Mock Test Paper - Series I: December, 2025

Date of Paper: 15th December, 2025

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

ANSWERS

1. (a) (i) **True:** Discount column is totalled and transferred to the discount allowed or received account.

(ii) **False:** A promissory note should not be made payable to the bearer. The payee must be to a certain person.

(iii) **False:** Accounting standards cannot override the statute. The standards are required to be framed within the ambit of prevailing statutes.

(iv) **False:** In case of admission of new partner in a partnership firm, profit/loss on revaluation account is transferred to old partners in their old profit-sharing ratio.

(v) **False:** Depreciation is a charge against profit and not an appropriation of profit. Therefore, depreciation has to be provided for, even in case of loss in a financial year.

(vi) **False:** A share on which only a fixed rate of dividend is paid every year, without any accompanying additional rights in profits and in the surplus on winding-up, is called 'Non-participating Preference Shares. Non-participating preference shareholders do not enjoy voting rights.

(b) Limitations which must be kept in mind while evaluating the Financial Statements are as follows:

- The factors which may be relevant in assessing the worth of the enterprise don't find place in the accounts as they cannot be measured in terms of money.
- Balance Sheet shows the position of the business on the day of its preparation and not on the future date while the users of the accounts are interested in knowing the position of the business in the near future and also in long run and not for the past date.

- Accounting ignores changes in some money factors like inflation etc.
- There are occasions when accounting principles conflict with each other.
- Certain accounting estimates depend on the sheer personal judgement of the accountant.

Different accounting policies for the treatment of same item adds to the probability of manipulations.

(c) Rectification entries in the books of M/s Ritu Wires

	Particulars	L.F.	Dr. ₹	Cr. ₹
1.	Profit and Loss Adjustment A/c Dr. To Suspense A/c (Addition of freight column in purchase journal was under casted, now rectification entry made)		7,200	7,200
2.	Profit and Loss Adjustment A/c Dr. To Building A/c (Repairs amounting ₹ 22,250 wrongly debited to building account, now rectified)		22,250	22,250
3.	Profit and Loss Adjustment A/c Dr. To Furniture A/c (Being sale of furniture wrongly entered in sales book, now rectified)		20,000	20,000
4.	Ram Mahonar & Associates. Dr. To Bills receivable A/c (Bill receivable dishonoured debited to Bills receivable account instead of customer account, now rectified)		60,000	60,000

2. (a) Bank Reconciliation Statement as on 30th September,2025

	Particulars	Amount (₹)	Amount (₹)
	Overdraft as per Pass Book (Dr. Balance)		25,000
Add:	Cheques issued but not presented ₹ (34,000-20,000)	14,000	

	Cheques deposited into the Bank by Customer but not entered in Cash Book	400	
	Bank charges written twice in Cash Book	80	14,480
			39,480
Less:	Cheques received, recorded in cash Book but not sent to the Bank	4,000	
	Cheques sent to the Bank but not collected	6,000	
	Direct payment made by the bank not recorded in the Cash book	1,600	
	Interest on Overdraft charged by Bank	1,600	
	Credit side of bank column of Cash Book was undercast	2,000	(15,200)
	Overdraft as per Cash Book		24,280

(b) Valuation of Physical Stock as at March 31, 2025

		₹
Stock at cost on 31st December,2024		95,000
Add: (1) Undercasting of a page total	15,200	
(2) Goods purchased and delivered during January – March, 2025		
₹ (85,000 – 18,000 + 19,000)	86,000	
(3) Cost of sales return ₹ (16,000 – 3,200)	12,800	
		1,14,000
		2,09,000
Less:(1) Overcasting of a page total ₹ (21,000 – 20,000)	1,000	
(2) Goods sold and dispatched during January – March, 2025		
₹ (1,05,000 – 20,000 + 19,000) 1,04,000		
Less: Profit margin $\left(1,04,000 \times \frac{25}{125}\right)$ (20,800)	83,200	
		(84,200)
Value of stock as on 31st March, 2025		1,24,800

Note: In the above solution, transfer of ownership is assumed to take place at the time of delivery of goods. If it is assumed that transfer of ownership takes place on the date of invoice, therefore ₹ 19,000 goods delivered in March, 2025 for

which invoice was received in April, 2025, would be treated as purchases of the accounting year 2025-2026 and thus excluded. Similarly, goods dispatched in March, 2025 but invoiced in April, 2025 would be excluded and treated as sale of the year 2025-2026.

3. (a) **Civil Lines Club**

Income and Expenditure Account for the year ending 31st December,2024

Expenditure	₹	Income		₹
To Salary	3,000	By Subscription (W.N. -ii)		10,650
To Repairs expenses	500	By Donations (40%)		2,800
To Miscellaneous expenses	410	By Interest on investments* (100 + 200)		300
To Insurance premium	380	By Entrance fees		1,500
To Paper, Ink etc	250	By Interest received from Bank		400
To Excess of Income over expenditure	12,110	By Sale of old newspaper		250
		By Sale of drama tickets	1,250	
		Less: expenses	500	750
	16,550			16,550

(b) **Balance Sheet of Civil Lines Club as at 31st December, 2024**

Liabilities		₹	Assets	₹
Capital Fund:			Furniture	7,000
Opening balance (W.N.1)	43,100		Investment	6,000
Add: Excess of income. over exp	12,110		Billiards table	30,000
Add: Donations	4,200	59,410	Cash in hand	4,500
Insurance Premium payable		80	Cash at Bank	11,050
Subscription received in advance for 2025		550	Prepaid Expenses- Misc exp	90
			Subscription Receivable	1,200
			Interest accrued on investments	200
		60,040		60,040

Working Notes:

1. Calculation of capital fund

Balance Sheet of Delhi Club as at 31st December, 2023

Liabilities	₹	Assets	₹
Capital Fund (Balancing figure)	43,100	Billiards table	30,000
Creditors for Billiard table	10,000	Cash in hand	8,100
		Cash at Bank	15,000
	53,100		53,100

2. Calculation of amount of subscription shown in Income and expenditure account

	₹
Subscription received in cash during 2024	10,000
Add: Outstanding of 2024	1,200
	11,200
Less: Advance of 2025	(550)
	10,650

(b) Joint Life Policy Account

Date	Particulars	₹	*Date*	*Particulars*	₹
10th June, 2021	To Bank A/c	9,000	31st Dec., 2021	By Profit and Loss A/c	9,000
10th June, 2022	To Bank A/c	9,000	31st Dec., 2022	By Profit and Loss A/c	6,300
			31st Dec., 2022	By Balance c/d	2,700
		9,000			9,000
1st January, 2023	To Balance b/d	2,700	31st Dec., 2023	By Profit and Loss A/c	5,700
10th June, 2023	To Bank A/c	9,000	31st Dec., 2023	By Balance c/d	6,000
		11,700			11,700
1st January, 2024	To Balance b/d	6,000	31st Dec., 2024	By Profit and Loss A/c	4,200
10th June, 2024	To Bank A/c	9,000	31st Dec., 2024	By Balance c/d	10,800
		15,000			15,000
1st January, 2025	To Balance b/d	10,800	15th April, 2025	By Bank A/c	10,800
		10,800			10,800

(c) (ii)

Particulars	Sita	Geeta	Meena	Total Profit of firm
I. Amount already credited:				
Share of profit (in the ratio of 1:1:1) (2023-24, 2024-25)	3,90,000	3,90,000	3,90,000	11,70,000
II. Amount which should have been credited:				
Meena's Salary (2023-24, 2024-25)			1,50,000	
Interest on Capital (2023-24, 2024-25)	75,000	37,500	37,500	
Share of Profit	4,35,000	2,17,500	2,17,500	8,70,000
	5,10,000	2,55,000	4,05,000	
Net effect (I-II)	(1,20,000)	1,35,000	(15,000)	-

The necessary journal entry will be:

Particulars	Debit (₹)	Credit (₹)
Geeta's Current A/c	1,35,000	
To Sita's Current A/c		1,20,000
To Meena's Current A/c		15,000
(Salary to Meena, Interest on capital charged and profit shared among partners in the ratio of capital)		

4. (a) **Realisation Account**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets:			By Creditors		1,84,000
Debtors	1,56,000				
Stock	55,800				
Furniture	1,05,000		By Bank A/c:		
Machinery	1,88,000		Land and Building	5,30,000	
Land and Building	4,85,000	9,89,800	Debtors	1,47,000	
To Bank-Creditors: (W.No.1)		1,60,000	Stock	60,000	
To Bank A/c o/s bill for repairs		3,500	Machinery	1,70,000	
To Bank A/c (expenses)		18,700	Unrecorded Investment	30,000	9,37,000
			By X's Capital A/C		75,000

To Profit transferred to:					
X's Capital A/c	12,000				
Y's Capital A/c	8,000				
Z's Capital A/c	4,000	24,000			
		11,96,000			11,96,000

Partner's Capital Accounts

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Realisation A/c - Furniture	75,000			By Bal. b/d	3,55,000	2,20,000	1,25,000
To Bank	3,67,000	2,78,000	1,54,000	By General. Reserve	75,000	50,000	25,000
				By Realisation Profit	12,000	8,000	4,000
	4,42,000	2,78,000	1,54,000		4,42,000	2,78,000	1,54,000

Bank Account

Particulars	₹	Particulars	₹
To Balance b/d	44,200	By Realisation A/c:	
To Realisation A/c (Assets realized)	9,37,000	(Liabilities Paid)	1,82,200
		By X's Capital A/c	3,67,000
		By Y's Capital A/c	2,78,000
		By Z's Capital A/c	1,54,000
	9,81,200		9,81,200

Working Note 1:

Payment to Trade Creditors

Particulars	Amount (₹)
Trade creditors as per Balance sheet	1,84,000
Less: Furniture (Book Value ₹ 25,000 accepted at ₹ 24,000)	24,000
	1,60,000

(b) **Trading A/c**

for the year ended 31st March, 2025

	Particulars	₹		Particulars	₹
To	Opening stock	2,80,000	By	Sales	
To	Purchases	7,70,000		Cash 2,40,000	
To	Gross Profit @ 25%	3,10,000		Credit 10,00,000	12,40,000
			By	Closing Stock (bal. fig.)	1,20,000
		13,60,000			13,60,000

Profit and Loss Account

for the year ended 31st March, 2025

	Particulars	₹		*Partculars*	₹
To	Salaries	40,000	By	Gross Profit	3,10,000
To	Business expenses	1,20,000			
To	Interest on loan (10% of 1,00,000*6/ 12)	5,000			
To	Net Profit	1,45,000			
		3,10,000			3,10,000

Balance Sheet as at 31st March, 2025

Liabilities	₹	₹	**Assets**	₹
Hari Om's capital:			Cash in hand	10,000
Opening	3,00,000		Cash at Bank	80,000
Add: Net Profit	1,45,000		Sundry Debtors	3,50,000
	4,45,000		Stock in trade	1,20,000
Less: Drawings	(80,000)	3,65,000		
Loan from Vimal (including interest due)		1,05,000		
Sundry Creditors		90,000		
		5,60,000		5,60,000

Working Notes:

1. Sundry Debtors Account

		₹			₹
To	Balance b/d	1,00,000	By	Bank A/c	7,50,000
To	Credit sales (Bal. fig)	10,00,000	By	Balance c/d	3,50,000
		11,00,000			11,00,000

2. Sundry Creditors Account

		₹			₹
To	Bank A/c	7,00,000	By	Balance b/d	40,000
To	Cash A/c	20,000	By	Purchases (Bal. fig.)	7,70,000
To	Balance c/d	90,000			
		8,10,000			8,10,000

3. Cash and Bank Account

		Cash	Bank			Cash	Bank
		₹	₹			₹	₹
To	Balance b/d	10,000		By	Balance b/d		50,000
To	Sales (bal. fig)	2,40,000		By	Bank A/c (C)	1,00,000	
To	Cash (C)		1,00,000	By	Salaries	40,000	
To	Debtors		7,50,000	By	Creditors	20,000	7,00,000
To	Vimal's loan		1,00,000	By	Drawings	80,000	
				By	Business expenses		1,20,000
				By	Balance c/d	10,000	80,000
		2,50,000	9,50,000			2,50,000	9,50,000

4. Calculation of Hari Om's Capital on 1st April, 2024

Balance Sheet as at 1st April,2024

Liabilities	₹	Assets	₹
Hari Om's Capital (bal. fig)	3,00,000	Cash in hand	10,000
Bank Overdraft	50,000	Sundry Debtors	1,00,000
Sundry Creditors	40,000	Stock in trade	2,80,000
	3,90,000		3,90,000

5. (a) Calculation of Depreciation

		Purchased on Apr. 1, 2021 (₹)	Purchased on Apr. 1, 2022 (₹)	Total WDV	Total Depreciation (₹)
1-4-21	Cost	6,00,000			
	Depreciation	(1,20,000)			1,20,000
	Written Down Value (WDV)	4,80,000		4,80000	
1-4-22	Cost	-	4,50,000		
	Depreciation	(96,000)	(90,000)		1,86,000
1-4-23	Written Down Value (WDV)	3,84,000	3,60,000	7,44,000	
	Depreciation	(76,800)	(72,000)		1,44,800
1-4-24	Written Down Value (WDV)	3,07,200	2,88,000	5,95,200	

Computers Account

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
1-4-24	To Balance b/d	5,95,200	31-3-25	By Depreciation	1,11,900
1-4-24	To Bank	3,00,000		(74,400 + 37,500)	
			31-3-25	By Balance c/d	7,83,300
		8,95,200			8,95,200
1-4-25	To Balance b/d	7,83,300			

(b) **In the Books of Mr. Anthony**

Manufacturing Account for the year ended on March 31, 2025

Particulars	₹	Amount ₹	Particulars	Amount ₹
To Opening W.I.P.		65,62,500	By Closing W-I-P	75,07,500
To Raw Material Consumed:			By Sale of Scrap	3,78,000
Opening inventory	61,42,500		By Trading A/c-	3,34,11,000
Purchases	1,96,77,000		Cost of finished goods transferred	
	2,58,19,500			
Less: Returns	(9,97,500)			
	2,48,22,000			
Less: Closing inventory	(49,35,000)	1,98,87,000		
To Carriage Inwards		28,35,000		
To Direct Wages		41,68,500		
To Manufacturing Overhead:				
Power and Electricity	18,48,000			
Repairs & Maintenance	27,82,500			
Depreciation on				
Factory Shed	15,12,000			
Depreciation on Plant & Machinery	17,01,000	78,43,500		
		4,12,96,500		4,12,96,500

(c) **In the books of Shrinivas Limited**

Journal Entries

Particulars		Dr. (₹)	Cr. (₹)
12% Redeemable Preference Share Capital A/c	Dr.	3,60,000	
Premium on Redemption of Preference Shares A/c	Dr.	72,000	
To Preference Shareholders A/c			4,32,000
(Being the amount payable on redemption of 36,000 12% Redeemable Preference Shares transferred to Shareholders Account)			
Preference Shareholders A/c	Dr.	4,29,600	
To Bank A/c			4,29,600
(Being the amount paid on redemption of 35,800 preference shares)			
Bank A/c	Dr.	44,000	
To Equity Shares Capital A/c			40,000
To Securities Premium A/c			4,000
(Being the issue of 4,000 Equity Shares of ₹ 10 each at a premium of 10% as per Board's Resolution No……. Dated……)			
General Reserve A/c	Dr.	2,40,000	
Profit & Loss A/c	Dr.	80,000	
To Capital Redemption Reserve A/c (Working Note)			3,20,000
(Being the amount transferred to Capital Redemption Reserve A/c as per the requirement of the Act.)			
Capital Redemption Reserve A/c	Dr.	2,40,000	
To Bonus to Shareholders A/c			2,40,000
(Being the amount appropriated for issue of bonus share in the ratio of 5:2 as per shareholders Resolution No…... dated…)			
Bonus to Shareholders A/c	Dr.	2,40,000	
To Equity Share Capital A/c			2,40,000
(Being the utilisation of bonus dividend for issue of 24,000 equity shares of ₹ 10 each fully paid)			
Profit & Loss A/c	Dr.	72,000	
To Premium on Redemption of Preference Shares A/c			72,000
(Being premium on redemption of preference shares adjusted against to Profit & Loss Account)			

Working Note:

(1) Partly paid-up preference shares cannot be redeemed.

(2) Amount to be Transferred to Capital Redemption Reserve Account

Face value of share to be redeemed	3,60,000
Less: Proceeds from fresh issue (excluding premium)	(₹ 40,000)
	₹ 3,20,000

(3) No bonus shares on 4,000 equity shares issued for redemption.

Note: Bonus shares does not result in receipt of cash, and hence the increase in share capital on account of bonus issue cannot be considered for determining the amount to be transferred to Capital Redemption Reserve.

6. (a) **In the books of Hinduja Limited**
Journal Entries

Particulars	Dr. (₹)	Cr. (₹)
Bank A/c (Note 1 – Column 3) Dr.	54,00,000	
To Equity Share Application A/c		54,00,000
(Being application money received on 18,00,000 shares @ ₹ 3 per share)		
Equity Share Application A/c Dr.	54,00,000	
To Equity Share Capital A/c		18,00,000
To Equity Share Allotment A/c (Note 1 Column 5)		22,00,000
To Bank A/c (Note 1 – Column 6)		14,00,000
(Being application money on 6,00,000 shares transferred to Equity Share Capital Account; out of the excess application money received, 22,00,000 is adjusted towards allotment and ₹ 14,00,000 refunded as per Board's Resolution No….dated…)		
Equity Share Allotment A/c Dr.	30,00,000	
To Equity Share Capital A/c		18,00000
To Securities Premium a/c		12,00,000
(Being allotment money due on 6,00,000 shares @ ₹ 5 each including premium at ₹ 4 each as per Board's Resolution No….dated….)		

Bank A/c (Note 1 – Column 8)	Dr.	8,00,000	
To Equity Share Allotment A/c			8,00,000
(Being balance allotment money received)			
Equity Share First and Final Call A/c	Dr.	24,00,000	
To Equity Share Capital A/c			24,00,000
(Being final call money due on 6,00,000 shares @ ₹ 4 per share as per Board's Resolution No….dated….)			
Bank A/c	Dr.	23,93,200	
Calls in Arrears A/c	Dr.	6,800	
To Equity Share First and Final Call A/c			24,00,000
(Being final call money on 5,98,000 shares @ ₹ 4 each received)			
Equity Share Capital A/c	Dr.	17,000	
To Calls in Arrears A/c			6,800
To Forfeited Shares A/c			10,200
Being forfeiture of 1,700 equity shares for non-payment of call money as per Board's Resolution No….dated ….)			
Bank A/c	Dr.	22,100	
To Equity Shares Capital A/c			17,000
To Securities Premium A/c			5,100
Being re-issue of 1,700 shares @ ₹ 13 each as per Board's Resolution No…..dated….)			
Forfeited Shares A/c	Dr.	10,200	
To Capital Reserve A/c			10,200
(Being profit on re-issue transferred to Capital Reserve)			

Working Note:

Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application	Amount Required on Application	Amount adjusted on Allotment	Refund [3 4+5]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Rejected	400000		1200000	Nil	Nil	1200000	Nil	Nil
(i)	800000	400000	2400000	1200000	1200000	Nil	2000000	800000

(ii)	600000	200000	1800000	600000	1000000	200000	1000000	Nil
TOTAL	**1800000**	**600000**	**5400000**	**1800000**	**2200000**	**1400000**	**3000000**	**800000**

Also,

(i) Amount Received on Application (3) = No. of shares applied for (1) x ₹ 3

(ii) Amount Required on Application (4) = No. of shares allotted (2) x ₹ 3

(b) **(i)** (i) Capital Expenditure.

(ii) Capital Expenditure.

(iii) Revenue Expenditure.

(iv) Revenue Expenditure.

(v) Capital Expenditure

OR

A bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money to or to the order of certain person or to the bearer of the instrument. When such an order is accepted by the drawee on the face of the order itself, it becomes a valid bill of exchange. There are three parties to a bill of exchange:

(i) The drawer, who draws the bill, that is, the creditor to whom the money is owing;

(ii) The drawee, the person to whom the bill is addressed or on whom it is drawn and who accepts the bill that is, the debtor; and

(iii) The payee, the person who is to receive the payment. The drawer in many cases is also the payee.

Retirement of bills of exchange: Sometimes, the acceptor of a bill of exchange has spare funds much before the maturity date of the bill of exchange accepted by him. He may, therefore, desire to pay the bill before the due date. In such a circumstance, the acceptor shall ask the payee or the holder of the bill to accept cash before the maturity date. If the payee agrees, the acceptor may be allowed a rebate or discount on such early payment. This rebate is generally the interest at an agreed rate for the period between the date of payment and date of maturity. The interest/rebate/ discount becomes the income of the acceptor and expense of the payee. It is a consideration for premature payment. When a bill is paid before due date, it is said to be retired under rebate.