Mock Test Paper - Series I: August, 2026

Date of Paper: 10th August, 2026

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. Valuation of inventory at cost or net realizable value is based on Principle of Conservatism.

   iii. Any amount spent for replacement of worn-out part of a machine is capital expenditure.

   iv. Both revenue and capital nature transactions are recorded in the Receipts and Payments Account.

   v. Legal heirs of a deceased partner are entitled to his capital account balance only.

   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) Differentiate between Book-keeping and Accounting. **(4 Marks)**

(c) The following details are available of raw material of a manufacturing unit:

1-5-2026	Opening Inventory	100 units @ ₹ 15 per unit
2-5-2026	Purchases	300 units @ ₹ 18 per unit
5-5-2026	Issued for consumption	250 units
16-5-2026	Purchases	500 units @ ₹ 21 per unit
21-5-2026	Issued for consumption	100 units
25-5-2026	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, 2026, if the company follows Weighted Average method for inventory valuation. **(4 Marks)**

(12 + 4 + 4 = 20 Marks)

2. (a) M/s. Surya Prakash purchased a second-hand machine on 1st April, 2022 for ₹ 1,60,000. Overhauling and erection charges amounted to ₹ 40,000. Another machine was purchased for ₹ 80,000 on 1st October, 2022. On 1st October, 2024, the machine installed on 1st April, 2022 was sold for ₹ 1,00,000. Another machine for ₹ 30,000 was purchased and was installed on 31st December, 2024. Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from 1st April,2025 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 1st April, 2022 to 31st March, 2026. **(10 Marks)**

(b) Pass the Journal entries to record/rectify the following transactions in the books of Mr. Saket. Suspense account may be used, if required:

(i) Sale of goods to Somesh at the list price of ₹ 2,00,000/- 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. Z has agreed to pay his dues of ₹ 4,500/- to Mr. C who is a creditor of Mr. Saket with the same amount being due to him.

(iii) Employees have been given inventory having selling price of ₹ 1,00,000 (Cost price ₹ 75,000) on the eve of Deepawali as a gift. CGST and SGST applicable is 6% each.

(iv) A second hand machinery was purchased, and its overhauling charges paid are ₹45,000/-. The accountant debited the overhaul charges to Repairs and Maintenance Account. Depreciation on machinery has been charged at 10%.

(v) A purchase of ₹ 151 from Mr. Yash was entered in Purchase Day Book as ₹ 15 and posted to Mr. Yash account as ₹ 51.

(vi) A cheque of ₹ 14,480 issued to Mr. C. Dass (shown under trade payables) towards his dues has been wrongly debited to the purchases.

(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.

(viii) S was given a credit note of ₹ 2,000/- for making prompt payment for outstanding against goods sold to him. CGST and SGST charged on sale was @ 6%.

(ix) An accrual of telephone charges for ₹ 1,410 has been completely omitted.

(x) Sale of ₹ 2,500/- made to Mr. Kamal Kumar has been debited to Mrs. Kamla Rani. **(10 Marks)**

(10 +10 = 20 Marks)

3. (a) The following is the Balance Sheet of X, Y, Z on 31st December, 2025 when they decided to dissolve the partnership. They share profits in the ratio of 2:2:1.

Liabilities	₹	Assets	₹
Creditors	3,000	Sundry Assets	72,750
A's Loan	7,500	Cash	750
Capital Accounts:			
X	22,500		
Y	27,000		
Z	13,500		
	73,500		73,500

The assets realized the following sums in instalments:

Instalment	Amount ₹
I	1,500
II	4,500

III	5,850
IV	9,000
V	30,150
	51,000

The expenses of realization were expected to be ₹ 750 but ultimately amounted to ₹ 600 only. The fifth installment (V) of asset realized includes saving in realization expense i.e. ₹ 150

Prepare a statement showing how the cash received at each stage should be distributed among creditors, X's loan account, and the partners' capital accounts using the Maximum Possible Loss Method. **(10 Marks)**

(b) Following are the Manufacturing A/c, Creditors A/c and Raw Material A/c provided by M/s. Anil related to financial year 2025-26. There are certain figures missing in these accounts.

Raw Material A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock A/c	1,27,000	By Raw Materials Consumed	
To Creditors A/c	-	By Closing Stock	-

Creditors A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000		-

Manufacturing A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Raw Material A/c	-	By Trading A/c	17,44,000
To Wages	3,65,000		
To Depreciation	2,15,000		
to Direct Expenses	2,49,000		

Additional Information:

(i) Purchase of machinery worth ₹ 12,00,000 on 1st April; 2025 has been omitted, Machinery is chargeable at a depreciation rate of 15%.

(ii) Wages include the following:

Paid to factory workers	- ₹ 3,15,000
Paid to labour at office	- ₹ 50,000

(iii) Direct expenses included the following :

Electricity charges	- ₹ 80,000
of which 25% pertained to office	
Fuel charges	- ₹ 25,000
Freight inwards	- ₹ 32,000
Delivery charges to customers	- ₹ 22,000

You are required to prepare revised Manufacturing A/c and Raw Material A/c. **(10 Marks)**

(10 + 10 = 20 Marks)

4. (a) Ram, Laxman and Bharat were in a partnership firm sharing profit and loss in the ratio of 3: 2: 1. Their Balance Sheet on 31st March, 2026 was as follows:

Liabilities	**Amount (₹)**	**Assets**		**Amount (₹)**
Ram's Capital	78,000	Patents		30,000
Laxman's Capital	42,000	Machinery		60,000
Bharat's Capital	31,000	Investment (Market value ₹ 27,500)		25,000
General Reserve	6,000	Stock		42,650
Workmen's Compensation	12,000	Debtors	50,000	
		Less: Provision for		
Trade Creditors	43,000	doubtful debts	4,000	46,000
		Cash at Bank		8,350
	2,12,000			2,12,000

Bharat retired on the above date on the following terms:

(1) Goodwill of the firm was valued at ₹ 60,000.

(2) Value of patents was to be reduced by 20% and that of machinery to 90%.

(3) Provision for doubtful debts was to be raised to 10%.

(4) Trade creditors were reduced by ₹ 6,000.

(5) Additional liability for workmen compensation to the extent of ₹ 6,000 is to be created.

(6) Bharat took over the investment at market value.

(7) Amount due to Bharat is to be settled on the following basis:

- 50% on retirement, 50% of the balance within one year and the balance by a bill of exchange (without interest) at 3 months.

You are required the following:

(i) Show entry for the treatment of goodwill,

(ii) Prepare Revaluation Account,

(iii) Partner Capital Account and Balance Sheet. **(10 Marks)**

(b) Hari Om Distributors are carrying on the retail business of electrical goods. They keep their books of account under single entry system. The Balance Sheet as on 31st March, 2025 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c	18,15,000	Motor Vehicle	3,30,000
Trade Creditors	2,25,600	Furniture	2,20,500
Salary payable	27,000	Stock in trade	5,12,400
		Trade Debtors	4,36,200
		6% Investments	1,80,000
		Cash in hand & at Bank	3,88,500
	20,67,600		20,67,600

The summary of Cash and Bank Book for the year ended 31st March, 2026 was given as below:

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand & at Bank on 1st April,2025	3,88,500	Cash Purchases	28,45,200

Cash Sales		Payment to Trade Creditors	2,26,35,000
Receipts from Trade Debtors	30,67,200	Salaries	12,38,400
		Rent & taxes	7,54,800
Interest on investments	2,56,56,000	Sundry Expenses	4,15,200
	10,800	Drawings	7,20,000
		Cash in hand & at Bank on 31st March,2026	5,13,900
	2,91,22,500		2,91,22,500

Additional Information:

(i) Gross Profit ratio of 12.5% on Sales is maintained throughout the year.

(ii) During the year, discount allowed to trade debtors was for ₹ 1,87,500 and discount received from trade creditors amounted to ₹ 1,05,000.

(iii) As on 31st March,2026, the closing balances of trade debtors and trade creditors were ₹ 6,61,500 and ₹ 3,16,800 respectively.

(iv) On 31st March,2026 an amount of ₹ 44,400 was outstanding towards Salary.

(v) Depreciation @ 10% p.a. to be charged on Motor Vehicle and Furniture.

You are required to prepare Trading and Profit & Loss account for the year ended 31st March,2026. **(10 Marks)**

(10 + 10 = 20 Marks)

5. (a) From the following income and expenditure account of a Educational Club for the year ending 31stMarch, 2026, you are required to prepare Receipt and Payment account for the year ending 31st March, 2026.

Income and Expenditure Account

For the year ending 31st March, 2026

Expenditure	**Amount ₹**	**Income**	**Amount ₹**
To Lawn Maintenance	42,000	By subscription	1,05,000
To General Expenses	13,000	By Admission fees	12,000
To Stationery (depreciation)	1,500	By sale of Sports	

To Depreciation on Sport material	22,000	material (Sale of second-hand material)	2,400
To Honorarium	10,400	By Entertainment Fees	14,000
To Excess of income over Expenditure	50,500	By Tournament Income 20,000 Less: Expenses(14,000)	6,000
	1,39,400		1,39,400

Additional Information:

Particulars	1st April, 2025	31st March, 2026
Cash at bank	60,000	-
Stock of sports material	30,000	-
Donations for club building		1,40,000
Subscription due	10,000	15,000
Stationery stock	4,000	-

The written down value of the sports material (second hand material) sold for ₹ 2,400 is Nil at the beginning of the year. Stationery was depreciated by 25% and Sports material by 50%.

Note: Depreciation has been charged for full year irrespective of the purchase made during the year.

(5 Marks)

(b) Attempt any ONE of the two sub-parts i.e. either (i) or (ii) :

(i) On 31st March 2026, the Bank Pass Book of Ms. Veena showed a balance of ₹ 1,50,000 to her credit while balance as per cash book was ₹ 1,12,050. On scrutiny of the two books, she ascertained the following causes of difference:

(a) She has issued cheques amounting to ₹ 80,000 out of which only ₹ 32,000 were presented for payment.

(b) She received a cheque of ₹ 5,000 which she recorded in her cash book but forgot to deposit in the bank.

(c) A cheque of ₹ 22,000 deposited by her has not been cleared yet.

(d) Mr. Gupta deposited an amount of ₹ 15,700 in her bank which has not been recorded by her in Cash Book yet.

(e) Bank has credited an interest of ₹ 1,500 while charging ₹ 250 as bank charges.

On the basis of above information, prepare a Bank Reconciliation Statement.

OR

(ii) Mr. A accepts two bills of exchange on June 1, 2025 for ₹ 3,00,000 and ₹ 1,20,000 drawn on him by Mr. B. The bill of exchange for ₹ 3,00,000 is for two months while the bill of exchange for ₹ 1,20,000 is for three months. Mr. B got the first bill discounted with the bank for ₹ 2,98,000 on June 3, 2025. On August 2, 2025 Mr. A requested Mr. B to cancel both the bills and drew a new bill on him with the combined amount of both the bills along with interest @ 12% per annum for a period of two months. Before the due date of the renewed bill on September 3, 2025, Mr. A becomes insolvent and only 40 paise in a rupee could be recovered from his estate.

You are required to give the journal entries in the books of Mr. B

(5 Marks)

(c) The books of Nova Tech Systems 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, 6,000 equity shares of ₹ 10 each are issued at 10% premium. At the same time,12% Preference shares are redeemed 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) David Limited issued a prospectus inviting applications for 3,60,000 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 10,80,000 equity shares. Applications for 2,40,000 shares were rejected and the money refunded. Shares allotted to remaining applications as follows:

Category	**No. of shares Applied**	**No. of shares Allotted**
I	4,80,000	2,40,000
II	3,60,000	1,20,000

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 2,040 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 David Ltd. Open call in arrears account whenever required. **(15 Marks)**

(b) Define Measurement and Valuation Principles in brief. **(5 Marks)**

(15 + 5 = 20 Marks)