Skillshort

Self-Study Preparation Pack

CSEET

Paper 2: Fundamentals of Accounting (subjective)

Mock Test 2 – Full Paper with Detailed Solutions

ICSI CSEET pattern (as in June 2026): 100 marks · 3 hours (+15 min reading) · Q1 compulsory + any five of Q2–Q8 · Original Skillshort questions

Time: 3 hours | Max marks: 100 | Solutions follow the question 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.

Question Paper

Instructions: Question No. 1 is **compulsory**. Attempt **any five** of the remaining seven questions. Working notes should form part of the answer. Financial year ends on 31 March. Time allowed: 3 hours. Maximum marks: 100.

QUESTION Question 1 (compulsory)

(a) Orbit Ltd. purchased a plant on 1 July 2023 for ₹6,00,000 and another plant on 1 January 2025 for ₹2,40,000. On 31 December 2025 one-half of the first plant (cost ₹3,00,000) was sold for ₹2,20,000. Depreciation is charged @ 10% p.a. on the **straight line method**. Prepare the Plant Account for 2023-24 to 2025-26. (8 marks)

(b) Distinguish between a reserve and a provision. (4 marks)

(c) On 31 March 2026 the pass book of Rao & Sons showed an **overdraft of ₹62,000**. Find the balance as per the cash book: (i) cheques issued but not presented ₹14,500; (ii) cheques deposited but not credited ₹21,000; (iii) interest on overdraft ₹2,400 and bank charges ₹300 debited only in the pass book; (iv) a customer paid ₹6,000 directly into the bank; (v) a cheque of ₹3,500 received was entered in the bank column of the cash book but not sent to the bank; (vi) electricity bill ₹1,800 paid by the bank on standing instruction. (8 marks)

QUESTION Question 2

(a) Prepare a two-column (cash and bank) cash book of Ms. Anu for March 2026: Mar 1 cash ₹25,000, bank ₹80,000; Mar 3 cash sales ₹18,000; Mar 5 paid Ravi by cheque ₹22,000; Mar 8 deposited cash into bank ₹15,000; Mar 12 received a cheque from Mohan ₹30,000 and deposited it the same day; Mar 15 withdrew from bank for office use ₹10,000; Mar 18 paid salaries in cash ₹12,000; Mar 22 purchased furniture by cheque ₹9,000; Mar 25 bank charges ₹500; Mar 28 cash purchases ₹7,000; Mar 31 withdrew cash for personal use ₹4,000. (8 marks)

(b) State the limitations of a trial balance. (4 marks)

(c) When can an enterprise change its accounting policy? (4 marks)

QUESTION Question 3

(a) P, Q and R share profits 2 : 2 : 1. Their balance sheet on 31 March 2026: creditors ₹80,000; general reserve ₹50,000; capitals P ₹2,00,000, Q ₹1,50,000, R ₹1,00,000; cash ₹40,000; debtors ₹90,000; stock ₹1,10,000; machinery ₹2,40,000; building ₹1,00,000. R retires on that date. Building is appreciated by 20%, machinery depreciated by 10%, stock reduced by ₹6,000 and a provision of 5% made on debtors. Goodwill of the firm is valued at ₹75,000 (not to be shown in the books). R is paid ₹22,100 in cash and the balance is transferred to his loan account. Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet after retirement. (12 marks)

(b) Calculate interest on drawings @ 9% p.a. by the product method: ₹10,000 on 1 May 2025, ₹6,000 on 31 August 2025, ₹8,000 on 1 December 2025 and ₹4,000 on 31 January 2026. (4 marks)

QUESTION Question 4

From the following trial balance of Ms. Rina as on 31 March 2026, prepare the Trading and Profit and Loss Account and the Balance Sheet. (16 marks)

Debit	₹	Credit	₹
Opening stock	45,000	Capital	4,21,750
Purchases	3,60,000	Sales	6,50,000
Returns inward	6,000	Returns outward	5,000
Wages	28,000	Creditors	55,000
Fuel and power	12,000	Bills payable	20,000
Salaries	60,000	Interest received	3,000
Rent	24,000	Provision for doubtful debts	6,000
General expenses	7,750		
Carriage outward	5,000		
Discount allowed	3,000		
Insurance	6,000		
Repairs	7,000		
Bad debts	4,000		
Debtors	1,50,000		
Building	2,50,000		
Plant	1,20,000		
Cash in hand	8,000		
Cash at bank	35,000		
Drawings	30,000		
Total	**11,60,750**	**Total**	**11,60,750**

Adjustments: (1) closing stock at cost ₹72,000, net realisable value ₹70,000; (2) wages outstanding ₹2,000; (3) rent includes ₹2,000 for April 2026; insurance prepaid ₹1,500; (4) depreciate building @ 5% and plant @ 15%; (5) write off further bad debts ₹5,000 and maintain provision @ 5% on debtors; (6) interest accrued ₹1,000; (7) goods costing ₹3,000 distributed as free samples (not recorded); (8) the manager is entitled to a commission of 5% of the net profit **after** charging such commission.

QUESTION Question 5

(a) Pass journal entries for the issue of 12% debentures of ₹100 each: (i) 2,000 issued at par, redeemable at par; (ii) 1,000 issued at 5% discount, redeemable at 10% premium; (iii) 1,500 issued at 5% premium, redeemable at par; (iv) 500 issued at par, redeemable at 5% premium. (8 marks)

(b) Arun Ltd. issued shares of ₹10 each at a premium of ₹3, payable: application ₹2, allotment ₹5 (including premium), first call ₹3 and final call ₹3. Mohan, holding 200 shares, paid application and allotment money but failed to pay both calls. His shares were forfeited and 150 of them were reissued at ₹7 per share fully paid. Pass journal entries for forfeiture and reissue. (8 marks)

QUESTION Question 6

(a) Prepare extracts of the Balance Sheet of City Club as on 31 March 2026: building fund on 1 April 2025 ₹2,00,000; donations for building fund received ₹50,000; a building was completed during the year at a cost of ₹1,80,000 out of the fund. Prize fund ₹60,000 invested in 10% prize fund investments ₹60,000; interest received ₹6,000; prizes awarded ₹8,000. (6 marks)

(b) Subscriptions received during 2025-26 were ₹2,40,000, including ₹12,000 for 2024-25 and ₹9,000 for 2026-27. On 31 March 2025 subscriptions outstanding were ₹15,000 (₹3,000 of which proved irrecoverable) and ₹7,000 had been received in advance for 2025-26. Subscriptions outstanding for 2025-26 are ₹18,000. Calculate the subscription income and show the related balance-sheet items. (6 marks)

(c) Distinguish between capital receipts and revenue receipts of a not-for-profit organisation, with examples. (4 marks)

QUESTION Question 7

(a) Profits of a firm for five years: 2021-22 ₹1,20,000; 2022-23 ₹1,50,000; 2023-24 ₹90,000 (including an abnormal gain of ₹20,000); 2024-25 ₹1,80,000; 2025-26 ₹2,00,000 (after charging an abnormal loss of ₹10,000). Capital employed ₹10,00,000; normal rate of return 10%. Value goodwill by (i) 3 years' purchase of average profit (ii) 4 years' purchase of super profit (iii) capitalisation of super profit. (8 marks)

(b) A, B and C share profits 3 : 2 : 1 and decide to share equally from 1 April 2026. Goodwill is valued at ₹1,20,000 (not in books). The balance sheet shows a general reserve of ₹36,000 and a debit balance of profit and loss ₹12,000. Pass journal entries without opening a goodwill account. (8 marks)

QUESTION Question 8

(a) Distinguish between dissolution of partnership and dissolution of a firm. (4 marks)

(b) Distinguish between a partnership firm and an LLP (any four points). (4 marks)

(c) Record the following in the purchases book of Kumar Electronics, Delhi (CGST 9% and SGST 9% on all goods): Apr 3 bought from Raj Traders 10 LED TVs @ ₹25,000 less 10% trade discount; Apr 12 from Sharma & Co. 20 mixers @ ₹3,000 less 5% trade discount; Apr 20 bought furniture on credit from Modern Furniture ₹40,000; Apr 25 from Gupta Bros. 15 fans @ ₹2,000; Apr 28 bought 5 irons @ ₹1,200 for cash. (8 marks)

Solutions and Working Notes

SOLUTION Q1(a) Plant Account (SLM @ 10% on cost)

Date	Particulars	₹	Date	Particulars	₹
01-07-2023	To Bank	6,00,000	31-03-2024	By Depreciation (6,00,000 × 10% × 9/12)	45,000
			31-03-2024	By Balance c/d	5,55,000
01-04-2024	To Balance b/d	5,55,000	31-03-2025	By Depreciation (60,000 + 6,000)	66,000
01-01-2025	To Bank	2,40,000	31-03-2025	By Balance c/d (4,95,000 + 2,34,000)	7,29,000
01-04-2025	To Balance b/d	7,29,000	31-12-2025	By Depreciation on half sold (9 months)	22,500
			31-12-2025	By Bank (sale)	2,20,000
			31-12-2025	By Profit and Loss (loss on sale)	5,000
			31-03-2026	By Depreciation (30,000 + 24,000)	54,000
			31-03-2026	By Balance c/d (2,17,500 + 2,10,000)	4,27,500

Working: book value of half sold on 1 April 2025 = 4,95,000 ÷ 2 = 2,47,500; depreciation 3,00,000 × 10% × 9/12 = 22,500 → 2,25,000; sale 2,20,000 → **loss 5,000**. Remaining half: 2,47,500 − 30,000 = 2,17,500. Second plant: 2,34,000 − 24,000 = 2,10,000.

SOLUTION Q1(b) Reserve vs provision

Basis	Reserve	Provision
Meaning	Appropriation of profit to strengthen the financial position	Charge against profit for a known liability or loss whose amount is uncertain
Created from	Profit after charging expenses	Debited to P&L before finding profit
Purpose	Meet unknown future needs, expansion	Meet a specific known liability (e.g., doubtful debts, tax)
Dividend	Can be used for dividend (revenue reserves)	Cannot be used for dividend
Balance sheet	Under reserves and surplus	Deducted from the asset or shown as a liability

SOLUTION Q1(c) Bank reconciliation statement (overdraft)

Particulars	₹	₹
Overdraft as per pass book		62,000
Add: cheques issued but not presented	14,500	
direct deposit by customer	6,000	20,500
		82,500
Less: cheques deposited but not credited	21,000	
interest on overdraft	2,400	
bank charges	300	
cheque entered but not sent to bank	3,500	
electricity on standing instruction	1,800	29,000
Overdraft as per cash book (Cr balance)		**53,500**

Logic: start from the pass-book overdraft; items that make the cash-book overdraft **bigger** are added (cheques issued not presented, direct deposit not yet in the cash book), and items that make it **smaller** are deducted.

SOLUTION Q2(a) Two-column cash book of Ms. Anu – March 2026

Date	Receipts	Cash ₹	Bank ₹	Date	Payments	Cash ₹	Bank ₹
Mar 1	To Balance b/d	25,000	80,000	Mar 5	By Ravi		22,000
Mar 3	To Sales	18,000		Mar 8	By Bank (C)	15,000	
Mar 8	To Cash (C)		15,000	Mar 15	By Cash (C)		10,000
Mar 12	To Mohan		30,000	Mar 18	By Salaries	12,000	
Mar 15	To Bank (C)	10,000		Mar 22	By Furniture		9,000
				Mar 25	By Bank charges		500
				Mar 28	By Purchases	7,000	
				Mar 31	By Drawings	4,000	
				Mar 31	By Balance c/d	15,000	83,500
	Total	**53,000**	**1,25,000**		**Total**	**53,000**	**1,25,000**

(C) = contra entry – both sides of the same transaction are in the cash book, so no posting is made to the ledger.

SOLUTION Q2(b) Limitations of a trial balance

A trial balance proves only the **arithmetical accuracy** of posting. It does not reveal: (1) errors of **omission** (transaction not recorded at all); (2) errors of **commission** that are compensated, e.g., posting to the wrong account of the same type; (3) errors of **principle** (capital item treated as revenue); (4) **compensating** errors; (5) wrong amounts recorded in the book of original entry. It also cannot be prepared if the accounts are not kept on the double-entry system.

SOLUTION Q2(c) Change in accounting policy

A change is made only if (1) it is **required by statute**, or (2) for **compliance with an accounting standard**, or (3) it results in a **more appropriate presentation** of the financial statements. Any change with a material effect must be disclosed, with the amount of the effect (or the fact that it cannot be determined).

SOLUTION Q3(a) Retirement of R

Revaluation A/c: Dr – machinery 24,000; stock 6,000; provision for doubtful debts 4,500 = 34,500 · Cr – building 20,000; loss: P 5,800, Q 5,800, R 2,900 = 14,500 · Total 34,500.

Partners' Capital Accounts

Particulars	P ₹	Q ₹	R ₹
Balance b/d	2,00,000	1,50,000	1,00,000
Add: general reserve (2 : 2 : 1)	20,000	20,000	10,000
Add: goodwill – R's share from P and Q	–	–	15,000
Less: revaluation loss	(5,800)	(5,800)	(2,900)
Less: goodwill adjusted (gaining ratio 1 : 1)	(7,500)	(7,500)	–
Less: cash paid	–	–	(22,100)
Less: transferred to R's loan	–	–	(1,00,000)
Balance c/d	**2,06,700**	**1,56,700**	**nil**

W1 R's share of goodwill = 75,000 × 1/5 = 15,000; gaining ratio of P and Q = 2 : 2 = 1 : 1 → 7,500 each. R's total = 1,00,000 + 10,000 + 15,000 − 2,900 = 1,22,100; cash 22,100 → loan **1,00,000**.

Balance Sheet after retirement

Liabilities	₹	Assets	₹
Creditors	80,000	Cash (40,000 − 22,100)	17,900
R's loan	1,00,000	Debtors 90,000 − provision 4,500	85,500
P's capital	2,06,700	Stock	1,04,000
Q's capital	1,56,700	Machinery	2,16,000
		Building	1,20,000
Total	**5,43,400**	**Total**	**5,43,400**

SOLUTION Q3(b) Interest on drawings – product method

Date	Amount ₹	Months to 31 March 2026	Product ₹
1 May 2025	10,000	11	1,10,000
31 Aug 2025	6,000	7	42,000
1 Dec 2025	8,000	4	32,000
31 Jan 2026	4,000	2	8,000
Total			**1,92,000**

Interest = 1,92,000 × 9% × 1/12 = **₹1,440**.

SOLUTION **Q4 Final accounts of Ms. Rina**

Trading and Profit and Loss Account for the year ended 31 March 2026

Dr	₹	Cr	₹
To Opening stock	45,000	By Sales 6,50,000 – returns 6,000	6,44,000
To Purchases 3,60,000 – returns 5,000 – samples 3,000	3,52,000	By Closing stock (lower of cost and NRV)	70,000
To Wages 28,000 + 2,000	30,000		
To Fuel and power	12,000		
To Gross profit c/d	2,75,000		
Total	**7,14,000**	**Total**	**7,14,000**
To Salaries	60,000	By Gross profit b/d	2,75,000
To Rent 24,000 − 2,000	22,000	By Interest received 3,000 + 1,000	4,000
To General expenses	7,750		
To Carriage outward	5,000		
To Discount allowed	3,000		
To Insurance 6,000 − 1,500	4,500		
To Repairs	7,000		
To Bad debts and provision (W1)	10,250		
To Depreciation – building 12,500; plant 18,000	30,500		
To Advertisement (free samples)	3,000		
To Manager's commission (W2)	6,000		
To Net profit transferred to capital	1,20,000		
Total	**2,79,000**	**Total**	**2,79,000**

W1 4,000 + 5,000 + 5% × 1,45,000 (7,250) − 6,000 = **10,250**. **W2** Profit before commission = 2,79,000 − 1,53,000 = 1,26,000; commission = 1,26,000 × 5 ÷ 105 = **6,000**.

Balance Sheet as on 31 March 2026

Liabilities	₹	Assets	₹
Capital 4,21,750 + 1,20,000 − drawings 30,000	5,11,750	Building 2,50,000 − 12,500	2,37,500
Creditors	55,000	Plant 1,20,000 − 18,000	1,02,000
Bills payable	20,000	Debtors 1,45,000 − provision 7,250	1,37,750
Wages outstanding	2,000	Closing stock	70,000
Manager's commission payable	6,000	Cash in hand	8,000
		Cash at bank	35,000
		Prepaid rent	2,000
		Prepaid insurance	1,500
		Interest accrued	1,000
Total	**5,94,750**	**Total**	**5,94,750**

SOLUTION Q5(a) Issue of debentures

Case	Entry	Dr ₹	Cr ₹
(i)	Bank Dr / To 12% Debentures	2,00,000	2,00,000
(ii)	Bank Dr 95,000 + Loss on Issue of Debentures Dr 15,000 / To 12% Debentures 1,00,000 + To Premium on Redemption of Debentures 10,000	1,10,000	1,10,000
(iii)	Bank Dr 1,57,500 / To 12% Debentures 1,50,000 + To Securities Premium 7,500	1,57,500	1,57,500
(iv)	Bank Dr 50,000 + Loss on Issue of Debentures Dr 2,500 / To 12% Debentures 50,000 + To Premium on Redemption 2,500	52,500	52,500

(Application and allotment entries may be combined as shown. The loss on issue is written off from securities premium or the statement of profit and loss over the life of the debentures.)

SOLUTION Q5(b) Forfeiture and reissue – premium already received

Particulars	Dr ₹	Cr ₹
Share Capital A/c Dr (200 × 10) / To Share First Call (200 × 3) 600 / To Share Final Call (200 × 3) 600 / To Share Forfeiture (200 × 4) 800	2,000	2,000
Bank Dr (150 × 7) 1,050 + Share Forfeiture Dr 450 / To Share Capital (150 × 10)	1,500	1,500
Share Forfeiture Dr / To Capital Reserve	150	150

Working: Mohan paid ₹2 + ₹2 (allotment net of premium) = ₹4 per share towards capital = 800. Premium of ₹3 per share was **received**, so the securities premium account is **not** debited. Forfeited amount on 150 shares = 150 × 4 = 600 − discount 450 = **150** to capital reserve; balance 200 (on 50 shares) remains in the forfeiture account.

SOLUTION Q6(a) Balance-sheet extracts of City Club

Liabilities: Capital fund – add transfer from building fund **1,80,000**; Building fund 2,00,000 + 50,000 − 1,80,000 = **70,000**; Prize fund 60,000 + interest 6,000 − prizes 8,000 = **58,000**. **Assets:** Building **1,80,000**; 10% prize fund investments **60,000**.

When the building is completed, the amount spent out of the fund is transferred to the capital fund, because the fund's purpose is fulfilled to that extent. Interest on prize fund investments is added to the fund and prizes are paid out of it – neither passes through the I&E A/c.

SOLUTION Q6(b) Subscription income

Particulars	₹
Subscriptions received during 2025-26	2,40,000
Less: for 2024-25	(12,000)
Less: for 2026-27 (received in advance)	(9,000)
Add: outstanding for 2025-26	18,000
Add: received in advance in 2024-25 for 2025-26	7,000
Income for 2025-26 (I&E A/c)	**2,44,000**

Opening outstanding 15,000 − received 12,000 = 3,000 irrecoverable – written off (debited to I&E A/c as subscriptions written off, or to capital fund). **Balance sheet (31-3-2026):** assets – subscriptions outstanding 18,000; liabilities – subscriptions received in advance 9,000.

SOLUTION Q6(c) Capital vs revenue receipts of an NPO

Capital receipts are non-recurring and are capitalised (shown in the balance sheet): donations for a specific purpose (building fund), legacies, life-membership fees, sale of fixed assets and investments, entrance fees if the policy is to capitalise. **Revenue receipts** are recurring and go to the I&E A/c: subscriptions, general donations of small amounts, interest and dividends, rent of hall, entrance fees if treated as revenue, sale of old newspapers.

SOLUTION Q7(a) Goodwill

Adjusted profits: 1,20,000; 1,50,000; 70,000 (90,000 − 20,000); 1,80,000; 2,10,000 (2,00,000 + 10,000) → total 7,30,000; **average profit 1,46,000**. Normal profit = 10% × 10,00,000 = 1,00,000; **super profit 46,000**.

(i) 3 × 1,46,000 = **₹4,38,000**. (ii) 4 × 46,000 = **₹1,84,000**. (iii) 46,000 × 100 ÷ 10 = **₹4,60,000** (check: capitalised value of average profit 14,60,000 − capital employed 10,00,000 = 4,60,000).

SOLUTION Q7(b) Change in profit-sharing ratio

Old 3/6, 2/6, 1/6; new 2/6 each. **A sacrifices 1/6; B no change; C gains 1/6.**

Particulars	Dr ₹	Cr ₹
General Reserve Dr / To A 18,000, B 12,000, C 6,000 (old ratio)	36,000	36,000
A 6,000, B 4,000, C 2,000 Dr / To Profit and Loss A/c (debit balance in old ratio)	12,000	12,000
C's Capital Dr / To A's Capital (1,20,000 × 1/6)	20,000	20,000

SOLUTION Q8(a) Dissolution of partnership vs firm

Basis	Dissolution of partnership	Dissolution of firm
Meaning	Change in the relation of partners (admission, retirement, death, change in ratio)	Ending of the partnership among **all** partners
Business	Continues	Closes
Books	Not closed; revaluation and adjustments made	Closed; Realisation A/c prepared
Court	No court intervention	May be by court order (Sec 44)

SOLUTION Q8(b) Partnership firm vs LLP

Basis	Partnership firm	LLP
Law	Indian Partnership Act, 1932	LLP Act, 2008
Legal status	No separate legal entity	Body corporate, separate legal entity, perpetual succession
Liability	Unlimited, joint and several	Limited to agreed contribution
Registration	Optional	Compulsory
Maximum partners	50	No limit

SOLUTION **Q8(c) Purchases book of Kumar Electronics – April 2026**

Date	Supplier and details	Inward invoice	List price ₹	Trade discount ₹	Net ₹	CGST 9% ₹	SGST 9% ₹	Total ₹
Apr 3	Raj Traders – 10 LED TVs @ 25,000	101	2,50,000	25,000	2,25,000	20,250	20,250	2,65,500
Apr 12	Sharma & Co. – 20 mixers @ 3,000	102	60,000	3,000	57,000	5,130	5,130	67,260
Apr 25	Gupta Bros. – 15 fans @ 2,000	103	30,000	–	30,000	2,700	2,700	35,400
	Total				**3,12,000**	**28,080**	**28,080**	**3,68,160**

The **furniture** (an asset) bought on credit is recorded in the **journal proper**, and the **cash purchase** of irons in the **cash book** – the purchases book records only **credit purchases of goods** dealt in.