Mock Test Paper - Series I: April, 2026

Date of Paper: 13th April, 2026

Time of Paper: 2 PM - 5 PM

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

SUGGESTED ANSWERS/HINTS

1. (a) (i) **False:** Accrual concept implies accounting on 'due' or 'accrual' basis. Accrual basis of accounting involves recognition of revenues and costs as and when they accrue irrespective of actual receipts or payments.

(ii) **False:** Cost of inventories should comprise all cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(iii) **False:** The sale value of the by product is credited to Manufacturing Account so as to reduce to that extent, the cost of manufacture of main product.

(iv) **False:** The drawer and payee may be same person in case of bill of exchange whereas in promissory note maker and payee can't be same person.

(v) **True:** A partnership firm is not a distinct legal entity and therefore can't own any assets. The partners own the assets of the firm.

(vi) **True:** As per Perpetual Existence, company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

(b) Provision means any amount written off or retained by way of providing for depreciation, renewal or diminution in the value of assets or retained by way of providing for any known liability of which the amount cannot be determined with substantial accuracy. It is important to know the difference between provisions and contingent liabilities. The distinction between both of them can be explained as follows:

	Provision	Contingent liability
(1)	Provision is a present liability	A Contingent liability is a possible

	of uncertain amount, which can be measured reliably by using a substantial degree of estimation.	obligation that may or may not crystallize depending on the occurrence or non-occurrence of one or more uncertain future events.
(2)	A provision meets the recognition criteria.	A contingent liability fails to meet the same.
(3)	Provision is recognized when (a) an enterprise has a present obligation arising from past events; an outflow of resources embodying economic benefits is probable, and (b) a reliable estimate can be made of the amount of the obligation.	Contingent liability includes present obligations that do not meet the recognition criteria because either it is not probable that settlement of those obligations will require outflow of economic benefits, or the amount cannot be reliably estimated.
(4)	If the management estimates that it is probable that the settlement of an obligation will result in outflow of economic benefits, it recognizes a provision in the balance sheet.	If the management estimates, that it is less likely that any economic benefit will outflow from the firm to settle the obligation, it discloses the obligation as a contingent liability.

(c) **In the Books of M/s Raman & Company**

Purchases Book

Date	Particulars	L.F.	Amount ₹
(i)	Sita & Co.		
	30 pair of black shoes @ ₹ 800		24,000
	15 pair of Brown shoes @ ₹ 900		13,500
			37,500
	Less: 20% trade discount		(7,500)
			30,000

Note:

1. Purchases made in cash are entered in cash book not in purchase book.
2. Purchase of Laptop cannot be entered in the Purchase Book but entered in journal proper.

2. (a) **In the books of M/s. Bharat Electricals**

Machinery Account

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
1.4.2023	To Bank A/c	3,20,000	31.3.2024	By Depreciation A/c	96,000
	To Bank A/c	80,000		(₹ 80,000 + ₹ 16,000)	
	(Erection charges)		31.3.2024	By Balance c/d	4,64,000
1.10.2023	To Bank A/c	1,60,000		(₹ 3,20,000 + ₹ 1,44,000)	
		5,60,000			5,60,000
1.4.2024	To Balance b/d	4,64,000	31.3.2025	By Depreciation A/c (₹ 80,000 + ₹ 32,000)	1,12,000
			31.3.2025	By Balance c/d	3,52,000
				(₹ 2,40,000 + ₹ 1,12,000)	
		4,64,000			4,64,000
1.4.2025	To Balance b/d	3,52,000	01.10.2025	By Bank A/c	1,60,000
31.12.2025	To Bank A/c	60,000	01.10.2025	By Profit and Loss A/c (Loss on Sale – W.N.1)	62,000
			31.3.2026	By Depreciation A/c (₹ 18,000+16,800+₹2,250)	37,050
			31.3.2026	By Balance c/d	1,52,950
				(₹ 95,200 + ₹ 57,750)	
		4,12,000			4,12,000

Working Notes:

1. Book Value of machines (Straight line method)

	Machine I	Machine II	Machine III
	₹	₹	₹
Cost	4,00,000	1,60,000	60,000
Depreciation for 2023-24	80,000	16,000	
Written down value as on 31.3.2024	3,20,000	1,44,000	
Depreciation for 2024-25	80,000	32,000	
Written down value as on 31.3.2025	2,40,000	1,12,000	
Depreciation for 2025-26 (For Mach I till 1st Oct, 2025)	18,000	16,800	2,250
Written down value as on 31.3.2026	2,22,000	95,200	57,750

Sale proceeds	1,60,000		
Loss on sale	62,000		

(b) (i) Cash Book (Bank Column)

Date	Particulars	Amount	Date	Particulars	Amount
2025		₹	2025		₹
Sept. 30			Sept. 30		
	To Party A/c	64,000		By Balance b/d	16,248
	To Customer A/c			By Bank charges	2,320
	(Direct deposit)	4,69,600		By Customer A/c	5,60,000
	To Balance c/d	44,968		(B/R dishonoured)	
		5,78,568			5,78,568

(ii) Bank Reconciliation Statement as on 30th September, 2025

Particulars	Amount
	₹
Overdraft as per Cash Book	44,968
Add: Cheque deposited but not collected upto 30th Sept., 2025	52,56,000
	53,00,968
Less: Cheques issued but not presented for payment upto 30th Sept., 2025	(53,04,000)
Credit by Bank erroneously on 6th Sept.	(80,000)
Credit balance as per bank statement	83,032

3. (a) New Max Hospital

Income & Expenditure Account

for the year ended 31 December, 2025

Expenditure	(₹)	Income	(₹)
To Salaries	12,000	By Subscriptions	12,250
To Diet expenses	7,800	By Govt. Grants (Maintenance)	10,000
To Rent & Rates	850	By Fees from Patients	2,400
To Printing & Stationery	1,200	By Donations	4,000
To Electricity & Water-charges	1,200	By Benefit shows (net collections)	3,000
To Office expenses	1,000	By Interest on Investments	400

To Excess of Income over expenditure transferred to Capital Fund	8,000		
	32,050		32,050

Balance Sheet as at 31st Dec., 2025

Liabilities	₹	₹	Assets	₹	₹
Capital Fund :			Building :		
Opening balance	24,650		Opening balance	45,000	
Excess of Income			Addition	25,000	70,000
Over Expenditure	8,000	32,650	Hospital Equipment :		
Building Fund :			Opening balance	17,000	
Opening balance	40,000		Addition	8,500	25,500
Add: Govt. Grant	40,000	80,000	Furniture		3,000
Subscriptions			Investments-		
received in advance		1,200	8% Govt. Securities		10,000
			Subscriptions receivable		700
			Accrued interest		400
			Prepaid expenses (Rent)		150
			Cash at Bank		3,400
			Cash in hand		700
		1,13,850			1,13,850

Working Notes:

(1) Balance sheet as at 31st Dec., 2024

Liabilities	₹	Assets	₹
Capital Fund		Building	45,000
(Balancing Figure)	24,650	Equipment	17,000
Building Fund	40,000	Subscription Receivable	3,250
		Cash at Bank	2,600
Salaries payable	3,600	Cash in hand	400
	68,250		68,250

(2)	**Value of Building**	₹
	Balance on 31st Dec. 2025	70,000

	Paid during the year	(25,000)
	Balance on 31st Dec. 2024	45,000
(3)	**Value of Equipment**	
	Balance on 31st Dec. 2025	25,500
	Paid during the year	(8,500)
	Balance on 31st Dec. 2024	17,000
(4)	**Subscription due for 2024**	
	Receivable on 31st Dec. 2024	3,250
	Received in 2025	2,550
	Still Receivable for 2024	700

(b)

Particulars	Arup	Swarup	Roop	Total Profit of firm
I. Amount already credited:				
Share of profit (in the ratio of 1:1:1) (2024-25,2025-26)	26,000	26,000	26,000	78,000
II. Amount which should have been credited:				
Roop's Salary (2024-25,2025-26)			10,000	
Interest on Capital (2024-25,2025-26)	5,000	2,500	2,500	
Share of Profit	29,000	14,500	14,500	58,000
	34,000	17,000	27,000	
Net effect (I-II)	(8,000)	9,000	(1,000)	-

The necessary journal entry will be:

Particulars	Debit (₹)	Credit (₹)
Swarup's Current A/c	9,000	
To Arup's Current A/c		8,000
To Roop's Current A/c		1,000
(Salary to Roop, Interest on capital charged and profit shared among partners in the ratio of capital)		

(c) **Computation of Goodwill of Mr. Manas**

Particulars		Amount₹
Average maintainable profits:		
Trading profit during	2022	2,40,000
	2023	2,16,000
	2025	3,00,000
		7,56,000
Less: Loss during	2024	(36,000)
Total		7,20,000
Average Profits (₹ 7,20,000 / 4)		1,80,000
Less: Remuneration for the proprietor		(36,000)
Average maintainable Profit		1,44,000
Less: Normal Profit (11% on capital employed of ₹ 9,00,000)		(99,000)
Super Profit		45,000
Goodwill at 6 year's purchase of Super Profit		2,70,000

4. **(a)**

(i)	**Ascertainment of Laxman's Share of Profit**		(ii)	**Ascertainment of Value of Goodwill**	
	2023	51,000		2023	51,000
	2024	39,000		2024	39,000
	2025	45,000		2025	45,000
	Total Profit	1,35,000		Total Profit for 3 years	1,35,000
	Average Profit	45,000		Average Profit	45,000
	4 months' Profit	15,000		Goodwill - 3 years	
	Laxman's Share in Profit (2/5th of ₹15,000)	6,000		Purchase of Average Profit	1,35,000
				Laxman's Share of goodwill (2/5 of ₹ 1,35,000)	54,000

Working Note:

Profit sharing ratio between Ram and Laxman = ½ and 1/3; = 3: 2, Therefore Laxman's share of Profit = 2/5

Laxman's Executors Account

Date 2026	Particulars	₹	Date 2026	Particulars	₹
May 1	To Laxman's Loan A/c	1,38,000	Jan. 1	By Capital A/c	60,000
			May 1	By Reserves (2/5th of ₹45,000)	18,000
			May 1	By Ram's Capital A/c (Share of goodwill)	54,000
			May 1	By P&L Suspense A/c (Share of Profit)	6,000
		1,38,000			1,38,000

(b) **In the books of M/s. Fashion Wears**

Trading Account (for the year ending 31.3.2025)

	Particulars	Amount₹		Particulars	Amount ₹
To	Purchases	51,00,000	By	Sales	60,00,000
To	Gross profit	25,50,000	By	Closing stock	16,50,000
		76,50,000			76,50,000

Profit & Loss Account (for the year ending 31.3.2025)

	Particulars	Amount₹		Particulars	Amount ₹
To	Interest (27,000 + 25,650 + 24,300 + 22,950)	99,900	By	Gross profit	25,50,000
To	Telephone charges	1,50,000			
To	Travelling expenses	1,35,000			
To	Maintenance expenses	75,000			
To	Entertainment expenses	15,000			
To	Electricity exp 1,20,000				
	Add: outstanding 60,000	1,80,000			
To	Carriage outward	1,80,000			

To	Depreciation					
	Building 5%	90,000				
	Furniture 10%	3,000	93,000			
To	Misc. exp		45,000			
To	Net profit		15,77,100			
			25,50,000			25,50,000

Balance Sheet as on 31st March, 2025

Liabilities	₹	₹	Assets	₹	₹
Capital	9,00,000		Building	18,00,000	
Further Capital	6,00,000		Less: dep	(90,000)	17,10,000
Less: Drawings	(1,80,000)		Furniture	30,000	
Add: Net profit	15,77,100	28,97,100	Less: dep	(3,000)	27,000
Bank Loan	9,00,000		Security deposit-Telephone		21,000
Less: repayment	(1,80,000)	7,20,000	Bank (WN 1)		2,69,100
outstanding electricity exp.		60,000	Closing stock		16,50,000
		36,77,100			36,77,100

Working note:

1. Bank Account

	Particulars	₹		Particulars	₹
To	Capital	9,00,000	By	Building	18,00,000
To	Further capital	6,00,000	By	Furniture	30,000
To	Bank loan	9,00,000	By	Bank loan repaid	1,80,000
To	Sales	60,00,000	By	Interest	99,900
			By	Security deposit	21,000
			By	Drawings	1,80,000
			By	Purchase	51,00,000
			By	Telephone charges	1,50,000
			By	Travelling expenses	1,35,000
			By	Maintenance expenses	75,000
			By	Entertainment expenses	15,000
			By	Electricity	1,20,000

			By Carriage outward	1,80,000
			By Misc. expenses	45,000
			By Balance c/d	2,69,100
		84,00,000		84,00,000

5. (a) **Total Debtors A/c**

Particulars	₹	Particulars	₹
To balance b/d (given)	70,000	By Bank A/c (Amount Received)	1,56,000
To Creditors A/c (Dishonour of endorsed B/R)	3,000	By Discount Allowed A/c	9,000
To Bills Receivable A/c (Dishonoured)	5,000	By Bills Receivable A/c (B/R Received)	47,000
		By Sales Returns A/c	11,000
To Sales A/c (bal. fig. = Credit Sales)	2,27,000	By balance c/d (given)	82,000
	3,05,000		3,05,000

Total Creditors A/c

Particulars	₹	Particulars	₹
To Bank A/c (Amount paid)	1,72,000	By balance b/d	81,000
To Discount Received A/c	7,000	By Debtors A/c (Dishonour of endorsed B/R)	3,000
To Bills Payable A/c (Issued)	53,000	By Purchases A/c (bal. fig. = Credit Purch.)	2,70,000
To Bills Receivable (Endorsement)	27,000		
To balance c/d (given)	95,000		
	3,54,000		3,54,000

1. **Total Sales** = Credit Sales ₹ 2,27,000 + Cash Sales ₹ 1,68,500 = ₹ 3,95,500

2. **Total Purchases** = Credit Purchases ₹ 2,70,000 + Cash Purchases ₹ 1,97,800 = ₹ 4,67,800

(b) **(i)** Purchase of ₹ 1,620 is wrongly recorded through sales day book as ₹ 1,260.

Correct Entry	Entry Made Wrongly
Purchase A/c Dr. 1,620 To Anupam & Co. 1,620	Anupam & Co. Dr. 1,260 To Sales 1,260

Rectification Entry

Before Trial Balance	After Trial Balance	After Final Accounts
Sales A/c Dr. 1,260 Purchase A/c Dr. 1,620 To Anupam & Co. 2,880	Sales A/c Dr. 1,260 Purchase A/c Dr. 1,620 To Anupam & Co. 2,880	Profit & Loss Adj. A/c Dr. 2,880 To Anupam & Co. 2,880

(ii) This is one sided error Alka & Associates. account is credited instead of debit. Amount posted to the wrong side and therefore while rectifying the account, double the amount (₹ 3200) will be taken.

Before Trial Balance	After Trial Balance	After Final Accounts
No Entry Debit Alka & Associates A/c with ₹ 8,400	Alka & Associates. A/c Dr. 8,400 To Suspense A/c 8,400	Alka & Associates A/c Dr. 8,400 To Suspense A/c 8,400

Or

Profit and Loss Adjustment Account

Particulars	₹	Particulars	₹
To Advertisement (samples)	25,000	By Net profit	5,75,000
To Sales (goods approved in April to be taken as April sales: (55,000 + 18,333)	73,333	By Electric fittings	10,500
To Adjusted net profit	9,57,167	By Samples	25,000
		By Stock (purchases of March not included in stock)	1,85,000
		By Sales (goods sold in March wrongly taken as April sales)	2,05,000
		By Stock (goods sent on approval basis not included in stock)	55,000
	10,55,500		10,55,500

Calculation of value of inventory on 31st March, 2026

	₹
Stock on 31st March, 2026 (given)	2,55,000
Add: Purchases of March, 2026 not included in the stock	1,85,000
Goods lying with customers on approval basis	55,000
Value of inventory as on 31.03.2026	4,95,000

Note: Figures are rounded off to the nearest Rupee.

(c) **Journal Entries in the books of Sky Ltd.**

Date	Particulars		Debit ₹	Credit ₹
1-4-2026	Equity share final call A/c	Dr.	7,20,000	
	To Equity share capital A/c			7,20,000
	(Being final calls of ₹ 6 per share on 1,20,000 equity shares due as per Board's Resolution dated….)			
30-4-2026	Bank A/c	Dr.	7,20,000	
	To Equity share final call A/c			7,20,000
	(Being final call money on 1,20,000 equity shares received)			
1-5-2026	Equity Share Capital Account		3,00,000	
	To Calls-in-Arrears A/c			60,000
	To Forfeited Shares A/c			2,40,000
	(Bring forfeiture of 30,000 Shares due to Non-Payment of Final Call of 2 per share)			
1-5-2026	Bank A/c	Dr.	3,30,000	
	To Equity Share Capital A/			3,00,000
	To Securities Premium A/c			30,000
	(Being re-issue of 30,000 forfeited shares at ₹ 11 each)			
	Forfeited Shares A/c	Dr.	2,40,000	
	To Capital Reserve A/c			2,40,000
	(Being the profit on re-issue transferred to Capital Reserve)			

1-5-2026	Capital Redemption Reserve A/c	Dr.	4,80,000	
	Capital Reserve	Dr.	4,20,000	
	Securities Premium A/c	Dr.	3,30,000	
	General Reserve A/c	Dr.	3,60,000	
	Profit and Loss A/c (b.f.)	Dr.	3,60,000	
	To Bonus to shareholders A/c			19,50,000
	(Being making provision for bonus issue of one share for every two shares held)			
1-5-2026	Bonus to shareholders A/c	Dr.	19,50,000	
	To Equity share capital A/c			19,50,000
	(Being issue of bonus shares @ ₹ 10 per share)			

Working Notes:

	₹
1. Number of Bonus shares to be issued- (3,90,000 shares / 2) X 1 = 1,95,000 shares	
2. The authorised capital should be increased as per details given below:	
Existing issued Equity share capital (27,00,000 + 12,00,000)	39,00,000
Add: Issue of bonus shares to equity shareholders	19,50,000
Total	**58,50,000**

6. (a) In the Books of Ashwani Limited

Particulars	Debit (₹)	Credit (₹)
Bank A/c Dr.	96,00,000	
To Equity Share Application A/c		96,00,000
(Being application money received for 32,00,000 shares @ ₹ 3 per share)		
Equity Share Application A/c Dr.	96,00,000	
To Equity Share Allotment A/c		24,00,000
To Equity Share Capital A/c		72,00,000
(Being excess application money adjusted against allotment and application money transferred to share capital on 24,00,000 shares at ₹ 3 each)		

Equity Share Allotment A/c Dr.	1,20,00,000	
To Equity Share Capital A/c		72,00,000
To Securities Premium A/c		48,00,000
(Being allotment money due, ₹ 5 per share including ₹ 3 towards share capital and ₹ 2 towards premium)		
Bank A/c Dr.	96,00,000	
To Equity Share Allotment A/c		96,00,000
(Being allotment money received after adjusting excess application money)		
Equity Share First Call A/c Dr.	48,00,000	
To Equity Share Capital A/c		48,00,000
(Being first call money due @ ₹ 2 per share)		
Bank A/c Dr.	46,72,000	
Calls in arrear Dr.	1,28,000	
To Equity Share First Call A/c		48,00,000
(Being first call money received, except on 64,000 shares)		
Equity Share Final Call A/c Dr.	48,00,000	
To Equity Share Capital A/c		48,00,000
(Being final call money due @ ₹ 2 per share)		
Bank A/c Dr.	46,72,000	
Calls in arrear Dr.	1,28,000	
To Equity Share Final Call A/c		48,00,000
(Being first call money received, except on 64,000 shares)		
Equity Share Capital A/c Dr.	6,40,000	
To Call in Arrear		2,56,000
To Share Forfeiture A/c		3,84,000
(Being forfeiture of 64,000 shares of Vikas for non-payment of calls money)		

Bank Account

Particulars	Debit (₹)		Credit (₹)
To Equity Share Application A/c	96,00,000	By Balance c/d	2,85,44,0000
To Equity Share Allotment A/c	96,00,000		
To Equity Share First Call A/c	46,72,000		
To Equity Share Second Call A/c	46,72,000		
Total	2,85,44000		2,85,44,000

(c)

	Periodic Inventory System	Perpetual Inventory System
1.	This system is based on physical verification.	It is based on book records.
2.	This system provides information about inventory and cost of goods sold at a particular date	It provides continuous information about inventory and cost of sales.
3.	This system determines inventory and takes cost of goods sold as residual figure.	It directly determines cost of goods sold and computes inventory as balancing figure.
4.	Cost of goods sold includes loss of goods as goods not in inventory are assumed to be sold.	Closing inventory includes loss of goods as all unsold goods are assumed to be in Inventory
5.	Under this method, inventory control is not possible.	Inventory control can be exercised under this system.
6.	This system is simple and less expensive.	It is costlier method.
7.	Periodic system requires closure of business for counting of inventory.	Inventory can be determined without affecting the operations of the business.