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

1^{st} 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 30^{th} 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 1^{st} 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 31^{st} 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 31^{st} March, 2025:

Receipts	**₹**	**Payments**	**₹**
Cash in hand & at Bank on 1^{st} 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)