

Mock Test Paper - Series I: April, 2026

Date of Paper: 13<sup>th</sup> April, 2026

Time of Paper: 2 PM - 5 PM

**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) Accrual concept implies accounting on cash basis.
  - (ii) Cost of inventories should comprise all cost of purchase.
  - (iii) The sale value of by-product is credited to Trading Account.
  - (iv) In case of bill of exchange, the drawer and the payee may not be the same person but in case of a promissory note, the maker and the payee may be the same person.
  - (v) A Partnership firm cannot own any Assets.
  - (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) Distinguish between Provision and Contingent Liability. **(4 Marks)**
- (c) From the following information prepare the Purchase Book of M/s Raman & Company:
- (i) Purchased from Sita & Associates on credit:
    - 30 pairs of black shoes @ ₹ 800 per Pair.
    - 15 pairs of brown shoes @ 900 per pair
    - Less: Trade Discount @ 20%

(ii) Purchased Laptop from M/s. Sameer. Enterprises on credit for ₹ 40,000.

(iii) Purchased from Bhushan & Company in cash:

15 pairs of black shoes @ ₹ 700 per pair

45 pairs of brown shoes @ ₹ 100 per pair

Less: Trade Discount @ 15%

**(4 Marks)**

**(12 + 4 + 4 = 20 Marks)**

2. (a) M/s. Bharat Electricals purchased a second-hand machine on 1<sup>st</sup> April, 2023 for ₹ 3,20,000. Overhauling and erection charges amounted to ₹ 80,000.

Another machine was purchased for ₹ 1,60,000 on 1<sup>st</sup> October, 2023.

On 1<sup>st</sup> October, 2025, the machine installed on 1<sup>st</sup> April, 2023 was sold for ₹ 1,60,000. Another machine amounted to ₹ 60,000 was purchased on 1<sup>st</sup> October, 2025 and was ready to use on 31<sup>st</sup> December, 2025.

Under the existing practice the company provides depreciation @ 20% p.a. on original cost. However, from 1<sup>st</sup> April, 2025 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the period 1<sup>st</sup> April, 2023 to 31<sup>st</sup> March, 2026. **(10 Marks)**

(b) On 30<sup>th</sup> September, 2025, the bank account of Kabir, according to the bank column of the Cash- Book, was overdrawn to the extent of ₹ 16,248. On the same date the bank statement showed a credit balance of ₹ 83,032 in favour of Kabir. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for ₹ 52,56,000 deposited on 29<sup>th</sup> September, 2025 was credited by the bank only on 3<sup>rd</sup> October, 2025
2. A payment by cheque for ₹ 64,000 has been entered twice in the Cash Book.
3. On 29<sup>th</sup> September, 2025, the bank credited an amount of ₹ 4,69,600 received from a customer of Kabir, but the advice was not received by Kabir until 1<sup>st</sup> October, 2025.
4. Bank charges amounting to ₹ 2,320 had not been entered in the Cash Book.
5. On 6<sup>th</sup> September, 2025, the bank credited ₹ 80,000 to Kabir in error.
6. A bill of exchange for ₹ 5,60,000 was discounted by Kabir with his bank. This bill was dishonoured on 28<sup>th</sup> September, 2025 but no entry had been made in the books of Kabir.

7. Cheques issued upto 30<sup>th</sup> September, 2025 but not presented for payment upto that date totalled ₹ 53,04,000.

You are required:

- (a) to show the appropriate rectifications required in the Cash Book of Kabir, to arrive at the correct balance on 30<sup>th</sup> September, 2025 and  
 (b) to prepare a bank reconciliation statement as on that date. **(10 Marks)**

**(10 + 10 = 20 Marks)**

3. (a) From the following data, prepare an Income and Expenditure Account for the year ended 31st December 2025, and Balance Sheet as at that date of the New Max Hospital:

**Receipts and Payments Account for the  
year ended 31 December, 2025**

RECEIPTS	₹		PAYMENTS		₹
To Balance b/d			By Salaries:		
Cash	400		(₹ 3,600 for 2024)		15,600
Bank	<u>2,600</u>	3,000	By Hospital Equipment		8,500
To Subscriptions:			By Furniture purchased		3,000
For 2024		2,550	By Additions to Building		25,000
For 2025		12,250	By Printing and Stationery		1,200
For 2026		1,200	By Diet expenses		7,800
To Government Grant:			By Rent and rates		1,000
For building		40,000	(₹ 150 for 2026)		
For maintenance		10,000	By Electricity and water charges		1,200
Fees from sundry Patients		2,400	By Office expenses		1,000
To Donations (not to be capitalized)		4,000	By Investments		10,000
To Net collections from benefit shows		3,000	By Balances:		
			Cash	700	
			Bank	<u>3,400</u>	
		<u>78,400</u>			<u>4,100</u>
					<u>78,400</u>

<b>Additional information:</b>	₹
Value of building under construction as on 31.12.2025	70,000
Value of hospital equipment on 31.12.2025	25,500
Building Fund as on 1.1. 2025	40,000
Subscriptions in arrears as on 31.12.2024	3,250
Investments in 8% Govt. securities were made on 1 <sup>st</sup> July, 2025.	

**(12 Marks)**

- (b) Arup, Swarup and Roop are partners in a firm. On 1<sup>st</sup> April 2024 their fixed capital stood at ₹ 50,000, ₹ 25,000 and ₹ 25,000 respectively.

As per the provision of partnership deed:

- (1) Roop was entitled for a salary of 5,000 p.a.
- (2) All the partners were entitled to interest on capital at 5% p.a.
- (3) Profits and losses were to be shared in the ratio of Capitals of the partners.

Net Profit for the year ended 31<sup>st</sup> March, 2025 of ₹ 33,000 and 31<sup>st</sup> March, 2026 of ₹ 45,000 was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors.

**(4 Marks)**

- (c) Mr. Manas gives the following particulars in respect of business carried on by him:

<b>Particulars</b>	<b>Amount (₹)</b>
Capital Invested in business	9,00,000
Market rate of interest on investment	8%
Rate of risk return on capital invested in business	3%
Remuneration per annum from alternative employment of proprietor if he was not engaged in business	36,000

The business earned profits of ₹ 2,40,000, ₹ 2,16,000 and ₹ 3,00,000 in the years 2022, 2023 and 2025 respectively but made a loss of ₹ 36,000 in the year 2024.

Compute the value of Goodwill on the basis of 6 years' purchase of super profits of the business, calculated on the basis of average profit of last four years.

**(4 Marks)**

**(12 + 4+4 = 20 Marks)**

4. (a) Ram and Laxman were partners. The partnership deed provides that:
- (i) The annual accounts be balanced on 31<sup>st</sup> December each year;
  - (ii) The profits be allocated as follows:  
Ram: One-half; Laxman: One-third and Carried to reserve account: One sixth;
  - (iii) That in the event of death of a partner, his executor will be entitled to the following:
    - (1) The capital to his credit at the date of death;
    - (2) His proportionate share of profit to date of death based on the average profits of the last three completed years; and
    - (3) His Share of goodwill based on three years' purchase of the average profits for the three preceding completed years.

**Trial Balance as on 31<sup>st</sup> December, 2025**

Particulars	Debit (₹)	Credit (₹)
Ram's Capital		90,000
Laxman's Capital		60,000
Reserve		45,000
Bills receivable	50,000	
Investment	55,000	
Cash	1,10,000	
Trade payables	<u>          </u>	<u>20,000</u>
<b>Total</b>	<b>2,15,000</b>	<b>2,15,000</b>

The profits for the three years were 2023: ₹ 51,000; 2024: ₹ 39,000 and 2025: ₹ 45,000. Laxman died on 1st May 2026.

Show the calculation of Laxman (A) Share of profits; (B) Share of Goodwill; (C) Draw up Laxman 's Executor Account as would appear in the firms' ledger transferring the amount to the Loan account. **(8 Marks)**

- (b) Renu decided to start a business of garments under the name of M/s. Fashion wears on 1<sup>st</sup> April, 2024. She had savings of about ₹ 30,00,000. She invested ₹ 9,00,000 out of her savings and borrowed an equal amount from the bank. She purchased a commercial space for ₹ 15,00,000 and further spent ₹ 3,00,000 on its renovation to make it ready for business.

Loan and interest repaid by her in the first year are as follows:

- 30<sup>th</sup> June, 2024 – ₹ 45,000 principal + ₹ 27,000 interest

- 30<sup>th</sup> September, 2024 – ₹ 45,000 principal + ₹ 25,650 interest
- 31<sup>st</sup> December, 2024 – ₹ 45,000 principal + ₹ 24,300 interest
- 31<sup>st</sup> March, 2025 – ₹ 45,000 principal + ₹ 22,950 interest

In view of further capital requirements, she transferred ₹ 6,00,000 from her savings bank account to the bank account of the business. She paid a security deposit of ₹ 21,000 for a telephone connection. Furniture of ₹ 30,000 was purchased. All payments were made by cheque and all cash receipts were deposited in the bank.

At the end of the year, her business showed the following results:

Particulars	Amount (₹)	Particulars	Amount (₹)
Total Sales	60,00,000	Total Purchases	51,00,000
Electricity Expenses paid	1,20,000	Telephone Charges	1,50,000
Cartage Outwards	1,80,000	Travelling Expenses	1,35,000
Entertainment Expenses	15,000	Maintenance Expenses	75,000
Miscellaneous Expenses	45,000	Electricity Expenses Payable	60,000

Other Information:

- She withdrew ₹ 15,000 by cheque each month for her personal expenses.
- Depreciation on building @ 5% p.a. and on furniture @ 10% p.a.
- Closing stock in hand as on 31<sup>st</sup> March, 2025 amounted to ₹ 16,50,000.

Prepare Trading Account, Profit and Loss Account for the year ended 31-3-2025 and Balance Sheet as on that date. **(12 Marks)**

**(8 + 12 = 20 Marks)**

5. (a) X Limited gives you the following information to find out Total Sales and Total Purchases:

Particulars	₹	Particulars	₹
Debtors as on 1 <sup>st</sup> April, 2025	70,000	Discount allowed by Suppliers	7,000

Creditors as on 1 <sup>st</sup> April, 2025	81,000	Discount allowed to Customers	9,000
Bills Receivable received during the year	47,000	Bad Debts Recovered	16,000
Bills Payable issued during the year	53,000	Sales Return	11,000
Amount received from Customers	1,56,000	Cash Sales	1,68,500
Amount paid to Suppliers	1,72,000	Cash Purchases	1,97,800
Bills Receivables dishonoured by Customers	5,000	Debtors as on 31 <sup>st</sup> March, 2026	82,000
Bills Receivables endorsed to Creditors	27,000	Creditors as on 31 <sup>st</sup> March, 2026	95,000
Endorsed Bills Receivable dishonoured	3,000		

(5 Marks)

- (b) The following errors were committed by the accountant of Om Prakash wires.
- Purchase of ₹ 1620 from Anupam & Co. passed through Sales Day Book as ₹ 1260
  - Credit sale of ₹ 4,200 to Alka & Associates. was posted to the credit of their account.

How would you rectify the errors assuming that :

- they were detected before preparation of Trial Balance.
- they were detected after preparation of Trial Balance but before preparing Final Accounts, the difference was taken to Suspense A/c.
- they were detected after preparing Final Accounts

**Or**

The Profit and Loss account of Ganesh showed a net profit of ₹ 5,75,000 after considering the closing stock of ₹ 2,55,000 on 31<sup>st</sup> March 2026. Subsequently the following information was obtained from scrutiny of the books.

- Purchases for the year included ₹ 10,500 paid for electrical fittings of the shop.

- (ii) Ganesh gave goods worth of ₹ 25,000 as free samples for which no entry was made.
- (iii) Invoices for goods amounting to ₹ 1,85,000 have been entered on 29th March 2026 but were not included in the stock.
- (iv) Sales amounting to ₹ 2,05,000 were dispatched on 27<sup>th</sup> March but were included in sales of April, 2026.
- (v) Goods costing ₹ 55,000 were sent on sale or return basis in March, 2026 at a margin of profit of 33½% on cost. Approval was given in April, 2026 but these were considered as sales in March, 2026.

Calculate. the value of stock as on 31<sup>st</sup> March, 2026 and the adjusted net profit for the year ended on that date. **(5 Marks)**

- (c) The following is the abstract of Balance Sheet Sky Ltd. as on 31<sup>st</sup> March,2026:

	₹
Issued and paid up capital	
2,70,000 Equity shares of ₹ 10 each fully paid-up	27,00,000
Less: Calls-in-arrear (30,000 Equity shares of ₹ 2 each)	<u>60,000</u>
	26,40,000
1,20,000 Equity shares of ₹ 10 each, ₹ 4 cash paid up	4,80,000
<b>Reserves and Surplus:</b>	
Capital Reserve (realized in cash)	1,80,000
Capital Redemption Reserve	4,80,000
Securities Premium	3,00,000
General Reserve	3,60,000
Profit and Loss Account	21,00,000

On 1<sup>st</sup>April, 2026. The company makes final call @ 6 each on 1,20,000 equity shares. The call money is duly received by 30<sup>th</sup> April,2026.

On 1<sup>st</sup> May,2026 the Board of Directors of the company decided:

- (i) To forfeit the share on which final call of ₹ 2 each is due.:
- (ii) To re- issue the forfeited share @₹ 11 each as fully paid up.
- (iii) To issue fully paid bonus shares in the ratio of one fully paid bonus share for every two fully paid shares held; and

(iv) To use minimum balance of Profit and Loss Account.

Pass necessary journal entries in the books of the company on the basis of the above decisions. **(10 Marks)**

**(5 + 5 + 10 = 20 Marks)**

6. (a) Ashwani Limited issued 24,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share, payable as ₹ 3 on application, ₹ 5 on allotment (including premium) and the balance in two calls of equal amount. Applications were received for 32,00,000 shares and pro-rata allotment was made to all the applicants. The excess application money was adjusted towards allotment. Vikas to whom 64,000 shares were allotted failed to pay both calls and his shares were subsequently forfeited after second call. You are required to pass journal entries in the books of Ashwani Limited and prepare bank account. **(15 Marks)**

- (b) Distinguish between Periodic Inventory System and Perpetual Inventory System.

**(5 Marks)**

**(15 + 5 = 20 Marks)**