Skillshort

Self-Study Preparation Pack

CA FOUNDATION

Paper 1: Accounting

Chapter-wise Practice Questions with Answers

11 chapters · quick-check MCQs + exam-style practical/theory questions · answers at the end of each chapter

55 quick-check MCQs | 30 exam-style questions | Full answers

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This subject pack has 6 parts

1 Chapter-wise notes

2 Important topics & weightage

3 Past papers: trends & links

4 Mock tests + solutions

5 Chapter practice questions

6 Last-week plan & strategy

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.

How to practise

Attempt each chapter set **without looking at the answers**, then check. Quick-check MCQs test concepts (Accounting is descriptive, but these build the True/False skill for Q1(a)). Exam-style questions mirror ICAI's 4–10 mark parts. Re-attempt every wrong question after 3 days.

Chapter 1: Theoretical Framework

1. The concept that requires a business to be treated as separate from its owner is:

(a) Going concern
(b) Business entity
(c) Matching
(d) Accrual

2. Which is NOT a fundamental accounting assumption under AS 1?

(a) Going concern
(b) Consistency
(c) Conservatism
(d) Accrual

3. Legal fees paid to defend title to the factory land are:

(a) Revenue expenditure
(b) Capital expenditure
(c) Deferred revenue expenditure
(d) Capital loss

4. A guarantee given for a loan taken by another company is a:

(a) Provision
(b) Liability
(c) Contingent liability
(d) Contingent asset

5. A change in accounting policy is permitted when:

(a) Profit needs to be increased
(b) Required by statute or AS, or gives more appropriate presentation
(c) The auditor changes
(d) Never

QUESTION Exam-style questions

1. Explain the limitations of accounting. (4 marks)
2. Classify into capital or revenue with reasons: (i) ₹40,000 spent on overhauling a second-hand machine bought; (ii) ₹15,000 paid for annual maintenance of machines; (iii) ₹2,00,000 compensation paid to employees retrenched on closure of a unit; (iv) ₹60,000 spent on an advertising campaign whose benefit will last 4 years. (4 marks)
3. What is an accounting estimate? Give four examples and state how a change in estimate is treated. (4 marks)

Answers – Chapter 1 quick check

Q	Ans	Explanation / working
1	(b)	Entity concept – capital is shown as a liability of the business towards the owner.
2	(c)	The three assumptions are going concern, consistency and accrual; prudence is a consideration in selecting policies.
3	(b)	They protect a capital asset.
4	(c)	Possible obligation – disclosed in notes, not recognised.
5	(b)	The three permitted conditions.

SOLUTION Chapter 1 – exam-style answers

1. Records only money-measurable items; historical cost ignores price changes; estimates and personal judgement (depreciation, provisions); window dressing possible; does not show the real or market worth of a business.
2. (i) **Capital** – makes the asset fit for use. (ii) **Revenue** – maintains earning capacity. (iii) **Revenue** (non-recurring, but no asset is created; shown as exceptional item) VERIFY. (iv) Under AS, such expenditure is **revenue** and charged in the year incurred; historically called deferred revenue expenditure.
3. An estimate is an approximation where precise measurement is impossible – useful life and residual value, provision for doubtful debts, NRV of inventory, warranty provisions. Revisions are applied **prospectively** – in the current and future periods.

Chapter 2: Accounting Process

6. Goods withdrawn by the proprietor for personal use are credited to:

(a) Sales A/c (b) Purchases A/c
(c) Capital A/c (d) Drawings A/c

7. Which error is disclosed by the trial balance?

(a) Error of principle (b) Compensating error
(c) Posting to the wrong side (d) Complete omission

8. Credit purchase of furniture is recorded in:

(a) Purchases book (b) Journal proper
(c) Cash book (d) Bills payable book

9. In a three-column cash book, the discount columns are:

(a) Balanced (b) Not balanced; totals posted
(c) Ignored (d) Posted daily

10. Sales book overcast by ₹500 – the rectifying entry after preparing the trial balance is:

(a) Sales Dr; To Suspense (b) Suspense Dr; To Sales
(c) Debtors Dr; To Sales (d) No entry

QUESTION Exam-style questions

1. Pass journal entries: (i) Bought goods ₹50,000 from Rao (intra-state) with CGST/SGST 6% each, paid 40% by cheque; (ii) Paid salary ₹20,000 and wages for installing a new machine ₹3,000; (iii) Bad debt of ₹2,500 written off earlier is recovered. (4 marks)
2. Rectify (Suspense A/c may be used): (i) Purchase of machinery ₹12,000 posted to Purchases A/c; (ii) Return outward ₹900 posted to the debit of Returns Inward A/c; (iii) Total of sales returns book ₹1,450 posted as ₹1,540. Show the effect on profit. (6 marks)

Answers – Chapter 2 quick check

Q	Ans	Explanation / working
6	(b)	Drawings A/c Dr; To Purchases A/c at cost.
7	(c)	One-sided errors affect the agreement.
8	(b)	The purchases book is only for credit purchases of goods.
9	(b)	Totals go to Discount Allowed and Discount Received A/cs.
10	(a)	Sales were over-credited; debit Sales and credit Suspense.

SOLUTION Chapter 2 – exam-style answers

1. (i) Purchases Dr 50,000; Input CGST Dr 3,000; Input SGST Dr 3,000; To Bank 22,400; To Rao 33,600. (ii) Salary Dr 20,000; Machinery Dr 3,000; To Cash 23,000. (iii) Cash Dr 2,500; To Bad Debts Recovered 2,500.
2. (i) Machinery Dr 12,000; To Purchases 12,000 – profit **increases** 12,000. (ii) Suspense Dr 1,800; To Returns Inward 900; To Returns Outward 900 – profit **increases** 1,800. (iii) Suspense Dr 90; To Sales Returns 90 – profit **increases** 90.

Chapter 3: Bank Reconciliation Statement

11. Starting from a debit balance as per cash book, cheques issued but not presented are:

(a) Added (b) Deducted
(c) Ignored (d) Shown separately

12. Interest allowed by the bank, not recorded in the cash book, when starting from pass book balance is:

(a) Added (b) Deducted
(c) Ignored (d) Doubled

13. An overdraft as per pass book is a:

(a) Credit balance (b) Debit balance
(c) Nil balance (d) Contra balance

14. BRS is prepared by:

(a) The bank (b) The customer (account holder)
(c) The auditor only (d) RBI

15. Direct deposit by a customer into our bank account is first known from:

(a) Cash book (b) Bank statement
(c) Ledger (d) Journal

QUESTION Exam-style questions

1. Pass book of Mr. Lal shows a credit balance of ₹28,600 on 31-3-2026. Cheques deposited ₹6,000 not credited; cheques issued ₹9,500 not presented; bank charges ₹200 not in cash book; interest credited ₹800; a cheque of ₹1,000 received was entered twice in the cash book. Find the cash book balance. (5 marks)

Answers – Chapter 3 quick check

Q	Ans	Explanation / working
11	(a)	The bank has not yet paid them, so the pass book balance is higher.
12	(b)	The pass book is higher by this amount.
13	(b)	The customer owes the bank.
14	(b)	It is the customer's statement.
15	(b)	Hence it is a type-B item for amending the cash book.

SOLUTION Chapter 3 – answer

Balance as per pass book 28,600; add cheques deposited not credited 6,000; add bank charges 200; add cheque entered twice 1,000 → 35,800; less cheques issued not presented 9,500; less interest credited 800 → **Cash book debit balance ₹25,500**.

Chapter 4: Inventories

16. Under AS 2, which method is NOT permitted?

(a) FIFO
(b) Weighted average
(c) LIFO
(d) Specific identification

17. Which cost is included in inventory?

(a) Selling expenses
(b) Freight inward
(c) Abnormal wastage
(d) Administrative overheads

18. Stock taken on 10 April; sales of the period 1–10 April are adjusted at:

(a) Selling price
(b) Cost
(c) NRV
(d) Market price

19. Goods sent on approval and not yet approved at year-end are:

(a) Treated as sales
(b) Included in stock at cost
(c) Excluded from stock
(d) Shown as debtors

20. Under the perpetual system, inventory losses are:

(a) Hidden in COGS
(b) Revealed by comparing book and physical stock
(c) Ignored
(d) Treated as sales

QUESTION Exam-style questions

1. Stock was taken on 7 April 2026 at ₹1,80,000 (cost). Between 1 and 7 April: sales ₹40,000 (GP 25% on cost), purchases ₹22,000, purchase returns ₹2,000. Goods costing ₹6,000 were sent on approval in March and not yet approved. Find stock on 31-3-2026. (5 marks)

Answers – Chapter 4 quick check

Q	Ans	Explanation / working
16	(c)	LIFO is not allowed.
17	(b)	Costs to bring goods to present location and condition.
18	(b)	Sales less gross profit.
19	(b)	Ownership has not passed.
20	(b)	A key advantage.

SOLUTION Chapter 4 – answer

1,80,000 + cost of sales (40,000 × 100/125 = 32,000) − purchases 22,000 + purchase returns 2,000 + goods on approval 6,000 = **₹1,98,000**.

Chapter 5: Depreciation and Amortisation

21. Depreciation under WDV is calculated on:

(a) Original cost
(b) Book value at the beginning of the year
(c) Market value
(d) Scrap value

22. Change from WDV to SLM under AS 10 is:

(a) Change in accounting policy (retrospective)
(b) Change in estimate (prospective)
(c) Prior period item
(d) Not allowed

23. Depreciation is:

(a) An appropriation of profit
(b) A charge against profit
(c) Charged only if profit exists
(d) A capital loss

24. Machine cost ₹1,10,000, residual ₹10,000, life 5 years. SLM depreciation p.a. is:

(a) ₹22,000
(b) ₹20,000
(c) ₹18,000
(d) ₹10,000

25. Under sum-of-years'-digits for a 4-year asset, the first-year fraction is:

(a) 1/4
(b) 4/10
(c) 1/10
(d) 3/10

QUESTION Exam-style questions

1. A machine costing ₹2,50,000 (residual ₹10,000, life 4 years) is depreciated by sum-of-years'-digits. Compute depreciation for each year. (4 marks)
2. Distinguish depreciation and amortisation, and give two examples of intangibles. (4 marks)

Answers – Chapter 5 quick check

Q	Ans	Explanation / working
21	(b)	Hence it reduces every year.
22	(b)	Applied from the current year.
23	(b)	Charged even in a loss year.
24	(b)	(1,10,000 − 10,000) ÷ 5.
25	(b)	Sum = 1+2+3+4 = 10; first year 4/10.

SOLUTION Chapter 5 – answers

1. Depreciable amount 2,40,000; sum of digits 10 → Year 1: 96,000; Year 2: 72,000; Year 3: 48,000; Year 4: 24,000 (total 2,40,000).
2. Depreciation – allocation of cost of tangible PPE (AS 10); amortisation – allocation of cost of intangibles (AS 26) like patents and software, generally on SLM over useful life (presumed ≤ 10 years).

Chapter 6: Bills of Exchange and Promissory Notes

26. Days of grace allowed on a bill payable "3 months after date" are:

(a) 0
(b) 2
(c) 3
(d) 7

27. The person who accepts a bill is the:

(a) Drawer
(b) Drawee
(c) Payee
(d) Endorsee

28. When a discounted bill is dishonoured, the drawer debits the drawee and credits:

(a) B/R A/c
(b) Bank A/c
(c) Discount A/c
(d) Sales A/c

29. In accommodation bills, discount is shared:

(a) Only by the drawer
(b) In the ratio of sharing the proceeds
(c) Equally always
(d) By the bank

30. A bill dated 31 January 2026 for 1 month is due on:

(a) 28 Feb
(b) 3 March
(c) 2 March
(d) 1 March

QUESTION Exam-style question

1. A draws a bill on B for ₹24,000 for 3 months on 1-1-2026; B accepts. A discounts it @ 12% p.a. On maturity the bill is dishonoured; noting ₹100. Journalise in A's books. (5 marks)

Answers – Chapter 6 quick check

Q	Ans	Explanation / working
26	(c)	Three days.
27	(b)	Drawee becomes the acceptor.
28	(b)	The bank recovers the amount (plus noting) from the drawer.
29	(b)	Same ratio as the funds used.
30	(b)	28 Feb + 3 days of grace.

SOLUTION Chapter 6 – answer

B/R Dr 24,000; To B 24,000. Bank Dr 23,280; Discount Dr 720 (24,000 × 12% × 3/12); To B/R 24,000. On dishonour: B Dr 24,100; To Bank 24,100.

Chapter 7: Final Accounts of Sole Proprietors

31. Carriage inward is debited to:

(a) P&L A/c
(b) Trading A/c
(c) Balance sheet
(d) Capital A/c

32. An adjustment given outside the trial balance affects:

(a) One place
(b) Two places
(c) No place
(d) Only the balance sheet

33. Manager's commission 10% on profit after charging it, profit before commission ₹1,32,000, is:

(a) ₹13,200
(b) ₹12,000
(c) ₹11,000
(d) ₹14,520

34. Closing stock appearing inside the trial balance is shown in:

(a) Trading A/c only
(b) Balance sheet only
(c) Both
(d) P&L only

35. Sale of scrap in a factory is shown in:

(a) Manufacturing A/c (credit)
(b) P&L (credit)
(c) Balance sheet
(d) Capital A/c

QUESTION Exam-style question

1. Debtors ₹84,000 (TB); bad debts ₹1,200 (TB); old PDD ₹3,000. Adjustments: further bad debts ₹4,000; PDD 5%; provision for discount 2%. Show the P&L and balance-sheet treatment. (5 marks)

Answers – Chapter 7 quick check

Q	Ans	Explanation / working
31	(b)	Direct expense.
32	(b)	Dual effect.
33	(b)	1,32,000 × 10/110.
34	(b)	Already adjusted through purchases.
35	(a)	Reduces cost of production.

SOLUTION Chapter 7 – answer

Debtors after bad debts 80,000; new PDD 4,000; provision for discount 2% × 76,000 = 1,520. P&L debit: bad debts (1,200 + 4,000) + new PDD 4,000 − old 3,000 = **6,200**; provision for discount **1,520**. Balance sheet debtors = 84,000 − 4,000 − 4,000 − 1,520 = **₹74,480**.

Chapter 8: Not-for-Profit Organisations

36. The result of an I&E A/c is called:

(a) Net profit
(b) Surplus or deficit
(c) Gross profit
(d) Capital fund

37. A donation received for a building fund is:

(a) Income
(b) Capitalised (fund)
(c) Expenditure
(d) Ignored

38. Subscriptions received in advance at year-end are shown as:

(a) Asset
(b) Liability
(c) Income
(d) Expense

39. Life membership fees are generally:

(a) Revenue income
(b) Capitalised
(c) Deducted from expenses
(d) Shown as assets

40. Opening capital fund is found by:

(a) Opening assets − opening liabilities
(b) Surplus + deficit
(c) Receipts − payments
(d) Closing cash

QUESTION Exam-style question

1. Subscriptions received in 2025-26: ₹96,000, including ₹5,000 for 2024-25 and ₹3,000 for 2026-27. Outstanding on 31-3-2026 for 2025-26: ₹7,000. Subscriptions received in advance on 31-3-2025 for 2025-26: ₹2,000. Find subscription income for 2025-26. (4 marks)

Answers – Chapter 8 quick check

Q	Ans	Explanation / working
36	(b)	NPOs use surplus/deficit.
37	(b)	Specific-purpose donation.
38	(b)	Received for a future period.
39	(b)	Capital receipts.
40	(a)	Prepare the opening balance sheet.

SOLUTION Chapter 8 – answer

96,000 − 5,000 − 3,000 + 7,000 + 2,000 = **₹97,000**.

Chapter 9: Incomplete Records

41. Profit under the statement of affairs method =

(a) Closing capital − opening capital
(b) Closing capital + drawings − additional capital − opening capital
(c) Assets − liabilities
(d) Sales − purchases

42. Credit sales are found from the:

(a) Total creditors A/c
(b) Total debtors A/c
(c) Cash book
(d) Bills payable A/c

43. GP is 25% on cost. GP as % of sales is:

(a) 25%
(b) 20%
(c) 33.33%
(d) 15%

44. A statement of affairs resembles a:

(a) Trial balance
(b) Balance sheet
(c) Cash book
(d) Ledger

45. Single entry system is:

(a) Scientific
(b) Incomplete double entry
(c) Required by the Companies Act
(d) Same as cash basis

QUESTION Exam-style question

1. Opening capital ₹2,40,000; closing assets ₹4,10,000; closing liabilities ₹1,25,000; drawings ₹4,000 p.m.; capital introduced ₹30,000. Find the profit. (4 marks)

Answers – Chapter 9 quick check

Q	Ans	Explanation / working
41	(b)	The net-worth method.
42	(b)	Balancing figure in debtors account.
43	(b)	25/125.
44	(b)	Assets and liabilities on a date.
45	(b)	Records are incomplete.

SOLUTION Chapter 9 – answer

Closing capital = 4,10,000 − 1,25,000 = 2,85,000. Profit = 2,85,000 + 48,000 − 30,000 − 2,40,000 = **₹63,000**.

Chapter 10: Partnership and LLP Accounts

46. In the absence of a deed, profits are shared:

(a) In capital ratio
(b) Equally
(c) In ratio of experience
(d) 2:1

47. Goodwill brought in by a new partner is credited to old partners in:

(a) Old ratio
(b) Sacrificing ratio
(c) New ratio
(d) Capital ratio

48. On retirement, the continuing partners compensate the retiring partner in:

(a) Gaining ratio
(b) Sacrificing ratio
(c) Old ratio
(d) Capital ratio

49. Under Garner v Murray, the insolvent partner's deficiency is borne by solvent partners in:

(a) Profit ratio
(b) Ratio of capitals before dissolution
(c) Equal ratio
(d) New ratio

50. An LLP must have at least:

(a) 1 designated partner
(b) 2 designated partners (one resident in India)
(c) 7 partners
(d) 3 partners

QUESTION Exam-style questions

1. X and Y share 3 : 2. Z is admitted for 1/4 share; X surrenders 1/6 and Y 1/12 of the firm's profit to Z. Find the new ratio and sacrificing ratio. (4 marks)
2. A, B, C share 5 : 3 : 2. B retires; A and C decide to share 3 : 2. Goodwill of the firm ₹1,00,000. Pass the goodwill adjustment entry. (4 marks)

Answers – Chapter 10 quick check

Q	Ans	Explanation / working
46	(b)	Section 13(b), Partnership Act.
47	(b)	They gave up the share.
48	(a)	They gain the retiring partner's share.
49	(b)	Capital ratio (fixed or adjusted).
50	(b)	LLP Act, 2008.

SOLUTION Chapter 10 – answers

1. X = 3/5 − 1/6 = 13/30; Y = 2/5 − 1/12 = 19/60; Z = 1/4 = 15/60 → X 26/60, Y 19/60, Z 15/60 → **26 : 19 : 15**. Sacrificing ratio = 1/6 : 1/12 = **2 : 1**.
2. B's share = 1,00,000 × 3/10 = 30,000. Gain: A = 3/5 − 5/10 = 1/10; C = 2/5 − 2/10 = 2/10 → 1 : 2. Entry: A's Capital Dr 10,000; C's Capital Dr 20,000; To B's Capital 30,000.

Chapter 11: Company Accounts

51. Shares can be issued at a discount only as:

(a) Bonus shares
(b) Sweat equity shares (s.53)
(c) Right shares
(d) Never, including sweat equity

52. On re-issue of forfeited shares, the balance in forfeiture relating to re-issued shares goes to:

(a) General reserve
(b) Capital reserve
(c) Securities premium
(d) P&L

53. CRR on redemption of preference shares out of profits equals:

(a) Premium on redemption
(b) Nominal value redeemed out of profits
(c) 25% of shares
(d) Fresh issue amount

54. DRR for an unlisted company (other than NBFC/HFC) is:

(a) 25%
(b) 10% of outstanding debentures
(c) 50%
(d) Not required

55. Bonus shares cannot be issued out of:

(a) Free reserves
(b) Securities premium
(c) Revaluation reserve
(d) CRR

QUESTION Exam-style questions

1. 1,000 shares of ₹10 each (₹8 called up) held by Ram were forfeited for non-payment of the first call of ₹3 (allotment of ₹3 including ₹1 premium was paid). 600 of these shares were re-issued at ₹7 per share as ₹8 paid up. Pass entries. (6 marks)
2. A company issues 5,000 9% debentures of ₹100 each at a premium of 5%, redeemable at par. Pass the entries for issue (application and allotment together). (3 marks)

Answers – Chapter 11 quick check

Q	Ans	Explanation / working
51	(b)	Section 53 bars discount except sweat equity.
52	(b)	Capital profit.
53	(b)	s.55(2)(c).
54	(b)	Rule 18(7) as amended in 2019.
55	(c)	s.63(1) proviso.

SOLUTION Chapter 11 – answers

1. Called up ₹8 = application + allotment (₹2 excluding premium) + first call ₹3 → application = ₹3. Amount received excluding premium = 3 + 2 = **₹5 per share** → forfeited ₹5,000. Entry: Share Capital Dr 8,000; To Share First Call 3,000; To Share Forfeiture 5,000. Re-issue: Bank Dr 4,200; Share Forfeiture Dr 600; To Share Capital 4,800 (600 × ₹8). Capital reserve = 600 × 5 − 600 = **₹2,400**: Share Forfeiture Dr 2,400; To Capital Reserve 2,400 (₹2,000 on 400 shares stays in Share Forfeiture).
2. Bank Dr 5,25,000; To Debenture Application & Allotment 5,25,000. Debenture Application & Allotment Dr 5,25,000; To 9% Debentures 5,00,000; To Securities Premium 25,000.