Skillshort

Self-Study Preparation Pack

CA FOUNDATION

Paper 1: Accounting

Mock Test 1 – Full Paper with Detailed Solutions

Exam pattern: 100 marks · 3 hours · Q1 compulsory + any 4 of Q2–Q6 · Original Skillshort questions

Time: 3 hours | Max marks: 100 | Solutions with working notes from page 5

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This subject pack has 6 parts

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Prepared by Skillshort for self-study. Original explanations and questions; not an official ICAI/ICMAI/ICSI publication. Items marked VERIFY should be checked against the latest official material.

Question Paper

Instructions: Question No. 1 is compulsory. Attempt **any four** questions from the remaining five. Working notes should form part of the answer. Wherever necessary, make suitable assumptions and state them. Time allowed: 3 hours. Maximum marks: 100.

QUESTION Question 1 (compulsory)

(a) State with reasons whether the following statements are True or False: (6 × 2 = 12 marks)

(i) Under the accrual concept, revenue is recorded only when cash is received.

(ii) A change in the method of depreciation from WDV to SLM is applied prospectively.

(iii) Goodwill brought in cash by an incoming partner is credited to the capital accounts of the sacrificing partners.

(iv) The bills receivable book records the bills accepted by the business in favour of its creditors.

(v) The securities premium account can be used to issue fully paid bonus shares.

(vi) Contingent liabilities are recorded in the books and shown on the face of the balance sheet as liabilities.

(b) Explain the three fundamental accounting assumptions under AS 1. What disclosure is required if any of them is not followed? (4 marks)

(c) Pass journal entries in the books of Mr. Neel (Mumbai) for March 2026: (4 marks)

1. Purchased goods with list price ₹2,00,000 from Sen & Co., Kolkata, at 10% trade discount; IGST 18%; on credit.
2. Sold goods for ₹1,20,000 to Rahul of Pune; CGST and SGST 9% each; 50% received in cash, balance on credit.
3. Paid office rent ₹30,000 plus CGST and SGST 9% each by cheque.
4. Goods costing ₹8,000 withdrawn by Mr. Neel for personal use (ignore GST).

QUESTION Question 2

(a) The trial balance of Mr. Dev as on 31 March 2026 did not agree, and the difference was put to a Suspense A/c. The following errors were later located: (10 marks)

(i) Purchases book was undercast by ₹2,000.

(ii) Goods sold to Mohan for ₹5,600 were posted to his account as ₹6,500.

(iii) Repairs to building ₹4,000 were debited to Building A/c.

(iv) Discount allowed ₹350 was recorded in the cash book but not posted to the Discount A/c.

(v) Cash ₹1,500 received from Ravi was posted to the debit of his account.

(vi) Goods returned by Sita ₹1,200 were entered in the purchases returns book.

Pass rectifying entries, prepare the Suspense A/c showing the original difference, and compute the corrected net profit if the profit before rectification was ₹60,000.

(b) Vega Ltd. purchased machines: A on 1-4-2023 for ₹4,00,000; B on 1-10-2023 for ₹2,40,000; C on 1-7-2024 for ₹1,80,000. Depreciation is charged @ 10% p.a. on cost (SLM) and credited to a Provision for Depreciation A/c. Machine A was sold on 30-9-2025 for ₹2,90,000. Books are closed on 31 March. Prepare Machinery A/c, Provision for Depreciation A/c and Machinery Disposal A/c for 2023-24 to 2025-26. (10 marks)

QUESTION Question 3

(a) From the following trial balance of Mr. Arjun as on 31 March 2026, prepare the Trading and Profit & Loss Account for the year and the Balance Sheet as on that date. (12 marks)

Debit balances	₹	Credit balances	₹
Opening stock	60,000	Capital	3,00,000
Purchases	4,20,000	Sales	7,20,000
Wages	45,000	Creditors	85,000
Carriage inward	8,000	Purchases returns	6,000
Salaries	72,000	Provision for doubtful debts	5,000
Rent	36,000	Commission received	9,000
Insurance	12,000	10% Bank loan (taken 1-10-2025)	60,000
Advertisement	18,000		
Office expenses	15,000		
Interest on loan	1,500		
Bad debts	3,000		
Debtors	1,20,000		
Furniture	80,000		
Machinery	2,00,000		
Sales returns	10,000		
Drawings	30,000		
Cash at bank	46,000		
Cash in hand	8,500		
Total	**11,85,000**	**Total**	**11,85,000**

Adjustments: (1) Closing stock ₹85,000. (2) Salaries outstanding ₹6,000; insurance prepaid ₹3,000. (3) Depreciate machinery and furniture @ 10%. (4) Further bad debts ₹2,000; maintain provision for doubtful debts @ 5% on debtors. (5) Provide interest on the bank loan for the year. (6) Goods costing ₹5,000 taken by Mr. Arjun for personal use were not recorded. (7) Commission received includes ₹1,000 received in advance.

(b) Physical stock of M/s Leela was taken on 10 April 2026 and valued at cost at ₹3,40,000. Between 1 and 10 April 2026: (i) purchases were ₹45,000, out of which goods of ₹8,000 were received only on 12 April; (ii) sales were ₹72,000; (iii) sales returns ₹6,000; (iv) goods sent on approval on 25 March 2026 for ₹15,000 (sale price) were still unapproved and not included in the count; (v) the count included goods of ₹20,000 received on consignment; (vi) an item costing ₹5,000, damaged before 31 March, has an NRV of ₹2,000. The firm earns a gross profit of 20% on sales. Find the value of stock on 31 March 2026, and state two costs excluded from the cost of inventories under AS 2. (8 marks)

QUESTION Question 4

(a) A and B share profits 3 : 2. Their balance sheet on 31 March 2026: Liabilities – Creditors ₹60,000; General reserve ₹25,000; Capitals: A ₹1,50,000, B ₹1,00,000 (total ₹3,35,000). Assets – Cash ₹20,000; Debtors ₹80,000 less provision ₹4,000; Stock ₹64,000; Machinery ₹1,00,000; Building ₹75,000 (total ₹3,35,000).

C is admitted on 1 April 2026 for a 1/5 share, which he acquires from A and B in their existing ratio. He brings ₹1,00,000 as capital and his share of goodwill in cash. Goodwill of the firm is valued at ₹75,000. Building is revalued at ₹1,00,000; machinery is reduced by 10%; stock is reduced to ₹60,000; provision for doubtful debts is to be ₹6,000; outstanding expenses ₹3,000 are to be recorded. Prepare the Revaluation A/c, Partners' Capital A/cs and the Balance Sheet of the new firm. Also state the new profit-sharing ratio. (12 marks)

(b) Mr. Kabir keeps books on single entry. His position: on 1 April 2025 – cash ₹12,000, debtors ₹48,000, stock ₹60,000, furniture ₹30,000, creditors ₹35,000. On 31 March 2026 – cash ₹18,000, debtors ₹66,000, stock ₹72,000, furniture ₹30,000, creditors ₹41,000, bank loan ₹20,000 (taken for business). He withdrew ₹3,000 per month and introduced fresh capital of ₹15,000 on 1 October 2025. Depreciate furniture @ 10% and create a provision of 5% on closing debtors. Prepare statements of affairs and a statement of profit for 2025-26. (8 marks)

QUESTION Question 5

(a) On 31 March 2026 the cash book of M/s Tara showed an **overdraft** of ₹42,000. Prepare the amended cash book and the Bank Reconciliation Statement: (10 marks)

(i) Cheques issued ₹18,500 were not presented for payment till 31 March. (ii) Cheques deposited ₹27,000; of these, cheques of ₹9,000 were credited by the bank only on 3 April 2026. (iii) Interest on overdraft ₹2,400 and bank charges ₹350 were debited by the bank. (iv) Dividend ₹5,000 was collected by the bank. (v) A cheque of ₹1,800 issued to a supplier was recorded in the cash book as ₹1,080. (vi) Insurance premium ₹6,000 was paid by the bank under standing instructions.

(b) Attempt **either** (i) **or** (ii): (5 marks)

(i) A factory produced 8,000 units. Raw materials: opening ₹30,000, purchases ₹2,10,000, closing ₹40,000; direct wages ₹96,000; direct expenses ₹14,000; factory overheads ₹60,000; opening WIP ₹18,000; closing WIP ₹24,000; sale of scrap ₹4,000. Prepare a Manufacturing A/c showing the cost of production and cost per unit.

OR (ii) Rahul accepted a bill for ₹36,000 drawn by Mohan on 1 February 2026 at 3 months. On 4 April 2026 Rahul retired the bill under a rebate of 10% p.a. Pass journal entries in the books of both parties.

(c) Sigma Ltd. makes a rights issue of 1 share for every 5 held at ₹50 per share (face value ₹10). The cum-right market price is ₹68. Compute the ex-right price and value of a right, and pass the entry for the issue of 20,000 rights shares (fully subscribed). (5 marks)

QUESTION Question 6

(a) Delta Ltd. invited applications for 50,000 equity shares of ₹10 each at a premium of ₹2, payable: ₹3 on application, ₹5 on allotment (including premium) and ₹4 on first and final call. Applications were received for 70,000 shares. Applications for 5,000 shares were rejected and money refunded; the rest were allotted pro rata, and excess application money was adjusted against allotment. Mr. P, who had applied for 1,300 shares, failed to pay allotment and call money, and his shares were forfeited after the call. Of these, 600 shares were re-issued at ₹8 per share fully paid. Pass journal entries (cash transactions through Bank A/c) and show the share capital in the balance sheet. (12 marks)

(b) Omega Ltd. has 20,000, 10% redeemable preference shares of ₹100 each, fully paid, to be redeemed at a premium of 5%. Balances: General reserve ₹12,00,000; Securities premium ₹1,00,000; Bank ₹4,00,000; Investments (book value) ₹5,00,000. The company (i) sold the investments for ₹5,40,000, (ii) issued the minimum number of equity shares of ₹10 each at ₹12 required, keeping a balance of ₹2,00,000 in general reserve, and (iii) redeemed the preference shares. Pass journal entries. (8 marks)

Solutions and Working Notes

SOLUTION Q1(a) True / False

(i) **False** – under accrual, revenue is recognised when **earned** (goods delivered/service rendered), irrespective of cash receipt.

(ii) **True** – AS 10 treats a change in depreciation method as a **change in accounting estimate**; it is applied prospectively over the remaining useful life.

(iii) **True** – the incoming partner's goodwill (premium) is credited to the **sacrificing partners** in their sacrificing ratio.

(iv) **False** – bills **accepted** by the business are recorded in the **bills payable book**; the B/R book records bills received from debtors.

(v) **True** – Section 52(2) of the Companies Act, 2013 permits use of securities premium for issuing **fully paid bonus shares**.

(vi) **False** – contingent liabilities are **not recognised**; they are disclosed in the **notes to accounts** (AS 29).

SOLUTION Q1(b) Fundamental accounting assumptions

1. **Going concern** – the enterprise will continue in operation for the foreseeable future; no intention or need to liquidate.
2. **Consistency** – accounting policies are applied consistently from one period to another.
3. **Accrual** – revenues and costs are recognised as they are earned or incurred and recorded in the period to which they relate.

Disclosure: if these assumptions are followed, no disclosure is required; if any is **not followed**, the fact must be **disclosed** (AS 1).

SOLUTION Q1(c) Journal of Mr. Neel

Particulars	Dr ₹	Cr ₹
Purchases A/c Dr	1,80,000	
Input IGST A/c Dr	32,400	
To Sen & Co.		2,12,400
(Goods purchased: list price 2,00,000 less 10% TD; IGST 18% on 1,80,000)		
Cash A/c Dr	70,800	
Rahul A/c Dr	70,800	
To Sales A/c		1,20,000
To Output CGST A/c		10,800
To Output SGST A/c		10,800
Rent A/c Dr	30,000	
Input CGST A/c Dr	2,700	
Input SGST A/c Dr	2,700	
To Bank A/c		35,400
Drawings A/c Dr	8,000	
To Purchases A/c		8,000

SOLUTION Q2(a) Rectification

No.	Rectifying entry	Dr ₹	Cr ₹
(i)	Purchases A/c Dr; To Suspense A/c	2,000	2,000
(ii)	Suspense A/c Dr; To Mohan	900	900
(iii)	Repairs A/c Dr; To Building A/c	4,000	4,000
(iv)	Discount Allowed A/c Dr; To Suspense A/c	350	350
(v)	Suspense A/c Dr; To Ravi (wrong debit 1,500 + correct credit 1,500)	3,000	3,000
(vi)	Sales Returns A/c Dr 1,200; Purchases Returns A/c Dr 1,200; To Sita 2,400	2,400	2,400

Suspense A/c: Dr – Mohan 900; Ravi 3,000 = **3,900**. Cr – Difference in TB (balancing) **1,550**; Purchases 2,000; Discount allowed 350 = **3,900**. So the original difference was a **credit of ₹1,550** (debit side of TB exceeded by ₹1,550).

Corrected profit: 60,000 − 2,000 (i) − 4,000 (iii) − 350 (iv) − 2,400 (vi: sales returns 1,200 + reduction of purchases returns 1,200) = **₹51,250**. Items (ii) and (v) affect personal accounts only.

SOLUTION Q2(b) Vega Ltd.

Depreciation schedule (₹): 2023-24: A 40,000 + B 12,000 (6 months) = **52,000**. 2024-25: A 40,000 + B 24,000 + C 13,500 (9 months) = **77,500**. 2025-26: A 20,000 (6 months) + B 24,000 + C 18,000 = **62,000**.

Machinery A/c: 2023-24 – To Bank (A) 4,00,000, (B) 2,40,000; By Bal c/d 6,40,000. 2024-25 – To Bal b/d 6,40,000; To Bank (C) 1,80,000; By Bal c/d 8,20,000. 2025-26 – To Bal b/d 8,20,000; By Machinery Disposal (A) 4,00,000; By Bal c/d **4,20,000**.

Provision for Depreciation A/c: 2023-24 – By Depreciation 52,000; To Bal c/d 52,000. 2024-25 – By Bal b/d 52,000; By Depreciation 77,500; To Bal c/d 1,29,500. 2025-26 – By Bal b/d 1,29,500; By Depreciation 62,000; To Machinery Disposal (A: 40,000 + 40,000 + 20,000) 1,00,000; To Bal c/d **91,500** (B 60,000 + C 31,500 ✔).

Machinery Disposal A/c: Dr – Machinery 4,00,000. Cr – Provision for depreciation 1,00,000; Bank 2,90,000; P&L (loss) **10,000**.

SOLUTION Q3(a) Final accounts of Mr. Arjun for the year ended 31 March 2026

Trading A/c: Dr – Opening stock 60,000; Purchases 4,20,000 – returns 6,000 – drawings 5,000 = 4,09,000; Wages 45,000; Carriage 8,000; **Gross profit c/d 2,73,000** → 7,95,000. Cr – Sales 7,20,000 – returns 10,000 = 7,10,000; Closing stock 85,000 → 7,95,000.

P&L A/c: Dr – Salaries 78,000; Rent 36,000; Insurance 9,000; Advertisement 18,000; Office expenses 15,000; Interest on loan 3,000; Bad debts & provision (3,000 + 2,000 + 5,900 – 5,000) 5,900; Depreciation – machinery 20,000, furniture 8,000; **Net profit 88,100** → 2,81,000. Cr – Gross profit 2,73,000; Commission 8,000 → 2,81,000.

Balance Sheet as on 31 March 2026:

Liabilities	₹	Assets	₹
Capital 3,00,000 + NP 88,100 – Drawings 35,000	3,53,100	Machinery 2,00,000 – 20,000	1,80,000
10% Bank loan	60,000	Furniture 80,000 – 8,000	72,000
Interest on loan outstanding	1,500	Closing stock	85,000
Creditors	85,000	Debtors 1,18,000 – PDD 5,900	1,12,100
Salaries outstanding	6,000	Prepaid insurance	3,000
Commission received in advance	1,000	Cash at bank	46,000
		Cash in hand	8,500
Total	**5,06,600**	**Total**	**5,06,600**

Working: interest due = 60,000 × 10% × 6/12 = 3,000; paid 1,500 → outstanding 1,500. New PDD = 5% × (1,20,000 – 2,000) = 5,900.

SOLUTION Q3(b) Stock on 31 March 2026

Particulars	₹
Stock at cost on 10 April 2026	3,40,000
Less: purchases received in the period (45,000 – 8,000 not yet received)	(37,000)
Add: cost of sales (72,000 × 80%)	57,600
Less: cost of sales returns (6,000 × 80%)	(4,800)
Add: goods on approval at cost (15,000 × 80%)	12,000
Less: consignment goods included	(20,000)
Less: write-down of damaged item to NRV (5,000 – 2,000)	(3,000)
Stock on 31 March 2026	**3,44,800**

Costs excluded under AS 2: abnormal wastage; storage costs (unless necessary in production); administrative overheads not contributing to bringing inventory to its present location and condition; **selling and distribution costs**.

SOLUTION Q4(a) Admission of C

Revaluation A/c: Dr – Machinery 10,000; Stock 4,000; Provision for doubtful debts 2,000; Outstanding expenses 3,000; **Profit to A 3,600, B 2,400**. Cr – Building 25,000. Totals 25,000.

Goodwill: C's share = 75,000 × 1/5 = 15,000 → credited to A 9,000 and B 6,000 (sacrifice 3 : 2).

New ratio: A = 3/5 × 4/5 = 12/25; B = 2/5 × 4/5 = 8/25; C = 5/25 → **12 : 8 : 5**.

Capital A/cs	A	B	C
Balance b/d	1,50,000	1,00,000	–
General reserve (3:2)	15,000	10,000	–
Revaluation profit	3,600	2,400	–
Premium for goodwill	9,000	6,000	–
Cash (capital)	–	–	1,00,000
Balance c/d	**1,77,600**	**1,18,400**	**1,00,000**

Balance Sheet of new firm: Liabilities – Creditors 60,000; Outstanding expenses 3,000; Capitals 1,77,600 + 1,18,400 + 1,00,000 → **₹4,59,000**. Assets – Cash (20,000 + 1,00,000 + 15,000) 1,35,000; Debtors 80,000 − 6,000 = 74,000; Stock 60,000; Machinery 90,000; Building 1,00,000 → **₹4,59,000** ✔.

SOLUTION Q4(b) Mr. Kabir

Opening capital (1-4-2025) = 12,000 + 48,000 + 60,000 + 30,000 − 35,000 = **₹1,15,000**.

Closing capital (31-3-2026): Cash 18,000 + Debtors (66,000 − 3,300) 62,700 + Stock 72,000 + Furniture (30,000 − 3,000) 27,000 = 1,79,700; less Creditors 41,000 and Bank loan 20,000 → **₹1,18,700**.

Statement of profit: Closing capital 1,18,700 + Drawings 36,000 − Fresh capital 15,000 − Opening capital 1,15,000 = **Profit ₹24,700**.

SOLUTION Q5(a) M/s Tara

Amended cash book (bank column): Overdraft b/d 42,000; interest 2,400; charges 350; supplier cheque short-recorded 720; insurance 6,000 (all credits) → total credits 51,470; debit: dividend 5,000 → **amended overdraft ₹46,470**.

BRS as on 31 March 2026: Overdraft as per amended cash book (46,470); add cheques issued not presented 18,500 → (27,970); less cheques deposited not credited 9,000 → **Overdraft as per pass book ₹36,970**.

SOLUTION Q5(b) Either/or

(i) Raw materials consumed = 30,000 + 2,10,000 − 40,000 = 2,00,000. Cost of production = 2,00,000 + 96,000 + 14,000 + 60,000 + 18,000 − 24,000 − 4,000 = **₹3,60,000**; cost per unit = 3,60,000 ÷ 8,000 = **₹45**.

(ii) Due date = 1 May + 3 days of grace = **4 May 2026**; retired 1 month early → rebate = 36,000 × 10% × 1/12 = **₹300**. **Mohan:** B/R Dr 36,000; To Rahul. Bank Dr 35,700; Rebate on Bills Dr 300; To B/R 36,000. **Rahul:** Mohan Dr 36,000; To B/P. B/P Dr 36,000; To Bank 35,700; To Rebate on Bills 300.

SOLUTION Q5(c) Sigma Ltd.

Ex-right price = (5 × 68 + 1 × 50) ÷ 6 = **₹65**. Value of right = 68 − 65 = **₹3 per existing share**.

Entry: Bank A/c Dr 10,00,000; To Equity Share Capital A/c 2,00,000; To Securities Premium A/c 8,00,000 (20,000 shares × ₹50).

SOLUTION Q6(a) Delta Ltd.

Working: 65,000 applicants for 50,000 shares → ratio 13 : 10. Excess application money = 15,000 × 3 = 45,000 adjusted to allotment. P: applied 1,300 → allotted 1,000; excess 300 × 3 = 900; allotment due 5,000 − 900 = **4,100** (unpaid); call due 4,000 (unpaid).

Entry	Dr ₹	Cr ₹
Bank Dr; To Equity Share Application (70,000 × 3)	2,10,000	2,10,000
Equity Share Application Dr 2,10,000; To Share Capital 1,50,000; To Allotment 45,000; To Bank (refund) 15,000	2,10,000	2,10,000
Equity Share Allotment Dr 2,50,000; To Share Capital 1,50,000; To Securities Premium 1,00,000	2,50,000	2,50,000
Bank Dr; To Allotment (2,50,000 − 45,000 − 4,100)	2,00,900	2,00,900
Share First & Final Call Dr; To Share Capital	2,00,000	2,00,000
Bank Dr; To Call (2,00,000 − 4,000)	1,96,000	1,96,000
Share Capital Dr 10,000; Securities Premium Dr 2,000; To Allotment 4,100; To Call 4,000; To Share Forfeiture 3,900	12,000	12,000
Bank Dr 4,800; Share Forfeiture Dr 1,200; To Share Capital 6,000 (600 shares @ ₹8)	6,000	6,000
Share Forfeiture Dr; To Capital Reserve (600 × 3.90 − 1,200)	1,140	1,140

Balance sheet (Note – Share capital): Issued 50,000 shares; subscribed & fully paid 49,600 shares of ₹10 = 4,96,000; add forfeited shares (400 × 3.90) 1,560 → **₹4,97,560**. Securities premium = 1,00,000 − 2,000 = 98,000; Capital reserve 1,140.

SOLUTION Q6(b) Omega Ltd.

Premium on redemption 1,00,000 met from existing securities premium. Profits available for CRR = 12,00,000 − 2,00,000 = 10,00,000. **Fresh issue (face value) = 20,00,000 − 10,00,000 = ₹10,00,000** → 1,00,000 shares at ₹12 = ₹12,00,000 cash.

Entry	Dr ₹	Cr ₹
Bank Dr 5,40,000; To Investments 5,00,000; To Profit on Sale of Investments 40,000	5,40,000	5,40,000
Bank Dr 12,00,000; To Equity Share Capital 10,00,000; To Securities Premium 2,00,000	12,00,000	12,00,000
10% Pref. Share Capital Dr 20,00,000; Premium on Redemption Dr 1,00,000; To Pref. Shareholders 21,00,000	21,00,000	21,00,000
Securities Premium Dr; To Premium on Redemption	1,00,000	1,00,000
General Reserve Dr; To Capital Redemption Reserve	10,00,000	10,00,000
Pref. Shareholders Dr; To Bank	21,00,000	21,00,000

Bank check: 4,00,000 + 5,40,000 + 12,00,000 − 21,00,000 = **₹40,000** balance ✔.

EXAM TIP Self-evaluation

Award yourself marks only where the format and working notes are complete. Target ≥ 60 in this mock before the exam. Note every error in a "mistake log" and revise it in the last week.