,000
2022	1,20,000
2023	1,30,000

(v) Amount due to Q is to be transferred to his Loan Account.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet immediately after Q's retirement. **(12 Marks)**

(8 + 12= 20 Marks)

4. (a) The following is the Balance Sheet of A, B, C on 31st December, 2023 when they decided to dissolve the partnership:

Liabilities	₹	Assets	₹
Creditors	3,000	Sundry Assets	72,750
A's Loan	7,500	Cash	750
Capital Accounts:			
A	22,500		
B	27,000		
C	13,500		
	73,500		73,500

The assets realized the following sums in installments:

Inst.	**₹**
I	1,500
II	4,500
III	5,850
IV	9,000
V	30,150
	51,000

The expenses of realization were expected to be ₹750 but ultimately amounted to ₹600 only. Show how at each stage the cash received should be distributed between partners. They share profits in the ratio of 2:2:1. **(8 Marks)**

(b) The following are the balances as at 31st March, 2024 extracted from the books of Mr. Chauhan.

Particulars	₹	Particulars	₹
Plant and Machinery	39,100	Bad debts recovered	900
Furniture and Fittings	20,500	Salaries	45,100
Bank Overdraft	1,60,000	Salaries payable	4,900
Capital Account	1,30,000	Prepaid rent	600
Drawings	16,000	Rent	8,600
Purchases	3,20,000	Carriage inward	2,250
Opening Stock	64,500	Carriage outward	2,700
Wages	24,330	Sales	4,30,600
Provision for doubtful debts	6,400	Advertisement Expenses	6,700
Provision for Discount on debtors	2,750	Printing and Stationery	2,500
Sundry Debtors	2,40,000	Cash in hand	2,900
Sundry Creditors	95,000	Cash at bank	6,250
Bad debts	2,200	Office Expenses	20,320
		Interest paid on loan	6,000

Additional Information:

1. Purchases include sales return of ₹ 5,150 and sales include purchases return of ₹ 3,450.
2. Free samples distributed for publicity costing ₹ 1,650.
3. Wages paid in the month of April for installation of plant and machinery amounting to ₹ 900 were included in wages account.
4. Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
5. Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.
6. Closing stock as on 31st March, 2024 is ₹ 2,50,000.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2024, and a Balance Sheet as on that date. **(12 Marks)**

(8+12= 20 Marks)

5. (a) Bharat owed ₹50,000 to Katen. On 1st October, 2023, Bharat accepted a bill drawn by Katen for the amount at 3 months. Katen got the bill discounted with his bank for ₹ 49,500 on 3rd October, 2023. Before the due date, Bharat approached Katen for renewal of the bill. Katen agreed on the conditions that ₹25,000 be paid immediately together with interest on the remaining amount at 12% per annum for 3 months and for the balance, Bharat should accept a new bill at three months. These arrangements were carried out. But afterwards, Bharat became insolvent and 40% of the amount could be recovered from his estate.

Pass journal entries in the books of Katen. **(5 Marks)**

(b) Attempt any ONE out of the two sub parts i.e. either (i) or (ii).

(i) Ms. Manisha is engaged in business of selling magazines. Several of her customers pay money in advance for subscribing his magazines. Information related to year ended 31st March, 2024 has been given below:

On 1.4.2023 he had a balance of ₹6,00,000 advance from customers of which ₹4,50,000 is related to year 2023-24 while remaining pertains to year 2024-25. During the year 2023-24 she made cash sales of ₹ 15,00,000. You are required to compute:

(i) Total income for the year 2023-24.

(ii) Total money received during the year if the closing balance in Advance from customers Account is ₹ 5,10,000. **(5 Marks)**

OR

(ii) Samuel & Co. employs a team of 9 workers who were paid ₹ 1,20,000 per month each in the year ending 31st December, 2022. At the start of 2023, the company raised salaries by 10% to ₹ 1,32,000 per month each.

On 1 July, 2023 the company hired 2 trainees at salary of ₹ 63,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc.

You are required to calculate:

(i) Amount of salaries which would be charged to the profit and loss account for the year ended 31st December, 2023.

(ii) Amount actually paid as salaries during 2023.

(iii) Outstanding salaries as on 31st December, 2023. **(5 Marks)**

(c) Following is the extract of the Balance Sheet of Puri Ltd. as at 31st March, 2024

Authorised capital:	₹
15,000 12% Preference shares of ₹ 10 each	1,50,000
1,50,000 Equity shares of ₹ 10 each	15,00,000

	16,50,000
Issued and Subscribed capital:	
12,000 12% Preference shares of ₹ 10 each fully paid	1,20,000
1,35,000 Equity shares of ₹ 10 each, ₹ 8 paid up	10,80,000
Reserves and surplus:	
General Reserve	1,80,000
Capital Reserve (profit realized on sale of plant)	60,000
Securities premium	37,500
Profit and Loss Account	3,00,000

On 1st April, 2024, the Company has made final call @ ₹ 2 each on 1,35,000 equity shares. The call money was received by 20th April, 2024. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held. Company decides to use Capital Reserve for bonus issue as it has been realized in cash.

Show necessary journal entries in the books of the company and prepare the extract of the balance sheet as on 30th April, 2024 after bonus issue.

(10 Marks)

(5 +5+ 10= 20 Marks)

6. (a) Devis Ltd. invited applications for issuing 3,00,000 equity shares of ₹ 20 each.

The amounts were payable as follows:

On application	- ₹ 6 per share
On allotment	- ₹ 10 per share
On first and final call	- ₹ 4 per share

Applications were received for 4,50,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment money. X, who was allotted 9,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 7,500 shares were reissued as fully paid-up @ ₹ 16 per share.

Pass necessary Journal entries to record the above transactions in the books of Devis Ltd. **(10 Marks)**

(b) On 1st April, 2023 Universe Ltd. issued 12% debentures of the face value of ₹ 40,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on 30th September and 31st March every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the financial year 2023-24.

(5 Marks)

(c) Prepare Bank Reconciliation Statement and Adjusted Cash Book from the following particulars as on 31st December, 2023:

Particulars	₹
Bank Balance as per Cash Book (Debit)	1,98,000
Bank Charges debited by the bank not recorded in Cash Book	34,000
Received from debtors vide RTGS on 31st December, 2023 not recorded in Cash Book	1,00,000
Cheque issued but not presented for payment	45,000
Cheque deposited but not cleared	25,000
Cheque received and deposited but dishonoured. Entry for dishonour not made in the Cash Book	5,000
Instruction for payment given to the bank on 31st December, 2023 but the same effected by the Bank on 01st January, 2024	4,000

(5 Marks)

(10 +5+ 5= 20 Marks)

Mock Test Paper - Series I: July, 2024

Date of Paper: 29th July, 2024

Time of Paper: 10.30 A.M. to 1.30 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

(Time allowed: 3 Hours) **(100 Marks)**

1. (a) State with reasons, whether the following statements are true or false:

   1 The balance in petty cash book represents an asset.

   2. Finished goods are normally valued at cost or market price whichever is higher.

   3 Subscriptions received for the current year shall be shown in the balance sheet as a current asset.

   4 When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with Calls in arrear of shares forfeited.

   5 Discount at the time of retirement of a bill is a gain for the drawee.

   6. Bills receivable and bills payable books are type of subsidiary books. **(6 statements x 2 Marks = 12 Marks)**

   (b) What services can a Chartered Accountant provide to the society?

   (4 Marks)

   (c) One of your clients Mr. X asked you to finalize his account for the year ended 31st March,2024. As a basis for audit, Mr. X furnished you with the following statement:

	Dr.	Cr.
X's Capital		4,668
X's Drawings	1,692	
Leasehold Premises	2,250	
Sales		8,250
Due from customers		1,590
Purchases	3,777	
Purchase Return	792	
Loan from Bank		768

Trade Expense	2,100	
Trade Payable	1,584	
Bills Payable	300	
Salaries and Wages	1,800	
Cash at Bank	678	
Opening Inventory		792
Rent and Rates	1,389	
Sales Return		294
	16,362	16,362

The closing inventory was ₹1,722. Mr. X claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, if any. **(4 Marks)**

(12 + 4 + 4 = 20 Marks)

2. (a) Mr. Manas was unable to agree the Trial Balance last year and wrote off the difference to the Profit and Loss Account of that year. Next year, he appointed a Chartered Accountant who examined the old books and found the following mistakes:

(i) Purchase of a scooter was debited to conveyance account ₹ 30,000. Mr. Manas charges 10% depreciation on scooter.

(ii) Purchase account was over cast by ₹ 1,00,000.

(iii) A credit purchase of goods from Mr. Sam for ₹ 20,000 was entered as sale.

(iv) Receipt of cash from Mr. Anand was posted to the account of Mr. Bhaskar ₹ 10,000.

(v) Receipt of cash from Mr. Paras was posted to the debit of his account, ₹ 5,000.

(vi) ₹ 5,000 due by Mr. Ramesh was omitted to be taken to the Trial Balance.

(vii) Sale of goods to Mr. Ram for ₹ 20,000 was omitted to be recorded.

(viii) Amount of ₹ 23,950 of purchase was wrongly posted as ₹ 25,930.

Suggest the necessary rectification entries. **(10 Marks)**

(b) M/s Dheeraj, Profit and loss account showed a net profit of ₹ 8,00,000, after considering the closing stock of ₹ 7,50,000 on 31st March, 2024. Subsequently the following information was obtained from scrutiny of the books:

(i) Purchases for the year included ₹ 30,000 paid for new electric fittings for the shop.

(ii) M/s Dheeraj gave away goods valued at ₹ 80,000 as free samples for which no entry was made in the books of accounts.

(iii) Invoices for goods amounting to ₹ 5,00,000 have been entered on 27th March, 2024, but the goods were not included in stock.

(iv) In March, 2024 goods of ₹ 4,00,000 sold and delivered were taken in the sales for April, 2024.

(v) Goods costing ₹ 1,50,000 were sent on sale or return in March, 2024 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2024 these were taken as sales for March, 2024.

You are required to determine the adjusted net profit for the year ended on 31.3.2024 and calculate the value of stock on 31st March, 2024.

(10 Marks)

(10 +10 = 20 Marks)

3. (a) The trial balance of Saurav as at 31st March, 2024 is as follows:

Particulars	Dr.	Cr.
	₹	₹
Saurav's capital account	-	1,91,725
Stock 1st April, 2023	1,17,000	-
Sales	-	9,74,000
Returns inward	21,500	-
Purchases	8,04,250	-
Returns outward	-	14,500
Carriage inwards	49,000	-
Rent & taxes	11,750	-
Salaries & wages	23,250	-
Sundry debtors	60,000	-
Sundry creditors	-	37,000
Bank loan @ 14% p.a.	-	50,000
Bank interest	2,750	-
Printing and stationary expenses	36,000	-
Bank balance	20,000	-
Discount earned	-	11,100
Furniture & fittings	12,500	-
Discount allowed	4,500	-
General expenses	28,625	-
Insurance	3,250	-
Postage & telegram expenses	5,825	-
Cash balance	950	-
Travelling expenses	2,175	-
Drawings	75,000	-
	12,78,325	12,78,325

The following adjustments are to be made:

(1) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.

(2) Personal purchases of Saurav amounting to ₹ 1,500 had been recorded in the purchases day book.

(3) Depreciation on furniture & fittings @ 10% shall be written off.

(4) Included amongst the debtors is ₹ 7,500 due from Sunder and included among the creditors ₹ 2,500 due to him.

(5) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.

(6) Credit purchase invoice amounting to ₹ 1,000 had been omitted from the books.

(7) Stock on 31.03.2024 was ₹ 1,96,500.

(8) Interest on bank loan shall be provided for the whole year.

You are required to prepare Trading & Profit and Loss Account for the year ended 31.03.2024. **(12 Marks)**

(b) The following is the Balance Sheet of M/s. Vivek Bros as at 31st March, 2024, they share profit and losses equally:

Balance Sheet as at 31st March, 2024

Liabilities		**₹**	**Assets**		**₹**
Capital	Amit	24,600	Machinery		30,000
	Puneet	24,600	Furniture		16,800
	Sumit	27,000	Fixture		12,600
General Reserve		9,000	Cash		9,000
Trade payables		14,100	Inventories		5,700
			Trade receivables	27,000	
			Less: Provision for Doubtful debts	1,800	25,200
		99,300			99,300

Sumit died on 1st April, 2024 and the following agreement was to be put into effect.

(a) Assets were to be revalued: Machinery to ₹ 35,100; Furniture to ₹ 13,800; Inventory to ₹ 4,500.

(b) Goodwill was valued at ₹ 18,000 and was to be credited with his share, without using a Goodwill Account.

(c) ₹ 6,000 is to be paid to the executors of the dead partner on 5th April, 2023.

(d) After death of Sumit, Amit and Puneet share profit equally.

You are required to prepare:

(i) Journal Entry for Goodwill adjustment.

(ii) Revaluation Account and Capital Accounts of the partners.

(8 Marks)

(12 + 8 = 20 Marks)

4. (a) A and B are partners in a firm, sharing Profits and Losses in the ratio of 3 : 2. The Balance Sheet of A and B as on 31.3.2024 was as follow:

Liabilities		Amount ₹	Assets		Amount ₹
Sundry Creditors		25,800	Building		52,000
Bill Payable		8,200	Furniture		11,600
Bank Overdraft		18,000	Stock-in-Trade		42,800
Capital Accounts:			Debtors	70,000	
A	88,000		Less: Provision	400	69,600
B	72,000	1,60,000	Investment		5,000
			Cash		31,000
		2,12,000			2,12,000

'C' was admitted to the firm on the above date on the following terms:

(i) He is admitted for 1/6th share in future profits and to introduce a Capital of ₹ 50,000.

(ii) The new profit sharing ratio of A, B and C will be 3 : 2 : 1 respectively.

(iii) 'C' is unable to bring in cash for his share of goodwill, they decide to calculate goodwill on the basis of C's share in the profits and the capital contribution made by him to the firm.

(iv) Furniture is to be written down by ₹ 1,740 and Stock to be depreciated by 5%. A provision is required for Debtors @ 5% for Bad Debts. A provision would also be made for outstanding wages for ₹ 3,120. The value of Buildings having appreciated be brought upto ₹ 58,400. The value of investment is increased by ₹ 900.

(v) It is found that the creditors included a sum of ₹ 2,800, which is not to be paid off.

Prepare the following:

(i) Revaluation Account.

(ii) Partners' Capital Accounts.

(iii) Balance Sheet of New Partnership firm after admission of 'C'.

(12 Marks)

(b) The following information of M/s. Football Club are related for the year ended 31st March, 2024:

(1)

Balances	As on 01-04-2023 (₹)	As on 31-3-2024 (₹)
Stock of Sports Material	4,50,000	6,75,000
Amount due for Sports Material	4,05,000	5,85,000
Subscription due	67,500	99,000
Subscription received in advance	54,000	31,500

(2) Subscription received during the year ₹ 22,50,000

(3) Payments for Sports Material during the year ₹ 13,50,000

You are required to:

(A) Ascertain the amount of Subscription and Sports Material that will appear in Income & Expenditure Account for the year ended 31.03.2024 and

(B) Also show how these items would appear in the Balance Sheet as on 31.03.2024. **(8 Marks)**

(12+8=20 Marks)

5. (a) On 31st March 2024, the Bank Pass Book of Swati showed a balance of ₹ 1,50,000 to her credit while balance as per cash book was ₹ 1,12,050. On scrutiny of the two books, she ascertained the following causes of difference:

(i) She has issued cheques amounting to ₹ 80,000 out of which only ₹ 32,000 were presented for payment.

(ii) She received a cheque of ₹ 5,000 which she recorded in her cash book but forgot to deposit in the bank.

(iii) A cheque of ₹ 22,000 deposited by her has not been cleared yet.

(iv) Mr. Gupta deposited an amount of ₹ 15,700 in her bank which has not been recorded by her in Cash Book yet.

(v) Bank has credited an interest of ₹ 1,500 while charging ₹ 250 as bank charges.

Prepare a bank reconciliation statement. **(5 Marks)**

(b) The Income Tax Officer, on assessing the income of Zavier for the financial years 2021-2022 and 2022-2023 feels that Zavier has not disclosed the full income. He gives you the following particulars of assets and liabilities of Zavier's on 1st April, 2021 and 1st April, 2023.

				₹
1-4-2021	Assets	:	Cash in hand	25,500
			Inventory	56,000

			Sundry debtors	41,500
			Land and Building	1,90,000
			Wife's Jewellery	75,000
	Liabilities	:	Owing to Zavier's Brother	40,000
			Sundry creditors	35,000
1-4-2023	Assets	:	Cash in hand	16,000
			Inventory	91,500
			Sundry debtors	52,500
			Land and Building	1,90,000
			Motor Car	1,25,000
			Wife's Jewellery	1,25,000
			Loan to Zavier's Brother	20,000
	Liabilities	:	Sundry creditors	55,000

During the two years the domestic expenditure was ₹ 4,000 p.m. The declared incomes of the financial years were ₹ 1,05,000 for 2021-2022 and ₹ 1,33,000 for 2022-2023 respectively.

State whether the Income-tax Officer's contention is correct. Explain by giving your workings. **(5 Marks)**

(c) Safari Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) provides the following information as at 31st March, 2024:

Particulars	**₹**
Shareholder's Funds	
(a) Share Capital	
Authorized share capital:	
45,000 equity shares of ₹ 10 each fully paid	4,50,000
Issued and subscribed share capital:	
30,000 equity shares of ₹ 10 each fully paid	3,00,000
(b) Reserves and Surplus	
Profit & Loss Account	1,62,000
Debenture Redemption Reserve	18,000
Non-current liabilities	
(a) Long term borrowings	
12% Debentures	1,80,000
Current Liabilities	
(a) Trade payables	1,72,500
Non-current assets	
(a) Property, Plant and Equipment (Freehold property)	1,72,500
(b) Non-current Investment: DRR Investment	27,000

Current assets		
(a)	Inventories	2,02,500
(b)	Trade receivables	1,12,500
(c)	Cash and bank balances:	
	Cash at bank	2,73,000
	Cash in hand	45,000

At the Annual General Meeting on 1.4.2024, it was resolved:

(a) To give existing shareholders the option to purchase one ₹ 10 share at ₹ 15 for every four shares (held prior to the bonus distribution). This option was taken up by all the shareholders.

(b) To issue one bonus share for every five shares held.

(c) To repay the debentures at a premium of 3%.

Give the necessary journal entries for these transactions. **(10 Marks)**

(5 + 5 + 10 = 20 Marks)

6. (a) X Limited invited applications for issuing 75,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The total amount was payable as follows:

- ₹ 9 per share (including premium) on application and allotment
- Balance on the First and Final Call

Applications for 3,00,000 equity shares were received. Applications for 2,00,000 equity shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,500 shares applied by Mr. Raj. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹ 4/- per share.

Pass necessary journal entries for the above transactions in the books of X Limited. **(15 Marks)**

(c) State the causes of difference between the balance shown by the pass book and the cash book.

OR

Which subsidiary books are normally used in a business? **(5 Marks)**

(15 + 5 = 20 Marks)

Mock Test Paper - Series II: August, 2024

Date of Paper: 16th August, 2024

Time of Paper: 10.30 A.M. to 1.30 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

*Question No. **1** is compulsory.*

*Attempt any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

Time Allowed: 3 Hours **Maximum Marks: 100**

1. (a) State with reasons, whether the following statements are true or false:

(i) Wages paid for erection of machinery are debited to Profit and Loss Account.

(ii) Amount spent for the construction of temporary huts, which were necessary for construction of the Cinema House and were demolished when the Cinema House was ready, is capital expenditure.

(iii) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.

(iv) Promissory note is different from bill of exchange because the amount is paid by the maker in case of former and by the acceptor in the later.

(v) The business of partnership must be carried on by all the partners.

(vi) Debenture interest is payable after the payment of preference dividend but before the payment of equity dividend.

(6 Statements x 2 Marks = 12 Marks)

(b) Explain Cash and Mercantile system of accounting? **(4 Marks)**

(c) Calculate the missing amount for the following.

	Assets	Liabilities	Capital	
(a)	45,00,000	7,50,000	?	
(b)	?	4,50,000	2,25,000	
(c)	43,50,000	?	41,25,000	
(d)	1,71,00,000	(8,40,000)	?	**(4 Marks)**

(12 + 4 + 4 = 20 Marks)

2. (a) Savin & Co. purchased a machine for ₹ 1,00,000 on 1.4.2021 Another machine costing ₹1,50,000 was purchased on 1.10.2022. On 31.3.2024 the machine purchased on 1.4.2021 was sold for ₹50,000. The company provides depreciation at 15% on Written Down Value Method. Prepare – (i) Machinery Account, (ii) Machinery Disposal Account and (iii) Provision for Depreciation Account. **(10 Marks)**

(b) On 30th June. 2024, Cash Book of Ms. Suman (Bank Column of Account No. 1) shows a Bank Overdraft of ₹ 1,97,400. On going through the Bank Pass book for reconciling the Balance, she found the following:

(a) Out of cheques drawn on 26th June, those for ₹ 14,800 were cashed by the bankers on 2nd July.

(b) A crossed cheque for ₹ 3000 given to Abdul was returned by him and a bearer cheque was issued to him in lieu on 1st July.

(c) Cash and cheques amounting to ₹ 13,600 were deposited in the Bank on 29th June, but cheques worth ₹ 5,200 were cleared by the Bank on 1st July., and one cheque for ₹ 1,000 was returned by them as dishonoured on the latter date.

(d) According to Suman's standing instructions, the bankers have on 30th June, paid ₹ 1,280 as interest to her creditors, paid quarterly premium on her policy amounting to ₹ 640 and have paid a second call of ₹ 2,400 on shares held by her and lodged with the bankers for safe custody. They have also received ₹ 600 as dividend on her shares and recovered an Insurance Claim of ₹ 3,200, as their charges and commission charged on the above being ₹ 400. On receipt of information of the above transaction, she has passed necessary entries in her Cash Book on 1st July.

(e) Bankers seem to have given a wrong credit for ₹ 2,000 paid in by her in No. 2 account and wrong debit in respect of a cheque for ₹ 1,200 drawn against her No. 2 account.

Prepare a Bank Reconciliation Statement as on 30th June, 2024.

(10 Marks)

(10 + 10 = 20 Marks)

3. (a) The Receipts and Payments account of Gold Smith Club prepared on 31st March, 2024 is as follows:

Receipts and Payments Account

Receipts	₹	Amount ₹	Payments	Amount ₹
To Balance b/d		9,000	By Expenses (including Payment for sports material ₹ 54,000)	1,26,000
To Annual Income from Subscription	91,800			

	Add: Outstanding of last year	3,600		By Loss on Sale of Furniture (cost price ₹ 9,000)	3,600
	received this year	95,400			
				By Balance c/d	18,09,000
	Less: Prepaid of last year	1,800	93,600		
To	Other fees		36,000		
To	Donation for Building		18,00,000		
			19,38,600		19,38,600

Additional information:

Gold Smith Club had balances as on 1.4.2023:

Furniture ₹ 36,000; Investment at 5% ₹ 5,40,000;

Sports material ₹ 1,33,200;

Balance as on 31.3.2024: Subscription Receivable ₹ 5,400;

Subscription received in advance ₹ 1,800;

Stock of sports material ₹ 36,000.

Do you agree with above Receipts and Payments account? If not, prepare correct Receipts and Payments account and Income and Expenditure account for the year ended 31st March, 2024 and Balance Sheet on that date. **(15 Marks)**

(b) P and Q were partners in a firm, sharing profit and losses in the ratio of 3: 2. They admit R for 1/6th share in profits and guaranteed that his share of profits will not be less than 50,00,000. Total profits of the firm for the year ended 31st March, 2024 were 1,80,00,000.

Calculate share of profit for each partner when:

(i) Guarantee is given by firm

(ii) Guarantee is given by P and Q equally. **(5 Marks)**

(15 + 5 = 20 Marks)

4. (a) The Balance Sheet of a Partnership Firm M/s Thomas & Associates consisted of two partners Albert and Andrew who were sharing Profits and Losses in the ratio of 5 : 3 respectively. The position as on 31-03-2024 was as follows:

Liabilities	**₹**	**Assets**	**₹**
Albert's Capital	8,20,000	Land & Building	7,60,000
Andrew's Capital	6,60,000	Plant & Machinery	3,40,000
Profit & Loss A/c	2,24,000	Furniture	2,18,960
Trade Creditors	1,09,600	Stock	2,90,520

		Sundry debtors	1,20,000
		Cash at Bank	84,120
	18,13,600		18,13,600

On the above date, David was admitted as a partner on the following terms:

(a) David should get 1/5th of share of profits.

(b) David brought ₹ 4,80,000 as his capital and ₹ 64,000 for his share of Goodwill.

(c) Plant and Machinery would be depreciated by 15% and Land & Buildings would be appreciated by 40%.

(d) A provision for doubtful debts to be created at 5% on sundry debtors.

(e) An unrecorded liability of ₹ 12,000 for repairs to Buildings would be recorded in the books of accounts.

(f) Immediately after David's admission, Goodwill brought by him would be adjusted among old partners. Thereafter, the capital accounts of old partners would be adjusted through the current accounts of partners in such a manner that the capital accounts of all the partners would be in their profit sharing ratio.

Prepare Revaluation A/c, Capital Accounts of the partners, new profit sharing ratio and Balance Sheet of the Firm after the admission of David.

(15 Marks)

(b) Hari Om & Co. employs a team of 9 workers who were paid ₹ 1,20,000 per month each in the year ending 31st December, 2022. At the start of 2023, the company raised salaries by 10% to ₹ 1,32,000 per month each.

On 1 July, 2023 the company hired 2 trainees at salary of ₹ 63,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc.

You are required to calculate:

(i) Amount of salaries which would be charged to the profit and loss account for the year ended 31st December, 2023.

(ii) Amount actually paid as salaries during 2023.

(iii) Outstanding salaries as on 31st December, 2023 **(5 Marks)**

(15+5 =20 Marks)

5. (a) Mr. Prakash furnishes following information for his readymade garments business:

(i) Receipts and Payments during 2023-24:

Receipts	**Amount ₹**	**Payments**	**Amount ₹**
Bank Balance as on 1-4-2023	16,250	Payment to Sundry creditors	3,43,000
Received from Sundry debtors	4,81,000	Salaries	75,000
		General expenses	22,500
		Rent and taxes	11,800
Cash sales	1,70,800	Drawings	96,000
Capital brought in the business during the year	50,000	Cash purchases	1,22,750
		Balance at bank on 31-03-2024	36,600
Interest on Investment received	9,750	Cash in hand on 31-03-2024	20,150
	7,27,800		7,27,800

(ii) Particulars of other Assets and Liabilities are as follows:

	1st April, 2023	**31st March, 2024**
	(₹)	**(₹)**
Machinery	85,000	85,000
Furniture	24,500	24,500
Trade Debtors	1,55,000	?
Trade Creditors	60,200	?
Inventory	38,600	55,700
12% Investment	85,000	85,000
Outstanding Salaries	12,000	14,000

(iii) Additional information:

(1) 20% of total sales and 20% of total purchases are in cash.

(2) Of the debtors, a sum of ₹ 7,200 should be written off as Bad debt and further a provision for doubtful debts is to be provided @2%.

(3) Provide depreciation @10% p.a. on machinery and furniture

You are required to prepare Trading and Profit & Loss Account for the year ended 31st March, 2024, and Balance Sheet as on that date. **(10 Marks)**

(b) The following notes pertain to Snowberry Ltd.'s Balance Sheet as on 31st March, 2024:

Notes	₹ in Lakhs
(1) Share Capital	
Authorised :	
20 crore shares of ₹ 10 each	20,000
Issued and Subscribed:	
10 crore Equity Shares of ₹ 10 each	10,000
2 crore 11% Cumulative Preference Shares of ₹ 10 each	2,000
Total	12,000
Called and paid up:	
10 crore Equity Shares of ₹ 10 each, ₹ 8 per share called and paid up	8,000
2 crore 11% Cumulative Preference Shares of ₹ 10 each, fully called and paid up	2,000
Total	10,000
(2) Reserves and Surplus :	
Capital Reserve (profit on fixed assets realized in cash)	485
Capital Redemption Reserve	1,000
Securities Premium	2,000
General Reserve	1,040
Surplus i.e. credit balance of Profit & Loss Account	273
Total	4,798

On 2nd April 2024, the company made the final call on equity shares @ ₹ 2 per share. The entire money was received in the month of April, 2024.

On 1st June 2024, the company decided to issue to equity shareholders bonus shares at the rate of 2 shares for every 5 shares held and for this purpose, it decided to utilize the capital reserves to the maximum possible extent.

Pass journal entries for all the above mentioned transactions. Also prepare the notes on Share Capital and Reserves and Surplus relevant to the Balance Sheet of the company immediately after the issue of bonus shares. **(10 Marks)**

(10+10 = 20 Marks)

6. (a) Give necessary journal entries for the forfeiture and re-issue of shares:

(i) Gama Pvt. Ltd. forfeited 9,000 shares of ₹ 10 each fully called up, held by Varun for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Katen for ₹ 8 per share.

(ii) Mr. Y, who was the holder of 10,000 preference shares of ₹ 100 each, on which ₹ 70 per share has been called up, could not pay his dues on Allotment and First call each at ₹ 20 per share. The Directors forfeited the above shares and reissued 8,000 of such shares to Mr. Z at ₹ 60 per share paid-up as ₹ 70 per share.

(10 Marks)

(b) Given below are the extracts of Balance Sheet of Shell Chemicals Limited as on 31st March, 2024:

Particulars	Amount in ₹
9% Redeemable Preference Share Capital	10,00,000
Calls in arears (Redeemable Preference Shares)	20,000
General Reserve	7,00,000
Securities Premium	80,000

It is provided that:

- Preference Shares are of 100 each fully-called, due for immediate redemption.
- Calls-in-arrears are on account of final call on 1000 Preference shares held by four members whose whereabouts are not known.
- Balance of General Reserve to be fully utilised for the purposes of redemption and the shortfall to be made good by issue of equity shares of ₹ 10 each at par.
- The redemption of preference shares was duly carried out.

You are required to pass the necessary journal entries to give effect to the above redemption. **(5 Marks)**

(c) Write short notes on:

(i) Adjusted Selling Price method of determining cost of stock.

(ii) Principal methods of ascertainment of cost of inventory.

Or

Classify the following expenditures as capital or revenue expenditure:

(i) Amount spent on making a few more exists in a Cinema Hall to comply with Government orders.

(ii) Travelling expenses of the directors for trips abroad for purchase of capital assets.

(iii) Amount spent to reduce working expenses.

(iv) Amount paid for removal of stock to a new site.

(v) Cost of repairs on second-hand car purchased to bring it into working condition. **(5 Marks)**

(10 + 5 + 5 = 20 Marks)

Mock Test Paper - Series I: December, 2024

Date of Paper: 20th December, 2024

Time of Paper: 10.30 A.M. to 1.30 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

*Question No. **1** is compulsory.*

*Answer any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

(Time allowed: 3 Hours) **(100 Marks)**

1. (a) State with reasons whether the following statements are True or False:

   (i) A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a contingent liability.

   (ii) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.

   (iii) Stock at the end, if appears in the trial balance, is taken only to the Balance Sheet.

   (iv) Re-issue of forfeited shares is allotment of shares but not a sale.

   (v) Both revenue and capital nature transactions are recorded in the Receipts and Payments Account.

   (vi) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members. **(6 Statements x 2 Marks = 12 Marks)**

   (b) Distinguish between Money Measurement concept and Matching concept. **(4 Marks)**

   (c) The following are the details of the spare parts of a Chemical Mill:

1-1-2024	Opening Inventory	Nil
1-1-2024	Purchases	100 units @ ₹ 300 per unit
15-1-2024	Issued for consumption	50 units
1-2-2024	Purchases	200 units @ ₹ 400 per unit
15-2-2024	Issued for consumption	100 units
20-2-2024	Issued for consumption	100 units

   Find out the value of Inventory as on 31.3.2024, if the company follows Weighted Average Method. **(4 Marks)**

(12+4+4 =20 Marks)

2. (a) Before preparation of the trial balance, the following errors were found in the books of Saraswat & Sons. Give the necessary entries to correct them.

(i) Furniture purchased for office use amounting to ₹ 20,000 has been entered in the purchase day book.

(ii) An amount of ₹ 3,000 due from Satyam, which had been written off as bad debts in the previous year, recovered in the current year, and had been posted to the personal Account of Satyam.

(iii) Minor Repairs made to the building amounting to ₹ 18,500 were debited to the Building Account

(iv) Goods purchased from Ram Singh amounting to ₹ 18,000 have remained unrecorded so far.

(v) College fees of proprietor's son, ₹ 15,000 debited to the Audit fees Account.

(vi) Receipt of ₹ 4,500 from Kanika credited to the Anita.

(vii) Goods amounting to ₹ 8,900 had been returned by a customer and were taken into inventory, but no entry was made in the books.

(viii) ₹ 7,500 paid for wages to workmen for making office furniture had been charged to wages account.

(ix) Salary paid to a clerk ₹ 18,000 has been debited to his personal account.

(x) A purchase of goods from Raghav amounting to ₹ 20,000 has been wrongly entered through the sales book. **(10 Marks)**

(b) S Chand & Associates purchased a machine for ₹ 3,00,000 on 1.1.2021 Another machine costing ₹4,50,000 was purchased on 1.7.2022. On 31.12.2023 the machine purchased on 1.1.2021 was sold for ₹1,50,000. The company provides depreciation at 15% on Written Down Value Method. The company closes its accounts on 31st December every year. Prepare – (i) Machinery Account, (ii) Machinery Disposal Account and (iii) Provision for Depreciation Account. **(10 Marks)**

(10 +10 = 20 Marks)

3. (a) P, Q, R and S had been carrying on business in partnership sharing profits & losses in the ratio of 4:3:2:1. They decided to dissolve the partnership on the basis of following Balance Sheet as on 30th April, 2024:

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital Accounts			Land & building	2,46,000
P	2,16,000		Furniture & fixtures	65,000
Q	1,44,000	3,60,000	Stock	1,00,000
			Debtors	72,500

		Cash in hand	15,500
Sundry creditors	36,000	Capital overdrawn:	
Mortgage loan	1,10,000	R 1,000	
		S 6,000	7,000
	5,06,000		5,06,000

(i) The assets were realized as under:

	₹
Land & building	2,30,000
Furniture & fixtures	42,000
Stock	72,000
Debtors	65,000

(ii) Expenses of dissolution amounted to ₹ 7,800.

(iii) Further creditors of ₹ 18,000 had to be met.

(iv) R became insolvent and nothing was realized from his private estate.

Applying the principles laid down in Garner Vs. Murray, prepare the Realisation Account, Partners' Capital Accounts and Cash Account.

(12 Marks)

(b) Mr. Dilip furnishes the following trial balance and some other information:

Trial Balance as on 31st March, 2024

Particulars	₹	₹
Capital		19,50,000
Purchases and Sales	12,90,000	29,10,000
Opening Inventory	3,30,000	
Freights Inward	1,20,000	
Salaries	6,30,000	
Administration Expenses	4,50,000	
Furniture	10,50,000	
Trade receivables and Trade payables	6,30,000	5,70,000
Returns	60,000	36,000
Discount allowed and Received	57,000	27,000
Bad Debts	15,000	
Investments in Government Securities	3,00,000	
Cash in Hand and Cash at Bank	5,67,000	
Input CGST	30,000	
Input SGST	30,000	
Output CGST		24,000
Output SGST		24,000

Output IGST		18,000
	55,59,000	55,59,000

Additional information

(i) Inventory as on 31st march,2024 was ₹ 5,40,000.

(ii) Furniture is depreciated at 15% per annum.

Prepare Trading Account, Profit and Loss Account and Balance Sheet as on 31st March, 2024 of Mr. Dilip. **(8 Marks)**

(12+8 = 20 Marks)

4 (a) New State Society showed the following position on 31st March, 2023:

Balance Sheet as on 31st March, 2023

Liabilities	₹	Assets	₹
Capital fund	15,86,000	Electrical fittings	3,00,000
Expenses payable	14,000	Furniture	1,00,000
		Books	8,00,000
		Investment in securities	3,00,000
		Cash at bank	50,000
		Cash in hand	50,000
	16,00,000		16,00,000

The receipts and payment account for the year ended on 31st March, 2024 is given below:

		₹		₹
To Balance b/d			By Electric charges	14,400
Cash at bank	50,000		By Postage and stationary	10,000
Cash in hand	50,000	1,00,000	By Telephone charges	10,000
To Entrance fee		60,000	By Books purchased	1,20,000
To Membership subscription		4,00,000	By Outstanding expenses paid	14,000
To Sale proceeds of old papers		3,000	By Rent	1,76,000
To Hire of lecture hall		40,000	By Investment in securities	80,000
To Interest on securities		16,000	By Salaries	1,32,000
			By Balance c/d	
			Cash at bank	40,000
			Cash in hand	22,600
		6,19,000		6,19,000

You are required to prepare Income and Expenditure account for the year ended 31st March, 2024 after making the following adjustments:

Membership subscription included ₹ 20,000 received in advance.

Provide for outstanding rent ₹ 8,000 and salaries ₹ 6,000.

Books to be depreciated @ 10% per annum including additions. The additions to the books were made on 01.04.2023. Electrical fittings and furniture are also to be depreciated @ 10% per annum.

60% of the entrance fees is to be capitalized.

Interest on securities is to be calculated @ 15% p.a. including purchases made on 1.10.2023 for ₹ 80,000. **(8 Marks)**

(b) The following is the Balance Sheet of M/s. Krishna Bros as at 31st March, 2024, they share profit and losses equally:

Balance Sheet as at 31st March, 2024

Liabilities		**₹**	**Assets**		**₹**
Capital	Amit	24,600	Machinery		30,000
	Lalit	24,600	Furniture		16,800
	Sumit	27,000	Fixture		12,600
General Reserve		9,000	Cash		9,000
Trade payables		14,100	Inventories		5,700
			Trade receivables	27,000	
			Less: Provision for Doubtful debts	1,800	25,200
		99,300			99,300

Sumit died on 1st April, 2024 and the following agreement was to be put into effect.

(a) Assets were to be revalued: Machinery to ₹ 35,100; Furniture to ₹ 13,800; Inventory to ₹ 4,500.

(b) Goodwill was valued at ₹ 18,000 and was to be credited with his share, without using a Goodwill Account.

(c) ₹ 6,000 is to be paid to the executors of the dead partner on 5th April, 2024.

(d) After death of Sumit, Amit and Lalit shares the profit equally.

You are required to prepare:

(i) Journal Entry for Goodwill adjustment.

(ii) Revaluation Account, Capital Accounts of the partners and Balance Sheet after the death of Sumit. **(12 Marks)**

(8 +12 = 20 Marks)

5. (a) Ali draws a bill for ₹45,000 on Akbar on 15th April, 2024 for 3 months, which is returned by Akbar to Ali after accepting the same. Ali gets it discounted with the bank for ₹ 44,100 on 18th April, 2024 and remits one-third amount to Akbar. On the due date Ali fails to remit the amount due to Akbar, but he accepts bill of ₹ 52,500 for 3 months, which Akbar discounts for ₹51,300 and remits ₹ 8,475 to Ali.

Pass necessary Journal entries for the above transactions in the books of Ali. **(5 Marks)**

(b) Varun does not maintain proper books of accounts. However, he maintains a record of his bank transactions and also is able to give the following information from which you are requested to prepare trading and profit and loss account for the year 2024:

	1.1.2024	31.12.2024
	₹	₹
Stock	50,000	62,500
Fixed Assets	7,500	9,000

Details of his bank transactions were as follows:

	₹
Sale of fixed assets (book value ₹ 2,500)	1,750
Expenses paid	49,250
Purchase of fixed assets	5,000

No cash transactions took place during the year. Goods are sold at cost plus 25%. Cost of goods sold was ₹ 2,60,000. **(5 Marks)**

(c) Following is the extract of the Balance Sheet of Substance Ltd. as at 31st March, 2024

Authorised capital:	₹
45,000 12% Preference shares of ₹ 10 each	4,50,000
4,50,000 Equity shares of ₹ 10 each	45,00,000
	49,50,000
Issued and Subscribed capital:	
36,000 12% Preference shares of ₹ 10 each fully paid	3,60,000
4,05,000 Equity shares of ₹ 10 each, ₹ 8 paid up	32,40,000
Reserves and surplus:	
General Reserve	5,40,000
Capital Reserve (profit realized on sale of plant)	1,80,000
Securities premium	1,12,500
Profit and Loss Account	9,00,000

On 1st April, 2024, the Company has made final call @ ₹ 2 each on 4,05,000 equity shares. The call money was received by 20th April, 2024. Thereafter, the company decided to capitalize its reserves by way of

bonus at the rate of one share for every four shares held. Company decides to use Capital Reserve for bonus issue as it has been realized in cash.

Show necessary journal entries in the books of the company and prepare the extract of the Balance Sheet as on 30th April, 2024 after bonus issue.

(10 Marks)

(5+5+10=20 Marks)

6. (a) X Limited issued 2,00,000 Equity shares of, 10 each at a premium of 10%, payable ₹ 2 on application; ₹ 4 on allotment (including premium); ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. P who held 20,000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 2,000 shares and one another shareholder having 1,000 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears, Company also paid interest on calls in advance to Mr. P. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. **(15 Marks)**

(b) From the following particulars, prepare a Bank Reconciliation Statement on 31st March 2024·

Particulars	Amount (₹)
Bank balance as per Pass Book	75,00,000
Bills discounted dishonored not recorded in Cash Book	37,50,000
Cheque received entered twice in Cash Book	75,000
Bank charges entered twice in Cash Book	15,000
Insurance premium paid directly by Bank under-standing instruction	4,50,000
Cheque issued but not presented to Bank for payment	37,50,000
Cheque received, but not sent to Bank	84,00,000
Cheque deposited in Bank, but no entry passed in the Cash Book	37,50,000
Credit side of the Bank column cast short	15,000

OR

(c) Explain in brief objective and advantages of setting Accounting Standards. **(5 Marks)**

(15 + 5 = 20 Marks)

Mock Test Paper - Series II: January,2025

Date of Paper: 31st December, 2024

Time of Paper: 10.30 A.M. to 1.30 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

*Question No. **1** is compulsory.*

*Answer any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

(Time allowed: 3 Hours) **(100 Marks)**

1. (a) State with reasons whether the following statements are True or False:

   i. Depreciation cannot be provided in case of loss, in a financial year.

   ii. At the end of the accounting year, all the nominal accounts of the ledger book are balanced.

   iii. Any amount spent for replacement of worn out part of a machine is capital expenditure.

   iv. In case of admission of a new partner in a partnership firm, the profit/loss on revaluation account is transferred to all partners in their new profit sharing ratio.

   v. The debit notes issued are used to prepare Sales Return Book.

   vi. Debentures Suspense Account appears on the liability side of the Balance Sheet of a Company.

   (6 Statements x 2 Marks = 12 Marks)

   (b) Explain the objective of "Accounting Standards" in brief. **(4 Marks)**

   (c) One of your clients Mr. Govind asked you to finalize his account for the year ended 31st March,2024. As a basis for audit, Mr. Govind furnished you with the following statement:

	Dr.	Cr.
Govind 's Capital		14,004
Govind 's Drawings	5,076	
Leasehold Premises	6,750	
Sales		24,750
Due from customers		4,770
Purchases	11,331	
Purchase Return	2,376	

Loan from Bank		2,304
Trade Expense	6,300	
Trade Payable	4,752	
Bills Payable	900	
Salaries and Wages	5,400	
Cash at Bank	2,034	
Opening Inventory		2,376
Rent and Rates	4,167	
Sales Return		882
	49,086	49,086

The closing inventory was ₹ 5,166. Mr. Govind claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, if any. **(4 Marks)**

(12 + 4 + 4 = 20 Marks)

2. (a) Sunshine Ltd. keeps no stock records but a physical inventory of stock is made at the end of each quarter and the valuation is taken at cost. The company's year ends on 31st March, 2024 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2024 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2024 with the stock figure as on 31st December, 2023 and some other information is available to you:

(i) The cost of stock on 31st December, 2023 as shown by the inventory sheet was ₹ 80,000.

(ii) On 31st December, stock sheet showed the following discrepancies:

(a) A page total of ₹ 5,000 had been carried to summary sheet as ₹ 6,000.

(b) The total of a page had been undercast by ₹ 200.

(iii) Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2024 totalled ₹ 70,000. Out of this ₹ 3,000 related to goods received prior to 31st December, 2023. Invoices entered in April 2024 relating to goods received in March, 2024 totalled ₹ 4,000.

(iv) Sales invoiced to customers totalled ₹ 90,000 from January to March, 2024. Of this ₹ 5,000 related to goods dispatched before 31st December, 2023. Goods dispatched to customers before 31st March, 2024 but invoiced in April, 2024 totalled ₹ 4,000.

(v) During the final quarter, credit notes at invoiced value of ₹ 1,000 had been issued to customers in respect of goods returned during

that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2024. **(10 Marks)**

(b) Prepare a Bank Reconciliation statement for Ramesh Traders as on 31st March,2024.

The cash book of Ramesh Traders shows a debit balance of ₹ 8,24,400 at bank as on 31st March,2024, but you find that it does not agree with the balance as per Pass Book. After checking you find the following:

1. On 12th March, 2024 the payment side of the Cash Book was under cast by ₹ 24,000/-
2. A cheque of ₹ 1,70,000 issued on 20th March, 2024 was not taken in the bank column.
3. On 22nd March, 2024 the debit balance of ₹ 37,000 as on the previous day, was brought forwards as credit balance.
4. Out of the total cheques amounting to ₹ 84,000 issued in, the last week of March, 2024, cheques aggregating ₹ 57,000 were encashed in March, 2024.
5. Dividends of ₹ 70,000 collected by the Bank and Fire insurance premium of ₹ 40,000 paid by it were not recorded in the cash book.
6. One cheque issued to a creditor of ₹ 2,58,000 was recorded twice in the Cash book.
7. A debtor Mr. Sahid has deposited the Cheque for ₹ 64,000 into the bank directly in the month of March, 2024 without intimating to Ramesh Traders and the same cheque was dishonored by the bank due to insufficient funds in the month of March itself.
8. A cheque from customer for ₹ 10,000 was deposited in bank on 28th March,2024 but was dishonored and advice received from bank on 3rd April, 2024.
9. Bank paid credit card bill of ₹ 5,000 which is not recorded in cash book.
10. Bank wrongly credited cheque of ₹ 50,000 of other customer in our account.
11. Bank credited cheque of ₹ 4,000 in savings account of proprietor of Ramesh Traders instead of crediting cheque in current account of Ramesh Traders.
12. ₹ 1,000 discount received wrongly entered in bank column in cash book.

13. Bank debited charges ₹ 400 on 25th March for which no intimation received till 31st March **(10 Marks)**

(10 +10 = 20 Marks)

3. (a) Summary of Receipts and Payments of Natures Beauty Society for the year ended 31st March, 2024 are as follows:

Receipts	Amount	Payments	Amount
Subscription Received	5,00,000	Payment for Medicine Supply	3,00,000
Donation Raised for meeting revenue expenditure	1,50,000	Honorarium to Doctors	1,00,000
Interest on Investments @ 9% p.a.	90,000	Salaries	2,80,000
Charity Show Collection	1,25,000	Sundry Expenses	10,000
		Equipment Purchase	1,50,000
		Charity Show Expenses	15,000

Additional Information:

Particulars	01.04.2023	31.03.2024
Subscription due	15,000	22,000
Subscription received in advance	12,000	7,000
Stock of medicine	1,00,000	1,50,000
Amount due for medicine supply	90,000	1,30,000
Value of equipment	2,10,000	3,00,000
Value of building	5,00,000	4,80,000
Cash Balance	80,000	90,000
Opening Balance of Capital Fund	18,03,000	

You are required to prepare:

(i) Income and Expenditure Account for the year ended 31st March, 2024.

(ii) Balance Sheet as on 31st March, 2024. **(10 Marks)**

(b) A, B and C shared profits and losses in the ratio of 5:3:2. They took out a Joint Life Policy in 2020 for ₹ 50,000, a premium of ₹ 3,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows:

2020	Nil
2021	₹ 900
2022	₹ 2,000
2023	₹ 3,600

A retired on 15th April, 2024 and the policy was surrendered. You are required to prepare Joint Life Policy Account from 2020 to 2024 (assuming the Policy Account is maintained at surrendered value basis).

(5 Marks)

(c) Mr. Nikhil gives the following particulars in respect of business carried on by him:

Particulars	Amount (₹)
Capital Invested in business	9,00,000
Market rate of interest on investment	8%
Rate of risk return on capital invested in business	3%
Remuneration per annum from alternative employment of proprietor if he was not engaged in business	36,000

The business earned profits of ₹ 2,40,000, ₹ 2,16,000 and ₹ 3,00,000 in the years 2020, 2021 and 2023 respectively but made a loss of ₹ 36,000 in the year 2022.

Compute the value of Goodwill on the basis of 6 years' purchase of super profits of the business, calculated on the basis of average profit of last four years. **(5 Marks)**

(10 + 5 + 5 = 20 Marks)

4. (a) The Balance Sheet of a Partnership Firm M/s Dutch and Associates consisted of two partners P and Q who were sharing Profits and Losses in the ratio of 5 : 3 respectively. The position as on 31st March,2024 was as follows:

Liabilities	₹	Assets	₹
P's Capital	4,10,000	Land & Building	3,80,000
Q's Capital	3,30,000	Plant & Machinery	1,70,000
Profit & Loss A/c	1,12,000	Furniture	1,09,480
Trade Creditors	54,800	Stock	1,45,260
		Sundry debtors	60,000
		Cash at Bank	42,060
	9,06,800		9,06,800

On the above date, R was admitted as a partner on the following terms:

(a) R should get 1/5th of share of profits.

(b) R brought ₹ 2,40,000 as his capital and ₹ 32,000 for his share of Goodwill.

(c) Plant and Machinery would be depreciated by 15% and Land & Buildings would be appreciated by 40%.

(d) A provision for doubtful debts to be created at 5% on sundry debtors.

(e) An unrecorded liability of ₹ 6,000 for repairs to Buildings would be recorded in the books of accounts.

(f) Immediately after R's admission, Goodwill brought by him would be adjusted among old partners. Thereafter, the capital accounts of old partners would be adjusted through the current accounts of partners in such a manner that the capital accounts of all the partners would be in their profit sharing ratio.

Prepare revaluation A/c, capital Accounts of the partners, new profit sharing ratio and Balance Sheet of the firm after the admission of R.

(10 Marks)

(b) Sameer Distributors are carrying on the retail business of electrical goods. They keep their books of account under single entry system. The Balance Sheet as on 31st March, 2023 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c	18,15,000	Motor Vehicle	3,30,000
Trade Creditors	2,25,600	Furniture	2,20,500
Salary payable	27,000	Stock in trade	5,12,400
		Trade Debtors	4,36,200
		6% Investments	1,80,000
		Cash in hand & at Bank	3,88,500
	20,67,600		20,67,600

The summary of Cash and Bank Book for the year ended 31st March, 2024 was given as below:

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand & at Bank on 1st April,2023	3,88,500	Cash Purchases	28,45,200
Cash Sales	30,67,200	Payment to Trade Creditors	2,26,35,000
Receipts from Trade Debtors	2,56,56,000	Salaries	12,38,400
Interest on investments	10,800	Rent & taxes	7,54,800
		Sundry Expenses	4,15,200
		Drawings	7,20,000
		Cash in hand & at Bank on 31st March,2024	5,13,900
	2,91,22,500		2,91,22,500

Additional Information:

(i) Gross Profit ratio of 12.5% on Sales is maintained throughout the year.

(ii) During the year, discount allowed to Trade debtors was for ₹ 1,87,500 and discount received from Trade Creditors amounted to ₹ 1,05,000.

(iii) As on 31st March,2024. The closing balances to Trade Debtors and Trade Creditors were ₹6,61,500 and ₹ 3,16,800 respectively.

(iv) On 31st March,2024 an amount of ₹ 44,400 was outstanding towards Salary.

(v) Depreciation @ 10% p.a. to be charged on Motor Vehicle and Furniture.

You are required to prepare Trading and Profit & Loss account for the year ended 31st March,2024 and Balance Sheet on at that date.

(10 Marks)

(10 + 10 = 20 Marks)

5. (a) M/s. Satya Paul steels were unable to agree the Trial Balance as on 31st March, 2024 and have raised a suspense account for the difference. Next year the following errors were discovered:

(i) Repairs made during the year were wrongly debited to the building A/c - ₹ 37,500.

(ii) The addition of the 'Freight' column in the purchase journal was short by ₹ 4,500.

(iii) Goods to the value of ₹ 3,250 returned by a customer Parth., had been posted to the debit of Parth and also to sales returns.

(iv) Sundry items of furniture sold for ₹ 50,000 had been entered in the sales book, the total of which had been posted to sales account.

(v) A bill of exchange (received from Comfort & Co.) for ₹ 60,000 had been returned by the bank as. dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes.

(5 Marks)

(b) Mr. Sanjay runs a factory which produces tyres. The following details were obtained about his manufacturing expenses for the year ended 31st March 2024:

	Amount (₹)
Opening Work-in – Progress	18,75,000
Closing Work–in Progress	21,45,000
Opening Inventory of Raw material	17,55,000
Closing Inventory of Raw material	14,10,000
Purchases	56,22,000
Purchase Returns	2,85,000

Carriage Inward	8,10,000
Direct Wages	11,91,000
Power & Electricity	5,28,000
Repairs and Maintenance	7,95,000
Depreciation on Factory Shed	4,32,000
Depreciation on Plant & Machinery	4,86,000
Sale of scrap	1,08,000

You are required to prepare Manufacturing Account for the year ended 31st March, 2024. **(5 Marks)**

(c) The books of Rishab Ltd. showed the following balance on 31st December, 2024:

60,000 Equity Shares of ₹ 10 each fully paid; 36,000 12% Redeemable Preference Shares of ₹ 10 each fully paid; 4,000 10% Redeemable Preference Shares of ₹ 10 each, ₹ 8 paid up (all shares issued on 1st April, 2024).

Undistributed Reserve and Surplus stood as: Profit and Loss Account ₹ 1,60,000; General Reserve ₹ 2,40,000; Securities Premium Account ₹ 30,000 and Capital Reserve ₹ 42,000.

For redemption, 6,000 equity shares of ₹10 each are issued at 10% premium. At the same time,12% Preference shares are redeemed on 1st January, 2024 at a premium of ₹2 per share. The whereabouts of the holders of 200 shares of ₹10 each fully paid are not known.

A bonus issue of equity share was made at par, two shares being issued for every five held on that date out of the Capital Redemption Reserve Account. However, equity shares, issued for redemption are not eligible for bonus.

Show the necessary Journal Entries to record the transactions. (Ignore date column) **(10 Marks)**

(5 + 5 + 10 = 20 Marks)

6. (a) Samuel Limited issued a prospectus inviting applications for 1,20,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows:

On Application	-	₹ 3 per share
On Allotment	-	₹ 5 per share (including premium)
On First and Final Call	-	₹ 4 per share

Applications were received for 3,60,000 equity shares. Applications for 80,000 shares were rejected and the money refunded. Shares allotted to remaining applications as follows:

Category	No. of shares Applied	No. of shares Allotted
I	1,60,000	80,000
II	1,20,000	40,000

Excess money received with applications was adjusted towards sums due on allotment and the balance amount returned to the applicants. All calls were made duly received except the final call by a shareholder belonging to Category I who has applied for 680 shares. His shares were forfeited. The forfeited shares were reissued at ₹ 13 per share fully paid-up.

Pass necessary journal entries for the above transactions in the books of Samuel Ltd. Open call in arrears account whenever required.

(15 Marks)

(b) Write short notes on any two of the following:

(i) Bill of exchange and the various parties to it.

(ii) Retirement of bills of exchange.

OR

What are the advantages of Subsidiary Books? **(5 Marks)**

(15 + 5 = 20 Marks)

Mock Test Paper - Series I: April, 2025

Date of Paper: 22nd April 2025

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

*Question No. **1** is compulsory.*

*Answer any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

(Time allowed: 3 Hours) **(100 Marks)**

1. (a) State with reasons whether the following statements are True or False:

   i. Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt.

   ii. Wages paid for erection of machinery are debited to Profit and Loss Account.

   iii. The financial statements must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.

   iv. The business of partnership must be carried on by all the partners.

   v. The debit notes issued are used to prepare Sales Return Book.

   vi. When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with Calls in arrear of shares forfeited. **(6 Statements x 2 Marks = 12 Marks)**

   (b) What services can a Chartered Accountant provide to the society? **(4 Marks)**

   (c) The following are the details of the spare parts of a Paper Factory:

1-1-2025	Opening Inventory	Nil
1-1-2025	Purchases	10 units @ ₹ 300 per unit
15-1-2025	Issued for consumption	5 units
1-2-2025	Purchases Freight incurred	20 units @ ₹ 400 per unit 500

15-2-2025	Issued for consumption	10 units
20-2-2025	Issued for consumption	10 units

Find out the value of Inventory as on 31.3.2025, if the company follows Weighted Average Method. **(4 Marks)**

(12 + 4 + 4 = 20 Marks)

2. (a) On 1st April,2024, Supervisor & Co. which depreciates its machinery @10% p.a. on diminishing balance method, had ₹ 29,16,000 to the debit of Machinery Account. On 1st October, 2024, part of machinery purchased on 1st April, 2022 for ₹ 240,000 was sold for ₹ 1,35,000.

Also, a new machinery at a cost of ₹ 4,50,000 was purchased on 1st October, 2024 and installed on the same date and installation charges being ₹ 24,000.

The company changed the method of depreciation from diminishing balance method to straight line method with effect from 1st April,2024. The rate of depreciation remains the same.

Show the Machinery Account for the year 2024-25. **(10 Marks)**

(b) On 30th September, 2024, the bank account of Sameer, according to the bank column of the Cash- Book, was overdrawn to the extent of ₹ 32,496. On the same date the bank statement showed a credit balance of ₹ 5,39,024 in favour of Sameer.

An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for ₹ 1,05,120 deposited on 29th September, 2024 was credited by the bank only on 3rd October, 2024
2. A payment by cheque for ₹ 1,280 has been entered twice in the Cash Book.
3. On 29th September, 2024, the bank credited an amount of ₹ 93,920 received from a customer of Sameer, but the advice was not received by Sameer until 1st October, 2024.
4. Bank charges amounting to ₹ 4,640 had not been entered in the Cash Book.
5. On 6th September, 2024, the bank credited ₹ 1,60,0000 to Sameer in error.
6. A bill of exchange for ₹ 11,20,000 was discounted by Sameer with his bank. This bill was dishonoured on 28th September, 2024 but no entry had been made in the books of Sameer.

7. Cheques issued upto 30th September, 2024 but not presented for payment upto that date totalled ₹ 1,06,080.

You are required to prepare a bank reconciliation statement as on that date.

(10 Marks)

(10 +10 = 20 Marks)

3. (a) On 31st March, 2025 the Trial Balance of Mr. Black was as follows:

Particulars	Debit (₹)	Particulars	Credit (₹)
Stock on 1st April,2024		Sundry Creditors	1,50,000
Raw Materials	2,10,000	Bills Payables	75,000
Work-in-Progress	95,000	Sale of scrap	25,000
Finished Goods	1,55,000	Commission received	4,500
Sundry Debtors	2,40,000	Provision for doubtful debts	16,500
Carriages on Purchase	15,000	Capital account	10,00,000
Bills Receivables	1,50,000	Sales	16,72,000
Wages	1,30,000	Bank overdraft	85,000
Salaries	1,00,000		
Telephone and Postage	10,000		
Repairs to office furniture	3,500		
Cash at Bank	1,70,000		
Office Furniture	1,00,000		
Repairs to Plant	11,000		
Purchases	8,50,000		
Plant and Machinery	7,00,000		
Rent	60,000		
Lighting	13,500		
General Expenses	15,000		
	30,28,000		30,28,000

The following additional information is available:

Stocks on 31st March,2025 were:

Raw material	₹ 1,62,000
Finished goods	₹ 1,81,000
Work-in-progress	₹ 78,000

Salaries and wages unpaid for the year ended 31st March,2025 were ₹ 9,000 and ₹ 20,000 respectively. Rent is to be charged as to 3/4 to factory and 1/4 to office. Lighting is to be charged as to 2/3 to factory and 1/3 to office.

Prepare the Manufacturing Account, Trading Account and Profit and Loss Account for the year ended on 31st March,2025. **(10 Marks)**

(b) X, Y and Z wee partners sharing profit & losses in the ratio of 3:2:1. They decided to dissolve the business as on 31st March,2025 when their Balance Sheet was as follows:

Liabilities		**Amount (₹)**	**Assets**	**Amount (₹)**
Capital A/c:			Land & Building	19,40,000
X	14,20,000		Machinery	7,52,000
Y	8,80,000		Furniture	4,20,000
Z	5,00,000	28,00,000	Stock	2,23,200
General Reserve		6,00,000	Trade Debtors	6,24,000
Employees Provident Fund		2,40,000	Cash & Bank	1,76,800
Trade Creditors		4,96,000		
		41,36,000		41,36,000

The following information is given to you:

(i) There was an unrecorded investment which was sold for ₹ 1,20,000.

(ii) One of the creditors agreed to take over some items of furniture of Book value ₹ 1,00,000 at ₹ 96,000. The rest of the creditors were paid at a discount of 5%.

(iii) Out of the trade debtors ₹ 36,000 proved bad, remaining were fully realized.

(iv) The other assets were realised as under:

Land & Building	₹ 21,00,000
Machinery	₹ 6,80,000
Furniture	Remaining taken over by X at ₹ 3,00,000
Stock	₹ 2,40,000

(v) Expenses of dissolution amounted to ₹ 74,800.

(vi) There was an outstanding bill for repairs which had to be paid for ₹ 14,000.

You are required to prepare:

(1) Realisation A/c

(2) Cash & Bank A/c

(3) Partner's Capital A/c in the books of partnership firm. **(10 Marks)**

(10 + 10 = 20 Marks)

4. (a) Alpha and Beta are partners, sharing profits and losses in the proportion of 3/4th and 1/4th As at 31st March, 2025, following is the Balance Sheet of Alpha and Beta.

Balance Sheet as at 31st March, 2025

Liabilities		**(₹)**	**Assets**	**(₹)**
Capital accounts			Land and building	7,50,000
Alpha	8,55,000		Office furniture	30,000
Beta	4,65,000	13,20,000	Sundry Debtors	4,80,000
			Stock	6,00,000
General reserve		1,80,000	Bills receivable	90,000
Creditors		11,25,000	Cash in hand	3,45,000
			Cash at bank	3,30,000
		26,25,000		26,25,000

They agreed to take Gama into Partnership on 1st April, 2025 on the following terms:

(i) Goodwill is to be valued at ₹ 6,00,000. Gama is unable to bring cash for his share of goodwill. So, it was decided that due credit for goodwill be given to Alpha and Beta for their sacrifice in favour of Gama through Gama's current account.

(ii) Gama pays ₹ 4,20,000 as his capital for 1/5th share in the future profits.

(iii) Stock and Furniture to be reduced by 10%.

(iv) A provision @ 5% for doubtful debts to be created on debtors.

(v) Land and building to be appreciated by 20%.

(vi) Capital Accounts of the partners be readjusted on the basis of their profit sharing arrangement and any excess or deficiency is to be transferred to their Current Accounts.

Prepare Revaluation Account and Partners Capital Accounts. **(10 Marks)**

(b) Chetan carried on business as retail merchant. He has not maintained regular account books. However, he always maintained ₹ 40,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of 25% on sales.

Following information is given to you:

Assets and Liabilities	As on 1.4.2024	As on 31.3.2025
Cash in Hand	40,000	40,000
Sundry Creditors	1,60,000	360,000
Cash at Bank	2,00,000 (Cr.)	3,20,000
Sundry Debtors	4,00,000	14,00,000
Stock in Trade	11,20,000	?

Analysis of his bank pass book reveals the following information:

(a) Payment to creditors ₹ 28,00,000

(b) Payment for business expenses ₹ 4,80,000

(c) Receipts from debtors ₹ 30,00,000

(d) Loan from Gaurav ₹ 4,00,000 taken on 1.10.2024 at 10% per annum

(e) Cash deposited in the bank ₹ 4,00,000

He informs you that he paid creditors for goods ₹ 80,000 in cash and salaries ₹ 160,000 in cash. He has drawn ₹ 3,20,000 in cash for personal expenses. During the year Chetan had not introduced any additional capital. Surplus cash if any, to be taken as cash sales. All the purchases were made on credit basis.

Prepare:

(i) Trading and Profit and Loss Account for the year ended 31.3.2025.

(ii) Balance Sheet as at 31st March, 2025. **(10 Marks)**

(10 + 10 = 20 Marks)

5. (a) M/s. Veeba Garments wires were unable to agree the Trial Balance as on 31st March, 2025 and have raised a suspense account for the difference. Next year the following errors were discovered:

(i) Additions to machinery made during the year were wrongly debited to repairs A/c - ₹ 1,12,500.

(ii) The addition of the 'Freight' column in the purchase journal was excess by ₹ 13,500.

(iii) Goods to the value of ₹ 9450 returned to Ray & Co., had been posted to the credit of Ray & Co. and also to purchase returns.

(iv) Sundry items of furniture sold for ₹ 2,70,000 had been entered in the sales book, the total of which had been posted to sales account.

(v) A bill of exchange (received from Mayur & Co.) for ₹ 180,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes. **(5 Marks)**

(b) Following is the Receipts and Payments Account of M/s Rainbow Club for the year ended 31st March, 2025:

Receipts	**₹**	**Payments**	**₹**
To Cash in hand on 1.04.2024	13,500	By Payments for cosmetics	22,500
To Subscription	67,500	By Honorarium to Beautician	12,000
To Donation	6,750	By Salaries	27,000
To Int. on Investments at 6% for the year	4,500	By Sundry expenses	1,500
To Fashion show proceeds	75,750	By Rent for building	18,000
		By Fashion show expenses	51,000
		By Cash in hand on 31.03.2025	36,000
	1,68,000		1,68,000

Additional information:

Sr. No.	Particulars	On 1st April, 2024 (₹)	On 31st Mar, 2025 (₹)
(i)	Subscription due	750	3,000
(ii)	Subscription received in advance	2,250	1,500
(iii)	Stock of cosmetics	15,000	10,500
(iv)	Amount due to cosmetics suppliers	12,000	16,500

You are required to prepare Income and Expenditure Account for the year ended 31st March, 2025. **(5 Marks)**

(c) Following notes pertain to the Balance Sheet of Manoj Ltd. as at 31st March, 2025

	₹
Authorised capital:	
30,000 12% Preference shares of ₹ 10 each	3,00,000
3,00,000 Equity shares of ₹ 10 each	30,00,000
	33,00,000
Issued and Subscribed capital:	
24,000 12% Preference shares of ₹ 10 each fully paid	2,40,000
2,70,000 Equity shares of ₹ 10 each, ₹ 8 paid up	21,60,000
Reserves and surplus:	
General Reserve	3,60,000
Capital Redemption Reserve	1,20,000
Securities premium (collected in cash)	75,000
Profit and Loss Account	6,00,000

On 1st April, 2025, the Company has made final call @ ₹ 2 each on 2,70,000 equity shares. The call money was received by 20th April, 2025. Thereafter, the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held.

Show necessary journal entries in the books of the company and prepare the extract of the balance sheet as on 30th April, 2025 after bonus issue. **(10 Marks)**

(5+5+10 = 20 Marks)

6. (a) Amit Limited issued 50,000 Equity shares of ₹100 each at a premium of 20%, payable ₹ 20 on application; ₹ 50 on allotment (including premium); ₹ 20 on first call and balance on the final call. All the shares were fully subscribed. Mr. M who held 5000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 500 shares and one another shareholder having 250 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears, Company also paid interest on calls in advance to Mr. M. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. **(15 Marks)**

(b) Write short notes on:

(i) Adjusted Selling Price method of determining cost of stock.

(ii) Principal methods of ascertainment of cost of inventory.

OR

Explain, in brief, the basic considerations for distinguishing between capital and revenue expenditures? **(5 Marks)**

(15 + 5 = 20 Marks)

Mock Test Paper - Series II: May 2025

Date of Paper: 5th May 2025

Time of Paper: 2 PM to 5 PM

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

(Time allowed: 3 Hours) **(100 Marks)**

1. (a) State with reasons, whether the following statements are true or false:

    1. Warehouse rent paid for storage of finished inventory should be included in the cost of finished inventory.

    2. Cash book is a subsidiary book as well as a principal book.

    3. Subscriptions received for the current year shall be shown in the balance sheet as a current asset.

    4. Company A is incurring huge losses, the Board of Directors are of the opinion that incase of losses, there is no need to pay interest on debenture holders.

    5. On death of a partner, the firm gets surrender value of the joint life policy.

    6. The concept of conservatism when applied to the Balance Sheet results in understatement of assets. **(6 statements x 2 Marks = 12 Marks)**

    (b) Explain the objective of "Accounting Standards" in brief? **(4 Marks)**

    (c) The balance of Machinery Account of a firm on 1st April, 2024 was ₹ 42,81,000. Out of this, a plant having book value of ₹ 3,24,000 as on 1st April, 2024 was sold on 1st July, 2024 for ₹ 1,23,000. On the same date a new plant was purchased for ₹ 6,87,000 and ₹ 33,000 was spent on its erection. On 1st November, 2024 a new machine was purchased for ₹ 8,40,000. Depreciation is written off @ 15%

per annum under the diminishing balance method. Calculate the depreciation for the year ended 31st March, 2025. **(4 Marks)**

(12 + 4 + 4 = 20 Marks)

2. (a) Mr. Kunal was unable to agree the Trial Balance last year and wrote off the difference to the Profit and Loss Account of that year. Next year, he appointed a Chartered Accountant who examined the old books and found the following mistakes:

(i) Purchase of a scooter was debited to conveyance account ₹ 1,00,000. Mr. Kunal charges 10% depreciation on scooter.

(ii) Purchase account was overcast by ₹ 2,00,000.

(iii) A credit purchase of goods from Mr. Sandeep for ₹ 20,000 was entered as sale.

(iv) Receipt of cash from Mr. Parag was posted to the account of Mr. Prem ₹ 10,000.

(v) Receipt of cash amounting to ₹ 5,000 from Mr. C was posted to the debit of his account.

(vi) ₹ 5,000 due by Mr. Ramesh was omitted to be taken to the Trial Balance.

(vii) Sale of goods to Mr. Ram for ₹ 20,000 was omitted to be recorded.

(viii) Amount of ₹ 53,950 of purchase was wrongly posted as ₹ 55,930 in purchase account.

Suggest the necessary rectification entries. **(10 Marks)**

(b) From the following information, ascertain the Cash Book balance of Mr. Patil as on 31st March ,2025:

(i) Debit balance as per Bank Pass Book ₹ 5,250.

(ii) A cheque amounting to ₹ 3,750 deposited on 15th March, but the same was returned by the Bank on 24th March for which no entry was passed in the Cash Book.

(iii) During March 2025, two bills amounting to ₹ 3,750 and ₹ 750 were collected by the Bank but no entry was made in the Cash Book.

(iv) A bill for ₹ 7,500 due from Mr. Sahil previously discounted for ₹ 7,200 was dishonored. The Bank debited the account, but no entry was passed in the Cash Book.

(v) A Cheque for ₹ 2,250 was debited twice in the cash book. **(5 Marks)**

(c) From the following information, calculate the historical cost of closing inventories using adjusted selling price method:

Purchase during the year	-	₹ 7,50,000
Sales during the year	-	₹ 11,25,000
Opening Inventory	-	Nil
Closing Inventory at selling price	-	₹ 1,50,000 **(5 Marks)**

(10+5+5 = 20 Marks)

3. (a) The following are the balances as at 31st March, 2025 extracted from the books of Mr. Govind.

	₹		₹
Plant and Machinery	1,17,300	Bad debts recovered	2,700
Furniture and Fittings	61,500	Salaries	1,35,300
Bank Overdraft	4,80,000	Salaries payable	14,700
Capital Account	3,90,000	Prepaid rent	1,800
Drawings	48,000	Rent	25,800
Purchases	9,60,000	Carriage inward	6,750
Opening Stock	1,93,500	Carriage outward	8,100
Wages	72,990	Sales	12,41,800
Provision for doubtful debts	19,200	Advertisement Expenses	20,100
Provision for Discount on		Printing and Stationery	7,500
Debtors	8,250	Cash in hand	8,700
Sundry Debtors	7,20,000	Cash at bank	18,750
Sundry Creditors	2,85,000	Office Expenses	60,960
Bad debts	6,600	Interest paid on loan	18,000

Additional Information:

1. Purchases include sales return of ₹ 15,450 and sales include purchases return of ₹ 10,350.
2. Goods withdrawn by Mr. Govind for own consumption ₹ 21,000 included in purchases.

3. Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.

4. Free samples distributed for publicity costing ₹ 4,950.

5. Wages paid in the month of April for installation of plant and machinery amounting to ₹ 2,700 were included in wages account.

6. Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2025 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

7. Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2025 and a Balance Sheet as on that date. **(12 Marks)**

(b) It was provided under the Partnership Agreement between Ram, Laxman and Bharat that in the event of death of a partner, the survivors would have to purchase his share in the firm on the following terms:

(i) Goodwill is to be valued at 3 year's purchase of simple average profits of last 4 completed years.

(ii) Outstanding amount due to the representative of a deceased partner shall be paid in 4 equal half yearly instalments commencing 6 months after the death plus interest @ 5% p.a. on the outstanding dues.

They shared profit and loss in the ratio 9:4:3.

Ram died on 30th September 2024 and Partner's Capital account balances on that date were: Ram - ₹ 43,200, Laxman - ₹ 25,600 and Bharat - ₹ 14,400. Ram's current account on 30th September, 2024 after crediting his share of profit to that date, however showed a debit balance of ₹ 3,840.

Firm profits were for the year ended

- 31st March, 2021 ₹ 1,40,800
- 31st March, 2022 ₹ 1,12,640
- 31st March, 2023 ₹ 96,320
- 31st March, 2024· ₹ 34,816

Show Ram's Capital Account and Executor's Account (of Ram) till full payment is made to Ram's Executor. **(8 Marks)**

(12 + 8 = 20 Marks)

4. (a) Thomson & Associates. is a partnership firm with partners Tim, Sam and Ben, sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2025 is as under:

Liabilities		₹	**Assets**	₹
Capitals:			Land	90,000
Tim	7,20,000		Buildings	18,00,000
Sam	1,80,000		Machinery	11,70,000
Ben	2,70,000	11,70,000	Furniture	3,87,000
Reserves			Investments	1,08,000
(un-appropriated profit)		1,80,000	Inventories	11,70,000
Long Term Debt		27,00,000	Trade receivables	12,51,000
Bank Overdraft		3,96,000		
Trade payables		15,30,000		
		59,76,000		59,76,000

It was mutually agreed that Sam will retire from partnership and in his place Dan will be admitted as a partner with effect from 1st April, 2025. For this purpose, the following adjustments are to be made:

(a) Goodwill is to be valued at ₹9 lakh but the same will not appear as an asset in the books of the reconstituted firm.

(b) Buildings and Machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at ₹1,35,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.

(c) In the reconstituted firm, the total capital will be ₹ 18 lakhs which will be contributed by Tim, Ben and Dan in their new profit sharing ratio, which is 2:2:1.

(i) The surplus funds, if any, will be used for repaying bank overdraft.

(ii) The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare

(a) Revaluation account;

(b) Partners' capital accounts; and

(c) Bank account; **(12 Marks)**

(b) Summary of Receipts and Payments of ABC Society for the year ended 31st March, 2025 are as follows:

Receipts	Amount	Payments	Amount
Subscription Received	12,50,000	Payment for Medicine Supply	7,50,000
Donation Raised for meeting revenue expenditure	3,75,000	Honorarium to Doctors Salaries Sundry Expenses	2,50,000 7,00,000 25,000
Interest on Investments @ 9% p.a.	225,000	Equipment Purchase Charity Show Expenses	3,75,000 37,500
Charity Show Collection	3,12,500		

Additional Information:

Particulars	01.04.2024	31.03.2025
Subscription due	37,500	55,000
Subscription received in advance	30,000	17,500
Stock of medicine	2,50,000	3,75,000
Amount due for medicine supply	2,25,000	3,25,000
Value of equipment	5,25,000	7,50,000
Value of building	12,50,000	12,00,000
Cash Balance	2,00,000	2,25,000
Opening Balance of Capital Fund	45,07,500	

You are required to prepare Income and Expenditure Account and Balance Sheet for the year ended 31st March, 2025. **(8 Marks)**

(12 + 8 = 20 Marks)

5. (a) From the following information prepare the Purchase Book of M/s Pawan & Company:

(i) Purchased from Red & Company on credit:

30 pairs of black shoes.@ ₹ 800 per pair.

15 pairs of brown shoes @ 900 per pair

Less: Trade Discount @ 10%

(ii) Purchased Computer from M/s. Rahul. Enterprises on credit for ₹ 1,20,000.

(iii) Purchased from Blue & Company on credit:

15 pairs of black shoes @ ₹ 700 per pair

45 pairs of brown shoes@ ₹ 100 per pair

Less: Trade Discount @ 15%. **(5 Marks)**

(b) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii):

(i) Sam, Sarthak, Sara shared profits and losses in the ratio of 5:3:2. They took out a Joint Life Policy in 2021 for ₹ 2,00,000, a premium of ₹ 12,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows:

2021	Nil
2022	₹ 3,600
2023	₹ 8,000
2024	₹ 14,400

Sam retired on 15th April, 2025 and the policy was surrendered. You are required to prepare Joint Life Policy Account from 2021 to 2025 (assuming the Policy Account is maintained at surrendered value basis).

OR

(ii) PQR Limited's Profit and Loss account for the year ended 31st March, 2025 includes the following information:

(1)	Liability for Income Tax	₹ 40,000
(2)	Retained Profit	₹ 2,00,000
(3)	Proposed Dividend	₹ 20,000
(4)	Increase in Provision for Doubtful Debts	₹ 25,000
(5)	Bad Debts written off	₹ 20,000

State which one of the items above is - (a) transfer to provisions; (b) transfer to reserves; and (c) neither related to provisions nor reserves. **(5 Marks)**

(c) Lol Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) provides the following information as at 31st March, 2025:

Particulars		₹
Shareholder's Funds		
(a)	Share Capital	
	Authorized Share Capital:	
	90,000 equity shares of ₹ 10 each fully paid	9,00,000
	Issued and subscribed share capital:	
	60,000 equity shares of ₹ 10 each fully paid	6,00,000
(b)	Reserves and Surplus	
	Profit & Loss Account	3,24,000
	Debenture Redemption Reserve	36,000
Non-current liabilities		
(a)	Long term borrowings	
	12% Debentures	3,60,000
Current Liabilities		
(a)	Trade payables	3,45,000
Non-current assets		
(a)	Property, Plant and Equipment (Freehold property)	3,45,000
(b)	Non-current Investment: DRR Investment	54,000
Current assets		
(a)	Inventories	4,05,000
(b)	Trade receivables	2,25,000
(c)	Cash and bank balances:	
	Cash at bank	5,46,000
	Cash in hand	90,000

At the Annual General Meeting on 1.4.2025, it was resolved:

(a) To give existing shareholders the option to purchase one ₹ 10 share at ₹ 15 for every four shares (held prior to the bonus distribution). This option was taken up by all the shareholders.

(b) To issue one bonus share for every five shares held.

(c) To repay the debentures at a premium of 3%. The DRR Investments realised at par as per existing Book value.

Give the necessary journal entries for these transactions. **(10 Marks)**

(5 + 5 + 10 = 20 Marks)

6. (a) Riya Closet Ltd invited applications for issuing 10,000 Equity Shares of ₹ 10 each. The amount was payable as follows:

On Application	₹ 1 per share
On Allotment	₹ 2 per share
On First call	₹ 3 per share
On Second and final Call	₹ 4 per share

The issue was fully subscribed. Meena to whom 100 shares were allotted, failed to pay the allotment money and her shares were forfeited immediately after the allotment. Seema to whom 150 shares were allotted, failed to pay the first call. Her shares were also forfeited after the first call. Afterwards the second and final call was made. Mohan to whom 50 shares were allotted failed to pay the second and final call. Her shares were also forfeited. All the forfeited shares were re-issued at ₹ 9 per share fully paid-up.

Pass necessary Journal entries in the books of Riya Closet Ltd. **(15 Marks)**

(b) Explain in brief objectives of preparing Trial Balance.

Or

What are the rules of posting of journal entries into the Ledger? Explain in brief.

(5 Marks)

(15 + 5 = 20 Marks)

Mock Test Paper - Series I: August, 2025

Date of Paper: 11th August, 2025

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

Question No. **1** is compulsory.

*Answer any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

(Time allowed: 3 Hours) **(100 Marks)**

1. (a) State with reasons whether the following statements are True or False:

(i) Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations for prompt payment.

(ii) M/s. XYZ & Co. runs a cafe. They renovated some of the old cabins. Because of this renovation some space was made free and number of cabins was increased from 15 to 18. The total expenditure incurred was ₹ 45,000 and was treated as a revenue expenditure.

(iii) Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.

(iv) In case of bill of exchange, the drawer and the payee may not be the same person but in case of a promissory note, the maker and the payee may be the same person.

(v) Business of partnership comes to an end on death of a partner.

(vi) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

(6 Statements x 2 Marks = 12 Marks)

(b) What services can a Chartered Accountant provide to the society? **(4 Marks)**

(c) A Machinery costing ₹ 60,00,000 is depreciated on straight line assuming 10 years working life and nil salvage value for four years. At the end of the fourth

year, the machinery was revalued upwards by ₹ 2,40,000. The remaining useful life of the machinery was also reassessed as 8 years at the end of the fourth year. Calculate the depreciation for 5th Year. **(4 Marks)**

(12 + 4+ 4 = 20 Marks)

2. (a) Mr. Kamal's trial balance as on 31st March, 2025 did not agree. The difference was put to a Suspense Account.

During the next trading period, the following errors were discovered:

(i) The total of the Purchases Book of one page, ₹ 15,615 was carried forward to the next page as ₹ 16,551.

(ii) A sale of ₹ 462 was entered in the Sales Book as ₹ 642 and posted to the credit of the customer.

(iii) A return to creditor, ₹ 5,420 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.

(iv) Cash received from Sita, ₹ 1,420 was posted to debit of Geeta.

(v) Goods worth ₹ 1,400 were dispatched to a customer before the close of the year but no invoice was made out.

(vi) Goods worth ₹ 3,200 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on Sale.

(vii) ₹ 500 due from Mr. Sam was omitted to be taken ·to the trial balance.

(viii) Sale of goods to Mr. Manoj for ₹ 16,000 was omitted to be recorded.

You are required to give journal entries to rectify the errors in a way so as to show the current year's profit or loss correctly **(10 Marks)**

(b) On 30th June. 2025, Cash Book of Mr. Gaurav (Bank Column of Account No. 1) shows a Bank Overdraft of ₹ 1,97,400. On going through the Bank Pass book for reconciling the Balance, she found the following:

(a) Out of cheques drawn on 26th June, those for ₹ 14,800 were cashed by the bankers on 2nd July.

(b) A crossed cheque for ₹ 3000 given to Abdul, was returned by him on 1st July,2025 and a bearer cheque was issued to him on the same date.

(c) Cash and cheques amounting to ₹ 13,600 were deposited in the Bank on 29th June., but cheques worth ₹ 5,200 were cleared by the Bank on

1st July., and one cheque for ₹ 1,000 was returned by them as dishonoured on the latter date.

(d) According to Gaurav's standing instructions, the bankers have on 30th June, paid ₹ 1,280 as interest to his creditors, paid quarterly premium on his policy amounting to ₹ 640 and have paid a second call of ₹ 2,400 on shares held by his and lodged with the bankers for safe custody. They have also received ₹ 600 as dividend on his shares and recovered an Insurance Claim of ₹ 3,200, as their charges and commission charged on the above being ₹ 400. On receipt of information of the above transaction, he has passed necessary entries in his Cash Book on 1st July.

(e) Bankers seem to have given a wrong credit for ₹ 2,000 paid in by him in No. 2 account and wrong debit in respect of a cheque for ₹ 1,200 drawn against her No. 2 account.

Prepare Bank Reconciliation Statement. **(10 Marks)**

(10 +10 = 20 Marks)

3. (a) Surajmal Enterprises maintain their books of accounts under single entry system. The Balance Sheet as on 31st March, 2024 was as follows:

Liabilities	**₹**	**Assets**	**₹**
Capital A/c	6,75,000	Furniture & fixtures	1,50,000
Trade creditors	7,57,500	Stock	9,15,000
Outstanding exp.	67,500	Trade debtors	3,12,000
		Prepaid insurance	3,000
		Cash in hand & at bank	1,20,000
	15,00,000		15,00,000

The following was the summary of cash and bank book for the year ended 31st March, 2025:

Receipts	**₹**	**Payments**	**₹**
Cash in hand & at Bank on 1st April, 2024	1,20,000	Payment to trade creditors	1,24,83,000
Cash sales	1,10,70,000	Sundry expenses paid	9,31,050
		Drawings	3,60,000
Receipt from Debtors	27,75,000	Cash in hand & at Bank	1,90,950

		on 31st March, 2025	
	1,39,65,000		1,39,65,000

Additional Information:

1) Discount allowed to trade debtors and received from trade creditors amounted to ₹54,000 and ₹42,500 respectively, (for the year ended 31st March. 2025)

2) Annual fire insurance premium of ₹ 9,000 was paid every year on 1st August for the renewal of the policy.

3) Furniture & fixtures were subject to depreciation @ 15% p.a. or diminishing balance method.

4) The following are the balances as on 31st March, 2025:

Stock	₹ 9,75,000
Trade debtors	₹ 3,43,000
Outstanding expenses	₹ 55,200

5) Gross profit ratio of 10% on sales in maintained throughout the year.

You are required to prepare Trading and Profit & Loss account for the year ended 31st March, 2025, and Balance Sheet as on that date. **(10 Marks)**

(b) M/s. Wellore is a partnership firm with the partners X, Y and Z sharing profits and losses in the ratio of 3:2:5. The balance sheet of the firm as on 30th June, 2025 was as under:

Balance Sheet of M/s. Wellore as on 30-6-2025

Liabilities	Amount (₹)	Assets	Amount (₹)
X's Capital A/c	6,20,000	Land	6,00,000
Y's Capital A/c	4,80,000	Building	11,00,000
Z's Capital A/c	8,00,000	Plant & Machinery	20,00,000
Long Term Loan	21,00,000	Investments	2,10,000
Bank Overdraft	3,20,000	Inventories	6,80,000
Trade Payables	10,65,000	Trade Receivables	7,95,000
	53,85,000		53,85,000

It was mutually agreed that Y will retire from partnership and in his place P will be admitted as a partner with effect from 1st July, 2025. For this purpose, following adjustments are to be made:

(a) Goodwill of the firm is to be valued at ₹ 15 lakhs due to the firm's location advantage but the same will not appear as an asset in the books of the reconstituted firm.

(b) Building and Plant & Machinery are to be valued at 95% and 80% of the respective balance sheet values. Investments are to be taken over by the retiring partner at ₹ 2,30,000. Trade receivables are considered good only upto 85% of the balance sheet figure. Balance to be considered bad.

(c) In the reconstituted firm, the total capital will be 20 lakhs, which will be contributed by X, Z and P in their new profit sharing ratio, which is 3:4:3.

(d) The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare Revaluation Account and Partners' Capital Accounts after reconstitution, along with working notes. **(10 Marks)**

(10 + 10 = 20 Marks)

4 (a) Arav, Nirav and Bharat are in partnership. The following is their Balance Sheet as at March 31, 2025 on which date they dissolved their partnership. They shared profit in the ratio of 5:3:2.

Liabilities		**₹**	**Assets**	**₹**
Creditors		2,40,000	Plant and machinery	1,80,000
Loan A/c –	Arav	60,000	Premises	2,40,000
Capital A/cs –	Arav	3,00,000	Stock	1,80,000
	Nirav	90,000	Debtors	3,60,000
	Bharat	2,70,000		
		9,60,000		9,60,000

It was agreed to repay the amounts due to the partners as and when the assets were realised, viz.

April 15, 2025	₹ 1,80,000
May 1, 2025	₹ 4,38000
May 31, 2025	₹ 2,82,000

Prepare a statement showing how the distribution should be made under maximum loss method. **(10 Marks)**

(b) From the following Income and Expenditure account and the Balance sheet of a club, prepare its Receipts and Payments Account and Subscription Account for the year ended 31st March 2025:

Income & Expenditure Account for the year 2024-25

Particulars	₹	Particulars	₹
To Upkeep of ground	11,000	By Subscriptions	19,052
To Printing	1,100	By Sale of Newspapers (Old)	286
To Salaries	11,100	By Lectures (Fee)	1,650
To Depreciation on furniture	1,100	By Entrance Fee	2,145
To Rent	1,660	By Misc. Income	440
		By Deficit	2,387
	25,960		25,960

Balance sheet as at 31st March 2025

Liabilities		₹	Assets	₹
Subscription in advance (2025-26)		110	Furniture	9,900
Prize Fund:			Ground and Building	51,700
Opening balance	27,500		Prize Fund Investment	22,000
Add: Interest	1,100		Cash in Hand	2,530
	28,600		Subscription (outstanding) (2024-2025)	770
Less: Prizes given	2,200	26,400		
General Fund:				
Opening balance	62,062			
Less: Deficit	2,387			
	59,675			
Add: Entrance Fee	715	60,390		
		86,900		86,900

The following adjustments have been made in the above accounts:

1) Upkeep of ground ₹ 660 and printing ₹ 264 relating to 2023-24 were paid in 2024-25

2) One fourth of entrance fee has been capitalized by transfer to General Fund

3) Subscription outstanding in 2023-24 was ₹ 880 and for 2024-25 ₹ 770

4) Subscription received in advance in 2023-24 was ₹ 220 and in 2024-25 for 2025-26 was ₹ 110

5) Furniture was purchased during the year. **(10 Marks)**

(10 + 10 = 20 Marks)

5. (a) An inexperienced book keeper has drawn up a Trial balance for the year ended 31st March, 2025.

Particulars	**Debit (₹)**	**Credit (₹)**
Provision for Doubtful Debts	1,000	-
Cash Credit Account	6,616	-
Capital	-	18,364
Trade payables	-	6,548
Due from customers	11,932	-
Discount Received	1,008	-
Discount Allowed	-	2,932
Drawings	4,800	-
Office Furniture	8,620	-
Carriage Inward	-	3,316
Carriage Outward	2,320	
Purchases	43,692	-
Returns Inward	-	2,320
Rent & Rates	1,256	-
Salaries	10,080	-
Sales	-	67,528
Inventory	9,672	-
Provision for Depreciation on Furniture	1,456	-
Total	1,02,452	1,01,008

Draw up a corrected Trial Balance by debiting or crediting any residual errors to a suspense account. **(5 Marks)**

(b) Attempt any ONE out of the two sub parts i.e. either (i) or (ii).

(i) The following details are available of raw material of a manufacturing unit:

1-5-2025	Opening Inventory	100 units @ ₹ 15 per unit
2-5-2025	Purchases	300 units @ ₹ 18 per unit
5-5-2025	Issued for consumption	250 units
16-5-2025	Purchases	500 units @ ₹ 21 per unit
21-5-2025	Issued for consumption	100 units
25-5-2025	Issued for consumption	450 units

The manufacturer also incurred Freight of ₹ 600 and unloading charges of ₹ 300 at the time of every purchase respectively.

You are required to find out the value of inventory as on May 31, 2025, if the company follows:

(a) Weighted Average method for inventory valuation.

(b) First in First Out method for inventory valuation. **(5 Marks)**

OR

(ii) Mr. Viom runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2025.

Opening work-in-progress (27,000 units)	78,000
Closing work-in-progress (42,000 units)	1,44,000
Opening inventory of Raw Materials	7,80,000
Closing inventory of Raw Materials	9,60,000
Purchases	24,60,000
Hire charges of Machinery @ ₹ 0.70 per unit manufactured	
Hire charges of factory	7,80,000
Direct wages-contracted @ ₹ 0.80 per unit manufactured and @ ₹ 0.40 per unit of closing W.I.P.	
Repairs and maintenance	5,40,000
Units produced - 15,00,000 units	

You are required to prepare a Manufacturing Account of Mr. Viom for the year ended 31-03-2025. **(5 Marks)**

(c) The Balance Sheet of XYZ Ltd. as at 31st March, 2023 inter alia includes the following information:

	₹
1,00,000, 8% Preference Shares of ₹ 100 each, ₹ 70 paid up	70,00,000
2,00,000 Equity Shares of ₹ 100 each fully paid up	2,00,00,000
Securities Premium	10,00,000
Capital Redemption Reserve	40,00,000
General Reserve	1,0000,000
Bank	30,00,000

Under the terms of their issue, the preference shares are redeemable on 31st March, 2024 at 5% premium. In order to finance the redemption, the company makes a rights issue of 10,00,000 equity shares of ₹ 100 each at ₹ 110 per share, ₹ 20 being payable on application, ₹ 35 (including premium) on allotment and the balance on 1st January, 2025. The issue was fully subscribed and allotment made on 1st March, 2024. The money due on allotment were duly received by 31st March, 2024. The preference shares were redeemed after fulfilling the necessary conditions of Section 55 of the Companies Act, 2013.

You are asked to pass the necessary Journal Entries. (Ignore date column).

(10 Marks)

(5 + 5 + 10 = 20 Marks)

6. (a) Divis Pharma Limited issued 50,000 equity shares of ₹ 10 each payable as ₹ 3 per share on application, ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from X, holding 1000 shares who failed to pay the allotment and call money and Y, holding 2000 shares, failed to pay the call money. All those 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of ₹ 2 per share.

Pass necessary journal entries in the books of Divis Pharma limited. Also prepare Balance Sheet and notes to accounts of the company. **(15 Marks)**

(b) Discuss the expenses directly attributable to the cost of property, plant and equipment. Also, the expenses that do not form a part of cost of cost of asset.

(5 Marks)

(15 + 5 = 20 Marks)

Mock Test Paper - Series II: August, 2025

Date of Paper: 25th August, 2025

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

*Question No. **1** is compulsory.*

*Answer any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

(Time allowed: 3 Hours) **(100 Marks)**

1. (a) State with reasons whether the following statements are True or False:

   i. Goods sold on approval or return basis are not recorded as credit sales initially when they are sent-out.

   ii. Warehouse rent paid for storage of finished inventory should be included in the cost of finished inventory.

   iii. The financial statements must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.

   iv. In case of admission of a new partner in a partnership firm, the profit/loss on revaluation account is transferred to all partners in their new profit sharing ratio.

   v. The debit notes issued are used to prepare Sales Return Book.

   vi. A Company is not allowed to issue shares at a discount to the public in general.

   (6 Statements x 2 Marks = 12 Marks)

   (b) Write short notes on the following:

   (i) Accounting conventions.

   (ii) Contingent Asset and Contingent Liability **(4 Marks)**

   (c) M/s. Samar Steels wires were unable to agree the Trial Balance as on 31st March, 2025 and have raised a suspense account for the difference. Next year the following errors were discovered:

(i) Repairs made during the year were wrongly debited to the building A/c - ₹ 37,500.

(ii) The addition of the 'Freight' column in the purchase journal was short by ₹ 4,500.

(iii) Goods to the value of ₹ 3,150 returned by a customer, alas & Co., had been posted to the debit of alas & Co. and also to sales returns.

(iv) Sundry items of furniture sold for ₹ 90,000 had been entered in the sales book, the total of which had been posted to sales account.

You are required to pass journal entries to rectify the above mistakes. **(4 Marks)**

(12 + 4 + 4 = 20 Marks)

2. (a) M/s Mcgraw, Profit and loss account showed a net profit of ₹ 32,00,000, after considering the closing stock of ₹ 30,00,000 on 31st March, 2025. Subsequently the following information was obtained from scrutiny of the books:

(i) Purchases for the year included ₹ 1,20,000 paid for new electric fittings for the shop.

(ii) M/s Manas gave away goods valued at ₹ 3,20,000 as free samples for which no entry was made in the books of accounts.

(iii) Invoices for goods amounting to ₹ 20,00,000 have been entered on 25th March, 2025, but the goods were not included in stock.

(iv) In March, 2025 goods of ₹ 16,00,000 sold and delivered were taken in the sales for April, 2025.

(v) Goods costing ₹ 6,00,000 were sent on sale or return in March, 2024 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2025 these were taken as sales for March, 2025.

You are required to determine the adjusted net profit for the year ended on 31.3.2025 and calculate the value of stock on 31st March, 2025. **(10 Marks)**

(b) The Machinery Account of a factory showed a balance of ₹ 95 Lakhs on 1st April,2024. The Books of Accounts of the factory are closed on 31st March every year and depreciation is written off @ 10% per annum under the Diminishing Balance Method. On 1st September,2024 a new machine was acquired at a cost of ₹ 14 Lakhs and ₹ 44,600 was incurred on the same day as installation charges for erecting the machine. On 1st September,2024 a machine which had cost ₹ 21,87,000 on 1st April,2022 was sold for ₹ 3,75,000. Another machine which had

cost ₹ 21,85,000 on 1st April,2023 was scrapped on 1st September,2024 and it realized nothing.

Prepare Machinery Account for the year ended 31st March,2025. Allow the same rate of depreciation as in the past and calculate depreciation to the nearest multiple of a rupee. Also show all the necessary working notes. **(10 Marks)**

(10 +10 = 20 Marks)

3. (a) Following are the Manufacturing A/c, Creditors A/c and Raw Material A/c provided by M/s. Anil related to financial year 2024-25. There are certain figures missing in these accounts.

Raw Material A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock A/c	3,81,000	By Raw Materials Consumed	
To Creditors A/c	-	By Closing Stock	-

Creditors A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c	70,50,000	By Balance b/d	47,10,000
To Balance c/d	19,80,000		-

Manufacturing A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Raw Material A/c	-	By Trading A/c	17,44,000
To Wages	10,95,000		
To Depreciation	6,45,000		
To Direct Expenses	7,47,000		

Additional Information:

(i) Purchase of machinery worth ₹ 36,00,000 on 1st April; 2024 has been omitted, Machinery is chargeable at a depreciation rate of 15%.

(ii) Wages include the following:

Paid to factory workers	₹ 9,45,000
Paid to labour at office	₹ 1,50,000

(iii) Direct expenses included the following:

Electricity charges	₹ 2,40,000
of which 25% pertained to office	
Fuel charges	₹ 75,000
Freight inwards	₹ 96,000
Delivery charges to customers	₹ 66,000

You are required to prepare revised Manufacturing A/c and Raw Material A/c. **(10 Marks)**

(b) Amar Akbar and Anthony are partners in a firm. On 1st April 2025 their fixed capital stood at ₹ 9,00,000, ₹ 4,50,000 and ₹ 4,50,000 respectively.

As per the provision of partnership deed:

(1) Anthony was entitled for a salary of 90,000 p.a.

(2) All the partners were entitled to interest on capital at 5% p.a.

(3) Profits and losses were to be shared in the ratio of Capitals of the partners.

Net Profit for the year ended 31st March, 2024 of ₹ 5,94,000 and 31st March, 2025 of ₹ 8,10,000 was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors.

(5 Marks)

(c) The profits and losses for the previous years are: 2021 Profit ₹ 10,000, 2022 Loss ₹ 17,000, 2023 Profit ₹ 50,000, 2024 Profit ₹ 75,000. The average Capital employed in the business is ₹ 2,00,000. The rate of interest expected from capital invested is 10%. The remuneration from alternative employment of the proprietor ₹ 6,000 p.a. Calculate the value of goodwill on the basis of 2 years' purchases of Super Profits based on the average of 3 years. **(5 Marks)**

(10 + 5 + 5 = 20 Marks)

4. (a) The Balance Sheet of a Partnership Firm M/s Genesis and Associates consisted of two partners A and B who were sharing Profits and Losses in the ratio of 5 : 3 respectively. The position as on 31-03-2025 was as follows:

Liabilities	**₹**	**Assets**	**₹**
A's Capital	4,10,000	Land & Building	3,80,000
B's Capital	3,30,000	Plant & Machinery	1,70,000
Profit & Loss A/c	1,12,000	Furniture	1,09,480
Trade Creditors	54,800	Stock	1,45,260
		Sundry debtors	60,000
		Cash at Bank.	42,060
	9,06,800		9,06,800

On the above date, C was admitted as a partner on the following terms:

(a) C should get 1/5th of share of profits.

(b) C brought ₹ 2,40,000 as his capital and ₹ 32,000 for his share of Goodwill.

(c) Plant and Machinery would be depreciated by 15% and Land & Buildings would be appreciated by 40%.

A provision for doubtful debts to be created at 5% on sundry debtors.

An unrecorded liability of ₹ 6,000 for repairs to Buildings would be recorded in the books of accounts.

(d) Immediately after C's admission, Goodwill brought by him would be adjusted among old partners. Thereafter, the capital accounts of old partners would be adjusted through the current accounts of partners in such a manner that the capital accounts of all the partners would be in their profit sharing ratio.

Prepare Revaluation A/c, Capital Accounts of the partners, New profit sharing ratio and Balance Sheet of the Firm after the admission of C. **(10 Marks)**

(b) Following is the extract of Balance Sheet of Sky Ltd. as at 31st March, 2025 :

	₹
Authorized capital:	
3,00,000 equity shares of ₹10 each	30,00,000
25,000,10% preference shares of ₹10 each	2,50,000
	32,50,000

Issued and subscribed capital:	
2,70,000 equity shares of ₹ 10 each fully paid up	27,00,000
24,000, 10% preference shares of ₹ 10 each fully paid up	2,40,000
	29,40,000
Reserves and surplus:	
General reserve	3,60,000
Capital redemption reserve	1,20,000
Securities premium (collected in cash)	75,000
Profit and loss account	6,00,000
	11,55,000

On 1st April, 2025, the company decided to capitalize its reserves by way of bonus at the rate of two shares for every five equity shares held.

Show necessary journal entries in the books of the company and prepare the extract of the balance sheet after bonus issue. **(10 Marks)**

(10 + 10 = 20 Marks)

5. (a) On 31st March 2025, the Bank Pass Book of Mansi showed a balance of ₹ 7,50,000 to her credit while balance as per cash book was ₹ 5,60,250. On scrutiny of the two books, she ascertained the following causes of difference:

(i) She has issued cheques amounting to ₹ 4,00,000 out of which only ₹ 1,60,000 were presented for payment.

(ii) She received a cheque of ₹ 25,000 which she recorded in her cash book but forgot to deposit in the bank.

(iii) A cheque of ₹ 1,10,000 deposited by her has not been cleared yet.

(iv) Mr. Bhalla deposited an amount of ₹ 78,500 in her bank which has not been recorded by her in Cash Book yet.

(v) Bank has credited an interest of ₹ 7,500 while charging ₹ 1,250 as bank charges.

Prepare a bank reconciliation statement. **(5 Marks)**

(b) From the following information supplied by Raipur Club, prepare Receipts and Payments account and Income and Expenditure Account for the year ended 31st March, 2025.

	01.04.2024 ₹	31.03.2025 ₹
Outstanding subscription	70,000	1,00,000
Advance subscription	12,500	15,000
Outstanding salaries	7,500	9,000
Cash in Hand and at Bank	55,000	?
10% Investment	70,000	35,000
Furniture	14,000	7,000
Machinery	5,000	10,000
Sports goods	7,500	12,500

Subscription for the year amount to ₹ 1,50,000/-. Salaries paid ₹ 30,000. Face value of the Investment was ₹ 87,500, 50% of the Investment was sold at 80% of Face Value. Interest on investments was received ₹ 7,000. Furniture was sold for ₹ 4000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports goods and @10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses : ₹ 25,000

Rent : ₹ 12,000 out of which ₹ 1,000 outstanding

Misc. Expenses : ₹ 2,500 **(15 Marks)**

(5+15 = 20 Marks)

6. (a) Raghwan Limited issued 60,000 Equity shares of, 10 each at a premium of 10%, payable ₹ 2 on application; ₹ 4 on allotment (including premium); ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. X who held 6,000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 600 shares and one another shareholder having 300 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears, Company also paid interest on calls in advance to Mr. X. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. **(15 Marks)**

(b) Write short notes on any two of the following:

(i) Bill of exchange and the various parties to it.

(ii) Retirement of bills of exchange.

OR

Explain, in brief, the basic considerations for distinguishing between capital and revenue expenditures? **(5 Marks)**

(15 + 5 = 20 Marks)

Mock Test Paper - Series I: December, 2025

Date of Paper: 15th December, 2025

Time of Paper: Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

*Question No. **1** is compulsory.*

*Answer any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

(Time allowed: 3 Hours) **(100 Marks)**

1. (a) State with reasons whether the following statements are True or False:

   i. Discount column of the cash book is never balanced.

   ii. A Promissory Note can be made payable to the Bearer.

   iii. Accounting Standards can override the statute.

   iv. In case of admission of a new partner in a partnership firm, the profit/loss on revaluation account is transferred to all partners in their new profit sharing ratio.

   v. Depreciation cannot be provided in case of loss, in a financial year.

   vi. Non-participating preference shareholders enjoy voting rights

   (6 Statements x 2 Marks = 12 Marks)

   (b) Discuss the limitations which must be kept in mind while evaluating the Financial Statements. **(4 Marks)**

   (c) M/s. Ritu wires were unable to agree the Trial Balance as on 31st March, 2025 and have raised a suspense account for the difference. Next year the following errors were discovered:

   (i) The addition of the 'Freight' column in the purchase journal was short by ₹ 7,200.

(ii) Repairs made during the year were wrongly debited to the building A/c - ₹ 22,250.

(iii) Sundry items of furniture sold for ₹ 20,000 had been entered in the sales book, the total of which had been posted to sales account.

(iv) A bill of exchange (received from Ram Mahonar & Associates) for ₹ 60,000 had been returned by the bank as. dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes. **(4 Marks)**

(12 + 4 + 4 = 20 Marks)

2. (a) Prepare the Bank Reconciliation Statement of M/s. Jagan nath Associates on 30th September,2025 from the particulars given below:

(i) The Bank Pass Book had a debit balance of ₹ 25,000 on 30th June, 2025.

(ii) A cheque worth ₹ 400 directly deposited into Bank by customer but no entry was made in the Cash Book.

(iii) Out of cheques issued worth ₹ 34,000, cheques amounting to ₹ 20,000 only were presented for payment till 30th June, 2025.

(iv) A cheque for ₹ 4,000 received and entered in the Cash Book but it was not sent to the Bank.

(v) Cheques worth ₹ 20,000 had been sent to Bank for collection but the collection was reported by the Bank as under.

(1) Cheques collected before 30th June, 2025, ₹ 14,000

(2) Cheques collected on 10th July, 2025, ₹ 4,000

(3) Cheques collected on 12th July, 2025, ₹ 2,000.

(vi) The Bank made a direct payment of ₹ 1,600 which was not recorded in the Cash Book.

(vii) Interest on overdraft charged by the bank ₹ 1,600 was not recorded in the Cash Book.

(viii) Bank charges worth ₹ 80 have been entered twice in the cash book.

(ix) The credit side of bank column of Cash Book was under cast by ₹ 2,000

(10 Marks)

(b) India Craft Ltd. keeps no stock records, but a physical inventory of stock is made at the end of each quarter and the valuation is taken at cost. The company's year ends on 31st March, 2025, and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2025 was, however, misleading, and you have been advised to value the closing stock as on 31st March, 2025 using the stock figure as on 31st December, 2024, along with some additional information provided to you:

(i) The cost of stock on 31st December, 2024 as shown by the inventory sheet was ₹ 95,000

(ii) On 31st December, the stock sheet showed the following discrepancies:

(a) A page total of ₹ 20,000 had been carried to the summary sheet as ₹ 21,000

(b) The total of a page had been undercast by ₹ 15,200.

(iii) Invoices of purchases entered in the Purchase Book during the quarter from January to March, 2025 totalled ₹85,000. Out of this, ₹18,000 related to goods received prior to 31st December, 2024. Invoices entered in April 2025 relating to goods received in March 2025 totalled ₹19,000.

(iv) Sales invoiced to customers totalled ₹ 105,000 from January to March, 2025. Of this, ₹20,000 related to goods dispatched before 31st December, 2024. Goods dispatched to customers before 31st March, 2025 but invoiced in April 2025 totalled ₹ 19,000.

(v) During the final quarter, credit notes at invoiced value of ₹16,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2025. **(10 Marks)**

(10 +10 = 20 Marks)

3. (a) From the following Receipts and Payments Account of Civil Lines Club, prepare Income & Expenditure Account for the year ended 31.12.2024 and its Balance Sheet as on that date.

Receipts	**Amount (₹)**	**Payments**	**Amount (₹)**
Cash in hand (Opening)	8,100	Salary	3,000
Cash in Bank (Opening)	15,000	Repair Expenses	500

Donations	7,000	Purchase of furniture	7,000
Subscriptions	10,000	Miscellaneous Expenses	500
Entrance fees	1,500	Purchase of Investments	6,000
Interest on Investments	100	Insurance Premium	300
Interest received from Bank	400	Billiards Table	10,000
Sale of Old Newspaper	250	Paper, Ink, etc.	250
Sale of Drama Tickets	1,250	Drama Expenses	500
		Cash in hand (Closing)	4,500
		Cash in Bank (Closing)	11,050
	43,600		43,600

Information:

(1) Subscriptions in Arrear for 2024₹ 1,200, subscription in advance for 2025 ₹ 550.

(2) Insurance Premium outstanding ₹ 80, Miscellaneous Expenses prepaid ₹ 90.

(3) 60% of Donation is to be capitalized.

(4) Entrance fee are to be treated as Revenue Income.

(5) Interest accrued on Investments for is ₹ 200.

(6) Billiards Table costing ₹ 30,000 were purchased in the year 2023 and ₹ 20,000 were paid for it. **(10 Marks)**

(b) Akbar, Birbal and Chetan shared profits and losses in the ratio of 5:3:2. They took out a Joint Life Policy in 2021 for ₹ 1,50,000, a premium of ₹ 9,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows:

2021	Nil
2022	₹ 2,700
2023	₹ 6,000
2024	₹ 10,800

Akbar retired on 15th April, 2025 and the policy was surrendered. You are required to prepare Joint Life Policy Account from 2021 to 2025 (assuming the Policy Account is maintained at surrendered value basis). **(5 Marks)**

(c) Sita, Geeta and Meena are partners in a firm. On 1st April 2023, their fixed capitals stood at ₹7,50,000, ₹3,75,000 and ₹3,75,000 respectively.

As per the provisions of the partnership deed:

1. Meena was entitled to a salary of ₹75,000 p.a.
2. All the partners were entitled to interest on capital at 5% p.a.
3. Profits and losses were to be shared in the ratio of the capitals of the partners.

Net Profit for the year ended 31st March 2024 of ₹4,95,000 and 31st March 2025 of ₹6,75,000 was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors.

(5 Marks)

(10 + 5 + 5 = 20 Marks)

4. (a) X, Y and Z were partners sharing profit & losses in the ratio of 3:2:1. They decided to dissolve the business as on 31st March,2025 when their Balance Sheet was as follows:

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital A/c:			Land & Building	4,85,000
X	3,55,000		Machinery	1,88,000
Y	2,20,000		Furniture	1,05,000
Z	1,25,000	7,00,000	Stock	55,800
General Reserve		1,50,000	Trade Debtors	1,56,000
Trade Creditors		1,84,000	Cash & Bank	44,200
		10,34,000		10,34,000

The following information is given to you:

(i) There was an unrecorded investment which was sold for ₹ 30,000.

(ii) One of the creditors agreed to take over some items of furniture of Book value ₹ 25,000 at ₹ 24,000. The rest of the creditors were realised at its value.

(iii) Out of the trade debtors ₹ 9,000 proved bad, remaining were fully realized.

(iv) The other assets were realised as under:

Land & Building	₹ 5,30,000
Machinery	₹ 1,70,000
Furniture	Remaining taken over by X at ₹ 75,000
Stock	₹ 60,000

(v) Expenses of dissolution amounted to ₹ 18,700.

(vi) There was an outstanding bill for repairs which had to be paid for ₹ 3,500.

You are required to prepare:

(1) Realisation A/c

(2) Cash & Bank A/c

(3) Partner's Capital A/c in the books of partnership firm. **(10 Marks)**

(b) Hari Om carried on business as retail merchant. He has not maintained regular account books. However, he always maintained ₹ 10,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of 25% on sales.

Following information is given to you:

Assets and Liabilities	As on 1.4.2024	As on 31.3.2025
Cash in Hand	10,000	10,000
Sundry Creditors	40,000	90,000
Cash at Bank	50,000 (Cr.)	80,000 (Dr.)
Sundry Debtors	1,00,000	3,50,000
Stock in Trade	2,80,000	?

Analysis of his bank pass book reveals the following information:

(a) Payment to creditors ₹ 7,00,000

(b) Payment for business expenses ₹ 1,20,000

(c) Receipts from debtors ₹ 7,50,000

(d) Loan from Vimal ₹ 1,00,000 taken on 1.10.2024 at 10% per annum

(e) Cash deposited in the bank ₹ 1,00,000

He informs you that he paid creditors for goods ₹ 20,000 in cash and salaries ₹ 40,000 in cash. He has drawn ₹ 80,000 in cash for personal expenses. During

the year Ram had not introduced any additional capital. Surplus cash if any, to be taken as cash sales.

Prepare:

(i) Trading and Profit and Loss Account for the year ended 31.3.2025.

(ii) Balance Sheet as at 31st March, 2025. **(10 Marks)**

(10 + 10 = 20 Marks)

5. (a) Gaur associates bought a computer set on 01.04.2021 for ₹ 6,00,000 and charged depreciation @ 20% p.a. on diminishing balance method. They made further additions as follows:

Date	**Amount**
01.04.2022	₹ 4,50,000
01.04.2024	₹ 3,00,000

On 01.04.2024 it was decided to change the method to straight line basis and charge depreciation assuming the expected life of all the computers to be 8 years from 01.04.2024. Prepare Computers A/c for year ending 31.03.2025. **(5 Marks)**

(b) Mr. Anthony runs a factory which produces wires. The following details were obtained about his manufacturing expenses for the year ended 31st March 2025:

	Amount (₹)
Opening Work-in – Progress	65,62,500
Closing Work–in Progress	75,07,500
Opening Inventory of Raw material	61,42,500
Closing Inventory of Raw material	49,35,000
Purchases	1,96,77,000
Purchase Returns	9,97,500
Carriage Inward	28,35,000
Direct Wages	41,68,500
Construction of office cabins	17,50,000
Power & Electricity	18,48,000
Repairs and Maintenance	27,82,500
Depreciation on Factory Shed	15,12,000
Depreciation on Plant & Machinery	17,01,000
Sale of scrap	3,78,000

You are required to prepare Manufacturing Account for the year ended 31st March, 2025. **(5 Marks)**

(c) The books of Shrinivas Ltd. showed the following balance on 31st December, 2025:

60,000 Equity Shares of ₹ 10 each fully paid; 36,000 12% Redeemable Preference Shares of ₹ 10 each fully paid; 4,000 10% Redeemable Preference Shares of ₹ 10 each, ₹ 8 paid up (all shares issued on 1st April, 2025).

Undistributed Reserve and Surplus stood as: Profit and Loss Account ₹ 1,60,000; General Reserve ₹ 2,40,000; Securities Premium Account ₹ 30,000 and Capital Reserve ₹ 42,000.

For redemption, 4,000 equity shares of ₹10 each are issued at 10% premium. At the same time,12% Preference shares are redeemed on 1st January, 2025 at a premium of ₹2 per share. The whereabouts of the holders of 200 shares of ₹10 each fully paid are not known.

A bonus issue of equity share was made at par, two shares being issued for every five held on that date out of the Capital Redemption Reserve Account. However, equity shares, issued for redemption are not eligible for bonus.

Show the necessary Journal Entries to record the transactions. (Ignore date column) **(10 Marks)**

(5 + 5 + 10 = 20 Marks)

6. (a) Hinduja Limited issued a prospectus inviting applications for 6,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows:

On Application	-	₹ 3 per share
On Allotment	-	₹ 5 per share (including premium)
On First and Final Call	-	₹ 4 per share

Applications were received for 18,00,000 equity shares. Applications for 400,000 shares were rejected and the money refunded. Shares allotted to remaining applications as follows:

Category	**No. of shares Applied**	**No. of shares Allotted**
I	8,00,000	4,00,000
II	6,00,000	2,00,000

Excess money received with applications was adjusted towards sums due on allotment and the balance amount returned to the applicants. All calls were made duly received except the final call by a shareholder belonging to Category I who

has applied for 3,400 shares. His shares were forfeited. The forfeited shares were reissued at ₹ 13 per share fully paid-up.

Pass necessary journal entries for the above transactions in the books of Hinduja Limited Open call in arrears account whenever required. **(15 Marks)**

(b) Classify the following expenditures as capital or revenue expenditure:

(i) Amount spent to reduce working expenses.

(ii) Cost of repairs on second-hand car purchased to bring it into working condition.

(iii) Amount spent on making a few more exits in the Cinema Hall to comply with Government orders.

(iv) Amount paid for removal of stock to a new site.

(v) Travelling expenses of the directors for trips abroad for purchase of capital assets.

OR

Write short notes on any two of the following:

(i) Bill of exchange and the various parties to it.

(ii) Retirement of bills of exchange. **(5 Marks)**

(15 + 5 = 20 Marks)

Mock Test Paper - Series II: December, 2025

Date of Paper: 29th December, 2025

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

*Question No. **1** is compulsory.*

*Attempt any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

Time Allowed: 3 Hours **Maximum Marks: 100**

1. (a) State with reasons, whether the following statements are true or false:

(i) A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a Contingent Liability.

(ii) Cash book is a subsidiary book as well as a principal book.

(iii) Warehouse rent paid for storage of finished inventory should be included in the cost of finished inventory.

(iv) Promissory note is different from bill of exchange because the amount is paid by the maker in case of former and by the acceptor in the later.

(v) The business of partnership must be carried on by all the partners.

(vi) Debenture interest is payable after the payment of preference dividend but before the payment of equity dividend.

(6 Statements x 2 Marks = 12 Marks)

(b) Discuss the basic considerations in distinguishing between capital and revenue expenditure? **(4 Marks)**

(c) From the following information, draw up a Trial Balance in the books of Mr. Naman as on 31st March,2025:

Particulars	Amount (₹)	Particulars	Amount (₹)
Capital	4,20,000	Purchases	1,08,000

Discount Allowed	3,600	Carriage Inward	26,100
Carriage Outwards	6,900	Sales	1,80,000
Return Inward	900	Return Outwards	2100
Rent and Taxes	3,600	Plant and Machinery	2,42,100
Stock on 1st April 2024	46,500	Sundry Debtors	60,600
Sundry Creditors	36,000	Investments	10,800
Commission Received	5,400	Cash in Hand	300
Cash at bank	30,300	Motor Cycle	1,03,800
Stock on 31st March, 2025	61,500		

(4 Marks)

(12 + 4 + 4 = 20 Marks)

2. (a) The Machinery Account of a Factory showed a balance of ₹ 95 Lakhs on 1st April,2024. The Books of Accounts

Depreciation is written off of the Factory are closed on 31st March every year and @ 10% per annum under the Diminishing Balance Method. On 1st September,2024 a new machine was acquired at a cost of ₹ 14 Lakhs and ₹ 44,600 was incurred on the same day as installation charges for erecting the machine. On 1st September,2024 a machine which had cost ₹ 21,87,000 on 1st April,2022 was sold for ₹ 3,75,000. Another machine which had cost ₹ 21,85,000 on 1st April,2023 was scrapped on 1st September,2024 and it realized nothing.

Prepare Machinery Account for the year ended 31st March,2025. Allow the same rate of depreciation as in the past and calculate depreciation to the nearest multiple of a rupee. Also show all the necessary working notes. **(10 Marks)**

(b) Before preparation of the Trial Balance, the following errors were found in the books of Acer Associates. Give the necessary entries to correct them.

(i) Minor Repairs made to the building amounting to ₹ 1,850 were debited to the Building Account.

(ii) An amount of ₹ 3,000 due from Vijay, which had been written off as bad debts in the previous year, recovered in the current year, and had been posted to the personal Account of Vijay.

(iii) Furniture purchased for office use amounting to ₹ 20,000 has been entered in the purchase day book.

(iv) Goods purchased from Virat amounting to ₹ 8,000 have remained unrecorded so far.

(v) College fees of proprietor's son, ₹ 7,000 debited to the Audit fees Account.

(vi) Receipt of ₹ 4,500 from Sheena credited to the Meena.

(vii) Goods amounting to ₹ 6,200 had been returned by a customer and were taken into inventory, but no entry was made in the books.

(viii) ₹ 1050 paid for wages to workmen for making office furniture had been charged to wages account.

(ix) Salary paid to a clerk ₹ 12,000 has been debited to his personal account.

(x) A purchase of goods from Ankit amounting to ₹ 20,000 has been wrongly entered through the sales book. **(10 Marks)**

(10 + 10 = 20 Marks)

3. (a) The Receipts and Payments account of Unity Circle Club prepared on 31st March, 2025 is as follows:

Receipts and Payments Account

Receipts		Amount ₹	Payments	Amount ₹
To Balance b/d		9,000	By Expenses (including Payment for sports material ₹ 54,000)	1,26,000
To Annual Income from Subscription	91,800		By Loss on Sale of Furniture (cost price ₹ 9,000)	3,600
Add: Outstanding of last year received this year	3,600		By Balance c/d	18,09,000
	95,400			
Less: Prepaid of last year	1,800	93,600		
To Other fees		36,000		
To Donation for Building		18,00,000		
		19,38,600		19,38,600

Additional information:

Unity Circle Club had balances as on 1.4.2024:

Furniture ₹ 36,000; Investment at 5% ₹ 5,40,000;

Sports material ₹ 1,33,200;

Balance as on 31.3.2025: Subscription Receivable ₹ 5,400;

Subscription received in advance ₹ 1,800;

Stock of sports material ₹ 36,000.

Do you agree with above Receipts and Payments account? If not, prepare correct Receipts and Payments account and Income and Expenditure account for the year ended 31st March, 2025 and Balance Sheet on that date. **(10 Marks)**

(b) It was provided under the Partnership Agreement between Amar, Akbar and Anthony that in the event of death of a partner, the survivors would have to purchase his share in the firm on the following terms:

(i) Goodwill is to be valued at 3 year's purchase of simple average profits of last 4 completed years.

(ii) Outstanding amount due to the representative of a deceased partner shall be paid in 4 equal half yearly installments commencing 6 months after the death plus interest @ 5% p.a. on the outstanding dues.

They shared profit and loss in the ratio 9:4:3.

Amar died on 30th September 2025 and Partner's Capital account balances on that date were: Amar - ₹ 21,600, Akbar - ₹ 12,800 and Anthony - ₹ 7,200. Amar's current account on 30th September, 2025 after crediting his share of profit to that date, however showed a debit balance of ₹ 1,920.

Firm profits were for the year ended

- 31st March, 2022 ₹ 70,400
- 31st March, 2023 ₹ 56,320
- 31st March, 2024 ₹ 48,160
- 31st March, 2025· ₹ 17,408

Show Amar’s Capital Account and Executor's Account (of Amar) till full payment is made to Amar's Executor. Figures are to be rounded off to the nearest rupee.

(10 Marks)

(10 + 10 = 20 Marks)

4. (a) Ram and Shyam are partners, sharing profits and losses in the proportion of 3/4th and 1/4th As at 31st March, 2025, following is the Balance Sheet of Ram and Shyam.

Balance Sheet as at 31st March, 2025

Liabilities		(₹)	Assets	(₹)
Capital accounts			Cash in hand	1,15,000
Ram	2,85,000		Cash at bank	1,10,000
Shyam	1,55,000	4,40,000	Sundry Debtors	1,60,000
Creditors		3,75,000	Stock	2,00,000
General reserve		60,000	Bills receivable	30,000
			Land and building	2,50,000
			Office furniture	10,000
		8,75,000		8,75,000

They agreed to take Mohan into Partnership on 1st April, 2025 on the following terms:

(i) Goodwill is to be valued at ₹ 2,00,000. Mohan is unable to bring cash for his share of goodwill. So, it was decided that due credit for goodwill be given to Ram and Shyam for their sacrifice in favour of Mohan through Mohan's current account.

(ii) Mohan pays ₹ 1,40,000 as his capital for 1/5th share in the future profits.

(iii) Stock and Furniture to be reduced by 10%.

(iv) A provision @ 5% for doubtful debts to be created on debtors.

(v) Land and building to be appreciated by 20%.

(vi) Capital Accounts of the partners be readjusted on the basis of their profit sharing arrangement and any excess or deficiency is to be transferred to their Current Accounts.

Prepare Revaluation Account and Partners Capital Accounts. **(10 Marks)**

(b) Mr. Arun furnishes following information for his readymade garments business:

(i) Receipts and Payments during 2024-25:

Receipts	Amount ₹	Payments	Amount ₹
Bank Balance as on 1-4-2024	16,250	Payment to Sundry creditors	3,43,000
Received from Sundry debtors	4,81,000	Salaries	75,000
		General expenses	22,500
Cash sales	1,70,800	Rent and taxes	11,800
Capital brought in the business during the year	50,000	Drawings	96,000
		Cash purchases	1,22,750
Interest on Investment received	9,750	Balance at bank on 31-03-2025	36,600
		Cash in hand on 31-03-2025	20,150
	7,27,800		7,27,800

(ii) Particulars of other Assets and Liabilities are as follows:

	1st April, 2024	31st March, 2025
	(₹)	(₹)
Machinery	85,000	85,000
Furniture	24,500	24,500
Trade Debtors	1,55,000	?
Trade Creditors	60,200	?
Inventory	38,600	55,700
12% Investment	85,000	85,000
Outstanding Salaries	12,000	14,000

(iii) Additional information:

(1) 20% of total sales and 20% of total purchases are in cash.

(2) Of the debtors, a sum of ₹ 7,200 should be written off as Bad debt and further a provision for doubtful debts is to be provided @2%.

(3) Provide depreciation @10% p.a. on machinery and furniture

You are required to prepare Trading and Profit & Loss Account for the year ended 31st March, 2025, and Balance Sheet as on that date. **(10 Marks)**

(10+10 =20 Marks)

5. (a) Vishwanath & Co. employs a team of 9 workers who were paid ₹ 2,40,000 per month each in the year ending 31st December, 2023. At the start of 2024, the company raised salaries by 10% to ₹ 2,64,000 per month each.

On 1 July, 2024 the company hired 2 trainees at salary of ₹ 1,26,000 per month each. The workforce are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc.

You are required to calculate:

(i) Amount of salaries which would be charged to the profit and loss account for the year ended 31st December, 2024.

(ii) Amount actually paid as salaries during 2024.

(iii) Outstanding salaries as on 31st December, 2024 **(5 Marks)**

(b) From the following information, calculate the historical cost of closing inventories using adjusted selling price method:

Purchase during the year	-	₹ 15,00,000
Sales during the year	-	₹ 22,50,000
Opening Inventory		Nil
Closing Inventory at selling price	-	₹ 3,00,000

Or

The cash book of a firm showed an overdraft of ₹ 30,000 on 31st March, 2025. A comparison of the entries in the cash book and pass-book revealed that -

(i) On 22nd March, 2025, cheques totalling ₹ 6,000 were sent to bankers for collection. Out of these a cheque for ₹ 1,000 was wrongly recorded on the credit side of the cash book and a cheque amounting to ₹ 300 could not be collected by bank before 1st April, 2025.

(ii) A cheque for ₹ 4,000 was issued to a supplier on 28th March, 2025. The cheque was presented to bank on 4th April, 2025.

(iii) There were debits of ₹ 2,600 in the pass-book for interest on overdraft and bank charges, but the same had not been recorded in the cash book.

(iv) A cheque for ₹ 1,000 was issued to a creditor on 27th March, 2025 but by mistake the same was not recorded in the cash book. The cheque was, however, duly encashed by 31st March, 2025.

(v) As per standing instructions, the banker collected dividend of ₹ 500 on behalf of the firm and credited the same to its account by 31st March, 2025. The fact was, however, intimated to the firm on 3rd April, 2025.

You are required to prepare a bank reconciliation statement as on 31st March, 2025. **(5 Marks)**

(c) The following notes pertain to Destiny Ltd.'s Balance Sheet as on 31st March, 2025:

Notes	**₹ in Lakhs**
(1) Share Capital	
Authorised :	
20 crore shares of ₹ 10 each	20,000
Issued and Subscribed:	
10 crore Equity Shares of ₹ 10 each	10,000
2 crore 11% Cumulative Preference Shares of ₹ 10 each	2,000
Total	12,000
Called and paid up:	
10 crore Equity Shares of ₹ 10 each, ₹ 8 per share called and paid up	8,000
2 crore 11% Cumulative Preference Shares of ₹ 10 each, fully called and paid up	2,000
Total	10,000
(2) Reserves and Surplus :	
Capital Reserve	485
Capital Redemption Reserve	1,000
Securities Premium	2,000
General Reserve	1,040
Surplus i.e. credit balance of Profit & Loss Account	273
Total	4,798

On 2nd April 2025, the company made the final call on equity shares @ ₹ 2 per share. The entire money was received in the month of April, 2025.

On 1st June 2025, the company decided to issue to equity shareholders bonus shares at the rate of 2 shares for every 5 shares held and for this purpose, it decided to utilize the capital reserves to the maximum possible extent.

Pass journal entries for all the above mentioned transactions. Also prepare the notes on Share Capital and Reserves and Surplus relevant to the Balance Sheet of the company immediately after the issue of bonus shares. **(10 Marks)**

(5 + 5 + 10 = 20 Marks)

6. (a) Grey Limited issued 2,00,000 equity shares of, 10 each payable as ₹ 3 per share on application & ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from Mr. Deepak, holding 5,000 shares who failed to pay ·the allotment and call money and Mr. Kishore, holding 10,000 shares, who failed to pay the call money. All these 15,000 shares were forfeited. Out of the forfeited shares, 10,000 shares (including whole of Deepak's shares) were subsequently re-issued to Mr. Manish as fully paid up at a discount of ₹ 1 per share.

Pass necessary journal entries in the books of Grey Limited. Also prepare Balance Sheet and notes to accounts of the company. **(15 Marks)**

(b) Which subsidiary books are normally used in a business? **(5 Marks)**

(15 + 5 = 20 Marks)

Mock Test Paper - Series I: April, 2026

Date of Paper: 13th April, 2026

Time of Paper: 2 PM - 5 PM

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

*Question No. **1** is compulsory.*

*Attempt any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

Time Allowed: 3 Hours **Maximum Marks: 100**

1. (a) State with reasons, whether the following statements are true or false:

(i) Accrual concept implies accounting on cash basis.

(ii) Cost of inventories should comprise all cost of purchase.

(iii) The sale value of by-product is credited to Trading Account.

(iv) In case of bill of exchange, the drawer and the payee may not be the same person but in case of a promissory note, the maker and the payee may be the same person.

(v) A Partnership firm cannot own any Assets.

(vi) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

(6 Statements x 2 Marks = 12 Marks)

(b) Distinguish between Provision and Contingent Liability. **(4 Marks)**

(c) From the following information prepare the Purchase Book of M/s Raman & Company:

(i) Purchased from Sita & Associates on credit:

30 pairs of black shoes @ ₹ 800 per Pair.

15 pairs of brown shoes @ 900 per pair

Less: Trade Discount @ 20%

(ii) Purchased Laptop from M/s. Sameer. Enterprises on credit for ₹ 40,000.

(iii) Purchased from Bhushan & Company in cash:

15 pairs of black shoes @ ₹ 700 per pair

45 pairs of brown shoes@ ₹ 100 per pair

Less: Trade Discount @ 15% **(4 Marks)**

(12 + 4 + 4 = 20 Marks)

2. (a) M/s. Bharat Electricals purchased a second-hand machine on 1st April, 2023 for ₹ 3,20,000. Overhauling and erection charges amounted to ₹ 80,000.

Another machine was purchased for ₹ 1,60,000 on 1st October, 2023.

On 1st October, 2025, the machine installed on 1st April, 2023 was sold for ₹ 1,60,000. Another machine amounted to ₹ 60,000 was purchased on 1st October,2025 and was ready to use on 31st December, 2025.

Under the existing practice the company provides depreciation @ 20% p.a. on original cost. However, from 1st April,2025 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the period1st April,2023 to 31st March,2026. **(10 Marks)**

(b) On 30th September, 2025, the bank account of Kabir, according to the bank column of the Cash- Book, was overdrawn to the extent of ₹ 16,248. On the same date the bank statement showed a credit balance of ₹ 83,032 in favour of Kabir. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for ₹ 52,56,000 deposited on 29th September, 2025 was credited by the bank only on 3rd October, 2025
2. A payment by cheque for ₹ 64,000 has been entered twice in the Cash Book.
3. On 29th September, 2025, the bank credited an amount of ₹ 4,69,600 received from a customer of Kabir, but the advice was not received by Kabir until 1st October, 2025.
4. Bank charges amounting to ₹ 2,320 had not been entered in the Cash Book.
5. On 6th September, 2025, the bank credited ₹ 80,000 to Kabir in error.
6. A bill of exchange for ₹ 5,60,000 was discounted by Kabir with his bank. This bill was dishonoured on 28th September, 2025 but no entry had been made in the books of Kabir.

7. Cheques issued upto 30th September, 2025 but not presented for payment upto that date totalled ₹ 53,04,000.

You are required:

(a) to show the appropriate rectifications required in the Cash Book of Kabir, to arrive at the correct balance on 30th September, 2025 and

(b) to prepare a bank reconciliation statement as on that date. **(10 Marks)**

(10 + 10 = 20 Marks)

3. (a) From the following data, prepare an Income and Expenditure Account for the year ended 31st December 2025, and Balance Sheet as at that date of the New Max Hospital:

Receipts and Payments Account for the

year ended 31 December, 2025

	RECEIPTS	₹			PAYMENTS		₹
To	Balance b/d			By	Salaries:		
	Cash	400			(₹ 3,600 for 2024)		15,600
	Bank	2,600	3,000	By	Hospital Equipment		8,500
To	Subscriptions:			By	Furniture purchased		3,000
	For 2024		2,550	By	Additions to Building		25,000
	For 2025		12,250	By	Printing and Stationery		1,200
	For 2026		1,200	By	Diet expenses		7,800
To	Government Grant:			By	Rent and rates (₹ 150 for 2026)		1,000
	For building		40,000				
	For maintenance		10,000	By	Electricity and water charges		1,200
	Fees from sundry Patients		2,400	By	Office expenses		1,000
To	Donations (not to be capitalized)		4,000	By	Investments		10,000
To	Net collections from benefit shows		3,000	By	Balances:		
					Cash	700	
					Bank	3,400	
							4,100
			78,400				78,400

Additional information:	₹
Value of building under construction as on 31.12.2025	70,000
Value of hospital equipment on 31.12.2025	25,500
Building Fund as on 1.1. 2025	40,000
Subscriptions in arrears as on 31.12.2024	3,250
Investments in 8% Govt. securities were made on 1st July, 2025.	

(12 Marks)

(b) Arup, Swarup and Roop are partners in a firm. On 1st April 2024 their fixed capital stood at ₹ 50,000, ₹ 25,000 and ₹ 25,000 respectively.

As per the provision of partnership deed:

(1) Roop was entitled for a salary of 5,000 p.a.

(2) All the partners were entitled to interest on capital at 5% p.a.

(3) Profits and losses were to be shared in the ratio of Capitals of the partners.

Net Profit for the year ended 31st March, 2025 of ₹ 33,000 and 31st March,2026 of ₹ 45,000 was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors.

(4 Marks)

(c) Mr. Manas gives the following particulars in respect of business carried on by him:

Particulars	**Amount (₹)**
Capital Invested in business	9,00,000
Market rate of interest on investment	8%
Rate of risk return on capital invested in business	3%
Remuneration per annum from alternative employment of proprietor if he was not engaged in business	36,000

The business earned profits of ₹ 2,40,000, ₹ 2,16,000 and ₹ 3,00,000 in the years 2022, 2023 and 2025 respectively but made a loss of ₹ 36,000 in the year 2024.

Compute the value of Goodwill on the basis of 6 years' purchase of super profits of the business, calculated on the basis of average profit of last four years.

(4 Marks)

(12 + 4+4 = 20 Marks)

4. (a) Ram and Laxman were partners. The partnership deed provides that:

(i) The annual accounts be balanced on 31st December each year;

(ii) The profits be allocated as follows:

Ram: One-half; Laxman: One-third and Carried to reserve account: One sixth;

(iii) That in the event of death of a partner, his executor will be entitled to the following:

(1) The capital to his credit at the date of death;

(2) His proportionate share of profit to date of death based on the average profits of the last three completed years; and

(3) His Share of goodwill based on three years' purchase of the average profits for the three preceding completed years.

Trial Balance as on 31st December, 2025

Particulars	Debit (₹)	Credit (₹)
Ram's Capital		90,000
Laxman's Capital		60,000
Reserve		45,000
Bills receivable	50,000	
Investment	55,000	
Cash	1,10,000	
Trade payables		20,000
Total	2,15,000	2,15,000

The profits for the three years were 2023: ₹ 51,000; 2024: ₹ 39,000 and 2025: ₹ 45,000. Laxman died on 1st May 2026.

Show the calculation of Laxman (A) Share of profits; (B) Share of Goodwill; (C) Draw up Laxman 's Executor Account as would appear in the firms' ledger transferring the amount to the Loan account. **(8 Marks)**

(b) Renu decided to start a business of garments under the name of M/s. Fashion wears on 1st April, 2024. She had savings of about ₹ 30,00,000. She invested ₹ 9,00,000 out of her savings and borrowed an equal amount from the bank. She purchased a commercial space for ₹ 15,00,000 and further spent ₹ 3,00,000 on its renovation to make it ready for business.

Loan and interest repaid by her in the first year are as follows:

- 30th June, 2024 – ₹ 45,000 principal + ₹ 27,000 interest

- 30th September, 2024 – ₹ 45,000 principal + ₹ 25,650 interest
- 31st December, 2024 – ₹ 45,000 principal + ₹ 24,300 interest
- 31st March, 2025 – ₹ 45,000 principal + ₹ 22,950 interest

In view of further capital requirements, she transferred ₹ 6,00,000 from her savings bank account to the bank account of the business. She paid a security deposit of ₹ 21,000 for a telephone connection. Furniture of ₹ 30,000 was purchased. All payments were made by cheque and all cash receipts were deposited in the bank.

At the end of the year, her business showed the following results:

Particulars	Amount (₹)	Particulars	Amount (₹)
Total Sales	60,00,000	Total Purchases	51,00,000
Electricity Expenses paid	1,20,000	Telephone Charges	1,50,000
Cartage Outwards	1,80,000	Travelling Expenses	1,35,000
Entertainment Expenses	15,000	Maintenance Expenses	75,000
Miscellaneous Expenses	45,000	Electricity Expenses Payable	60,000

Other Information:

(i) She withdrew ₹ 15,000 by cheque each month for her personal expenses.

(ii) Depreciation on building @ 5% p.a. and on furniture @ 10% p.a.

(iii) Closing stock in hand as on 31st March, 2025 amounted to ₹ 16,50,000.

Prepare Trading Account, Profit and Loss Account for the year ended 31-3-2025 and Balance Sheet as on that date. **(12 Marks)**

(8 + 12 = 20 Marks)

5. (a) X Limited gives you the following information to find out Total Sales and Total Purchases:

Particulars	₹	Particulars	₹
Debtors as on 1st April, 2025	70,000	Discount allowed by Suppliers	7,000

Creditors as on 1st April, 2025	81,000	Discount allowed to Customers	9,000
Bills Receivable received during the year	47,000	Bad Debts Recovered	16,000
Bills Payable issued during the year	53,000	Sales Return	11,000
Amount received from Customers	1,56,000	Cash Sales	1,68,500
Amount paid to Suppliers	1,72,000	Cash Purchases	1,97,800
Bills Receivables dishonoured by Customers	5,000	Debtors as on 31st March, 2026	82,000
Bills Receivables endorsed to Creditors	27,000	Creditors as on 31st March, 2026	95,000
Endorsed Bills Receivable dishonoured	3,000		

(5 Marks)

(b) The following errors were committed by the accountant of Om Prakash wires.

(i) Purchase of ₹ 1620 from Anupam & Co. passed through Sales Day Book as ₹ 1260

(ii) Credit sale of ₹ 4,200 to Alka & Associates. was posted to the credit of their account.

How would you rectify the errors assuming that :

(a) they were detected before preparation of Trial Balance.

(b) they were detected after preparation of Trial Balance but before preparing Final Accounts, the difference was taken to Suspense A/c.

(c) they were detected after preparing Final Accounts

Or

The Profit and Loss account of Ganesh showed a net profit of ₹ 5,75,000 after considering the closing stock of ₹ 2,55,000 on 31st March 2026. Subsequently the following information was obtained from scrutiny of the books.

(i) Purchases for the year included ₹ 10,500 paid for electrical fittings of the shop.

(ii) Ganesh gave goods worth of ₹ 25,000 as free samples for which no entry was made.

(iii) Invoices for goods amounting to ₹ 1,85,000 have been entered on 29th March 2026 but were not included in the stock.

(iv) Sales amounting to ₹ 2,05,000 were dispatched on 27th March but were included in sales of April, 2026.

(v) Goods costing ₹ 55,000 were sent on sale or return basis in March, 2026 at a margin of profit of 33½% on cost. Approval was given in April, 2026 but these were considered as sales in March, 2026.

Calculate. the value of stock as on 31st March, 2026 and the adjusted net profit for the year ended on that date. **(5 Marks)**

(c) The following is the abstract of Balance Sheet Sky Ltd. as on 31st March,2026:

		₹
Issued and paid up capital		
2,70,000 Equity shares of ₹ 10 each fully paid-up	27,00,000	
Less: Calls–in–arrear (30,000 Equity shares of ₹ 2 each)	60,000	26,40,000
1,20,000 Equity shares of ₹ 10 each, ₹ 4 cash paid up		4,80,000
Reserves and Surplus:		
Capital Reserve (realized in cash)		1,80,000
Capital Redemption Reserve		4,80,000
Securities Premium		3,00,000
General Reserve		3,60,000
Profit and Loss Account		21,00,000

On 1stApril, 2026. The company makes final call @ 6 each on 1,20,000 equity shares. The call money is duly received by 30th April,2026.

On 1st May,2026 the Board of Directors of the company decided:

(i) To forfeit the share on which final call of ₹ 2 each is due.:

(ii) To re- issue the forfeited share @₹ 11 each as fully paid up.

(iii) To issue fully paid bonus shares in the ratio of one fully paid bonus share for every two fully paid shares held; and

(iv) To use minimum balance of Profit and Loss Account.

Pass necessary journal entries in the books of the company on the basis of the above decisions. **(10 Marks)**

(5 + 5 + 10 = 20 Marks)

6. (a) Ashwani Limited issued 24,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share, payable as ₹ 3 on application, ₹ 5 on allotment (including premium) and the balance in two calls of equal amount. Applications were received for 32,00,000 shares and pro-rata allotment was made to all the applicants. The excess application money was adjusted towards allotment. Vikas to whom 64,000 shares were allotted failed to pay both calls and his shares were subsequently forfeited after second call. You are required to pass journal entries in the books of Ashwani Limited and prepare bank account. **(15 Marks)**

(b) Distinguish between Periodic Inventory System and Perpetual Inventory System.

(5 Marks)

(15 + 5 = 20 Marks)

Mock Test Paper - Series II: April, 2026

Date of Paper: 23rd April, 2026

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

Question No. **1** is compulsory.

Attempt any **four** questions from the remaining **five** questions.

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

Time Allowed: 3 Hours **Maximum Marks: 100**

1. (a) State with reasons, whether the following statements are true or false:

(i) Accounting Standards for non-corporate entities in India are issued by the Central Government.

(ii) Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.

(iii) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.

(iv) Net income in case of persons practicing vocation is determined by preparing profit and loss account.

(v) If a partner retires, then other partners have a gain in their profit sharing ratio.

(vi) Re-issue of forfeited shares is allotment of shares but not a sale.

(6 Statements x 2 Marks = 12 Marks)

(b) Change in accounting policy may have a material effect on the items of financial statements." Explain the statement with the help of an example. **(4 Marks)**

(c) Prepare adjusted Cash Book and Bank Reconciliation Statement from the following particulars as on 31st December, 2025 :

Particulars	₹
Bank Balance as per Cash Book (Debit)	1,98,000

Received from debtors vide NEFT on 31st December, 2025 not recorded in Cash Book	1,00,000
Cheque deposited but not cleared	25,000
Cheque received and deposited but dishonoured, entry for dishonour not made in the Cash Book	44,000
Instruction for payment given to the bank on 31st December, 2025 but the same effected by the Bank on 01st January, 2026	4,000

(4 Marks)

(12 + 4 + 4 = 20 Marks)

2. (a) Pass the Journal entries to record/rectify the following transactions in the books of Mr. Sudeep. Suspense account may be used, if required:

(i) Sale of goods to Mahesh at the list price of ₹ 45,000/- less 10% trade discount. Out of the amount due 50% is received, out of which two-third is received by cheque and the balance amount is received in cash. CGST and SGST applicable is 6% each.

(ii) One of the debtors, Mr. Yash has agreed to pay his dues of ₹ 3,000/- to Mr. Pritam who is a creditor of Mr. Sudeep with the same amount being due to him.

(iii) Cash received from Reema, ₹ 8950 was posted to debit of Sheena

(iv) Goods worth ₹ 12,000 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on sale.

(v) A second hand machinery was purchased at the beginning of the year and its overhauling charges paid are ₹15,000/-. The accountant debited the overhaul charges to Repairs and Maintenance Account. Depreciation on machinery has been charged at 10%.

(vi) A purchase of ₹ 151 from Mr. X was entered in Purchase Day Book as ₹ 15 and posted to Mr. X account as ₹ 51.

(vii) R has been issued a credit note allowing rebate of ₹ 6,000/- as goods supplied to him was found defective. CGST and SGST charged @ 6% each omitted to be recorded.

(viii) ₹ 1600 due from Mr. Akbar was omitted to be taken ·to the trial balance.

(ix) Suresh was given a credit note of ₹ 12,000/- for making prompt payment for outstanding against goods sold to him.

(x) A cheque of ₹ 25,390 issued to Mr. C. Dass (shown under trade payables) towards his dues has been wrongly debited to the purchases. **(10 Marks)**

(b) The following are the details of machineries held by a firm:

Machine	Purchase Date	Purchase Value (₹)	Useful Life	Scrap Value (₹)
M1	01/04/2021	22,00,000	8 years	40,000
M2	01/04/2023	18,80,000	8 years	80,000
M3	01/04/2025	16,20,000	5 years	--

The firm uses 'sum of years digits' method for charging depreciation and maintains a separate account for it.

On 1st April, 2025, the M1 machine has become obsolete and has been sold for ₹ 2,68,000/-. On the same date the estimated useful remaining life of M2 machine is reassessed at 3 years with ₹ 20,000 as scrap value.

You are required to prepare the Machinery Account, Provision for Depreciation Account and Machinery Disposal Account for the year ending 31st March, 2025 and 31st March, 2026. **(10 Marks)**

(10 + 10 = 20 Marks)

3. (a) From the following Income and Expenditure Account and additional information of Happy Club, prepare Receipts and Payments Accounts and Balance Sheet of the club as on 31st March, 2026.

Income and Expenditure Account for the year ending 31st March, 2026

Expenditure	₹	Income	₹
To Salaries	4,80,000	By Subscription	6,80,000
To Printing and Stationery	24,000	By Entrance Fees	16,000
To Postage	2,000	By Misc. Income	1,44,000
To Telephone	6,000		
To Office expenses	48,000		
To Bank Interest	22,000		
To Audit Fees	10,000		
To Annual General Meeting Exp.	1,00,000		
To Depreciation (Sports Equipment)	28,000		
To Surplus	1,20,000		
	8,40,000		8,40,000

Additional Information:

Particulars	As on 31st March, 2025	As on 31st March, 2026
Subscription Outstanding	64,000	72,000
Subscription Received in advance	52,000	33,600
Salaries Outstanding	24,000	32,000
Audit Fees Payable	8,000	10,000
Bank Loan	1,20,000	1,20,000
Value of Sports Equipment	2,08,000	2,52,000
Value of Club Premises	7,60,000	7,60,000
Cash in Hand	?	1,14,000

(10 Marks)

(b) Alpha, Beta and Gama are partners sharing profits and losses in the ratio of 1:2:3. Their Balance Sheet as on 31st March,2026 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals:		Building	2,50,000
Alpha	1,75,000	Machinery	3,37,500
Beta	2,50,000	Debtors	3,25,000
Gama	4,00,000	Stock	4,00,000
General Reserve	3,00,000	Bank	62,500
Trade Creditors	2,50,000		
	13,75,000		13,75,000

Gama retired from business on 1st April,2026 on the following terms:

(i) Building to be appreciated by 25%, Machinery to be depreciated by 10%. and stock is revalued at ₹ 3,72,250

(ii) Alpha and Beta to bring in additional capital of ₹ 5,00,000 each.

(iii) Provision for Doubtful Debts to be created at 4%.

(iv) Goodwill was to be valued at 3 years' purchase of average profits of past 3 years. The profits of past 3 years were ₹ 2,75,000, ₹ 2,50,000 and ₹ 1,95,000 respectively. Goodwill was not to be raised in the books of Accounts.

(v) Balance payable to Gama was to be paid immediately.

Prepare Revaluation Account, Bank Account and Partners' Capital Accounts after giving effect to Gama's retirement, Also show the valuation of Goodwill and pass a Journal Entry for adjustment of Goodwill. **(10 Marks)**

(10 + 10 = 20 Marks)

4. (a) A, B, C and D had been carrying on business in partnership sharing profits & losses in the ratio of 4:3:2:1. They decided to dissolve the partnership on the basis of following Balance Sheet as on 30th April, 2026:

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
Capital Accounts		Land & building	7,38,000
A 6,48,000		Furniture & fixtures	1,95,000
B 4,32,000	10,80,000	Stock	3,00,000
		Debtors	2,17,500
		Cash in hand	46,500
Sundry creditors	1,08,000	Capital overdrawn:	
Mortgage loan	3,30,000	C 3,000	
		D 18,000	21,000
	15,18,000		15,18,000

(i) The assets were realized as under:

	₹
Land & building	6,90,000
Furniture & fixtures	126,000
Stock	2,16,000
Debtors	1,95,000

(ii) Expenses of dissolution amounted to ₹ 23,400.

(iii) Further creditors of ₹ 54,000 had to be met.

(iv) C became insolvent and nothing was realized from his private estate.

Applying the principles laid down in Garner Vs. Murray, prepare the Realisation Account, Partners' Capital Accounts and Cash Account. **(12 Marks)**

(b) The balance sheet of Suraj on 1st April, 2025 was as follows:

Particulars	Amount (₹)	Particulars	Amount (₹)
Trade Payables	19,50,000	Furniture and Fixtures	19,50,000
Expenses Payable	2,25,000	Vehicle	8,25,000
Capital	66,00,000	Trade Receivable	33,00,000
		Cash at Bank	14,25,000
		Inventories	12,75,000
	87,75,000		87,75,000

During 2025-26, his profit and Loss Account revealed a net profit of ₹ 20,10,000. This was after allowing for the following:

(i) Commission paid to selling agent ₹ 1,95,000

(ii) Discount received from creditors ₹ 2,25,000

(iii) Purchased a vehicle of ₹ 1,50,000 on 31st March, 2026

(iv) Depreciation on Furniture and Fixtures @ 10% and on Vehicle @ 20%

(v) A provision for doubtful debts @ 3% of the trade receivables as at 31st March, 2026

But while preparing the Profit and Loss Account he had forgotten to provide for

(1) prepaid expenses ₹ 45,000 and

(2) outstanding commission₹ 1,05,000.

His current assets and liabilities on 31st March, 2026 were: Inventories ₹ 19,50,000. Trade Receivables 39,00,000 (before provision for doubtful debts), cash at Bank 16,50,000 and Trade Payables ₹ 4,38,000.

During the year he introduced further capital of ₹ 9,00,000 into the business.

You are required to prepare the balance sheet as at March 31, 2026. **(8 Marks)**

(12 + 8 = 20 Marks)

5. (a) For mutual accommodation of Tina and Meena, Tina drew upon Meena a bill of ₹ 15,000 at 3 months on 01.04.2025. Meena accepted the bill and returned to Tina who discounted it immediately @ 12% p.a. According to agreement, Tina and Meena shared the proceeds as 2:1.

On the date of maturity Tina remitted his share to Meena who honoured the bill by payment.

Show journal entries in the books of Tina and Meena. **(5 Marks)**

(b) One of your clients Mr. Srikant asked you to finalize his account for the year ended 31st March,2026. As a basis for audit, Mr. Srikant furnished you with the following statement:

	Dr.	Cr.
Srikant's Capital		23,340
Srikant's Drawings	8,460	
Leasehold Premises	11,250	
Sales		41,250
Due from customers		7,950
Purchases	18,885	
Purchase Return	3,960	
Loan from Bank		3,840
Trade Expense	10,500	
Trade Payable	7,920	
Bills Payable	1,500	
Salaries and Wages	9,000	
Cash at Bank	3,390	
Opening Inventory		3,960
Rent and Rates	6,945	
Sales Return		1,470
	81,810	81,810

The closing inventory was ₹1,722. Mr. Srikant claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, if any.

Or

Mr. Jamie runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2026.

Opening work-in-progress (81,000 units)	2,34,000
Closing work-in-progress (1,26,000 units)	4,32,000

Opening inventory of Raw Materials	23,40,000
Closing inventory of Raw Materials	28,80,000
Purchases	73,80,000
Hire charges of Machinery @ ₹ 0.70 per unit manufactured	
Hire charges of factory	23,40,000
Direct wages-contracted @ ₹ 0.80 per unit manufactured and @ ₹ 0.40 per unit of closing W.I.P.	
Repairs and maintenance	16,20,000
Units produced - 45,00,000 units	

You are required to prepare a Manufacturing Account of Mr. Jamie for the year ended 31-03-2026. **(5 Marks)**

(c) The books of Sarvodaya Ltd. showed the following balance on 31st December, 2026:

60,000 Equity Shares of ₹ 10 each fully paid; 36,000 12% Redeemable Preference Shares of ₹ 10 each fully paid; 4,000 10% Redeemable Preference Shares of ₹ 10 each, ₹ 8 paid up (all shares issued on 1st April, 2026).

Undistributed Reserve and Surplus stood as: Profit and Loss Account ₹ 1,60,000; General Reserve ₹ 2,40,000; Securities Premium Account ₹ 30,000 and Capital Reserve ₹ 42,000.

For redemption, 6,000 equity shares of ₹ 10 each are issued at 10% premium. At the same time,12% Preference shares are redeemed on 1st January, 2026 at a premium of ₹2 per share. The whereabouts of the holders of 200 shares of ₹ 10 each fully paid are not known.

A bonus issue of equity share was made at par, two shares being issued for every five held on that date out of the Capital Redemption Reserve Account. However, equity shares, issued for redemption are not eligible for bonus.

Show the necessary Journal Entries to record the transactions. (Ignore date column).

(10 Marks)

(5+5+10 = 20 Marks)

6. (a) Sea Shell Limited is a company with' an authorised share capital of ₹ 2,00,00,000 in equity shares of ₹ 10 each, of which 12,00,000 shares had been issued and fully paid up on 31st March, 2025. The company proposes to make a further issue of 2,70,000 of these ₹ 10 shares at a price of ₹ 14 each,

the arrangement of payment being :

(i) ₹ 2 per share payable on application, to be received by 31st May, 2025;

(ii) Allotment to be made on 10th June, 2025 and a further ₹ 5 per share (including the premium to be payable);

(iii) The final call for the balance to be made, and the money received by 31st December, 2025.

Applications were received for 11,20,000 shares and dealt with as follows:

(1) Applicants for 20,000 shares received allotment in full;

(2) Applicants for 1,00,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;

(3) Applicants for 10,00,000 shares received an allotment of 1 share for every 5 shares applied for the money due on allotment was retained by the company, the excess being returned to the applicants; and

(4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of Sea Shell Limited. **(15 Marks)**

(b) Write short notes on:

(i) Adjusted Selling Price method of determining cost of stock.

(ii) Principal methods of ascertainment of cost of inventory. **(5 Marks)**

(15 + 5 = 20 Marks)

Mock Test Paper - Series I: April, 2026

Date of Paper: 13th April, 2026

Time of Paper: 2 PM - 5 PM

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

*Question No. **1** is compulsory.*

*Attempt any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

Time Allowed: 3 Hours **Maximum Marks: 100**

1. (a) State with reasons, whether the following statements are true or false:

(i) Accrual concept implies accounting on cash basis.

(ii) Cost of inventories should comprise all cost of purchase.

(iii) The sale value of by-product is credited to Trading Account.

(iv) In case of bill of exchange, the drawer and the payee may not be the same person but in case of a promissory note, the maker and the payee may be the same person.

(v) A Partnership firm cannot own any Assets.

(vi) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

(6 Statements x 2 Marks = 12 Marks)

(b) Distinguish between Provision and Contingent Liability. **(4 Marks)**

(c) From the following information prepare the Purchase Book of M/s Raman & Company:

(i) Purchased from Sita & Associates on credit:

30 pairs of black shoes @ ₹ 800 per Pair.

15 pairs of brown shoes @ 900 per pair

Less: Trade Discount @ 20%

(ii) Purchased Laptop from M/s. Sameer. Enterprises on credit for ₹ 40,000.

(iii) Purchased from Bhushan & Company in cash:

15 pairs of black shoes @ ₹ 700 per pair

45 pairs of brown shoes@ ₹ 100 per pair

Less: Trade Discount @ 15% **(4 Marks)**

(12 + 4 + 4 = 20 Marks)

2. (a) M/s. Bharat Electricals purchased a second-hand machine on 1st April, 2023 for ₹ 3,20,000. Overhauling and erection charges amounted to ₹ 80,000.

Another machine was purchased for ₹ 1,60,000 on 1st October, 2023.

On 1st October, 2025, the machine installed on 1st April, 2023 was sold for ₹ 1,60,000. Another machine amounted to ₹ 60,000 was purchased on 1st October,2025 and was ready to use on 31st December, 2025.

Under the existing practice the company provides depreciation @ 20% p.a. on original cost. However, from 1st April,2025 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the period1st April,2023 to 31st March,2026. **(10 Marks)**

(b) On 30th September, 2025, the bank account of Kabir, according to the bank column of the Cash- Book, was overdrawn to the extent of ₹ 16,248. On the same date the bank statement showed a credit balance of ₹ 83,032 in favour of Kabir. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for ₹ 52,56,000 deposited on 29th September, 2025 was credited by the bank only on 3rd October, 2025
2. A payment by cheque for ₹ 64,000 has been entered twice in the Cash Book.
3. On 29th September, 2025, the bank credited an amount of ₹ 4,69,600 received from a customer of Kabir, but the advice was not received by Kabir until 1st October, 2025.
4. Bank charges amounting to ₹ 2,320 had not been entered in the Cash Book.
5. On 6th September, 2025, the bank credited ₹ 80,000 to Kabir in error.
6. A bill of exchange for ₹ 5,60,000 was discounted by Kabir with his bank. This bill was dishonoured on 28th September, 2025 but no entry had been made in the books of Kabir.

7. Cheques issued upto 30th September, 2025 but not presented for payment upto that date totalled ₹ 53,04,000.

You are required:

(a) to show the appropriate rectifications required in the Cash Book of Kabir, to arrive at the correct balance on 30th September, 2025 and

(b) to prepare a bank reconciliation statement as on that date. **(10 Marks)**

(10 + 10 = 20 Marks)

3. (a) From the following data, prepare an Income and Expenditure Account for the year ended 31st December 2025, and Balance Sheet as at that date of the New Max Hospital:

Receipts and Payments Account for the

year ended 31 December, 2025

	RECEIPTS	₹			PAYMENTS		₹
To	Balance b/d			By	Salaries:		
	Cash	400			(₹ 3,600 for 2024)		15,600
	Bank	2,600	3,000	By	Hospital Equipment		8,500
To	Subscriptions:			By	Furniture purchased		3,000
	For 2024		2,550	By	Additions to Building		25,000
	For 2025		12,250	By	Printing and Stationery		1,200
	For 2026		1,200	By	Diet expenses		7,800
To	Government Grant:			By	Rent and rates (₹ 150 for 2026)		1,000
	For building		40,000				
	For maintenance		10,000	By	Electricity and water charges		1,200
	Fees from sundry Patients		2,400	By	Office expenses		1,000
To	Donations (not to be capitalized)		4,000	By	Investments		10,000
To	Net collections from benefit shows		3,000	By	Balances:		
					Cash	700	
					Bank	3,400	
							4,100
			78,400				78,400

Additional information:	₹
Value of building under construction as on 31.12.2025	70,000
Value of hospital equipment on 31.12.2025	25,500
Building Fund as on 1.1. 2025	40,000
Subscriptions in arrears as on 31.12.2024	3,250
Investments in 8% Govt. securities were made on 1st July, 2025.	

(12 Marks)

(b) Arup, Swarup and Roop are partners in a firm. On 1st April 2024 their fixed capital stood at ₹ 50,000, ₹ 25,000 and ₹ 25,000 respectively.

As per the provision of partnership deed:

(1) Roop was entitled for a salary of 5,000 p.a.

(2) All the partners were entitled to interest on capital at 5% p.a.

(3) Profits and losses were to be shared in the ratio of Capitals of the partners.

Net Profit for the year ended 31st March, 2025 of ₹ 33,000 and 31st March,2026 of ₹ 45,000 was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors.

(4 Marks)

(c) Mr. Manas gives the following particulars in respect of business carried on by him:

Particulars	**Amount (₹)**
Capital Invested in business	9,00,000
Market rate of interest on investment	8%
Rate of risk return on capital invested in business	3%
Remuneration per annum from alternative employment of proprietor if he was not engaged in business	36,000

The business earned profits of ₹ 2,40,000, ₹ 2,16,000 and ₹ 3,00,000 in the years 2022, 2023 and 2025 respectively but made a loss of ₹ 36,000 in the year 2024.

Compute the value of Goodwill on the basis of 6 years' purchase of super profits of the business, calculated on the basis of average profit of last four years.

(4 Marks)

(12 + 4+4 = 20 Marks)

4. (a) Ram and Laxman were partners. The partnership deed provides that:

(i) The annual accounts be balanced on 31st December each year;

(ii) The profits be allocated as follows:

Ram: One-half; Laxman: One-third and Carried to reserve account: One sixth;

(iii) That in the event of death of a partner, his executor will be entitled to the following:

(1) The capital to his credit at the date of death;

(2) His proportionate share of profit to date of death based on the average profits of the last three completed years; and

(3) His Share of goodwill based on three years' purchase of the average profits for the three preceding completed years.

Trial Balance as on 31st December, 2025

Particulars	Debit (₹)	Credit (₹)
Ram's Capital		90,000
Laxman's Capital		60,000
Reserve		45,000
Bills receivable	50,000	
Investment	55,000	
Cash	1,10,000	
Trade payables		20,000
Total	2,15,000	2,15,000

The profits for the three years were 2023: ₹ 51,000; 2024: ₹ 39,000 and 2025: ₹ 45,000. Laxman died on 1st May 2026.

Show the calculation of Laxman (A) Share of profits; (B) Share of Goodwill; (C) Draw up Laxman 's Executor Account as would appear in the firms' ledger transferring the amount to the Loan account. **(8 Marks)**

(b) Renu decided to start a business of garments under the name of M/s. Fashion wears on 1st April, 2024. She had savings of about ₹ 30,00,000. She invested ₹ 9,00,000 out of her savings and borrowed an equal amount from the bank. She purchased a commercial space for ₹ 15,00,000 and further spent ₹ 3,00,000 on its renovation to make it ready for business.

Loan and interest repaid by her in the first year are as follows:

- 30th June, 2024 – ₹ 45,000 principal + ₹ 27,000 interest

- 30th September, 2024 – ₹ 45,000 principal + ₹ 25,650 interest
- 31st December, 2024 – ₹ 45,000 principal + ₹ 24,300 interest
- 31st March, 2025 – ₹ 45,000 principal + ₹ 22,950 interest

In view of further capital requirements, she transferred ₹ 6,00,000 from her savings bank account to the bank account of the business. She paid a security deposit of ₹ 21,000 for a telephone connection. Furniture of ₹ 30,000 was purchased. All payments were made by cheque and all cash receipts were deposited in the bank.

At the end of the year, her business showed the following results:

Particulars	Amount (₹)	Particulars	Amount (₹)
Total Sales	60,00,000	Total Purchases	51,00,000
Electricity Expenses paid	1,20,000	Telephone Charges	1,50,000
Cartage Outwards	1,80,000	Travelling Expenses	1,35,000
Entertainment Expenses	15,000	Maintenance Expenses	75,000
Miscellaneous Expenses	45,000	Electricity Expenses Payable	60,000

Other Information:

(i) She withdrew ₹ 15,000 by cheque each month for her personal expenses.

(ii) Depreciation on building @ 5% p.a. and on furniture @ 10% p.a.

(iii) Closing stock in hand as on 31st March, 2025 amounted to ₹ 16,50,000.

Prepare Trading Account, Profit and Loss Account for the year ended 31-3-2025 and Balance Sheet as on that date. **(12 Marks)**

(8 + 12 = 20 Marks)

5. (a) X Limited gives you the following information to find out Total Sales and Total Purchases:

Particulars	₹	Particulars	₹
Debtors as on 1st April, 2025	70,000	Discount allowed by Suppliers	7,000

Creditors as on 1st April, 2025	81,000	Discount allowed to Customers	9,000
Bills Receivable received during the year	47,000	Bad Debts Recovered	16,000
Bills Payable issued during the year	53,000	Sales Return	11,000
Amount received from Customers	1,56,000	Cash Sales	1,68,500
Amount paid to Suppliers	1,72,000	Cash Purchases	1,97,800
Bills Receivables dishonoured by Customers	5,000	Debtors as on 31st March, 2026	82,000
Bills Receivables endorsed to Creditors	27,000	Creditors as on 31st March, 2026	95,000
Endorsed Bills Receivable dishonoured	3,000		

(5 Marks)

(b) The following errors were committed by the accountant of Om Prakash wires.

(i) Purchase of ₹ 1620 from Anupam & Co. passed through Sales Day Book as ₹ 1260

(ii) Credit sale of ₹ 4,200 to Alka & Associates. was posted to the credit of their account.

How would you rectify the errors assuming that :

(a) they were detected before preparation of Trial Balance.

(b) they were detected after preparation of Trial Balance but before preparing Final Accounts, the difference was taken to Suspense A/c.

(c) they were detected after preparing Final Accounts

Or

The Profit and Loss account of Ganesh showed a net profit of ₹ 5,75,000 after considering the closing stock of ₹ 2,55,000 on 31st March 2026. Subsequently the following information was obtained from scrutiny of the books.

(i) Purchases for the year included ₹ 10,500 paid for electrical fittings of the shop.

(ii) Ganesh gave goods worth of ₹ 25,000 as free samples for which no entry was made.

(iii) Invoices for goods amounting to ₹ 1,85,000 have been entered on 29th March 2026 but were not included in the stock.

(iv) Sales amounting to ₹ 2,05,000 were dispatched on 27th March but were included in sales of April, 2026.

(v) Goods costing ₹ 55,000 were sent on sale or return basis in March, 2026 at a margin of profit of 33½% on cost. Approval was given in April, 2026 but these were considered as sales in March, 2026.

Calculate. the value of stock as on 31st March, 2026 and the adjusted net profit for the year ended on that date. **(5 Marks)**

(c) The following is the abstract of Balance Sheet Sky Ltd. as on 31st March,2026:

		₹
Issued and paid up capital		
2,70,000 Equity shares of ₹ 10 each fully paid-up	27,00,000	
Less: Calls–in–arrear (30,000 Equity shares of ₹ 2 each)	60,000	26,40,000
1,20,000 Equity shares of ₹ 10 each, ₹ 4 cash paid up		4,80,000
Reserves and Surplus:		
Capital Reserve (realized in cash)		1,80,000
Capital Redemption Reserve		4,80,000
Securities Premium		3,00,000
General Reserve		3,60,000
Profit and Loss Account		21,00,000

On 1stApril, 2026. The company makes final call @ 6 each on 1,20,000 equity shares. The call money is duly received by 30th April,2026.

On 1st May,2026 the Board of Directors of the company decided:

(i) To forfeit the share on which final call of ₹ 2 each is due.:

(ii) To re- issue the forfeited share @₹ 11 each as fully paid up.

(iii) To issue fully paid bonus shares in the ratio of one fully paid bonus share for every two fully paid shares held; and

(iv) To use minimum balance of Profit and Loss Account.

Pass necessary journal entries in the books of the company on the basis of the above decisions. **(10 Marks)**

(5 + 5 + 10 = 20 Marks)

6. (a) Ashwani Limited issued 24,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share, payable as ₹ 3 on application, ₹ 5 on allotment (including premium) and the balance in two calls of equal amount. Applications were received for 32,00,000 shares and pro-rata allotment was made to all the applicants. The excess application money was adjusted towards allotment. Vikas to whom 64,000 shares were allotted failed to pay both calls and his shares were subsequently forfeited after second call. You are required to pass journal entries in the books of Ashwani Limited and prepare bank account. **(15 Marks)**

(b) Distinguish between Periodic Inventory System and Perpetual Inventory System.

(5 Marks)

(15 + 5 = 20 Marks)

Mock Test Paper - Series II: April, 2026

Date of Paper: 23rd April, 2026

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

Question No. **1** is compulsory.

Attempt any **four** questions from the remaining **five** questions.

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

Time Allowed: 3 Hours **Maximum Marks: 100**

1. (a) State with reasons, whether the following statements are true or false:

(i) Accounting Standards for non-corporate entities in India are issued by the Central Government.

(ii) Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.

(iii) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.

(iv) Net income in case of persons practicing vocation is determined by preparing profit and loss account.

(v) If a partner retires, then other partners have a gain in their profit sharing ratio.

(vi) Re-issue of forfeited shares is allotment of shares but not a sale.

(6 Statements x 2 Marks = 12 Marks)

(b) Change in accounting policy may have a material effect on the items of financial statements." Explain the statement with the help of an example. **(4 Marks)**

(c) Prepare adjusted Cash Book and Bank Reconciliation Statement from the following particulars as on 31st December, 2025 :

Particulars	₹
Bank Balance as per Cash Book (Debit)	1,98,000

Received from debtors vide NEFT on 31st December, 2025 not recorded in Cash Book	1,00,000
Cheque deposited but not cleared	25,000
Cheque received and deposited but dishonoured, entry for dishonour not made in the Cash Book	44,000
Instruction for payment given to the bank on 31st December, 2025 but the same effected by the Bank on 01st January, 2026	4,000

(4 Marks)

(12 + 4 + 4 = 20 Marks)

2. (a) Pass the Journal entries to record/rectify the following transactions in the books of Mr. Sudeep. Suspense account may be used, if required:

(i) Sale of goods to Mahesh at the list price of ₹ 45,000/- less 10% trade discount. Out of the amount due 50% is received, out of which two-third is received by cheque and the balance amount is received in cash. CGST and SGST applicable is 6% each.

(ii) One of the debtors, Mr. Yash has agreed to pay his dues of ₹ 3,000/- to Mr. Pritam who is a creditor of Mr. Sudeep with the same amount being due to him.

(iii) Cash received from Reema, ₹ 8950 was posted to debit of Sheena

(iv) Goods worth ₹ 12,000 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on sale.

(v) A second hand machinery was purchased at the beginning of the year and its overhauling charges paid are ₹15,000/-. The accountant debited the overhaul charges to Repairs and Maintenance Account. Depreciation on machinery has been charged at 10%.

(vi) A purchase of ₹ 151 from Mr. X was entered in Purchase Day Book as ₹ 15 and posted to Mr. X account as ₹ 51.

(vii) R has been issued a credit note allowing rebate of ₹ 6,000/- as goods supplied to him was found defective. CGST and SGST charged @ 6% each omitted to be recorded.

(viii) ₹ 1600 due from Mr. Akbar was omitted to be taken ·to the trial balance.

(ix) Suresh was given a credit note of ₹ 12,000/- for making prompt payment for outstanding against goods sold to him.

(x) A cheque of ₹ 25,390 issued to Mr. C. Dass (shown under trade payables) towards his dues has been wrongly debited to the purchases. **(10 Marks)**

(b) The following are the details of machineries held by a firm:

Machine	Purchase Date	Purchase Value (₹)	Useful Life	Scrap Value (₹)
M1	01/04/2021	22,00,000	8 years	40,000
M2	01/04/2023	18,80,000	8 years	80,000
M3	01/04/2025	16,20,000	5 years	--

The firm uses 'sum of years digits' method for charging depreciation and maintains a separate account for it.

On 1st April, 2025, the M1 machine has become obsolete and has been sold for ₹ 2,68,000/-. On the same date the estimated useful remaining life of M2 machine is reassessed at 3 years with ₹ 20,000 as scrap value.

You are required to prepare the Machinery Account, Provision for Depreciation Account and Machinery Disposal Account for the year ending 31st March, 2025 and 31st March, 2026. **(10 Marks)**

(10 + 10 = 20 Marks)

3. (a) From the following Income and Expenditure Account and additional information of Happy Club, prepare Receipts and Payments Accounts and Balance Sheet of the club as on 31st March, 2026.

Income and Expenditure Account for the year ending 31st March, 2026

Expenditure	₹	Income	₹
To Salaries	4,80,000	By Subscription	6,80,000
To Printing and Stationery	24,000	By Entrance Fees	16,000
To Postage	2,000	By Misc. Income	1,44,000
To Telephone	6,000		
To Office expenses	48,000		
To Bank Interest	22,000		
To Audit Fees	10,000		
To Annual General Meeting Exp.	1,00,000		
To Depreciation (Sports Equipment)	28,000		
To Surplus	1,20,000		
	8,40,000		8,40,000

Additional Information:

Particulars	As on 31st March, 2025	As on 31st March, 2026
Subscription Outstanding	64,000	72,000
Subscription Received in advance	52,000	33,600
Salaries Outstanding	24,000	32,000
Audit Fees Payable	8,000	10,000
Bank Loan	1,20,000	1,20,000
Value of Sports Equipment	2,08,000	2,52,000
Value of Club Premises	7,60,000	7,60,000
Cash in Hand	?	1,14,000

(10 Marks)

(b) Alpha, Beta and Gama are partners sharing profits and losses in the ratio of 1:2:3. Their Balance Sheet as on 31st March,2026 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals:		Building	2,50,000
Alpha	1,75,000	Machinery	3,37,500
Beta	2,50,000	Debtors	3,25,000
Gama	4,00,000	Stock	4,00,000
General Reserve	3,00,000	Bank	62,500
Trade Creditors	2,50,000		
	13,75,000		13,75,000

Gama retired from business on 1st April,2026 on the following terms:

(i) Building to be appreciated by 25%, Machinery to be depreciated by 10%. and stock is revalued at ₹ 3,72,250

(ii) Alpha and Beta to bring in additional capital of ₹ 5,00,000 each.

(iii) Provision for Doubtful Debts to be created at 4%.

(iv) Goodwill was to be valued at 3 years' purchase of average profits of past 3 years. The profits of past 3 years were ₹ 2,75,000, ₹ 2,50,000 and ₹ 1,95,000 respectively. Goodwill was not to be raised in the books of Accounts.

(v) Balance payable to Gama was to be paid immediately.

Prepare Revaluation Account, Bank Account and Partners' Capital Accounts after giving effect to Gama's retirement, Also show the valuation of Goodwill and pass a Journal Entry for adjustment of Goodwill. **(10 Marks)**

(10 + 10 = 20 Marks)

4. (a) A, B, C and D had been carrying on business in partnership sharing profits & losses in the ratio of 4:3:2:1. They decided to dissolve the partnership on the basis of following Balance Sheet as on 30th April, 2026:

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
Capital Accounts		Land & building	7,38,000
A 6,48,000		Furniture & fixtures	1,95,000
B 4,32,000	10,80,000	Stock	3,00,000
		Debtors	2,17,500
		Cash in hand	46,500
Sundry creditors	1,08,000	Capital overdrawn:	
Mortgage loan	3,30,000	C 3,000	
		D 18,000	21,000
	15,18,000		15,18,000

(i) The assets were realized as under:

	₹
Land & building	6,90,000
Furniture & fixtures	126,000
Stock	2,16,000
Debtors	1,95,000

(ii) Expenses of dissolution amounted to ₹ 23,400.

(iii) Further creditors of ₹ 54,000 had to be met.

(iv) C became insolvent and nothing was realized from his private estate.

Applying the principles laid down in Garner Vs. Murray, prepare the Realisation Account, Partners' Capital Accounts and Cash Account. **(12 Marks)**

(b) The balance sheet of Suraj on 1st April, 2025 was as follows:

Particulars	Amount (₹)	Particulars	Amount (₹)
Trade Payables	19,50,000	Furniture and Fixtures	19,50,000
Expenses Payable	2,25,000	Vehicle	8,25,000
Capital	66,00,000	Trade Receivable	33,00,000
		Cash at Bank	14,25,000
		Inventories	12,75,000
	87,75,000		87,75,000

During 2025-26, his profit and Loss Account revealed a net profit of ₹ 20,10,000. This was after allowing for the following:

(i) Commission paid to selling agent ₹ 1,95,000

(ii) Discount received from creditors ₹ 2,25,000

(iii) Purchased a vehicle of ₹ 1,50,000 on 31st March, 2026

(iv) Depreciation on Furniture and Fixtures @ 10% and on Vehicle @ 20%

(v) A provision for doubtful debts @ 3% of the trade receivables as at 31st March, 2026

But while preparing the Profit and Loss Account he had forgotten to provide for

(1) prepaid expenses ₹ 45,000 and

(2) outstanding commission₹ 1,05,000.

His current assets and liabilities on 31st March, 2026 were: Inventories ₹ 19,50,000. Trade Receivables 39,00,000 (before provision for doubtful debts), cash at Bank 16,50,000 and Trade Payables ₹ 4,38,000.

During the year he introduced further capital of ₹ 9,00,000 into the business.

You are required to prepare the balance sheet as at March 31, 2026. **(8 Marks)**

(12 + 8 = 20 Marks)

5. (a) For mutual accommodation of Tina and Meena, Tina drew upon Meena a bill of ₹ 15,000 at 3 months on 01.04.2025. Meena accepted the bill and returned to Tina who discounted it immediately @ 12% p.a. According to agreement, Tina and Meena shared the proceeds as 2:1.

On the date of maturity Tina remitted his share to Meena who honoured the bill by payment.

Show journal entries in the books of Tina and Meena. **(5 Marks)**

(b) One of your clients Mr. Srikant asked you to finalize his account for the year ended 31st March,2026. As a basis for audit, Mr. Srikant furnished you with the following statement:

	Dr.	Cr.
Srikant's Capital		23,340
Srikant's Drawings	8,460	
Leasehold Premises	11,250	
Sales		41,250
Due from customers		7,950
Purchases	18,885	
Purchase Return	3,960	
Loan from Bank		3,840
Trade Expense	10,500	
Trade Payable	7,920	
Bills Payable	1,500	
Salaries and Wages	9,000	
Cash at Bank	3,390	
Opening Inventory		3,960
Rent and Rates	6,945	
Sales Return		1,470
	81,810	81,810

The closing inventory was ₹1,722. Mr. Srikant claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, if any.

Or

Mr. Jamie runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2026.

Opening work-in-progress (81,000 units)	2,34,000
Closing work-in-progress (1,26,000 units)	4,32,000

Opening inventory of Raw Materials	23,40,000
Closing inventory of Raw Materials	28,80,000
Purchases	73,80,000
Hire charges of Machinery @ ₹ 0.70 per unit manufactured	
Hire charges of factory	23,40,000
Direct wages-contracted @ ₹ 0.80 per unit manufactured and @ ₹ 0.40 per unit of closing W.I.P.	
Repairs and maintenance	16,20,000
Units produced - 45,00,000 units	

You are required to prepare a Manufacturing Account of Mr. Jamie for the year ended 31-03-2026. **(5 Marks)**

(c) The books of Sarvodaya Ltd. showed the following balance on 31st December, 2026:

60,000 Equity Shares of ₹ 10 each fully paid; 36,000 12% Redeemable Preference Shares of ₹ 10 each fully paid; 4,000 10% Redeemable Preference Shares of ₹ 10 each, ₹ 8 paid up (all shares issued on 1st April, 2026).

Undistributed Reserve and Surplus stood as: Profit and Loss Account ₹ 1,60,000; General Reserve ₹ 2,40,000; Securities Premium Account ₹ 30,000 and Capital Reserve ₹ 42,000.

For redemption, 6,000 equity shares of ₹ 10 each are issued at 10% premium. At the same time,12% Preference shares are redeemed on 1st January, 2026 at a premium of ₹2 per share. The whereabouts of the holders of 200 shares of ₹ 10 each fully paid are not known.

A bonus issue of equity share was made at par, two shares being issued for every five held on that date out of the Capital Redemption Reserve Account. However, equity shares, issued for redemption are not eligible for bonus.

Show the necessary Journal Entries to record the transactions. (Ignore date column).

(10 Marks)

(5+5+10 = 20 Marks)

6. (a) Sea Shell Limited is a company with' an authorised share capital of ₹ 2,00,00,000 in equity shares of ₹ 10 each, of which 12,00,000 shares had been issued and fully paid up on 31st March, 2025. The company proposes to make a further issue of 2,70,000 of these ₹ 10 shares at a price of ₹ 14 each,

the arrangement of payment being :

(i) ₹ 2 per share payable on application, to be received by 31st May, 2025;

(ii) Allotment to be made on 10th June, 2025 and a further ₹ 5 per share (including the premium to be payable);

(iii) The final call for the balance to be made, and the money received by 31st December, 2025.

Applications were received for 11,20,000 shares and dealt with as follows:

(1) Applicants for 20,000 shares received allotment in full;

(2) Applicants for 1,00,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;

(3) Applicants for 10,00,000 shares received an allotment of 1 share for every 5 shares applied for the money due on allotment was retained by the company, the excess being returned to the applicants; and

(4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of Sea Shell Limited. **(15 Marks)**

(b) Write short notes on:

(i) Adjusted Selling Price method of determining cost of stock.

(ii) Principal methods of ascertainment of cost of inventory. **(5 Marks)**

(15 + 5 = 20 Marks)