Skillshort

Self-Study Preparation Pack

CMA INTERMEDIATE

Paper 6: Financial Accounting (FA)

Mock Test 1 – Full Paper with Model Answers

ICMAI Syllabus 2022 pattern: 100 marks · 3 hours · Section A – 15 MCQs × 2 (compulsory) · Section B – any 5 of Q2–Q8 (14 marks each) · Original Skillshort questions · All figures verified in Python

Time: 3 hours | Max marks: 100 | No negative marking | Model answers follow the paper

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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.

Section A – Multiple Choice Questions (30 marks)

Q1. Choose the correct option (2 × 15 = 30).

1. As per AS 1, the fundamental accounting assumptions are

(a) Prudence, substance over form, materiality
(b) Going concern, consistency, accrual
(c) Entity, money measurement, periodicity
(d) Going concern, prudence, accrual

2. Debtors are ₹1,20,000 before writing off bad debts of ₹4,000. A provision for doubtful debts of 5% and a provision for discount of 2% are to be made. The provision for discount is

(a) ₹2,400 (b) ₹2,320
(c) ₹2,204 (d) ₹2,280

3. A bill is drawn on 10 January 2026 at two months after date. Its due date (no holiday) is

(a) 10 March 2026 (b) 12 March 2026
(c) 13 March 2026 (d) 9 March 2026

4. A draws an accommodation bill of ₹1,50,000 on B; proceeds are shared 2:1 (A:B). The bill is discounted at a discount of ₹9,000. B's share of the discount is

(a) ₹4,500 (b) ₹3,000
(c) ₹6,000 (d) ₹9,000

5. 500 units costing ₹200 each are consigned at invoice price (cost + 25%); the consignor spends ₹10,000 on freight. 100 units remain unsold. Stock on consignment at cost is

(a) ₹20,000 (b) ₹27,000
(c) ₹22,000 (d) ₹25,000

6. X supplies goods of ₹1,00,000 to a joint venture; Y pays expenses of ₹20,000 and sells all the goods for ₹1,60,000. Profit is shared 3:2. Y will remit to X

(a) ₹1,24,000 (b) ₹1,16,000
(c) ₹1,00,000 (d) ₹1,40,000

7. Opening capital ₹2,00,000; closing capital ₹2,60,000; drawings ₹30,000; additional capital ₹40,000. Profit for the year is

(a) ₹90,000 (b) ₹50,000
(c) ₹30,000 (d) ₹70,000

8. A club received subscriptions of ₹2,10,000. Outstanding: opening ₹12,000, closing ₹15,000. Received in advance: opening ₹8,000, closing ₹6,000. Subscription income is

(a) ₹2,15,000 (b) ₹2,05,000
(c) ₹2,11,000 (d) ₹2,09,000

9. Average profit ₹3,00,000; capital employed ₹20,00,000; normal rate of return 12%. Goodwill at 3 years' purchase of super profit is

(a) ₹9,00,000 (b) ₹1,80,000
(c) ₹60,000 (d) ₹2,40,000

10. A and B share profits 3:2. C is admitted for 1/4 share, which he takes from A and B in their old ratio. The new ratio is

(a) 3:2:1 (b) 9:6:5
(c) 6:4:5 (d) 2:1:1

11. A machine with cash price ₹1,00,000 is bought on hire purchase with ₹25,000 down; interest is 10% p.a. Interest in the first instalment (end of year 1) is

(a) ₹10,000 (b) ₹7,500
(c) ₹2,500 (d) ₹5,000

12. Department X transfers goods to Department Y at cost + 25%. Y's closing stock includes goods from X of ₹50,000. The stock reserve is

(a) ₹12,500 (b) ₹10,000
(c) ₹5,000 (d) ₹2,500

13. A short-term lease which is often cancellable is

(a) Finance lease (b) Operating lease
(c) Leveraged lease (d) Sale and leaseback

14. Under AS 16, a qualifying asset ordinarily takes

(a) 6 months or more (b) 12 months or more
(c) 24 months or more (d) Any period

15. A government grant given as promoters' contribution with no repayment obligation is credited, under AS 12, to

(a) Profit and loss (b) Capital reserve
(c) Deferred income (d) Cost of the asset

Section A – Answer key with reasons

Q	Ans	Explanation / working
1	(b)	AS 1 lists **going concern, consistency and accrual**; prudence, substance over form and materiality are considerations in the **selection** of policies.
2	(c)	Good debtors 1,16,000; PDD 5% = 5,800; discount 2% × (1,16,000 − 5,800) = **₹2,204**.
3	(c)	10 March + 3 days of grace = **13 March 2026**.
4	(b)	Discount is shared in the ratio in which proceeds are shared: 9,000 × 1/3 = **₹3,000**.
5	(c)	100 × 200 + 100/500 × 10,000 = **₹22,000** (at invoice price ₹27,000).
6	(a)	Profit 40,000; X's share 24,000; Y remits X's cost + share = **₹1,24,000**.
7	(b)	2,60,000 + 30,000 − 40,000 − 2,00,000 = **₹50,000**.
8	(a)	2,10,000 − 12,000 + 15,000 + 8,000 − 6,000 = **₹2,15,000**.
9	(b)	Super profit = 3,00,000 − 2,40,000 = 60,000 × 3 = **₹1,80,000**.
10	(b)	A 3/5 × 3/4 = 9/20; B 2/5 × 3/4 = 6/20; C 5/20 → **9:6:5**.
11	(b)	Interest on outstanding cash price: 75,000 × 10% = **₹7,500**.
12	(b)	50,000 × 25/125 = **₹10,000**.
13	(b)	Risks and rewards stay with the lessor – an **operating lease**.
14	(b)	AS 16 explanation – ordinarily **twelve months or more**, unless a shorter period is justified.
15	(b)	Grants in the nature of **promoters' contribution** are treated as part of shareholders' funds – **capital reserve** (capital approach).

Section B – Descriptive Questions (70 marks)

Answer any FIVE questions from Q2 to Q8. Each question carries 14 marks.

Q2 (a) (7 marks). On 31 March 2026 the cash book of Neel shows a debit balance of ₹45,000. Prepare a bank reconciliation statement: (i) cheques issued ₹18,000 not yet presented; (ii) cheques deposited ₹12,500 not yet credited; (iii) bank charges ₹300 not in the cash book; (iv) interest credited by bank ₹1,200; (v) dividend collected directly by bank ₹4,000; (vi) a customer's cheque of ₹2,500 dishonoured, not recorded in the cash book.

(b) (7 marks). The trial balance of Kavya Traders did not agree and the difference was put to a Suspense Account. Pass rectification entries and prepare the Suspense Account: (i) sales book overcast by ₹2,000; (ii) furniture purchased for ₹8,000 debited to Purchases A/c; (iii) cash ₹3,000 received from Ram credited to Shyam; (iv) discount allowed ₹500 not posted to Discount A/c; (v) a credit purchase of ₹4,500 posted to the supplier's account as ₹5,400.

Q3 (a) (7 marks). On 1 January 2026, A draws a bill of ₹60,000 at three months on B for their mutual accommodation. A discounts it at 12% p.a. and remits half the proceeds to B. Before the due date B becomes insolvent; A meets the bill. A dividend of 40 paise in the rupee is received from B's estate. Pass journal entries in A's books.

(b) (7 marks). On 1 April 2023, Rohan Ltd. bought a machine on hire purchase; cash price ₹2,40,000; down payment ₹60,000; balance in three annual instalments of ₹72,382 at the end of each year; interest 10% p.a. Depreciation 10% p.a. on WDV. Prepare the interest schedule and show the depreciation for three years.

Q4 (14 marks). Manish keeps incomplete records. From the details below, (a) prepare the statement of profit for 2025-26 by the capital comparison method; (b) find credit sales and credit purchases.

Item	1 April 2025	31 March 2026
Cash	10,000	18,000
Debtors	60,000	72,000
Stock	50,000	64,000
Furniture	40,000	40,000 (provide 10% depreciation)
Creditors	45,000	52,000
Outstanding expenses	–	3,000

Drawings ₹36,000; additional capital ₹20,000. Collections from debtors ₹3,20,000, discount allowed ₹4,000, bad debts ₹2,000; payments to creditors ₹2,40,000, discount received ₹3,000.

Q5 (14 marks). A and B share profits 3:2. Their balance sheet on 31 March 2026: Capitals A ₹1,20,000, B ₹80,000; General reserve ₹30,000; Creditors ₹50,000 (total ₹2,80,000) – Cash ₹20,000, Debtors ₹60,000, Stock ₹70,000, Machinery ₹80,000, Building ₹50,000. C is admitted on 1 April 2026 for 1/4 share on these terms: C brings ₹1,00,000 as capital and his share of goodwill in cash (goodwill of the firm ₹80,000, premium retained in the business); building appreciated by 20%; stock reduced by 10%; PDD of 5% on debtors; an unrecorded investment of ₹5,000 is brought into books. Prepare the Revaluation A/c, partners' capital accounts and the new balance sheet. State the new ratio.

Q6 (a) (7 marks). Delhi head office sends goods at cost to its Agra branch. From the following, prepare the Branch A/c (debtors method) for 2025-26: opening stock ₹20,000, debtors ₹15,000, petty cash ₹500; goods sent ₹1,20,000; cash sales ₹60,000; credit sales ₹1,10,000; collections ₹1,02,000; discount allowed ₹1,500; bad debts ₹1,000; rent ₹6,000 and salaries ₹12,000 paid by HO; cash sent for petty expenses ₹1,500; petty expenses ₹1,200; closing stock ₹25,000.

(b) (7 marks). A fire on 30 September 2026 destroyed the stock of Suraj & Co. Stock on 1 April 2026 ₹80,000; purchases to date ₹3,00,000 (including a machine of ₹10,000); sales ₹4,00,000; GP rate 25% on sales; stock salvaged ₹15,000; stock policy ₹60,000 with an average clause. Compute the claim.

Q7 (a) (7 marks). Compute the cost of a plant under AS 10: list price ₹50,00,000, trade discount 5%; GST 18% (input credit available); import duty ₹2,00,000 (non-refundable); freight ₹1,50,000; installation ₹80,000;

professional fees ₹50,000; general administration overheads ₹40,000; trial-run costs ₹60,000, net of ₹20,000 from sale of samples; operating losses after the plant was ready ₹30,000.

(b) (7 marks). On 1 February 2026 Vaani Ltd. imported goods for USD 50,000 (₹84/USD). The rate on 31 March 2026 was ₹86 and the bill was paid on 30 April 2026 at ₹85. Show the treatment under AS 11 for 2025-26 and 2026-27. State three differences between AS 11 and Ind AS 21.

Q8 (a) (5 marks). Explain the considerations in the selection of accounting policies under AS 1.

(b) (4 marks). Explain three methods of treating joint life policy premiums.

(c) (5 marks). D retires on 1 July 2025; his capital of ₹60,000 is not settled. Capitals of continuing partners are ₹90,000 and ₹1,50,000. Profit for the nine months to 31 March 2026 is ₹40,000. What amount is D entitled to under Section 37 of the Partnership Act?

Model Answers – Section B

SOLUTION Q2(a) Bank reconciliation statement as on 31 March 2026

Particulars	₹	₹
Balance as per cash book (Dr)		45,000
Add: cheques issued, not presented	18,000	
Add: interest credited by bank	1,200	
Add: dividend collected by bank	4,000	23,200
Less: cheques deposited, not credited	12,500	
Less: bank charges	300	
Less: cheque dishonoured	2,500	15,300
Balance as per pass book (Cr)		**52,900**

SOLUTION Q2(b) Rectification entries

No.	Entry	₹
(i)	Sales A/c Dr; To Suspense A/c	2,000
(ii)	Furniture A/c Dr; To Purchases A/c	8,000
(iii)	Shyam A/c Dr; To Ram A/c	3,000
(iv)	Discount Allowed A/c Dr; To Suspense A/c	500
(v)	Supplier's A/c Dr; To Suspense A/c	900

Suspense A/c: Dr – To difference in trial balance (balancing) ₹3,400. Cr – By Sales 2,000; By Discount allowed 500; By Supplier 900 = ₹3,400. The trial balance debit side was short by ₹3,400. Errors (ii) and (iii) are two-sided errors and do not affect the suspense account.

SOLUTION Q3(a) Journal of A

Date	Entry	Dr ₹	Cr ₹
1 Jan	Bills Receivable A/c Dr; To B	60,000	60,000
1 Jan	Bank A/c Dr 58,200; Discount A/c Dr 1,800; To Bills Receivable	60,000	60,000
1 Jan	B Dr 30,000; To Bank 29,100; To Discount 900 (half the proceeds and half the discount)	30,000	30,000
Due date	B Dr; To Bank (A meets the dishonoured bill)	60,000	60,000
On insolvency	Bank Dr 12,000; Bad Debts Dr 18,000; To B	30,000	30,000

W1: Discount = 60,000 × 12% × 3/12 = ₹1,800. W2: B's balance = 30,000 + 60,000 − 60,000 = ₹30,000 due to A; 40% received = ₹12,000; bad debt ₹18,000.

SOLUTION Q3(b) Hire purchase schedule

Year	Opening balance	Interest 10%	Instalment	Principal	Closing
2023-24	1,80,000	18,000	72,382	54,382	1,25,618
2024-25	1,25,618	12,562	72,382	59,820	65,798
2025-26	65,798	6,584*	72,382	65,798	Nil

Year-3 interest is the balancing figure. Depreciation on full cash price (₹2,40,000) at 10% WDV: **₹24,000, ₹21,600, ₹19,440**; WDV at 31 March 2026 = ₹1,74,960. The hirer debits the asset with the full cash price and credits the vendor; interest is debited to P&L.

SOLUTION Q4 Statement of affairs and profit

Item	1 April 2025	31 March 2026
Assets: cash, debtors, stock	1,20,000	1,54,000
Furniture (2026 net of 10% depreciation)	40,000	36,000
Less: creditors	(45,000)	(52,000)
Less: outstanding expenses	–	(3,000)
Capital	**1,15,000**	**1,35,000**

Profit = closing capital 1,35,000 + drawings 36,000 – additional capital 20,000 – opening capital 1,15,000 = **₹36,000**.

(b) **Total Debtors A/c:** credit sales = closing 72,000 + collections 3,20,000 + discount 4,000 + bad debts 2,000 – opening 60,000 = **₹3,38,000**. **Total Creditors A/c:** credit purchases = closing 52,000 + payments 2,40,000 + discount 3,000 – opening 45,000 = **₹2,50,000**.

SOLUTION Q5 Admission of C

Revaluation A/c: Cr – building +10,000, investment +5,000 = 15,000; Dr – stock –7,000, PDD 3,000 = 10,000 → profit **₹5,000** (A 3,000, B 2,000).

Capital A/c	A	B	C
Opening balance	1,20,000	80,000	–
General reserve (3:2)	18,000	12,000	–
Revaluation profit	3,000	2,000	–
Premium for goodwill (sacrifice 3:2)	12,000	8,000	–
Cash brought in	–	–	1,00,000
Closing balance	**1,53,000**	**1,02,000**	**1,00,000**

Goodwill: C's share 80,000 × 1/4 = ₹20,000 in cash: Cash Dr 20,000; To Premium for Goodwill; then Premium Dr; To A 12,000, B 8,000.

Balance sheet after admission: Liabilities – capitals 3,55,000, creditors 50,000 = **₹4,05,000**. Assets – cash 1,40,000 (20,000 + 1,00,000 + 20,000), debtors 57,000 (60,000 – 3,000), stock 63,000, machinery 80,000, building 60,000, investment 5,000 = **₹4,05,000**. New ratio **9:6:5**.

SOLUTION Q6(a) Agra Branch A/c (debtors method)

Dr	₹	Cr	₹
Opening stock	20,000	Cash sales	60,000
Opening debtors	15,000	Collections from debtors	1,02,000
Opening petty cash	500	Closing stock	25,000
Goods sent	1,20,000	Closing debtors (W1)	20,500
Rent	6,000	Closing petty cash (W2)	800
Salaries	12,000		
Cash for petty expenses	1,500		
Profit to General P&L	**33,300**		
Total	2,08,300	Total	2,08,300

W1: Debtors = 15,000 + 1,10,000 – 1,02,000 – 1,500 – 1,000 = ₹20,500. W2: Petty cash = 500 + 1,500 – 1,200 = ₹800. Discount, bad debts and petty expenses are not shown separately; they are reflected in the closing balances.

SOLUTION Q6(b) Claim for loss of stock

Purchases for trading = 3,00,000 − 10,000 (machine) = 2,90,000. Cost of sales = 4,00,000 × 75% = 3,00,000. **Memorandum Trading A/c:** stock at fire = 80,000 + 2,90,000 − 3,00,000 = **₹70,000**. Loss = 70,000 − 15,000 = ₹55,000. Policy 60,000 < 70,000 → average clause: 55,000 × 60,000 ÷ 70,000 = **₹47,143**.

SOLUTION Q7(a) Cost of plant (AS 10)

Element	₹
Purchase price less 5% trade discount	47,50,000
Import duty (non-refundable)	2,00,000
Freight	1,50,000
Installation	80,000
Professional fees	50,000
Trial-run cost net of sale of samples	40,000
Cost of plant	**52,70,000**

Excluded: GST (input credit available), administration overheads (not directly attributable), operating losses after the plant is ready for use.

SOLUTION Q7(b) AS 11

Initial recognition 50,000 × 84 = ₹42,00,000. The creditor is a **monetary item** – restated at the closing rate on 31 March 2026: 50,000 × 86 = ₹43,00,000 → **exchange loss ₹1,00,000** in 2025-26 P&L. On payment 50,000 × 85 = ₹42,50,000 → **exchange gain ₹50,000** in 2026-27. Purchases stay at ₹42,00,000.

AS 11 vs Ind AS 21: (1) Ind AS 21 uses **functional and presentation currency**; AS 11 uses reporting currency. (2) AS 11 classifies foreign operations as **integral and non-integral**; Ind AS 21 has no such split. (3) AS 11 para 46A allows exchange differences on long-term monetary items to be capitalised/amortised; Ind AS 21 takes them to P&L (exemption only for items before transition).

SOLUTION Q8 Short answers

(a) **Prudence** – provide for all known losses, do not anticipate profits; **substance over form** – account by economic reality, not legal form; **materiality** – disclose all items material enough to affect users' decisions. Policies must give a **true and fair view**; disclose all significant policies in one place; a change with material effect must be disclosed with its effect.

(b) (1) premium charged to P&L as an expense; (2) policy kept at surrender value with the excess premium written off; (3) JLP Reserve created by appropriating profits equal to the premium, both adjusted to surrender value. Policy proceeds on death are shared in the **old ratio**.

(c) Interest at 6%: 60,000 × 6% × 9/12 = ₹2,700. Share of profit attributable to his capital: 40,000 × 60,000 ÷ 3,00,000 = ₹8,000. D will opt for **₹8,000**.