Skillshort

Self-Study Preparation Pack

CMA INTERMEDIATE

Paper 6: Financial Accounting (FA)

Mock Test 2 – 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

Contents

Section A – Multiple Choice Questions (30 marks) 2

Section B – Descriptive Questions (70 marks) 4

Model Answers – Section B 6

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.

Section A – Multiple Choice Questions (30 marks)

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

1. Purchase of machinery debited to Purchases A/c is an error of
(a) Omission (b) Commission
(c) Principle (d) Compensating

2. The cash book shows an overdraft of ₹20,000. Cheques issued but not presented ₹5,000. Overdraft as per pass book is
(a) ₹25,000 (b) ₹15,000
(c) ₹20,000 (d) ₹5,000

3. Cost ₹5,00,000; residual value ₹50,000; useful life 5 years. Annual SLM depreciation is
(a) ₹1,00,000 (b) ₹90,000
(c) ₹1,10,000 (d) ₹45,000

4. A bill of ₹40,000 is renewed for 2 months with interest at 12% p.a. The interest is
(a) ₹4,800 (b) ₹800
(c) ₹400 (d) ₹1,200

5. 1,000 units costing ₹100 each are consigned; freight paid by consignor ₹5,000. 50 units are lost in an accident (abnormal). The abnormal loss is
(a) ₹5,000 (b) ₹5,250
(c) ₹5,500 (d) ₹250

6. A consignee sells goods for ₹2,00,000 and gets ordinary commission of 5% and del credere commission of 2% on sales. His total commission is
(a) ₹10,000 (b) ₹4,000
(c) ₹14,000 (d) ₹12,000

7. Closing stock of ₹60,000 excludes goods sent on approval at ₹12,000 (cost + 20%), not yet approved. Correct closing stock is
(a) ₹72,000 (b) ₹70,000
(c) ₹60,000 (d) ₹62,000

8. A legacy received by a club is normally
(a) Credited to I&E A/c
(b) Capitalised (added to capital fund)
(c) Shown as a liability
(d) Ignored

9. Under Garner v Murray, the deficiency of an insolvent partner is borne by solvent partners in the ratio of
(a) Profit sharing
(b) Equal
(c) Capitals (fixed or last agreed)
(d) Drawings

10. In piecemeal distribution, the method that assumes no further amount will be realised is
(a) Proportionate capital method (b) Maximum loss method
(c) Garner v Murray method (d) Surplus capital method

11. A, B and C share profits 3:2:1. C retires and A and B decide to share equally. The gaining partner is

(a) A only (b) B only
(c) Both A and B (d) Neither

12. For an integral foreign branch, fixed assets are translated at the

(a) Closing rate
(b) Average rate
(c) Historical rate on the date of acquisition
(d) Opening rate

13. In a loss-of-profit policy, the period during which the business results are affected because of the fire is the

(a) Policy period (b) Indemnity period
(c) Grace period (d) Accounting period

14. Under AS 22, a deferred tax asset on unabsorbed depreciation and carried-forward losses is recognised only if there is

(a) Reasonable certainty
(b) Virtual certainty supported by convincing evidence
(c) Probability
(d) Board approval

15. Under Ind AS 116, a lessee normally recognises

(a) Lease rent as expense
(b) A right-of-use asset and lease liability
(c) Only a liability
(d) Only a note

Section A – Answer key with reasons

Q	Ans	Explanation / working
1	(c)	Capital expenditure treated as revenue – an **error of principle**; it does not affect the trial balance.
2	(b)	Unpresented cheques reduce the bank's overdraft: 20,000 − 5,000 = **₹15,000**.
3	(b)	(5,00,000 − 50,000) ÷ 5 = **₹90,000**.
4	(b)	40,000 × 12% × 2/12 = **₹800**.
5	(b)	50 × (100 + 5) = **₹5,250**.
6	(c)	7% of 2,00,000 = **₹14,000**; bad debts are now borne by the consignee.
7	(b)	Add goods at cost: 12,000 ÷ 1.2 = 10,000 → **₹70,000**.
8	(b)	A legacy is a non-recurring receipt – **capitalised**.
9	(c)	**Capital ratio** – it is a capital loss, not a trading loss.
10	(b)	The **maximum loss** method treats each instalment as the last.
11	(b)	A: 1/2 − 3/6 = 0; B: 1/2 − 2/6 = 1/6 → **B only**.
12	(c)	Non-monetary items carried at cost – **historical rate**.
13	(b)	**Indemnity period** – limited to the maximum stated in the policy.
14	(b)	**Virtual certainty** with convincing evidence.
15	(b)	Single lessee model – **right-of-use asset** and **lease liability** (except short-term and low-value leases).

Section B – Descriptive Questions (70 marks)

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

Q2 (a) (7 marks). On 1 April 2023 Kiran Ltd. bought machine M1 for ₹3,00,000; on 1 October 2024 it bought M2 for ₹1,00,000. On 30 September 2025 M1 was sold for ₹2,00,000. Depreciation is 10% p.a. on cost (SLM); the year ends on 31 March. Prepare the Machinery A/c for 2023-24 to 2025-26.

(b) (7 marks). Classify, with reasons, as capital or revenue: (i) ₹50,000 spent on a new roof for a building used for 10 years; (ii) legal fees for acquiring land; (iii) wages paid for installing a new machine; (iv) replacement of worn-out tyres of a delivery van; (v) advertisement for launching a new product (benefit for one year); (vi) compensation received for loss of a capital asset; (vii) interest on a loan for working capital.

Q3 (a) (7 marks). Ajay of Pune consigned 1,000 units costing ₹400 each to Bina of Nagpur and paid freight ₹20,000. In transit 50 units were destroyed by accident; the insurer admitted ₹15,000. Bina paid unloading charges ₹5,000 and godown rent ₹3,000, sold 800 units at ₹550 each, and is entitled to 5% commission plus 1% del credere commission. Bad debts were ₹2,000. Prepare the Consignment A/c and find the profit.

(b) (7 marks). Sun Ltd. sold a machine with a carrying amount of ₹80 lakh and leased it back. State the treatment of the result in each case: (i) finance leaseback, sale price ₹100 lakh, lease term 5 years; (ii) operating leaseback, sale price = fair value = ₹90 lakh; (iii) operating leaseback, fair value ₹85 lakh, sale price ₹95 lakh; (iv) operating leaseback, fair value ₹90 lakh, sale price ₹75 lakh, loss not compensated by future rentals; (v) operating leaseback, fair value ₹70 lakh, sale price ₹70 lakh.

Q4 (14 marks). From the following particulars of the Green Valley Club, prepare the Income and Expenditure A/c for 2025-26 and the Balance Sheet on 31 March 2026.

Opening balances (1 April 2025)	₹
Cash	15,000
Building	3,00,000
Furniture	40,000
10% Investments	1,00,000
Subscriptions outstanding	8,000
Subscriptions received in advance	5,000
Salaries outstanding	6,000

Receipts: subscriptions ₹1,80,000 (including ₹8,000 for 2024-25 and ₹6,000 for 2026-27); general donations ₹20,000; legacy ₹50,000; interest on investments ₹8,000; sale of old furniture (book value ₹5,000) on 1 April 2025 ₹3,000; entrance fees ₹10,000 (50% to be capitalised). Payments: salaries ₹48,000; electricity ₹12,000; new furniture on 1 October 2025 ₹20,000; maintenance ₹25,000; sports equipment on 1 April 2025 ₹30,000; investments bought on 31 March 2026 ₹50,000. Subscriptions outstanding on 31 March 2026 ₹10,000; salaries outstanding ₹7,000. Depreciation: building 5%, furniture 10% p.a., sports equipment 20%.

Q5 (14 marks). X, Y and Z share profits 3:2:1 and decide to dissolve their firm on 31 March 2026. Capitals: X ₹50,000, Y ₹50,000, Z ₹20,000; creditors ₹30,000; Y's loan ₹10,000. Assets were realised in instalments: ₹42,000, ₹30,000, ₹40,000 and ₹20,000. Realisation expenses of ₹2,000 were set aside from the first instalment and spent in full. Show the distribution of cash under the maximum loss method.

Q6 (a) (7 marks). Fire on 1 January 2026 disrupted Mehta Ltd.; indemnity period 3 months. Last year turnover ₹30,00,000, net profit ₹2,40,000, standing charges (all insured) ₹3,60,000. Turnover January–March 2025 ₹8,00,000; trend +5%; actual turnover January–March 2026 ₹2,00,000. Increased cost of working ₹40,000 produced turnover of ₹1,60,000; savings in standing charges ₹10,000. Turnover for the 12 months before the fire ₹32,00,000; sum insured ₹5,00,000. Compute the claim.

(b) (7 marks). Departments A and B: A – opening stock ₹50,000, purchases ₹2,50,000, sales ₹4,00,000, closing stock ₹60,000; B – opening stock ₹30,000, purchases ₹1,80,000, sales ₹3,00,000, closing stock ₹40,000. A transferred goods of ₹50,000 to B at cost + 25%; B's closing stock includes ₹15,000 of such goods (no opening

stock of transfers). Selling expenses ₹35,000 (share in sales ratio) and rent ₹21,000 (floor area 2:1). Prepare the departmental results.

Q7 (a) (7 marks). On 1 April 2025 Tara Ltd. borrowed ₹50 lakh at 12% p.a. specifically to build a warehouse. ₹10 lakh not needed in the first quarter was temporarily invested and earned ₹30,000. The warehouse was ready for use on 31 December 2025. Compute the borrowing cost to be capitalised under AS 16 and the amount charged to P&L for 2025-26. When is capitalisation suspended and ceased?

(b) (7 marks). (i) A grant of ₹20 lakh is received for a machine costing ₹1 crore (life 5 years, nil residual). Show both AS 12 methods. (ii) After 2 years ₹10 lakh of the grant becomes refundable under the deferred income method – treatment? (iii) Book profit before depreciation ₹50 lakh; book depreciation ₹10 lakh; tax depreciation ₹15 lakh; tax rate 25%. Compute the deferred tax under AS 22.

Q8 (a) (4 marks). Explain the four frameworks of accounting.

(b) (5 marks). A lessee takes a machine on finance lease: rent ₹50,000 at the end of each of 3 years; implicit rate 12%; fair value ₹1,25,000. At what value is the asset recognised, and what is the finance charge for year 1?

(c) (5 marks). State five features of accounting for a Limited Liability Partnership.

Model Answers – Section B

SOLUTION Q2(a) Machinery A/c

Year	Dr	₹	Cr	₹
2023-24	Bank (M1)	3,00,000	Depreciation (M1) / Balance c/d	30,000 / 2,70,000
2024-25	Balance b/d / Bank (M2)	2,70,000 / 1,00,000	Depreciation M1 30,000 + M2 5,000 / Balance c/d	35,000 / 3,35,000
2025-26	Balance b/d	3,35,000	Depreciation M1 (6 months) / Bank (sale) / P&L (loss on sale)	15,000 / 2,00,000 / 25,000
			Depreciation M2 / Balance c/d (M2)	10,000 / 85,000

W1: M1 book value at 30 Sep 2025 = 3,00,000 − 30,000 − 30,000 − 15,000 = ₹2,25,000; sale ₹2,00,000 → loss ₹25,000. W2: M2 = 1,00,000 − 5,000 − 10,000 = ₹85,000.

SOLUTION Q2(b) Capital or revenue

(i) **Capital** if the roof extends life or capacity; if it merely replaces an old roof in the same condition, revenue – here the cost is large and the benefit long-term → capital. (ii) **Capital** – part of the cost of land. (iii) **Capital** – installation wages are added to the machine (AS 10). (iv) **Revenue** – maintains existing capacity. (v) **Revenue** (benefit within the year; may be deferred only if permitted). (vi) **Capital receipt**. (vii) **Revenue** expense.

SOLUTION Q3(a) Consignment A/c (books of Ajay)

Dr	₹	Cr	₹
Goods sent (1,000 × 400)	4,00,000	Bina – sales (800 × 550)	4,40,000
Freight	20,000	Abnormal loss (W1)	21,000
Bina – unloading and rent	8,000	Stock on consignment (W2)	63,789
Bina – commission 6%	26,400		
Profit on consignment	**70,389**		
Total	5,24,789	Total	5,24,789

W1: cost per unit = 400 + 20,000/1,000 = 420; abnormal loss = 50 × 420 = ₹21,000; insurer ₹15,000 → net loss ₹6,000 to P&L. W2: closing stock 150 units = 150 × 420 + 150/950 × 5,000 = **₹63,789** (godown rent is recurring – not included). Bad debts ₹2,000 are borne by Bina (del credere). Overall gain to Ajay = 70,389 − 6,000 = **₹64,389**.

SOLUTION Q3(b) Sale and leaseback (AS 19)

(i) Finance leaseback: excess ₹20 lakh **deferred** and amortised over 5 years (₹4 lakh p.a.). (ii) Profit ₹10 lakh **recognised immediately**. (iii) Profit up to fair value, ₹5 lakh, recognised immediately; excess ₹10 lakh deferred and amortised over the period of use. (iv) Loss of ₹5 lakh (carrying amount 80 – sale price 75), not compensated by future rentals → **recognised immediately**. (v) Fair value below carrying amount – loss ₹10 lakh **recognised immediately**.

SOLUTION Q4 Green Valley Club

Income and Expenditure A/c for 2025-26

Expenditure	₹	Income	₹
Salaries (48,000 − 6,000 + 7,000)	49,000	Subscriptions (W1)	1,81,000
Electricity	12,000	Donations	20,000
Maintenance	25,000	Interest on investments (accrued 2,000)	10,000
Loss on sale of furniture	2,000	Entrance fees (50%)	5,000
Depreciation – building	15,000		
Depreciation – furniture (3,500 + 1,000)	4,500		
Depreciation – sports equipment	6,000		
Surplus	**1,02,500**		
Total	2,16,000	Total	2,16,000

W1: 1,80,000 − 8,000 (old) − 6,000 (advance) + 10,000 (outstanding) + 5,000 (opening advance) = ₹1,81,000. W2: Capital fund on 1 April 2025 = 15,000 + 3,00,000 + 40,000 + 1,00,000 + 8,000 − 5,000 − 6,000 = ₹4,52,000. W3: closing cash = 15,000 + 2,71,000 − 1,85,000 = ₹1,01,000.

Balance Sheet as on 31 March 2026

Liabilities	₹	Assets	₹
Capital fund 4,52,000 + legacy 50,000 + entrance fees 5,000 + surplus 1,02,500	6,09,500	Building	2,85,000
Subscriptions in advance	6,000	Furniture (35,000 − 3,500 + 20,000 − 1,000)	50,500
Salaries outstanding	7,000	Sports equipment	24,000
		Investments	1,50,000
		Accrued interest	2,000
		Subscriptions outstanding	10,000
		Cash	1,01,000
Total	6,22,500	Total	6,22,500

SOLUTION Q5 Piecemeal distribution – maximum loss method

Instalment 1 (₹42,000): expenses reserve 2,000; creditors 30,000; Y's loan 10,000; nil to partners.

Instalment	Total capital before	Maximum loss	X (3)	Y (2)	Z (1)
2 – ₹30,000	1,20,000	90,000	50,000 − 45,000 = 5,000	50,000 − 30,000 = 20,000	20,000 − 15,000 = 5,000
3 – ₹40,000	90,000 (45,000 / 30,000 / 15,000)	50,000	20,000	13,333	6,667
4 – ₹20,000	50,000 (25,000 / 16,667 / 8,333)	30,000	10,000	6,667	3,333
Total paid			**35,000**	**40,000**	**15,000**

After instalment 2 capitals are in the profit ratio, so later instalments are shared 3:2:1. Final unpaid balances X 15,000, Y 10,000, Z 5,000 = ₹30,000 – the realisation loss, shared 3:2:1.

SOLUTION Q6(a) Loss of profit claim

GP rate = (2,40,000 + 3,60,000) ÷ 30,00,000 = **20%**. Standard turnover = 8,00,000 × 1.05 = 8,40,000; short sales = 8,40,000 − 2,00,000 = **6,40,000** → loss of GP ₹1,28,000. ICOW allowed = lower of 40,000 and GP on turnover saved 1,60,000 × 20% = **₹32,000**. Claim before average = 1,28,000 + 32,000 − 10,000 = **₹1,50,000**. Annual turnover = 32,00,000 × 1.05 = 33,60,000; GP on it = 6,72,000 > sum insured → claim = 1,50,000 × 5,00,000 ÷ 6,72,000 = **₹1,11,607**.

SOLUTION Q6(b) Departmental results

Item	A	B
Sales + transfer out	4,00,000 + 50,000	3,00,000
Cost of goods (opening + purchases + transfer in − closing)	50,000 + 2,50,000 − 60,000 = 2,40,000	30,000 + 1,80,000 + 50,000 − 40,000 = 2,20,000
Gross profit	2,10,000	80,000
Selling expenses (4:3)	20,000	15,000
Rent (2:1)	14,000	7,000
Stock reserve on B's stock (15,000 × 25/125)	3,000	–
Net profit	**1,73,000**	**58,000**

SOLUTION Q7(a) AS 16

Interest 1 April – 31 December 2025 = 50,00,000 × 12% × 9/12 = 4,50,000; less income on temporary investment 30,000 → **capitalise ₹4,20,000**. Interest for January–March 2026 = **₹1,50,000 to P&L** (asset ready). **Suspension** – during extended periods when active development is interrupted (not for temporary delays that are a necessary part of the process). **Cessation** – when substantially all activities needed to prepare the asset for its intended use or sale are complete.

SOLUTION Q7(b) AS 12 and AS 22

(i) **Deduction from cost:** machine ₹80 lakh; depreciation ₹16 lakh p.a. **Deferred income:** machine ₹1 crore, depreciation ₹20 lakh; deferred grant ₹4 lakh credited to P&L each year. (ii) Unamortised deferred income after 2 years = ₹12 lakh; the refund of ₹10 lakh is set off against it (Deferred Grant Dr 10 lakh; To Bank); balance ₹2 lakh continues to be amortised. Any refund in excess would go to P&L. (iii) Timing difference = 15 − 10 = ₹5 lakh (originating, taxable later) → **DTL ₹1.25 lakh**; current tax on (50 − 15) × 25% = ₹8.75 lakh; tax expense ₹10 lakh.

SOLUTION Q8 Short answers

(a) **Conceptual** (principles, concepts and the Framework), **legal** (Companies Act, Schedule III, tax laws), **institutional** (ICAI, ICMAI, NFRA, ASB) and **regulatory** (MCA, SEBI, RBI, IRDAI).

(b) PV of MLP = 50,000 × 2.4018 (sum of PVFs at 12%) = **₹1,20,092** < fair value 1,25,000 → recognise asset and liability at **₹1,20,092**. Finance charge year 1 = 1,20,092 × 12% = **₹14,411**.

(c) (1) Double-entry, accrual-based books at the registered office; (2) partners' contribution and current accounts; (3) profit-sharing as per the LLP agreement (equal if silent); (4) Statement of Account and Solvency (Form 8) within 6 months of year end and annual return (Form 11) within 60 days; (5) audit compulsory if turnover exceeds ₹40 lakh or contribution exceeds ₹25 lakh.