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 15^{th} 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)