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)