Mock Test Paper - Series I: April, 2025

Date of Paper: 22nd April, 2025

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

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

ANSWERS

1. (a) (i) True: Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt as it is not obtained in course of normal business activities.

(ii) False: Such wages being related to capital Asset should be debited to the machinery account.

(iii) True: The financial statements must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.

(iv) False: The business of the partnership firm can be carried on by all the partners or by any one of them acting for all.

(v) False: The debit notes issued are used to prepare purchases return book.

(vi) False: When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with amount received on shares forfeited.

(b) The practice of accountancy has crossed its usual domain of preparation of financial statements, interpretation of such statements and audit thereof. Chartered Accountants are presently taking active role in company laws and other corporate legislation matters, in taxation laws matters (both direct and indirect) and in general management problems.

Some of the services rendered by chartered accountants to the society are briefly mentioned hereunder:

(i) Maintenance of books of accounts;

(ii) Statutory audit;

(iii) Internal Audit;

(iv) Taxation;

(v) Management accounting and consultancy services;

(vi) Financial advice and financial investigations etc.

Other services like secretarial work, share registration work, company formation receiverships, arbitrations etc.

(c) Calculation of the value of Inventory of a Paper Factory as on 31-3-2025

	Receipts			Issues			Balance		
Date	**Units**	**Rate**	**Amount**	**Units**	**Rate**	**Amount**	**Units**	**Rate**	**Amount**
		₹	₹		₹	₹		₹	₹
1-1-2025	Balance							Nil	
1-1-2025	10	300	3,000				10	300	3,000
15-1-2025				5	300	1,500	5	300	1,500
1-2-2025	20	425	8,500*				25	400	10,000
15-2-2025				10	400	4000	15	400	6,000
20-2-2025				10	400	4,000	5	400	2,000

Therefore, the value of Inventory as on 31-3-2025 = 5 units @ ₹400 = ₹2,000

* Total cost of inventory purchased on 1-2-2025= (20* 400) +500 = ₹8,500

2. (a) In the books of Supervisor & Co.

Machinery Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
01.04.24	To Balance b/d	29,16,000	01.10.24	By Depreciation on machinery sold (W.N.1)	9,720
01.10.24	To Bank	4,74,000	01.10.24	By Bank-Machinery sold	1,35,000
			01.10.24	By Loss on sale of machinery (W.N.1)	49,680
			31.03.25	By Depreciation on remaining machineries (W.N.4)	2,95,860
			31.03.25	By Balance c/d	28,99,740
		33,90,000			33,90,000

Working Note:

1. Calculation of amount of Depreciation, written down value and loss on sale of the part of the machinery

Particulars	Amount (₹)
Cost as on 01.04.2022	2,40,000

Less: Depreciation @10% for the year 2022-2023	(24,000)
Written Down Value (WDV) as on 31.03.2023 or 01.04.2023	2,16,000
Less: Depreciation @10% for the year 2023-2024	(21,600)
Written Down Value (WDV) as on 01.04.2024	1,94,400
Less: Depreciation @10%for the half year till 30th September, 2024	(9,720)
Written Down Value (WDV) as on 1.10.2024	1,84,680
Less: Sale price of the asset sold on 01.10.2024	(1,35,000)
Loss on sale of Machinery sold	49,680

2. Computation of written down value of the remaining asset as on 01.04.2024

	₹
Total WDV of the machinery as on 01.04.2024	29,16,000
Less: WDV of the part of the machinery sold as on 01.04.2024(W.N. 1)	(1,94,400)
Written down value of the remaining asset as on 01.04.2024	27,21,600

3. Computation of the written down value of the machinery as on 31.03.2025

	₹	
Written down value of the remaining asset as on 01.04.2024	27,21,600	
Less: Depreciation @ 10% for the year 2024-2025	(2,72,160)	24,49,440
Add: New machinery purchased on 1.10.2024 (450,000 +24,000)	4,74,000	
Less: Depreciation for 6 months @10%	(23,700)	4,50,300
Written down value of the machinery as on 31.03.2025		28,99,740

4. **Total Depreciation to be charged to Profit and Loss Account during the year 2024-2025**

S. No.	Particulars	Depreciation (₹)
1.	Depreciation at 10% on existing machinery on 01.4.2024 i.e. (27,21,600*10%)	2,72,160
2.	Depreciation on addition i.e. 474,000* 10%*1/2	23,700
	Sub-Total	2,95,860
3.	Depreciation on machinery sold 1.10.2024	9,720
Grand Total		**3,05,580**

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

Particulars	Amount
	₹
Overdraft as per Cash Book	32,496
Add: Cheque deposited but not collected upto 30th Sept., 2025	1,05,120
Bank charges not entered in cash book	4,640
Bill discounted dishonoured but no entry made in books	11,20,000
	12,62,256
Less: Payment by cheque entered twice in cash book	(1,280)
Amount received by bank but not entered in cash book	(93,920)
Credit by Bank erroneously on 6th Sept.	(16,00,000)
Cheques issued but not presented for payment upto 30th Sept., 2025	(1,06,080)
Credit balance as per bank statement	5,39,024

3. (a) In the books of Mr. Black

Manufacturing Account for the year ended 31st March, 2025

Particulars		₹	Particulars	₹
Raw material consumed:			By Closing Stock of Work in Progress	78,000
To Opening Stock of Raw Materials	2,10,000		By Sale of Scrap	25,000
			By Cost of goods Manufactured	

Add: Purchases	8,50,000		(Transferred to Trading Account)	11,20,000
Less: Closing Stock	1,62,000	8,98,000		
To Opening Stock of WIP		95,000		
To Wages	1,30,000			
Add: Outstanding Wages	20,000	1,50,000		
To Carriage on Purchases		15,000		
To Repairs to Plant		11,000		
To Rent (3/4)		45,000		
To Lighting (2/3)		9,000		
		12,23,000		12,23,000

Trading Account for the year ended 31st March, 2025

Particulars	₹	Particulars	₹
To Opening Stock of finished goods	1,55,000	By Sales	16,72,000
To Cost of goods transferred from Manufacturing A/c	11,20,000	By Closing Stock	1,81,000
To Gross Profit c/d	5,78,000		
	18,53,000		18,53,000

Profit and Loss Account for the year ended 31st March, 2025

Particulars		₹	Particulars	₹
To Salaries	1,00,000		By Gross Profit b/d	5,78,000
Add: Outstanding	9,000	1,09,000	By Commission	4,500
To Telephone & Postage		10,000		
To Repairs to Furniture		3,500		
To Rent (1/4)		15,000		
To Lighting (1/3)		4,500		
To General Expenses		15,000		
To Provision for doubtful Debts		16,500		
To Net Profit		4,09,000		
		5,82,500		5,82,500

(b) **Realisation Account**

Particulars	Amount (₹)	Amount (₹)	*Particulars*	Amount (₹)	Amount (₹)
To Sundry Assets:			By Creditors		4,96,000
Debtors	6,24,000		By Employee's Provident Fund		240,000
Stock	2,23,200				
Off Furniture	4,20,000		By Bank A/c:		
Machinery	7,52,000		Land and Building	21,00,000	
Land and Building	19,40,000	39,59,200	Debtors	588,000	
To Bank-Creditors: (W.No.1)		380,000	Stock	240,000	
To Bank A/c o/s bill for repairs		14,000	Machinery	680,000	
To Bank A/c (expenses)		74,800	Unrecorded Investment	1,20,000	37,28,000
To Bank (Employee provident Fund)		2,40,000	By X's Capital A/C		3,00,000
To Profit transferred to:					
X's Capital A/c	48,000				
Y's Capital A/c	32,000				
Z's Capital A/c	16,000	96,000			
		47,64,000			47,64,000

Partner's Capital Accounts

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Realisation A/c - Furniture	3,00,000			By Bal. b/d	14,20,000	8,80,000	500,000
To Bank	14,68,000	11,12,000	6,16,000	By Gen. Reserve	300,000	2,00,000	1,00,000
				By Realisation Profit	48,000	32,000	16,000
	17,68,000	11,12,000	6,16,000		17,68,000	11,12,000	6,16,000

Cash and Bank Account

Particulars	₹	Particulars	₹
To Balance b/d	1,76,800	By Realisation A/c:	
To Realisation A/c (Assets realized)	37,28,000	(Liabilities Paid)	7,08,800
		By X's Capital A/c	14,68,000
		By Y's Capital A/c	11,12,000
		By Z's Capital A/c	616,000
	39,04,800		39,04,800

Working Note 1: Payment to Trade Creditors:

Particulars	Amount (₹)
Trade creditors as per Balance sheet	496,000
Less: Furniture (Book Value ₹100,000 accepted at ₹ 96,000)	96,000
	4,00,000
Less: Discount @ 5%	20,000
Amount Paid to Creditors	380,000

4. (a) Revaluation Account

	Particulars		Amount ₹		Particulars	Amount ₹
To	Furniture		3,000	By	Land and Building	1,50,000
To	Stock		60,000			
To	Provision for doubtful debts		24,000			
To	Revaluation Profit					
	Alpha (63,000 x ¾)	47,250	63,000			
	Beta (63,000 x ¼)	15,750				
			1,50,000			1,50,000

Partners' Capital Accounts

	Alpha ₹	Beta ₹	Gama₹		Alpha ₹	Beta ₹	Gama ₹
To 'Beta's Current A/c (bal fig)	-	1,35,750	-	By Balance b/d	8,55,000	4,65,000	-
To Balance c/d	12,60,000	4,20,000	4,20,000	By General reserve	1,35,000	45,000	-
				By Revaluation Profit	47,250	15,750	-

				By Bank A/c	-	-	4,20,000
				By Gama's Current A/c (Goodwill)	90,000	30,000	-
				By Alpha's Current A/c (bal fig)	1,32,750	-	-
	12,60,000	5,55,750	4,20,000		12,60,000	5,55,750	4,20,000

Working Notes:

1. Calculation of total Capital

Gama's capital contribution of ₹ 4,20,000 consists of 1/5th of capital.

Therefore, total capital of firm should be ₹ 4,20,000 x 5 = ₹ 21,00,000

Hence, ₹ 16,80,000 (21,00,000 - 4,20,000) will be shared by Alpha and Beta in the ratio of 3:1 i.e., Alpha's capital ₹ 12,60,000 and Beta's capital ₹ 4,20,000

2. Calculation of New Profit Sharing ratio

Alpha = ¾ x 4/5 = 12/20 = 3/5

Beta = 1 /4 X 4/ 5 = 4/20 = 1/5

Gama = 1/5= 4/20 = 1/5 or 3 : 1 : 1

3. Goodwill

Gama's share in Goodwill = 1,20,000 (6,00,000x1/5) is adjusted through Gama's Current Account because capitals of old partners are also adjusted on the basis of Gama's Capital.

Therefore, Journal entry for goodwill will be

Gama's Current A/c	Dr.	1,20,000	
To Alpha's Capital A/c			90,000
To Beta's Capital A/c			30,000

(b) In the books of Chetan

Trading A/c for the year ended 31st March, 2025

	₹		₹
To Opening stock	11,20,000	By Sales	
To Purchases	30,80,000	Cash 9,60,000	

To Gross Profit @ 25%	12,40,000	Credit 40,00,000	49,60,000
		By Closing Stock (bal. fig.)	4,80,000
	54,40,000		54,40,000

Profit and Loss Account

for the year ended 31st March, 2025

	₹		₹
To Salaries	1,60,000	By Gross Profit	12,40,000
To Business expenses	4,80,000		
To Interest on loan (10% of 4,00,000*6/ 12)	20,000		
To Net Profit	5,80,000		
	12,40,000		12,40,000

Balance Sheet as at 31st March, 2025

Liabilities	₹	₹	Assets	₹
Chetan's capital:			Cash in hand	40,000
Opening	12,00,000		Cash at Bank	3,20,000
Add: Net Profit	5,80,000		Sundry Debtors	14,00,000
	17,80,000		Stock in trade	4,80,000
Less: Drawings	(3,20,000)	14,60,000		
Loan from Gaurav (including interest due)		4,20,000		
Sundry Creditors		3,60,000		
		22,40,000		22,40,000

Working Notes:

1. Sundry Debtors Account

	₹		₹
To Balance b/d	4,00,000	By Bank A/c	30,00,000
To Credit sales (Bal. fig)	40,00,000	By Balance c/d	14,00,000
	44,00,000		44,00,000

2. **Sundry Creditors Account**

	₹		₹
To Bank A/c	28,00,000	By Balance b/d	1,60,000
To Cash A/c	80,000	By Purchases (Bal. fig.)	30,80,000
To Balance c/d	3,60,000		
	32,40,000		32,40,000

3. **Cash and Bank Account**

	Cash	Bank		Cash	Bank
	₹	₹		₹	₹
To Balance b/d	40,000		By Balance b/d		2,00,000
To Sales (bal. fig)	9,60,000		By Bank A/c (C)	4,00,000	
To Cash (C)		4,00,000	By Salaries	1,60,000	
To Debtors		30,00,000	By Creditors	80,000	28,00,000
To Gaurav's loan		4,00,000	By Drawings	3,20,000	
			By Business expenses		4,80,000
			By Balance c/d	40,000	3,20,000
	10,00,000	38,00,000		10,00,000	38,00,000

4. **Calculation of Chetan's Capital on 1st April, 2024**

Balance Sheet as at 1st April,2024

Liabilities	₹	Assets	₹
Chetan's Capital (bal. fig)	12,00,000	Cash in hand	40,000
Bank Overdraft	2,00,000	Sundry Debtors	4,00,000
Sundry Creditors	1,60,000	Stock in trade	11,20,000
	15,60,000		15,60,000

5. **(a)** **Rectification entries in the books of M/s Veeba Garment**

	Particulars	L.F.	Dr. ₹	Cr. ₹
1.	Machinery A/c Dr.		1,12,500	
	To Profit and Loss Adjustment A/c			1,12,500
	(Additions to machinery amounting ₹ 1,12,500 wrongly debited to repairs account, now rectified)			

2.	Suspense A/c Dr. To Profit and Loss Adjustment A/c (Addition of freight column in purchase journal was over casted, now rectified		13,500	13,500
3.	Profit and Loss Adjustment A/c Dr. To Suspense A/c (Goods returned to Ray & Co. had been wrongly posted to purchase return, now rectified)		18,900	18,900
4.	Profit and Loss Adjustment Account Dr. To Furniture A/c (Being sale of furniture wrongly entered in sales book, now rectified)		2,70,000	2,70,000
5.	Mayur & Co. Dr. To Bills receivable A/c (Bill receivable dishonoured debited to Bills receivable account instead of customer account, now rectified)		1,80,000	1,80,000

(b) **M/s Rainbow Club**

Income and Expenditure A/c for the year ended 31st March 2025

Expenditure	₹	Income		₹
To Cosmetics Consumed (WN2)	31,500	By Subscription A/c (WN 1)		70,500
To Honorarium	12,000	By Donation A/c		6,750
To Salaries	27,000	By Interest on Investments		4,500
To Sundry Expenses	1,500	By Fashion Show		
To Rent for Building	18,000	Proceeds	75,750	
		(-) Expenses	(51,000)	24,750
To Surplus	16,500			
	1,06,500			1,06,500

WN 1 : Calculation of Subscription

Subscription received in Cash		67,500
Add:	Subscription received in advance as on 1st April,2024	2,250
	Subscription due as on 31st March,2025	3,000
Less:	Subscription received in advance as on 31st March,2025	(1,500)
	Subscription due as on 1st April, 2024	(750)
		70,500

WN 2 : Cosmetics Consumed A/c

Particulars	Amount ₹	Particulars	Amount ₹
To Opening stock	15,000	By Income & Expenditure	31,500
To Purchases (WN 3)	27,000	By Closing stock	10,500
	42,000		42,000

WN 3 : Creditors of Cosmetics A/c

Particulars	Amount ₹	Particulars	Amount ₹
		By Bal b/d	12,000
To Bank A/c	22,500	By Purchases (bal. fig)	27,000
To bal. c/d	16,500		
	39,000		39,000

(c) Journal Entries in the books of Manoj Ltd.

		₹	₹
1-4-2025	Equity share final call A/c Dr.	5,40,000	
	To Equity share capital A/c		5,40,000
	(For final calls of ₹ 2 per share on 2,70,000 equity shares due as per Board's Resolution dated….)		
20-4-2025	Bank A/c Dr.	5,40,000	
	To Equity share final call A/c		5,40,000
	(For final call money on 2,70,000 equity shares received)		

	Securities Premium A/c Dr.	75,000	
	Capital redemption Reserve A/c Dr.	1,20,000	
	General Reserve A/c Dr.	3,60,000	
	Profit and Loss A/c (b.f.) Dr.	1,20,000	
	To Bonus to shareholders A/c		6,75,000
	(For making provision for bonus issue of one share for every four shares held)		
	Bonus to shareholders A/c Dr.	6,75,000	
	To Equity share capital A/c		6,75,000
	(For issue of bonus shares)		

Extract of Balance Sheet as at 30th April, 2025 (after bonus issue)

		₹
Authorised Capital		
30,000 12% Preference shares of ₹ 10 each		3,00,000
3,37,500 Equity shares of ₹10 each (refer W.N.)		33,75,000
Issued and subscribed capital		
24,000 12% Preference shares of ₹ 10 each, fully paid		2,40,000
3,37,500 Equity shares of ₹ 10 each, fully paid		33,75,000
(Out of the above, 67,500 equity shares @ ₹ 10 each were issued by way of bonus shares)		
Reserves and surplus		
Capital Redemption Reserve	1,20,000	
Less: Utilised for bonus issue	(1,20,000)	NIL
Securities premium	75,000	
Less: Utilised for bonus issue	(75,000)	NIL
General Reserve	3,60,000	
Less: Utilised for bonus issue	(3,60,000)	NIL
Profit and Loss Account	6,00,000	
Less: Utilised for bonus issue	(1,20,000)	4,80,000

Working Note:

1. Number of bonus shares to be issued- 2,70,000/4 X1= 67,500 shares

2. The authorised capital should be increased as per details given below:

	₹
Existing issued Equity share capital	27,00,000
Add: Issue of bonus shares to equity shareholders	6,75,000
	33,75,000

6. (a)

Entry No.	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bank A/c	Dr.		10,00,000	
	To Equity Share Application A/c				10,00,000
	(Money received on applications for 50,000 shares @ ₹ 20 per share)				
2	Equity Share Application A/c	Dr.		10,00,000	
	To Equity Share Capital A/c				10,00,000
	(Transfer of application money on 50,000 shares to share capital)				
3	Equity Share Allotment A/c	Dr.		25,00,000	
	To Equity Share Capital A/c				15,00,000
	To Securities Premium A/c				10,00,000
	(Amount due on the allotment of 50,000 shares @ ₹ 30 per share and Securities Premium @ ₹ 20 per share)				
4	Bank A/c	Dr.		25,00,000	
	To Equity Share Allotment A/c				25,00,000
	(Allotment money received)				
5	Equity Share First Call A/c	Dr.		10,00,000	
	To Equity Share Capital A/c				10,00,000
	(Being first call made due on 50,000 shares at ₹ 20 per share)				
6	Bank A/c	Dr.		11,50,000	
	To Equity Share First Call A/c				10,00,000
	To Calls in Advance A/c				1,50,000
	(Being first call money received along with calls in advance on 5,000 shares at ₹ 30 per share)				

7	Equity Share Final Call A/c	Dr.		15,00,000	
	To Equity Share Capital A/c				15,00,000
	(Being final call made due on 50,000 shares at ₹ 30 each)				
8	Bank A/c	Dr.		13,27,500	
	Calls in Advance A/c	Dr.		1,50,000	
	Calls in Arrears A/c	Dr.		22,500	
	To Equity Share Final Call A/c				15,00,000
	(Being final call received for 44,250 shares, calls in advance for 5,000 shares and calls in arrears on 750 shares adjusted)				
9	Interest on Calls in Advance A/c	Dr.		6,000	
	To Shareholders A/c				6,000
	(Being interest made due on calls in advance of ₹ 1,50,000 at the rate of 12% p.a.)				
10	Shareholders A/c	Dr.		6,000	
	To Bank A/c				6,000
	(Being payment of interest made to shareholder after 3 months)				
11	Shareholders A/c	Dr.		375	
	To Interest on Calls in Arrears A/c				375
	(Being interest on calls in arrears made due at the rate of 10%)				
	Bank A/c	Dr.		15,375	
12	To Calls in Arrears A/c				15,000
	To Shareholders A/c				375
	(Being money received from shareholder having 500 shares for calls in arrears and interest thereupon)				
13	Shareholders A/c	Dr.		250	
	To Interest on Calls in Arrears A/c				250
	(Being interest on calls in arrears made due at the rate of 10%)				

14	Bank A/c Dr.		7,750	
	To Calls in Arrears A/c			7,500
	To Shareholders A/c			250
	(Being money received from shareholder having 250 share for calls in arrears and interest thereupon)			

Calculation of Interest on Calls in Advance & Calls in Arrears:

Interest on Calls in Advance = ₹ 1,50,000 x 12% x 4 / 12 = ₹ 6,000

Interest on Calls in Arrears ₹ 15,000 x 10% x 3 / 12 = ₹ 375

Interest on Calls in Arrears ₹ 7,500 x 10% x 4 / 12 = ₹ 250

Table F of The Companies Act,2013 prescribes 10% and 12% p.a. as the maximum rates respectively for calls in arrears and calls in advance. Accordingly, these rates have been considered while passing the above entries,

(b) **(i)** Adjusted selling method is also called retail inventory method. It is used widely in retail business or in business where the inventory comprises of items, the individual costs of which are not readily ascertainable. The historical cost of inventory is estimated by calculating it in the first instance at selling price and then deducting an amount equal to the estimated gross margin of profit on such stocks.

(ii) The specific identification method, First-In–First-Out (FIFO) and weighted average cost formulae are the principal methods of ascertaining the cost of inventory. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects should be assigned by specific identification of their individual costs under the specific identification method.

OR

The basic considerations in distinction between capital and revenue expenditures are:

(i) Nature of business: For a trader dealing in furniture, purchase of furniture is revenue expenditure but for any other trade, the purchase of furniture should be treated as capital expenditure and shown in the balance sheet as asset.

(ii) Recurring nature of expenditure: If the frequency of an expense is quite often in an accounting year then it is said to be an expenditure of revenue nature while non-recurring expenditure is infrequent in nature and do not occur often in an accounting year.

(iii) Purpose of expenses: Expenses for repairs of machine may be incurred in course of normal maintenance of the asset. Such expenses are revenue in nature. On the other hand, expenditure incurred for major repair of the asset so as to increase its productive capacity is capital in nature.

(iv) Materiality of the amount involved: Relative proportion of the amount involved is another important consideration in distinction between revenue and capital.