

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

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:
- Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt.
 - Wages paid for erection of machinery are debited to Profit and Loss Account.
 - The financial statements must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.
 - The business of partnership must be carried on by all the partners.
 - The debit notes issued are used to prepare Sales Return Book.
 - 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 Calls in arrear of shares forfeited. **(6 Statements x 2 Marks = 12 Marks)**
- (b) What services can a Chartered Accountant provide to the society? **(4 Marks)**
- (c) The following are the details of the spare parts of a Paper Factory:

1-1-2025	Opening Inventory	Nil
1-1-2025	Purchases	10 units @ ₹ 300 per unit
15-1-2025	Issued for consumption	5 units
1-2-2025	Purchases	20 units @ ₹ 400 per unit
	Freight incurred	500

15-2-2025	Issued for consumption	10 units
20-2-2025	Issued for consumption	10 units

Find out the value of Inventory as on 31.3.2025, if the company follows Weighted Average Method. **(4 Marks)**

(12 + 4 + 4 = 20 Marks)

2. (a) On 1st April, 2024, Supervisor & Co. which depreciates its machinery @10% p.a. on diminishing balance method, had ₹ 29,16,000 to the debit of Machinery Account. On 1st October, 2024, part of machinery purchased on 1st April, 2022 for ₹ 240,000 was sold for ₹ 1,35,000.

Also, a new machinery at a cost of ₹ 4,50,000 was purchased on 1st October, 2024 and installed on the same date and installation charges being ₹ 24,000.

The company changed the method of depreciation from diminishing balance method to straight line method with effect from 1st April, 2024. The rate of depreciation remains the same.

Show the Machinery Account for the year 2024-25. **(10 Marks)**

- (b) On 30th September, 2024, the bank account of Sameer, according to the bank column of the Cash- Book, was overdrawn to the extent of ₹ 32,496. On the same date the bank statement showed a credit balance of ₹ 5,39,024 in favour of Sameer.

An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for ₹ 1,05,120 deposited on 29th September, 2024 was credited by the bank only on 3rd October, 2024
2. A payment by cheque for ₹ 1,280 has been entered twice in the Cash Book.
3. On 29th September, 2024, the bank credited an amount of ₹ 93,920 received from a customer of Sameer, but the advice was not received by Sameer until 1st October, 2024.
4. Bank charges amounting to ₹ 4,640 had not been entered in the Cash Book.
5. On 6th September, 2024, the bank credited ₹ 1,60,0000 to Sameer in error.
6. A bill of exchange for ₹ 11,20,000 was discounted by Sameer with his bank. This bill was dishonoured on 28th September, 2024 but no entry had been made in the books of Sameer.

7. Cheques issued upto 30th September, 2024 but not presented for payment upto that date totalled ₹ 1,06,080.

You are required to prepare a bank reconciliation statement as on that date.

(10 Marks)

(10 +10 = 20 Marks)

3. (a) On 31st March, 2025 the Trial Balance of Mr. Black was as follows:

Particulars	Debit (₹)	Particulars	Credit (₹)
Stock on 1st April,2024		Sundry Creditors	1,50,000
Raw Materials	2,10,000	Bills Payables	75,000
Work-in-Progress	95,000	Sale of scrap	25,000
Finished Goods	1,55,000	Commission received	4,500
Sundry Debtors	2,40,000	Provision for doubtful debts	16,500
Carriages on Purchase	15,000	Capital account	10,00,000
Bills Receivables	1,50,000	Sales	16,72,000
Wages	1,30,000	Bank overdraft	85,000
Salaries	1,00,000		
Telephone and Postage	10,000		
Repairs to office furniture	3,500		
Cash at Bank	1,70,000		
Office Furniture	1,00,000		
Repairs to Plant	11,000		
Purchases	8,50,000		
Plant and Machinery	7,00,000		
Rent	60,000		
Lighting	13,500		
General Expenses	<u>15,000</u>		
	30,28,000		<u>30,28,000</u>

The following additional information is available:

Stocks on 31st March,2025 were:

Raw material	₹ 1,62,000
Finished goods	₹ 1,81,000
Work-in-progress	₹ 78,000

Salaries and wages unpaid for the year ended 31st March,2025 were ₹ 9,000 and ₹ 20,000 respectively. Rent is to be charged as to 3/4 to factory and 1/4 to office. Lighting is to be charged as to 2/3 to factory and 1/3 to office.

Prepare the Manufacturing Account, Trading Account and Profit and Loss Account for the year ended on 31st March,2025. **(10 Marks)**

- (b) X, Y and Z were partners sharing profit & losses in the ratio of 3:2:1. They decided to dissolve the business as on 31st March,2025 when their Balance Sheet was as follows:

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital A/c:			Land & Building		19,40,000
X	14,20,000		Machinery		7,52,000
Y	8,80,000		Furniture		4,20,000
Z	<u>5,00,000</u>	28,00,000	Stock		2,23,200
General Reserve		6,00,000	Trade Debtors		6,24,000
Employees Provident Fund		2,40,000	Cash & Bank		1,76,800
Trade Creditors		4,96,000			
		41,36,000			41,36,000

The following information is given to you:

- There was an unrecorded investment which was sold for ₹ 1,20,000.
- One of the creditors agreed to take over some items of furniture of Book value ₹ 1,00,000 at ₹ 96,000. The rest of the creditors were paid at a discount of 5%.
- Out of the trade debtors ₹ 36,000 proved bad, remaining were fully realized.
- The other assets were realised as under:

- (iv) A provision @ 5% for doubtful debts to be created on debtors.
- (v) Land and building to be appreciated by 20%.
- (vi) Capital Accounts of the partners be readjusted on the basis of their profit sharing arrangement and any excess or deficiency is to be transferred to their Current Accounts.

Prepare Revaluation Account and Partners Capital Accounts. **(10 Marks)**

- (b) Chetan carried on business as retail merchant. He has not maintained regular account books. However, he always maintained ₹ 40,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of 25% on sales.

Following information is given to you:

Assets and Liabilities	As on 1.4.2024	As on 31.3.2025
Cash in Hand	40,000	40,000
Sundry Creditors	1,60,000	360,000
Cash at Bank	2,00,000 (Cr.)	3,20,000
Sundry Debtors	4,00,000	14,00,000
Stock in Trade	11,20,000	?

Analysis of his bank pass book reveals the following information:

- (a) Payment to creditors ₹ 28,00,000
- (b) Payment for business expenses ₹ 4,80,000
- (c) Receipts from debtors ₹ 30,00,000
- (d) Loan from Gaurav ₹ 4,00,000 taken on 1.10.2024 at 10% per annum
- (e) Cash deposited in the bank ₹ 4,00,000

He informs you that he paid creditors for goods ₹ 80,000 in cash and salaries ₹ 160,000 in cash. He has drawn ₹ 3,20,000 in cash for personal expenses. During the year Chetan had not introduced any additional capital. Surplus cash if any, to be taken as cash sales. All the purchases were made on credit basis.

Prepare:

- (i) Trading and Profit and Loss Account for the year ended 31.3.2025.
- (ii) Balance Sheet as at 31st March, 2025. **(10 Marks)**

(10 + 10 = 20 Marks)

5. (a) M/s. Veeba Garments wires were unable to agree the Trial Balance as on 31st March, 2025 and have raised a suspense account for the difference. Next year the following errors were discovered:
- (i) Additions to machinery made during the year were wrongly debited to repairs A/c - ₹ 1,12,500.
 - (ii) The addition of the 'Freight' column in the purchase journal was excess by ₹ 13,500.
 - (iii) Goods to the value of ₹ 9450 returned to Ray & Co., had been posted to the credit of Ray & Co. and also to purchase returns.
 - (iv) Sundry items of furniture sold for ₹ 2,70,000 had been entered in the sales book, the total of which had been posted to sales account.
 - (v) A bill of exchange (received from Mayur & Co.) for ₹ 180,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes. **(5 Marks)**

- (b) Following is the Receipts and Payments Account of M/s Rainbow Club for the year ended 31st March, 2025:

Receipts	₹	Payments	₹
To Cash in hand on 1.04.2024	13,500	By Payments for cosmetics	22,500
To Subscription	67,500	By Honorarium to Beautician	12,000
To Donation	6,750	By Salaries	27,000
To Int. on Investments at 6% for the year	4,500	By Sundry expenses	1,500
To Fashion show proceeds	75,750	By Rent for building	18,000
		By Fashion show expenses	51,000
		By Cash in hand on 31.03.2025	<u>36,000</u>
	<u>1,68,000</u>		1,68,000

Additional information:

Sr. No.	Particulars	On 1 st April, 2024 (₹)	On 31 st Mar, 2025 (₹)
(i)	Subscription due	750	3,000
(ii)	Subscription received in advance	2,250	1,500
(iii)	Stock of cosmetics	15,000	10,500
(iv)	Amount due to cosmetics suppliers	12,000	16,500

You are required to prepare Income and Expenditure Account for the year ended 31st March, 2025. **(5 Marks)**

(c) Following notes pertain to the Balance Sheet of Manoj Ltd. as at 31st March, 2025

	₹
Authorised capital:	
30,000 12% Preference shares of ₹ 10 each	3,00,000
3,00,000 Equity shares of ₹ 10 each	30,00,000
	33,00,000
Issued and Subscribed capital:	
24,000 12% Preference shares of ₹ 10 each fully paid	2,40,000
2,70,000 Equity shares of ₹ 10 each, ₹ 8 paid up	21,60,000
Reserves and surplus:	
General Reserve	3,60,000
Capital Redemption Reserve	1,20,000
Securities premium (collected in cash)	75,000
Profit and Loss Account	6,00,000

On 1st April, 2025, the Company has made final call @ ₹ 2 each on 2,70,000 equity shares. The call money was received by 20th April, 2025. Thereafter, the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held.

Show necessary journal entries in the books of the company and prepare the extract of the balance sheet as on 30th April, 2025 after bonus issue. **(10 Marks)**

(5+5+10 = 20 Marks)

6. (a) Amit Limited issued 50,000 Equity shares of ₹100 each at a premium of 20%, payable ₹ 20 on application; ₹ 50 on allotment (including premium); ₹ 20 on first call and balance on the final call. All the shares were fully subscribed. Mr. M who held 5000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 500 shares and one another shareholder having 250 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears, Company also paid interest on calls in advance to Mr. M. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. **(15 Marks)**
- (b) Write short notes on:
- (i) Adjusted Selling Price method of determining cost of stock.
 - (ii) Principal methods of ascertainment of cost of inventory.

OR

Explain, in brief, the basic considerations for distinguishing between capital and revenue expenditures? **(5 Marks)**

(15 + 5 = 20 Marks)