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)