

**Mock Test Paper - Series II: December, 2025**

**Date of Paper: 29<sup>th</sup> 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 31<sup>st</sup> 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 1 <sup>st</sup> 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 31 <sup>st</sup> 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 1<sup>st</sup> April, 2024. The Books of Accounts

Depreciation is written off of the Factory are closed on 31<sup>st</sup> March every year and @ 10% per annum under the Diminishing Balance Method. On 1<sup>st</sup> 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 1<sup>st</sup> September, 2024 a machine which had cost ₹ 21,87,000 on 1<sup>st</sup> April, 2022 was sold for ₹ 3,75,000. Another machine which had cost ₹ 21,85,000 on 1<sup>st</sup> April, 2023 was scrapped on 1<sup>st</sup> September, 2024 and it realized nothing.

Prepare Machinery Account for the year ended 31<sup>st</sup> 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 31<sup>st</sup> 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 <u>3,600</u>		By Balance c/d	18,09,000
	95,400		
Less: Prepaid of last year <u>1,800</u>	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 31<sup>st</sup> 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

-	31 <sup>st</sup> March, 2022	₹ 70,400
-	31 <sup>st</sup> March, 2023	₹ 56,320
-	31 <sup>st</sup> March, 2024	₹ 48,160
-	31 <sup>st</sup> 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  $\frac{3}{4}$ <sup>th</sup> and  $\frac{1}{4}$ <sup>th</sup> As at 31<sup>st</sup> March, 2025, following is the Balance Sheet of Ram and Shyam.

**Balance Sheet as at 31<sup>st</sup> March, 2025**

<b>Liabilities</b>		<b>(₹)</b>	<b>Assets</b>	<b>(₹)</b>
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	<u>10,000</u>
		<u>8,75,000</u>		<u>8,75,000</u>

They agreed to take Mohan into Partnership on 1<sup>st</sup> 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  $\frac{1}{5}$ <sup>th</sup> 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
Cash sales	1,70,800	General expenses	22,500
Capital brought in the business during the year	50,000	Rent and taxes	11,800
Interest on Investment received	9,750	Drawings	96,000
		Cash purchases	1,22,750
		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:

	1 <sup>st</sup> April, 2024	31 <sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> December, 2024.
- (ii) Amount actually paid as salaries during 2024.
- (iii) Outstanding salaries as on 31<sup>st</sup> 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 31<sup>st</sup> March, 2025. A comparison of the entries in the cash book and pass-book revealed that -

- (i) On 22<sup>nd</sup> 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 1<sup>st</sup> April, 2025.
- (ii) A cheque for ₹ 4,000 was issued to a supplier on 28<sup>th</sup> March, 2025. The cheque was presented to bank on 4<sup>th</sup> 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 27<sup>th</sup> March, 2025 but by mistake the same was not recorded in the cash book. The cheque was, however, duly encashed by 31<sup>st</sup> 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 31<sup>st</sup> March, 2025. The fact was, however, intimated to the firm on 3<sup>rd</sup> April, 2025.

You are required to prepare a bank reconciliation statement as on 31<sup>st</sup> March, 2025. **(5 Marks)**

- (c) The following notes pertain to Destiny Ltd.'s Balance Sheet as on 31<sup>st</sup> 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 2<sup>nd</sup> 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 1<sup>st</sup> 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)**