

PAPER – 1: PRINCIPLES & PRACTICE OF ACCOUNTING

QUESTIONS

True and False

1. State with reasons, whether the following statements are true or false:
 - (i) A tallied trial balance means that the books of accounts have been prepared as per accepted accounting principles.
 - (ii) The rationale behind the opening of a suspense account is to tally the trial balance.
 - (iii) Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.
 - (iv) A partnership firm can acquire fixed assets in the name of the firm.
 - (v) Outstanding salaries for the previous year shall be shown as liability in the current year balance sheet.
 - (vi) The financial statement must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.
 - (vii) The debit notes issued are used to prepare Sales Return Book.
 - (viii) Bills receivable and bills payable books are type of subsidiary books.
 - (ix) The results and position disclosed by final accounts are not exact.

Theoretical Framework

2. (a) Explain Cash and Mercantile system of accounting.
(b) State the advantages of setting Accounting Standards.

Journal Entries

3. (a) M/s Shyam Textiles & Co. find the following errors in their books of account before preparation of Trial Balance. You are required to pass necessary journal entries:
 - (i) A purchase of ₹ 4,700 from M/s Timber & Co. was recorded in the accounts of M/s Ginger & Co. as ₹ 7,400. Day Book entry has also been passed incorrectly.
 - (ii) A sale of ₹ 9,500 to M/s Aman Bros. was recorded in M/s Manan Bros account as ₹ 5,900. Day Book entry has also been incorrectly passed.
 - (iii) Discount allowed ₹ 230 (as per Cash Book) has been posted to Commission Account. But the Cash Book total should be ₹ 320, because discount allowed of ₹ 90 to M/s Aman Bros. has been omitted.
 - (iv) A cheque of ₹ 6,400 drawn by M/s Aman Bros. has been dishonoured, but wrongly debited to M/s Manan Bros.

How will the above errors impact trial balance?

Capital or Revenue Expenditure

(b) Classify each of the following transactions into capital or revenue transactions:

- Legal fees on the acquisition of land.
- Complete repaint of existing building.
- Repainting of a delivery van.
- Providing drainage for a new piece of water-extraction equipment.
- Carriage costs on a replacement part for a piece of machinery.

Cash Book

4. (a) Prepare a Petty Cash Book on the Imprest System from the following:

2021		₹	
June	1	Received ₹ 1,00,000 for petty cash	
"	2	Paid taxi fare	2,000
"	3	Paid cartage	10,000
"	4	Paid for courier	2,000
"	5	Paid wages	2,400
"	5	Paid for stationery	1,600
"	6	Paid for the repairs to machinery	6,000
"	6	Auto fare	400
"	7	cartage	1,600
"	7	Paid for courier	2,800
"	8	Cartage	12,000
"	9	Stationery	8,000
"	10	Sundry expenses	20,000

Rectification of Errors

- (b) Classify the following errors under the three categories – Errors of Omission, Errors of Commission and Errors of Principle.
- (i) Sale of furniture credited to Sales Account.
 - (ii) Machinery sold on credit to Mohan recorded in Journal Properly but omitted to be posted.
 - (iii) Goods worth ₹ 5,000 purchased on credit from Ram recorded in the Purchase Book as ₹ 500.

- (iv) Purchase worth ₹ 4,500 from Mr. X not recorded in subsidiary books.
- (v) Credit sale wrongly passed through the Purchase Book.

Bank Reconciliation Statement

5. On 31st March, 2021 the pass-book of a trader showed a credit balance of ₹ 15,65,000 but the passbook balance was different for the following reasons from the cash book balance:

Cheques issued to 'X' for ₹ 60,000 and to 'Y' for ₹ 3,84,000 were not yet presented for payment.

Bank charged ₹ 350 for bank charges and 'Z' directly deposited ₹ 1,816 into the bank account, which were not entered in the cash book.

Two cheques-one from 'A' for ₹ 5,15,000 and another from 'B' for ₹ 12,500 were collected in the first week of April, 2021 although they were banked on 25.03.2021.

Interest allowed by bank ₹ 4,500.

Prepare a bank reconciliation statement as on 31st March, 2021.

Valuation of Inventories

6. Submarine Ltd. keeps no stock records but a physical inventory of stock is made half yearly and the valuation is taken at cost. The company's year ends on 31st March, 2021 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2021 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2021 with the stock figure as on 30th September, 2020 and some other information is available to you:
- (i) The cost of stock on 30th September, 2020 as shown by the inventory sheet was ₹ 2,40,000.
 - (ii) On 30th September, stock sheet showed the following discrepancies:
 - (a) A page total of ₹ 15,000 had been carried to summary sheet as ₹ 16,000.
 - (b) The total of a page had been undercast by ₹ 600.
 - (iii) Invoice of purchases entered in the Purchase Book during the quarter from October, 2020 to March, 2021 totaled ₹ 2,10,000. Out of this ₹ 9,000 related to goods received prior to 30th September, 2020. Invoices entered in April, 2021 relating to goods received in March, 2021 totaled ₹ 12,000.
 - (iv) Sales invoiced to customers totaled ₹ 2,70,000 from September, 2020 to March, 2021. Of this ₹ 15,000 related to goods dispatched before 30th September, 2020. Goods dispatched to customers before 31st March, 2021 but invoiced in April, 2021 totaled ₹ 12,000.

- (v) During the final quarter, credit notes at invoiced value of ₹ 3,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2021.

Concept and Accounting of Depreciation

7. The M/s Nishant Transport purchased 10 Buses at ₹ 15,00,000 each on 1st April 2017. On October 1st, 2019, one of the Buses is involved in an accident and is completely destroyed and ₹ 7,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of ₹ 18,00,000. The company write off 10% on the original cost per annum. The company observe the calendar year as its financial year.

You are required to prepare the buses account for two year ending 31 Dec, 2020.

Bills of Exchange

8. Prepare Journal entries for the following transactions in David's books.
- (i) David's acceptance to Samuel for ₹ 5,000 discharged by a cash payment of ₹ 1,000 and a new bill for the balance plus ₹ 100 for interest.
 - (ii) Samantha's acceptance for ₹ 8,000 which was endorsed by David to Flex was dishonoured. Flex paid ₹ 50 noting charges. Bill withdrawn against cheque.
 - (iii) Simon retires a bill for ₹ 2,000 drawn on him by David for ₹ 20 discount.
 - (iv) David's acceptance to Ralph for ₹ 20,000 discharged by Ralph's Kent's acceptance to David for a similar amount.

Consignment

9. Shikha of Delhi consigned to Reema of Mumbai, goods to be sold at invoice price which represents 125% of cost. Reema is entitled to a commission of 10% on sales at invoice price and 25% of any excess realised over invoice price. The expenses on freight and insurance incurred by Shikha were ₹ 45,000. The account sales received by Shikha shows that Reema has effected sales amounting to ₹ 4,50,000 in respect of 75% of the consignment. Her selling expenses to be reimbursed were ₹ 36,000. 10% of consignment goods of the value of ₹ 56,250 were destroyed in fire at the Mumbai godown. Reema remitted the balance in favour of Shika.

You are required to prepare consignment account in the books of Shikha along with the necessary calculations.

Sales of goods on approval or return basis

10. On 31st December, 2020 goods sold at a sale price of ₹ 6,000 were lying with customer, Sapna to whom these goods were sold on 'sale or return basis' were recorded as actual

sales. Since no consent has been received from Sapna, you are required to pass adjustment entries presuming goods were sent on approval at a profit of cost plus 20%. Present market price is 10% less than the cost price.

Average Due Date

11. Calculate average due date from the following information:

Date of bill	Term	Amount (₹)
1 st March, 2021	2 months	20,000
10 th March, 2021	3 months	15,000
5 th April, 2021	2 months	10,000
23 rd April, 2021	1 months	18,750
10 th May, 2021	2 months	25,000

Account current

12. Mr. P owed ₹ 12,000 on 1st January, 2021 to Mr. Q. The following transactions took place between them. It is agreed between the parties that interest @ 10% p.a. is to be calculated on all transactions.

	₹
15 January, 2021 Mr. Q sold goods to Mr. P	6,690
29 January, 2021 Mr. Q bought goods from Mr. P	3,600
10 February, 2021 Mr. P paid cash to Mr. Q	3,000
13 March, 2021 Mr. P accepted a bill drawn by Mr. Q for one month	6,000

They agree to settle their complete accounts by one single payment on 15th March, 2021.

Prepare Mr. P in Account Current with Mr. Q and ascertain the amount to be paid. Ignore days of grace.

Final accounts and Rectification of entries

13. The following are the balances as at 31st March, 2021 extracted from the books of Mr. Satender.

	₹		₹
Plant and Machinery	78,200	Bad debts recovered	1800
Furniture and Fittings	41,000	Salaries	90,200
Bank Overdraft	3,20,000	Salaries payable	9,800
Capital Account	2,60,000	Prepaid rent	1,200

Drawings	32,000	Rent	17,200
Purchases	6,40,000	Carriage inward	4,500
Opening Stock	1,29,000	Carriage outward	5,400
Wages	48,660	Sales	8,61,200
Provision for doubtful debts	12,800	Advertisement Expenses	13,400
Provision for Discount on debtors	5,500	Printing and Stationery	5,000
Sundry Debtors	4,80,000	Cash in hand	5,800
Sundry Creditors	1,90,000	Cash at bank	12,500
Bad debts	4,400	Office Expenses	40,640
		Interest paid on loan	12,000

Additional Information:

1. Purchases include sales return of ₹ 10,300 and sales include purchases return of ₹ 6,900.
2. Goods withdrawn by Mr. Satender for own consumption ₹ 14,000 included in purchases.
3. Wages paid in the month of April for installation of plant and machinery amounting to ₹ 1,800 were included in wages account.
4. Free samples distributed out of purchases for publicity costing ₹ 3,300.
5. Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
6. Depreciation is to be provided on plant and machinery @ 20% p.a. and on furniture and fittings @ 10% p.a.
7. Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2020 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2021, and a Balance Sheet as on that date. Also show the rectification entries.

Partnership Accounts

Profit and Loss Appropriation Account

14. (a) X, Y and Z entered into partnership on 1.1.2020 to share profits and losses in the ratio of 5:3:2. X personally guaranteed that Z's share of profit after charging interest on capitals at 6 % p.a. would not be less than ₹ 15,000 in any year. Capitals of X, Y and Z were ₹ 1,60,000, ₹ 1,00,000 and ₹ 80,000 respectively.

Profits for the year ending 31.12.2020 before providing for interest on partners capital was ₹ 79,500.

You are required to prepare the Profit and Loss Appropriation Account.

Calculation of goodwill

- (b) Amar, Akbar and Anthony are in partnership sharing profit and losses at the ratio of 2:5:3. The Balance Sheet of the partnership as on 31.12.2020 was as follows:

Balance Sheet of M/s Amar, Akbar, Anthony

Liabilities	₹	Assets	₹
Capital A/cs		Sundry fixed assets	10,00,000
Amar	1,70,000	Inventory	2,00,000
Akbar	6,30,000	Trade receivables	1,00,000
Anthony	4,50,000	Bank	10,000
Trade payables	<u>60,000</u>		
	<u>13,10,000</u>		<u>13,10,000</u>

The partnership earned profit ₹ 4,00,000 in 2020 and the partners withdrew ₹ 3,00,000 during the year. Normal rate of return 30%.

You are required to calculate the value of goodwill on the basis of 3 years' purchase of super profit. For this purpose calculate super profit using average capital employed.

Death of Partner

15. The following is the Balance Sheet of M/s. TMR as at 31st March, 2021 they share profit equally:

Balance Sheet as at 31st March, 2021

Liabilities		₹	Assets		₹
Capital	Tina	24,600	Machinery		30,000
	Meena	24,600	Furniture		16,800
	Rita	27,000	Fixture		12,600
General Reserve		9,000	Cash		9,000
Trade payables		14,100	Inventories		5,700
			Trade receivables	27,000	
			Less: Provision for	<u>1800</u>	25,200
			Doubtful debts		
		<u>99,300</u>			<u>99,300</u>

Rita died on 5th April, 2021 and the following agreement was to be put into effect.

- Assets were to be revalued: Machinery to ₹ 35,100; Furniture to ₹ 13,800; Inventory to ₹ 4,500.
- Goodwill was valued at ₹ 18,000 and was to be credited with his share, without using a Goodwill Account.
- ₹ 6,000 was to be paid away to the executors of the dead partner on 8th April, 2021.
- After death of Rita, Tina and Meena share profit equally.

Prepare Revaluation Account and Capital Accounts of the partners and also show Journal Entry for Goodwill adjustment.

Financial Statements of Not for Profit Organizations

16. The Receipts and Payments account of Peppapig Club prepared on 31st March, 2021 is as follows:

Receipts and Payments Account

Receipts	₹	Amount ₹	Payments	Amount ₹
To Balance b/d		900	By Expenses (including Payment for sports material ₹ 5,400)	12,600
To Annual Income from Subscription	9,180		By Loss on Sale of Furniture (cost price ₹ 900)	360
To Add: Outstanding of last year received this year	<u>360</u>		By Balance c/d	1,80,900
	9,540			
Less: Prepaid of last year	<u>180</u>	9,360		
To Other fees		3,600		
To Donation for Building		<u>1,80,000</u>		
		<u>1,93,860</u>		<u>1,93,860</u>

Additional information:

Peppapig club had balances as on 1.4.2020 :-

Furniture ₹ 3,600; Investment at 5% ₹ 54,000;

Sports material ₹ 13,320;

Balance as on 31.3.2021 : Subscription Receivable ₹ 540;

Subscription received in advance ₹ 180;

Stock of sports material ₹ 3,600.

Do you agree with above Receipts and Payments account? If not, prepare correct Receipts and Payments account and Income and Expenditure account for the year ended 31st March, 2021 and Balance Sheet on that date.

Issue of Shares

17. On 1st April, 2020, States Ltd. issued 1,80,000 shares of ₹ 10 each payable as follows:
₹ 2 on application, ₹ 3 on allotment, ₹ 2 on First call 1st October, 2020; and ₹ 3 on Final call 1st February, 2021.
- By 20th May, 1,50,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15th July; those on 1st call were received on 20th October. You are required to prepare the Journal entries to record the transactions when accounts were closed on 31st March, 2021.

Forfeiture of Shares

18. Mr. Samphat who was the holder of 12,000 preference shares of ₹ 100 each, on which ₹ 60 per share has been called up could not pay his dues on Allotment and First call each at ₹ 20 per share. The Directors forfeited the above shares and reissued 10,000 of such shares to Mr. Sushil at ₹ 50 per share paid-up as ₹60 per share.
- You are required to prepare journal entries to record the above forfeiture and re-issue in the books of the company.

Issue of Debentures

19. Avantika Ltd. purchased machinery worth ₹9,90,000 from Avneet Ltd. The payment was made by issue of 10% debentures of ₹100 each. Pass the necessary journal entries for the purchase of machinery and issue of debentures when: (i) Debentures are issued at par; (ii) Debentures are issued at 20 % discount; and (iii) Debentures are issued at 20% premium.
20. Write short notes on any three of the following:
- Double entry system.
 - Journal.
 - Importance of bank reconciliation to an industrial unit.
 - Bill of exchange and the various parties to it.

SUGGESTED ANSWERS

1.
 - (i) **False:** Trial balance only checks the arithmetical accuracy of the books. Errors of principle and errors of commission will not affect the agreement of the trial balance.
 - (ii) **False:** The rationale behind the opening of a suspense account is to avoid delay in the preparation of financial statements.
 - (iii) **True:** In the early periods of useful life of a fixed asset, repairs and maintenance expenses are relatively low because the asset is new. Whereas in later period, as asset becomes old, repairs and maintenance expenses increase continuously. Under written down value method, depreciation charged is higher in the initial period and reduces continuously in the later periods. Thus depreciation and repair and maintenance expenses become more or less uniform throughout the useful life of the asset.
 - (iv) **False:** A partnership firm cannot acquire fixed assets in its name since it is not a separate legal entity. It acquires fixed assets in the name of its partners.
 - (v) **False:** It shall be disclosed as a current liability in the opening balance sheet.
 - (vi) **True:** The financial statement must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.
 - (vii) **False:** The debit notes issued are used to prepare purchases return book.
 - (viii) **True:** Yes, they are types of subsidiary books which is alternate to the journals.
 - (ix) **True:** They are prepared on the basis of assumptions, conventions, concepts and personal judgements of the person who prepare them.
2.
 - (a) **Cash and mercantile system:** Cash system of accounting is a system by which a transaction is recognized only if cash is received or paid. In cash system of accounting, entries are made only when cash is received or paid, no entry being made when a payment or receipt is merely due. Cash system is normally followed by professionals, educational institutions or non-profit making organizations.

On the other hand, mercantile system of accounting is a system of classifying and summarizing transactions into assets, liabilities, equity (owner's fund), costs, revenues and recording thereof. A transaction is recognized when either a liability is created/ impaired and an asset is created /impaired. A record is made on the basis of amounts having become due for payment or receipt irrespective of the fact whether payment is made or received actually.

Mercantile system of accounting is generally accepted accounting system by business entities

- (b) The main advantage of setting accounting standards is that the adoption and application of accounting standards ensure uniformity, comparability and qualitative improvement in the preparation and presentation of financial statements. The other advantages are: Reduction in variations; Disclosures beyond that required by law and Facilitates comparison.

3. (a) **Journal Proper of Shyam Textiles & Co.**

Rectification Entries

	Particulars	Dr.	Cr.
		Amount	Amount
		₹	₹
(i)	M/s Ginger & Co. A/c To M/s Timber & Co. A/c To Purchases A/c (Rectification of purchase entry for ₹ 4,700 dated....as ₹ 7,400 in M/s Ginger & Co A/c in place of M/s. Timber & Co.'s A/c).	7,400	4,700 2,700
(ii)	M/s Aman Bros. A/c To Sales A/c To M/s Manan Bros. A/c (Rectification of sale entry for ₹ 9,500 datedas ₹ 5,900 in M/s Manan Bros A/c in place of M/s Aman Bros. A/c).	9,500	5,900 3,600
(iii)	Discount Allowed A/c To Commission A/c To M/s Aman Bros. A/c (Rectification of wrong posting of discount in commission account and omission of discount transaction dated....).	320	230 90
(iv)	M/s Aman Bros. A/c To Manan Bros A/c (Wrong posting for the dishonoured cheque dated.... is being rectified).	6,400	6,400

Since all the errors are two-sided in nature, Trial Balance will tally even if the rectifications are not done.

- (b) -- Legal fees on acquisition of land: capital
 -- Complete repaint: revenue
 -- Repainting van: revenue.
 -- Drainage for new equipment: capital.
 -- Carriage costs on replacement part: revenue.

4. (a) **PETTY CASH BOOK**

Receipts ₹	Date 2021	V. No.	Particulars	Total ₹	Con- veyance ₹	Cartage ₹	Statio- nery ₹	Courier ₹	Wages ₹	Sundries ₹
1,00,000	June 1		To Cash							
	2	1	By Conveyance	2,000	2,000					
	3	2	By Cartage	10,000		10,000				
	4	3	By Courier	2,000				2,000		
	5	4	By Wages	2,400					2,400	
	5	5	By Stationery	1,600			1,600			
	6	6	By Repairs to machine	6,000						6,000
	6	7	By Conveyance	400	400					
	7	8	By Cartage	1,600		1,600				
	7	9	By Courier	2,800				2,800		
	8	10	By Cartage	12,000		12,000				
	9	11	By Stationery	8,000			8,000			
	10	12	By Sundry Expenses	20,000						20,000
				68,800	2,400	23,600	9,600	4,800	2400	26,000
			By Balance c/d	31,200						
1,00,000				1,00,000						
31,200			To Balance b/d							
68,800	11		To Cash							

- (b) (i) Error of Principle.
 (ii) Error of Omission.
 (iii) Error of Commission.
 (iv) Error of Omission.
 (v) Error of Commission

5. (i) **Bank Reconciliation Statement as on 31st March, 2021**

Particulars	Details		Amount
	₹	₹	₹
Credit balance as per the pass book			15,65,000
Add: Cheques deposited into bank but not yet collected	A: 5,15,000		
	B: 12,500	5,27,500	
Bank charges debited by the bank		350	5,27,850
Less: Cheques issued but not presented for payment	X: 60,000		20,92,850
	Y: 3,84,000	4,44,000	
Direct deposit of cash in bank by Z		1,816	
Interest allowed by the bank		4,500	(4,50,316)
Debit balance as per the cash book			16,42,534

6. **Valuation of Physical Stock as at March 31, 2021**

		₹
Stock at cost on 30.09.2020		2,40,000
Add: (1) Undercasting of a page total	600	
(2) Goods purchased and delivered during September March, 2021		
₹ (2,10,000 – 9,000 + 12,000)	2,13,000	
(3) Cost of sales return ₹ (3,000 – 600)	<u>2,400</u>	<u>2,16,000</u>
		4,56,000
Less: (1) Overcasting of a page total ₹ (16,000 – 15,000)	1,000	
(2) Goods sold and dispatched during January – March, 2021		
₹ (2,70,000 – 15,000 + 12,000)	2,67,000	
Less: Profit margin $\left(2,67,000 \times \frac{25}{125}\right)$	<u>53,400</u>	
	<u>2,13,600</u>	<u>2,14,600</u>
Value of stock as on 31st March, 2021		<u>2,41,400</u>

Note: In the above solution, transfer of ownership is assumed to take place at the time of delivery of goods. If it is assumed that transfer of ownership takes place on the date of invoice, then ₹ 1,20,000 goods delivered in March, 2021 for which invoice was received in April, 2021, would be treated as purchases of the accounting year 2020-2021 and thus excluded. Similarly, goods dispatched in March, 2021 but invoiced in April, 2021 would be excluded and treated as sale of the year 2020-2021.

7.

Buses A/c

Date	Particulars	Amount	Date	Particulars	Amount
2019			2019		
Jan-01	To balance b/d	1,23,75,000	Oct-01	By bank A/c	7,00,000
Oct-01	To Bank A/c	18,00,000	Oct-01	By Depreciation on lost assets	1,12,500
			Oct-01	By Profit & Loss A/c (Loss on settlement of Bus)	4,25,000
			Dec-31	By Depreciation A/c	13,95,000
			Dec-31	By balance c/d	1,15,42,500
		<u>1,41,75,000</u>			<u>1,41,75,000</u>
2020			2020		
Jan-01	To balance b/d	1,15,42,500	Dec-31	By Depreciation A/c	15,30,000
			Dec-31	By balance c/d	1,00,12,500
		<u>1,15,42,500</u>			<u>1,15,42,500</u>

Working Note:

1. To find out loss/Profit on settlement of Bus	₹
Original cost as on 1.4.2017	15,00,000
Less: Depreciation for 2017	1,12,500
	<u>13,87,500</u>
Less: Depreciation for 2018	1,50,000
	<u>12,37,500</u>
Less: Depreciation for 2019 (9 months)	1,12,500
	<u>11,25,000</u>
Less: Amount received from Insurance company	7,00,000
Loss on Settlement of Bus	<u>4,25,000</u>

8. **Books of David**
Journal Entries

			Dr. ₹	Cr. ₹
(i)	Bills Payable Account Interest Account To Cash A/c To Bills Payable Account (Bills Payable to Samuel discharged by cash payment of ₹ 1,000 and a new bill for ₹4,100 including ₹ 100 as interest)	Dr. Dr.	5,000 100	1,000 4,100
(ii)	(a) Samantha To Flex (Samantha's acceptance for ₹ 8050 endorsed to Flex dishonoured, ₹ 20 paid by Flex as noting charges)	Dr.	8,050	8,050
	(b) Flex To Bank Account (Payment to Flex on withdrawal of bill earlier received from Mr. Samantha)	Dr.	8,050	8,050
(iii)	Bank Account Discount Account To Bills Receivable Account (Payment received from Simon against his acceptance for ₹ 2,000. Allowed him a discount of ₹ 20)	Dr. Dr.	1,980 20	2,000
(iv)	Bills Payable Account To Bills Receivable Account (Bills Receivable from Kent endorsed to Ralph in settlement of bills payable issued to him earlier)	Dr.	20,000	20,000

9. **Consignment to Mumbai Account in the Books of Shikha**

Particulars	₹	Particulars	₹
To Goods sent on Consignment A/c	5,62,500	By Goods sent on Consignment A/c (loading)	1,12,500
To Cash A/c	45,000	By Abnormal Loss	49,500
To Reema(Expenses)	36,000	By Reema(Sales)	4,50,000

To Reema(Commission)	49,219	By Inventories on Consignment A/c	91,125
To Inventories Reserve A/c	16,875	By General Profit & Loss A/c	6,469
	7,09,594		7,09,594

Working Notes:

1. Calculation of value of goods sent on consignment:

Abnormal Loss at Invoice price = ₹ 56,250

Abnormal Loss as a percentage of total consignment = 10%.

Hence the value of goods sent on consignment = ₹ 56,250 X 100/ 10 = ₹ 5,62,500

Loading of goods sent on consignment = ₹ 5,62,500 X 25/125 = ₹ 1,12,500

2. Calculation of abnormal loss (10%):

Abnormal Loss at Invoice price = ₹ 56,250.

Abnormal Loss at cost = ₹ 56,250 X 100/125 = ₹ 45,000

Add: Proportionate expenses of Shikha (10 % of ₹ 45,000) = ₹ 4,500

₹ 49,500

3. **Calculation of closing Inventories (15%):**

Shikha's Basic Invoice price of consignment = ₹ 5,62,500

Shikha's expenses on consignment = ₹ 45,000

₹ 6,07,500

Value of closing Inventories = 15% of ₹ 6,07,500 = ₹ 91,125

Loading in closing Inventories = ₹ 1,12,500 x 15/100 = ₹ 16,875

Where ₹ 84,375 (15% of ₹ 5,62,500) is the basic invoice price of the goods sent on consignment remaining unsold.

4. **Calculation of commission:**

Invoice price of the goods sold= 75% of ₹ 5,62,500 = ₹ 4,21,875

Excess of selling price over invoice price = ₹ 28,125 (₹ 4,50,000 - ₹ 4,21,875)

Total commission = 10% of ₹ 4,21,875 + 25% of ₹ 28,125

= ₹ 42187.5 + ₹ 7,031.25 = ₹ 49218.75

12.

Mr. P in Account Current with Mr. Q
(Interest upto 15th March, 2021 @ 10% p.a.)

Dr.					Cr.				
Date	Particulars	Amount	Days	Product	Date	Particulars	Amount	Days	Product
2021					2021				
Jan. 01	To Balance b/d	12,000	74	8,88,000	Jan. 29	By Purchase account	3,600	45	1,62,000
Jan. 15	To Sales account	6,690	59	3,94,710	Feb. 10	By Cash account	3,000	33	99,000
Mar. 13	To Red Ink product (₹ 6,000 × 29)			1,74,000	Mar. 13	By Bills Receivable account	6,000		
Mar. 15	To Interest account $\left(\frac{11,95,710 \times 10 \times 1}{100 \times 365} \right)$	328			Mar. 15	By Balance of product			11,95,710
						By Balance c/d (amount to be paid)	6,418		
		<u>19,018</u>		<u>14,56,710</u>			<u>19,018</u>		<u>14,56,710</u>

13.

Rectification Entries

	Particulars	Dr.	Cr.
		Amount	Amount
		₹	₹
(i)	Returns inward account Dr. Sales account Dr. To Purchases account To Returns outward account (Being sales return and purchases return wrongly included in purchases and sales respectively, now rectified)	10,300 6,900	10,300 6,900
(ii)	Drawings account Dr. To Purchases account (Being goods withdrawn for own consumption included in purchases, now rectified)	14,000	14,000
(iii)	Plant and machinery account Dr. To Wages account (Being wages paid for installation of plant and machinery wrongly debited to wages, now rectified)	1,800	1,800

(iv)	Advertisement expenses account Dr. 3,300 To Purchases account (Being free samples distributed for publicity out of purchases, now rectified)		3,300
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**Trading and Profit and Loss Account of Mr. Satendra
for the year ended 31st March, 2021**

<i>Dr.</i>		<i>Amount</i>		<i>Cr.</i>		
		₹	₹			
To	Opening stock		1,29,000	By	Sales	8,54,300
To	Purchases	6,12,400			Less: Sales return	<u>10,300</u>
	Less: Purchases return	<u>6,900</u>	6,05,500	By	Closing stock	5,00,000
To	Carriage inward		4,500		$\text{₹ } 3,20,000 \times \frac{100}{80} \times \frac{100}{80}$	<u> </u>
To	Wages		46,860			<u>13,44,000</u>
To	Gross profit c/d		<u>5,58,140</u>			<u>5,58,140</u>
			<u>13,44,000</u>			1800
To	Salaries		90,200	By	Gross profit b/d	5,58,140
To	Rent		17,200	By	Bad debts recovered	1800
To	Advertisement expenses		16,700			
To	Printing and stationery		5,000			
To	Bad debts		4,400			
To	Carriage outward		5,400			
To	Provision for doubtful debts					
	5% of ₹ 4,80,000	24,000				
	Less: Existing provision	<u>12,800</u>	11,200			
To	Provision for discount on debtors					
	2.5% of ₹ 4,56,000	11,400				
	Less: Existing provision	<u>5,500</u>	5,900			
To	Depreciation:					
	Plant and machinery		16,000			
	Furniture and fittings	<u>4,100</u>	20,100			
To	Office expenses		40,640			
To	Interest on loan		12,000			
To	Net profit					

(Transferred to capital account)	<u>3,31,200</u>		
	<u>5,59,940</u>		<u>5,59,940</u>

Balance Sheet of Mr. Satendra as on 31st March, 2021

		Amount			Amount
<i>Liabilities</i>	₹	₹	<i>Assets</i>	₹	₹
Capital account	2,60,000		Plant and machinery	80,000	
Add: Net profit	<u>3,31,200</u>		Less: Depreciation	<u>16,000</u>	64,000
	5,91,200		Furniture and fittings	41,000	
Less: Drawings	<u>46,000</u>	5,45,200	Less: Depreciation	<u>4,100</u>	36,900
Bank overdraft		3,20,000	Closing stock		5,00,000
Sundry creditors		1,90,000	Sundry debtors	4,80,000	
Payable salaries		9,800	Less: Provision for doubtful debts	<u>35,400</u>	4,44,600
			Prepaid rent		1,200
			Cash in hand		5800
			Cash at bank		<u>12,500</u>
		<u>10,65,000</u>			<u>10,65,000</u>

14. (a) Profit and Loss Appropriation Account for the year ended 31st December, 2020

Dr.		₹	₹	Cr.	
To	Interest on capital			By	Net profit b/d
	X (6% of ₹ 1,60,000)	9,600			79,500
	Y (6% of ₹ 1,00,000)	6,000			
	Z (6% of ₹ 80,000)	4,800	20,400		
To	Partners' capital accounts:				
	[profit (₹ 79,500 - ₹ 20,400) transferred]				
	X ($\frac{5}{10}$ of ₹ 59,100)	29,550			
	Less: Transferred to Z	3,180	26,370		
	Y ($\frac{3}{10}$ of ₹ 59,100)				

Z ($\frac{2}{10}$ of ₹ 59,100)	11,820	17,730	
Add: Transferred from X	3,180	15,000	
		79,500	<u>79,500</u>

(b)

Valuation of Goodwill:		₹
(1)	Average Capital Employed	
	Total Assets less Trade payables as on 31.12.2020	12,50,000
	Add: 1/2 of the amount withdrawn by partners	1,50,000
		14,00,000
	Less: 1/2 of the profit earned in 2020	(2,00,000)
		12,00,000
(2)	Super Profit :	
	Profit of M/s Amar, Akbar ,Anthony	4,00,000
	Normal profit @ 30% on ₹ 12,00,000	3,60,000
	Super Profit	40,000
(3)	Value of Goodwill	
	3 Years' Purchase of Super profit (₹ 40,000 × 3) = ₹ 1,20,000	

15. (i)

Journal Entry in the books of the M/s TMR

Date	Particulars		Dr. ₹	Cr. ₹
April,5 2021	Tina's Capital A/c	Dr.	3,000	
	Meena's Capital A/c	Dr.	3,000	
	To Rita's Capital A/c			6,000
	(Being the required adjustment for goodwill through partner's capital accounts)			

(ii)

Revaluation Account

Dr. Particulars	₹	Particulars	Cr. ₹
To Furniture A/c (₹ 16,800-13,800)	3,000	By Machinery A/c (₹ 35,100 - 30,000)	5,100

To Inventory A/c (₹ 5,700 – 4,500)	1,200	
To Partners' Capital A/cs (Tina - ₹ 300, Meena - ₹ 300, Rita - ₹ 300)	900	
	5,100	5,100

Partners' Capital Accounts

	Tina	Meena	Rita		Tina	Meena	Rita
To Rita (Goodwill)	3,000	3,000	-	By Balance b/d	24,600	24,600	27,000
To Cash A/c	-	-	6,000	By General Reserve A/c	3,000	3,000	3,000
To Executors A/c	-	-	30,300	By Revaluation A/c (Profit)	300	300	300
To Balance c/d	24,900	24,900	-	By Tina (Goodwill)	-	-	3,000
				By Meena (Goodwill)	-	-	3,000
	27,900	27,900	36,300		27,900	27,900	36,300

Working Note:

Statement showing the Required Adjustment for Goodwill

Particulars	Tina	Meena	Rita
Right of goodwill before death	1/3	1/3	1/3
Right of goodwill after death	1/2	1/2	-
Gain / (Sacrifice)	(+) 1/6	(+) 1/6	(-) 1/3

16.

**Corrected Receipts and Payments Account of Peppapig Club
for the year ended 31st March, 2021**

Receipts		₹	Amount ₹	Payments		Amount ₹
To	Balance b/d		900	By	Expenses	
To	Subscription				(₹ 12,600 –	7,200
	Annual Income	9,180			₹ 5,400)	
				By	Sports Material	5,400

	Less: Receivable as on 31.3.2020	540		By	Balance c/d (Cash in Hand and at Bank)	1,81,440
	Add: Advance received for the year 2020–2021	180				
	Add: Receivable as on 31.3.2020	360				
	Less: Advance received as on 31.3.2020	<u>180</u>	9,000			
To	Other Fees		3,600			
To	Donation for Building		1,80,000			
To	Sale of Furniture		<u>540</u>			
			<u>1,94,040</u>			<u>1,94,040</u>

**Income and Expenditure Account of Peppapig club
for the year ended 31st March, 2021**

Expenditure		Amount	Income		Amount	
		₹			₹	
To	Sundry Expenses		7,200	By	Subscription	9,180
To	Sports Material			By	Other fees	3,600
	Balance as on 1.4.2020	13,320		By	Interest on investment (5% on ₹ 54,000)	2,700
	Add: Purchases	5,400		By	Deficit: Excess of Expenditure over Income	7,200
	Less: Balance as on 31.3.2021	<u>3,600</u>	15,120			
To	Loss on sale of Furniture		<u>360</u>			
			<u>22,680</u>			<u>22,680</u>

**Balance Sheet of Peppapig club
as on 31st March, 2021**

Liabilities	Amount	Assets	Amount
	(₹)		(₹)
Capital Fund	72,000	Furniture	3,600
Less: Excess of Expenditure over Income	<u>7,200</u>	Less: Sold 5% Investment	<u>900</u>
Building Fund	1,80,000	Interest Accrued	54,000

Subscription Received in Advance		180	on Investment	2,700
			Sports Material	3,600
			Subscription Receivable	540
			Cash in Hand and at Bank	
				<u>1,81,440</u>
		<u>2,44,980</u>		<u>2,44,980</u>

Working Note:

**Balance Sheet of Peppapig Club
as on 1st April, 2020**

Liabilities	Amount	Assets	Amount
	₹		₹
Subscription Received in Advance	180	Furniture	3,600
Capital Fund	72,000	Investment	54,000
(Balancing Figure)		Sports Material	13,320
		Subscription Receivable	360
		Cash in Hand and at Bank	<u>900</u>
	<u>72,180</u>		<u>72,180</u>

17.

States Ltd.**Journal**

2020			Dr.	Cr.
			₹	₹
May 20	Bank Account To Share Application A/c (Application money on 1,50,000 shares at ₹ 2 per share received.)	Dr.	3,00,000	3,00,000
June 1	Share Application A/c To Share Capital A/c (The amount transferred to Capital Account on 1,50,000 shares ₹ 2 on application. Directors' resolution no..... dated))	Dr.	3,00,000	3,00,000
	Share Allotment A/c To Share Capital A/c	Dr.	4,50,000	4,50,000

	(Being share allotment made due at ₹ 3 per share. Directors' resolution no..... dated			
July 15	Bank Account To Share Allotment A/c (The sums due on allotment received.)	Dr.	4,50,000	4,50,000
Oct. 1	Share First Call Account To Share Capital Account (Amount due from members in respect of first call-on 1,50,000 shares at ₹ 2 as per Directors, resolution no... dated...)	Dr.	3,00,000	3,00,000
Oct. 20	Bank Account To Share First Call Account (Receipt of the amounts due on first call.)	Dr.	3,00,000	3,00,000
2021				
Feb. 1	Share Second and Final Call A/c To Share Capital A/c (Amount due on 1,50,000 share at ₹ 3 per share on second and final call, as per Directors resolution no... dated...)	Dr.	4,50,000	4,50,000
March 31	Bank Account To Share Second & Final Call A/c (Amount received against the final call on 1,50,000 shares at ₹3 per share.)	Dr.	4,50,000	4,50,000

18. In the books of Company

Journal

<i>Particulars</i>		<i>Dr.</i> ₹	<i>Cr.</i> ₹
Preference Share Capital A/c (12,000 x ₹60)	Dr.	7,20,000	
To Preference Share Allotment A/c			2,40,000
To Preference Share First Call A/c			2,40,000
To Forfeited Share A/c			2,40,000
(Being the forfeiture of 12,000 preference shares ₹ 60 each being called up for non-payment of allotment)			

and first call money as per Board's Resolution No.... dated.....)			
Bank A/c (10,000 x ₹50)	Dr.	5,00,000	
Forfeited Shares A/c (10,000 x ₹10)	Dr.	1,00,000	
To Preference Share Capital A/c			6,00,000
(Being re-issue of 10,000 shares at ₹ 60 per share paid-up as ₹ 70 as per Board's Resolution No.....dated.....)			
Forfeited Shares A/c	Dr.	1,00,000	
To Capital Reserve A/c (Note 1)			1,00,000
(Being profit on re-issue transferred to Capital Reserve)			

Working Note:

Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share = ₹ 2,40,000/1,20,000 = ₹ 20

Loss on re-issue = ₹ 60 – ₹ 50 = ₹ 10

Surplus per share re-issued ₹ 10

Transferred to capital Reserve ₹ 10 x 10,000 = ₹ 1,00,000.

19.

Books of Avantika Ltd.**Journal**

Machinery A/c	Dr.	9,90,000	
To Avneet Ltd.			9,90,000
(Machinery purchased)			
Case(i) When debentures are issued at par:			
Avneet Ltd.	Dr.	9,90,000	
To 10% Debentures A/c			9,90,000
(10% Debentures issued to Avneet Ltd.)			
Case(ii) When debentures are issued at 20% discount:			
Avneet Ltd.	Dr.	9,90,000	
Discount on Issue of Debentures A/c	Dr.	2,47,500	
To 10% Debentures A/c			12,37,500
(10% Debentures issued to Avneet Ltd. at 20% discount)			

Case(iii) When debentures are issued at 20% premium:			
Avneet Ltd.	Dr.	9,90,000	
To 10% Debentures A/c			8,25,000
To Premium on Issue of Debentures A/c			1,65,000
(10% Debentures issued to Avneet Ltd. at 20% premium)			

Workings:

(a) Number of debentures issued in case of 20% discount:

	(₹)
Face value	100
Less: Discount 20%	<u>20</u>
Value at which issued	<u>80</u>
₹ 9,90,000/80 = 12,375 Debentures	

(b) Number of debentures issued in case of 20% premium:

	(₹)
Face value	100
Add: Premium 20%	<u>20</u>
Value at which issued	<u>120</u>
₹9,90,000/ 120 = 8,250 Debentures	

20. (i) Double entry system may be defined as that system which recognizes and records both the aspects of a transaction.

Every transaction has two aspects and according to this system, both the aspects are recorded. This system was developed in the 15th century in Italy by Luca Pacioli. It has proved to be systematic and has been found of great use for recording the financial affairs for all institutions requiring use of money.

This system offers the under mentioned advantages:

- By the use of this system, the accuracy of the accounting work can be established through the device of trial balance.
- The profit earned or loss suffered during a period can be ascertained together with details.
- The financial position of the firm or the institution concerned, can be ascertained at the end of each period, through preparation of the balance sheet.
- The system permits accounts to be kept in as much detail as necessary and

therefore, affords significant information for the purpose of control etc.

- (e) Result of one year may be compared with those of previous years and reasons for the change may be ascertained. It is because of these advantages that the double entry system has been used extensively in all countries.
- (ii) Transactions are first entered in a book called 'Journal' to show which account should be debited and which should be credited. Journal creates preliminary records and, is also called subsidiary book. All transactions are first recorded in the journal as and when they occur, the record is chronological, otherwise it would be difficult to maintain the records in an ordinary manner. Journal gives details regarding any transaction. Thus journal tells the amounts to be debited and credited and also the accounts involved.
- (iii) Banks are essential to modern society, but for an industrial unit, it serves as a necessary instrument in the commercial world. Most of the transactions of the business are done through bank whether it is a receipt or payment. Rather, it is legally necessary to operate the transactions through bank after a certain limit. All the transactions, which have been operated through bank, if not verified properly, the industrial unit may not be sure about its liquidity position in the bank on a particular date. There may be some cheques which have been issued, but not presented for payment, as well as there may be some deposits which has been deposited in the bank, but not collected or credited so far. Some expenses might have been debited or bills might have been dishonoured. It is not known to the industrial unit in time, it may lead to wrong conclusions. The errors committed by bank may not be known without preparing bank reconciliation statement. Preparation of bank reconciliation statement prevents the chances of embezzlement. Hence, bank reconciliation statement is very important and is a necessity of an industrial unit as it plays a key role in the liquidity control of the industry.
- (iv) A bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money to or to the order of certain person or to the bearer of the instrument. When such an order is accepted by the drawee on the face of the order itself, it becomes a valid bill of exchange.

There are three parties to a bill of exchange:

- (i) The drawer, who draws the bill, that is, the creditor to whom the money is owing;
- (ii) The drawee, the person to whom the bill is addressed or on whom it is drawn and who accepts the bill that is, the debtor; and
- (iii) The payee, the person who is to receive the payment. The drawer in many cases is also the payee.

PAPER – 2: BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING

SECTION A: BUSINESS LAWS

**PART – I: RELEVANT AMENDMENTS APPLICABLE FOR NOVEMBER 2021
EXAMINATION**

For November 2021 examinations for Paper 2A: Business Laws, the significant amendments made in the respective subject upto 30th April, 2021 are relevant and applicable.

Students are advised to refer study material of October 2020 edition with these applicable amendments.

Relevant amendments: Here are given relevant amendments:

Amendment in Companies Act, 2013	Earlier provision	New provision	Page No.
Resident in India in One Person Company: Substituted by <i>Companies (Incorporation) Second Amendment Rules, 2021, w.e.f. 1-4-2021.</i>	Only a natural person who is an Indian citizen and resident in India (person who has stayed in India for a period of not less than 182 days during the immediately preceding financial year)- <ul style="list-style-type: none">• shall be eligible to incorporate a OPC;• shall be a nominee for the sole member of a OPC.	Only a natural person who is an Indian citizen whether resident in India or otherwise and has stayed in India for a period of not less than 120 days during the immediately preceding financial year)- <ul style="list-style-type: none">• shall be eligible to incorporate a OPC;• shall be a nominee for the sole member of a OPC.	Page No. 5.10
Conversion of OPC to other company: Omitted by <i>Companies (Incorporation) Second Amendment Rules, 2021, w.e.f. 1-4-2021.</i>]	OPC cannot convert voluntarily into any kind of company unless two years have expired from the date of incorporation, except where the paid up share capital is increased beyond fifty lakh rupees or its average annual	Omitted	Page No. 5.10

	turnover during the relevant period exceeds two crore rupees.		
Small Company [Section 2(85)]: Inserted by <i>Companies (Specification of Definitions Details) Amendment Rule, 2021</i> , w.e.f. 1-4-2021 .	-	For the purpose of sub-clause (i) and sub-clause (ii) of clause (85) of section 2 of the Act, paid up capital and turnover of the small company shall not exceed rupees two crores and rupees twenty crores respectively.	Page No. 5.11
Definition of Listed Company [Section 2(52)]: Inserted by the <i>Companies (Amendment) Act, 2020</i> , w.e.f. 22-1-2021 .	Listed company" means a company which has any of its securities listed on any recognised stock exchange.	Listed company" means a company which has any of its securities listed on any recognised stock exchange: Provided that such class of companies, which have listed or intend to list such class of securities, as may be prescribed in consultation with the Securities and Exchange Board, shall not be considered as listed companies.	Page No. 5.14
Section 8(11) Substituted by the <i>Companies (Amendment) Act, 2020</i> , w.e.f. 21-12-2020 .	Penalty/punishment in contravention: If a company makes any default in complying with any of the requirements laid down in this section, the company shall, be punishable with fine varying from ten lakh rupees to one crore rupees and the directors	Penalty/punishment in contravention: If a company makes any default in complying with any of the requirements laid down in this section, the company shall, without prejudice to	Page No. 5.15

	<p>and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine varying from twenty-five thousand rupees to twenty-five lakh rupees, or with both and where it is proved that the affairs of the company were conducted fraudulently, every officer in default shall be liable for action under section 447 which deals with Fraud.</p>	<p>any other action under the provisions of this section, be punishable with fine which shall not be less than ten lakh rupees but which may extend to one crore rupees and the directors and every officer of the company who is in default shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to twenty-five lakh rupees: Provided that when it is proved that the affairs of the company were conducted fraudulently, every officer in default shall be liable for action under section 447.</p>	
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PART – II: QUESTIONS AND ANSWERS

QUESTIONS

The Indian Contract Act, 1872

1. Mr. Pratham applied for a job as principal of a school. The school management decided to appoint him. One member of the school management committee privately informed Mr. Pratham that he was appointed but official communication was not given from the school. Later, the management of the school decided to appoint someone else as a principal. Mr. Pratham filed a suit against the school for cancellation of his appointment and claimed

damages for loss of salary. State with reasons, will Mr. Pratham be successful in suit filed against school under the Indian Contract Act, 1872?

2. Rahul, a minor, falsely representing his age, enters into an agreement with a shopkeeper for a loan amount for purchasing a laptop. He gave his expensive watch as a security and took a loan of ₹ 40,000. He was very happy to get ₹ 40,000 and quickly went to the market and purchased a laptop worth ₹ 30,000. He happily spent the rest of the amount with his friends on a pleasure trip.

Later on, Rahul realized that his watch was an expensive watch and he should not have given like this to the shopkeeper. So, he went back to the shopkeeper and asked for his watch back. Also, he refused to repay the loan amount. The shopkeeper disagrees to this and files a case against minor for recovery of the loan amount. Can the shopkeeper succeed in recovering the loan amount under the Indian Contract Act, 1872?

3. Mr. X was a Disk Jockey at a five star hotel bar. As per the contract, he is supposed to perform every weekend (i.e. twice a week). Mr. X will be paid ₹ 1500 per day. However, after a month, Mr. X willfully absents himself from the performance.
 - (i) Does the hotel have the right to end the contract?
 - (ii) If the hotel sends out a mail to X that they are interested to continue the contract and X accepts, can the hotel rescind the contract after a month on this ground subsequently?
 - (iii) In which of the cases – (termination of contract or continuance of contract) can the hotel claim damages that it has suffered as a result of this breach?
4. Mr. Ram Lal Birla was a big businessman of city Pune having two sons and one married daughter. He decided to gift his one house to his daughter. For this purpose, he called his lawyer at his house and made a written document for such gift. The lawyer advised him to get the transfer document properly registered. When they both were going for registration of document, they met with an accident and both of them died. Later, his daughter found the document and claimed the house on the basis of that document. Explain, whether she can get the house as gift under the Indian Contract Act, 1872?
5. PQR, a hospital in Delhi, recruits Dr. A, on contract basis for a period of 3 months. The hospital management promises to pay Dr. A, a lumpsum amount of ₹ 1,00,000 if Dr. A test positive for noval corona virus (Covid 19) during the contract period of 3 months.

Identify the type of contract and highlight the rule of enforcement. Also, what will happen if Dr. A does not contract Covid 19.
6. "An agreement, the meaning of which is not certain, is void". Discuss.

The Sale of Goods Act, 1930

7. Archika went to a jewellery shop and asked the shopkeeper to show the gold bangles with white polish. The shopkeeper informed that he has gold bangles with lots of designs but

not in white polish rather if Archika select gold bangles in his shop, he will arrange white polish on those gold bangles without any extra cost. Archika select a set of designer bangles and pay for that. The shopkeeper requested Archika to come after two days for delivery of those bangles so that white polish can be done on those bangles. When Archika comes after two days to take delivery of bangles, she noticed that due to white polishing, the design of bangles has been disturbed. Now, she wants to avoid the contract and asked the shopkeeper to give her money back but shopkeeper has denied for the same.

- (a) State with reasons whether Archika can recover the amount under the Sale of Goods Act, 1930.
 - (b) What would be your answer if shopkeeper says that he can repair those bangles but he will charge extra cost for same?
8. Prashant reaches a sweet shop and ask for 1 Kg of 'Burfi' if the sweets are fresh. Seller replies 'Sir, my all sweets are fresh and of good quality.' Prashant agrees to buy on the condition that first he tastes one piece of 'Burfi' to check the quality. Seller gives him one piece to taste. Prashant, on finding the quality is good, ask the seller to pack. On reaching the house, Prashant finds that 'Burfi' is stale not fresh while the piece tasted was fresh. Now, Prashant wants to avoid the contract and return the 'Burfi' to seller.
- (a) State with reason whether Prashant can avoid the contract under the Sale of Goods Act, 1930?
 - (b) Will your answer be different if Prashant does not taste the sweet?
9. Akansh purchased a Television set from Jethalal, the owner of Gada Electronics on the condition that first three days he will check its quality and if satisfied he will pay for that otherwise he will return the Television set. On the second day, the Television set was spoiled due to an earthquake. Jethalal demands the price of Television set from Akansh. Whether Akansh is liable to pay the price under the Sale of Goods Act, 1930? If not, who will ultimately bear the loss?
10. Rachit arranges an auction to sale an antic wall clock. Megha, being one of the bidders, gives highest bid. For announcing the completion of sale, the auctioneer fall the hammer on table but suddenly hammer brakes and damages the watch. Megha wants to avoid the contract. Can she do so under the provisions of the Sale of Goods Act, 1930?
11. X contracted to sell his car to Y. They did not discuss the price of the car at all. X later refused to sell his car to Y on the ground that the agreement was void being uncertain about price. Can Y demand the car under the Sale of Goods Act, 1930?
12. "Nemo Dat Quod Non Habet" – "None can give or transfer goods what he does not himself own." Explain the rule and state the cases in which the rule does not apply under the provisions of the Sale of Goods Act, 1930.

The Indian Partnership Act, 1932

13. A, B and C are partners of a partnership firm carrying on the business of construction of apartments. B who himself was a wholesale dealer of iron bars was entrusted with the work of selection of iron bars after examining its quality. As a wholesaler, B is well aware of the market conditions. Current market price of iron bar for construction is ₹ 350 per Kilogram. B already had 1000 Kg of iron bars in stock which he had purchased before price hike in the market for ₹ 200 per Kg. He supplied iron bars to the firm without the firm realising the purchase cost. Is B liable to pay the firm the extra money he made, or he doesn't have to inform the firm as it is his own business and he has not taken any amount more than the current prevailing market price of ₹ 350? Assume there is no contract between the partners regarding the above.
14. Mr. A (transferor) transfers his share in a partnership firm to Mr. B (transferee). Mr. B felt that the book of accounts was displaying only a small amount as profit inspite of a huge turnover. He wanted to inspect the book of accounts of the firm arguing that it is his entitlement as a transferee. However, the other partners were of the opinion that Mr. B cannot challenge the books of accounts. As an advisor, help them solve the issue applying the necessary provisions from the Indian Partnership Act, 1932.
15. MN partnership firm has two different lines of manufacturing business. One line of business is the manufacturing of Ajinomoto, a popular seasoning & taste enhancer for food. Another line of business is the manufacture of paper plates & cups. One fine day, a law is passed by the Government banning Ajinomoto' use in food and to stop its manufacturing making it an unlawful business because it is injurious to health. Should the firm compulsorily dissolve under the Indian Partnership Act, 1932? How will its other line of business (paper plates & cups) be affected?
16. Whether a minor may be admitted in the business of a partnership firm? Explain the rights of a minor in the partnership firm.

The Limited Liability Partnership Act, 2008

17. A and B were friends. Now they have plans of setting up a supermarket in their locality. They are confused as to whether to register as a traditional partnership or as a Limited Liability Partnership. As an advisor, enumerate the differences between the two forms of business highlighting the compliances and other legal formalities.

The Companies Act, 2013

18. Mr. Dhruv was appointed as an employee in Sunmoon Timber Private Limited on the condition that if he was to leave his employment, he will not solicit customers of the company. After some time, he was fired from company. He set up his own business under proprietorship and undercut Sunmoon Timber Private Limited's prices. On the legal advice from his legal consultant and to refrain from the provisions of breach of contract, he formed a new company under the name Seven Stars Timbers Private Limited. In this company,

his wife and a friend of Mr. Dhruv were the sole shareholders and directors. They took over Dhruv's business and continued it. Sunmoon Timber Private Limited files a suit against Seven Stars Timbers Private Limited for violation of contract. Seven Stars Timbers Private Limited argued that the contract was entered between Mr. Dhruv and Sunmoon Timber Private Limited and as company has separate legal entity, Seven Stars Timbers Private Limited has not violated the terms of agreement. Explain with reasons, whether separate legal entity between Mr. Dhruv and Seven Stars Timbers Private Limited will be disregarded?

19. Narendra Motors Limited is a government company. Shah Auto Private Limited is a private company having share capital of ten crores in the form of ten lacs shares of ₹ 100 each. Narendra Motors Limited is holding five lacs five thousand shares in Shah Auto Private Limited. Shah Auto Private Limited claimed the status of Government Company. Advise as legal advisor, whether Shah Auto Private Limited is government company under the provisions of Companies Act, 2013?
20. Mr. A is an Indian citizen and his stay in India during immediately preceding financial year is for 115 days. He appoints Mr. B as his nominee who is a foreign citizen but has stayed in India for 130 days during immediately preceding financial year.
 - (i) Is Mr. A eligible to be incorporated as a One Person Company (OPC). If yes, can he give the name of Mr. B in the memorandum of Association as his nominee to become the member after Mr. A's incapacity to become a member.
 - (ii) If Mr. A has contravened any of the provisions of the Act, what are the consequences?

SUGGESTED ANSWERS

1. As per the rules of acceptance, the acceptance should be communicated to offeror by offeree himself or his authorized agent. Communication of acceptance by third person cannot be concluded in valid acceptance.

In the instant case, Mr. Pratham applied for a job as principal of a school and one member of the school management committee privately informed Mr. Pratham that he was appointed. Later, the management of the school appointed someone else as a principal.

On the basis of above provisions and facts, communication of appointment of Mr. Pratham should be made by school management committee or any authorised agent. The communication by third person cannot be termed as communication of acceptance. Therefore, no valid contract was formed between Mr. Pratham and school and Mr. Pratham cannot file a suit against the school for cancellation of his appointment.
2. As per Section 11 of Indian Contract Act, 1872, a minor is not competent to enter into any contract. Any agreement with minor is *void-ab-initio* means void from the very beginning. When a person forms an agreement with minor, such an agreement is devoid of any legal

consequences for the person because minor cannot be enforced by law to perform his part of performance in an agreement.

However, if minor obtains any property by fraudulently misrepresenting his age, he can be ordered to restore the property or goods thus obtained. Although no action can be taken against the minor, but if has any property (of other party) in his possession, court can order him to return the same.

Hence, in the present case, Rahul is not liable to repay ₹ 40,000 that he has borrowed from the shopkeeper, but he can be ordered by the court to return the laptop (which was in his possession) to the shopkeeper.

3. By analyzing Section 39 of the Indian Contract Act 1872, it is understood that when a party to a contract has refused to perform or disabled himself from performing his promise entirely, the following two rights accrue to the aggrieved party (promisee)
- (a) To terminate the contract
 - (b) To indicate by words or by conduct that he is interested in its continuance.

In either of the two cases, the promisee would be able to claim damages that he suffers.

In the given case,

- (i) Yes, the hotel has the right to end the contract with Mr. X, the DJ.
 - (ii) The hotel has the right to continue the contract with X. But once this right is exercised, they cannot subsequently rescind the contract on this ground subsequently.
 - (iii) In both the cases, the hotel (promisee) is entitled to claim damages that has been suffered as a result of breach.
4. Section 25 of Indian Contract Act, 1872 provides that an agreement made without consideration is valid if it is expressed in writing and registered under the law for the time being in force for the registration of documents and is made on account of natural love and affection between parties standing in a near relation to each other.

In the instant case, the transfer of house made by Mr. Ram Lal Birla on account of natural love and affection between the parties standing in near relation to each other is written but not registered. Hence, this transfer is not enforceable and his daughter cannot get the house as gift under the Indian Contract Act, 1872.

5. Section 31 of the Indian Contract Act, 1872 provides that "A contract to do or not to do something, if some event, collateral to such contract, does or does not happen" is a Contingent Contract.

Section 35 says that Contingent contracts to do or not to do anything, if a specified uncertain event happens within a fixed time, becomes void if, at the expiration of time fixed, such event has not happened, or if, before the time fixed, such event becomes impossible.

In the instant case, the contract between PQR hospital & Dr. A is a Contingent Contract because the promisor, PQR hospital need to perform his obligation of paying Dr. A, the lumpsum amount of ₹ 1,00,000, only if he contracts with Covid 19 within a span of 3 months.

In Case, if Dr. A does not contract Covid 19, then the contract stands void automatically.

- 6. Agreement - the meaning of which is uncertain (Section 29 of the Indian Contract Act, 1872):** An agreement, the meaning of which is not certain, is void, but where the meaning thereof is capable of being made certain, the agreement is valid.

For example, A agrees to sell B “a hundred tons of oil”. There is nothing whatever to show what kind of oil was intended. The agreement is void for uncertainty. But the agreement would be valid if A was dealer only in coconut oil because in such a case its meaning would be capable of being made certain.

7. As per Section 4(3) of the Sale of Goods Act, 1930, where under a contract of sale, the property in the goods is transferred from the seller to the buyer, the contract is called a sale, but where the transfer of the property in the goods is to take place at a future time or subject to some condition thereafter to be fulfilled, the contract is called an agreement to sell and as per Section 4(4), an agreement to sell becomes a sale when the time elapses or the conditions are fulfilled subject to which the property in the goods is to be transferred.
- (a) On the basis of above provisions and facts given in the question, it can be said that there is an agreement to sell between Archika and shopkeeper and not a sale. Even the payment was made by Archika, the property in goods can be transferred only after the fulfilment of conditions fixed between buyer and seller. As the white polish was done but original design is disturbed due to polishing, bangles are not in original position. Hence, Archika has right to avoid the agreement to sell and can recover the price paid.
- (b) On the other hand, if shopkeeper offers to bring the bangles in original position by repairing, he cannot charge extra cost from Archika. Even he has to bear some expenses for repair; he cannot charge it from Archika.
8. By virtue of provisions of Section 17 of the Sale of Goods Act, 1930, in the case of a contract for sale by sample there is an implied condition that the bulk shall correspond with the sample in quality and the buyer shall have a reasonable opportunity of comparing the bulk with the sample. According to Section 15, where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description. If the goods do not correspond with implied condition, the buyer can avoid the contract and reject the goods purchased.
- (a) In the instant case, the sale of sweet is sale by sample and the quality of bulk does not correspond with quality of sample. Hence, Prashant can return the sweet and avoid the contract.

(b) In the other case, the sale of sweet is the case of sale by description and the quality of goods does not correspond with description made by seller. Hence, answer will be same. Prashant can return the sweet and avoid the contract.

9. According to Section 24 of the Sale of Goods Act, 1930, "When the goods are delivered to the buyer on approval or on sale or return or other similar terms the property passes to the buyer:

- (i) when he signifies his approval or acceptance to the seller,
- (ii) when he does any other act adopting the transaction, and
- (iii) if he does not signify his approval or acceptance to the seller but retains goods beyond a reasonable time".

Further, as per Section 8, where there is an agreement to sell specific goods, and subsequently the goods without any fault on the part of the seller or buyer perish or become so damaged as no longer to answer to their description in the agreement before the risk passes to the buyer, the agreement is thereby avoided.

According to above provisions and fact, the property is not passes to Akansh i.e. buyer as no condition of Section 24 is satisfied. Hence, risk has not passed to buyer and the agreement is thereby avoided. Akansh is not liable to pay the price. The loss finally should be borne by Seller, Mr. Jethalal.

10. By virtue of provisions of Section 64 of the Sale of Goods Act, 1930, in case of auction sale, the sale is complete when the auctioneer announces its completion by the fall of the hammer or in some other customary manner.

In the instant case, Megha gives the highest bid in the auction for the sale of antic wall clock arranged by Rachit. While announcing the completion of sale by fall of hammer on the table, hammer brakes and damages the clock.

On the basis of above provisions, it can be concluded that the sale by auction cannot be completed until hammer comes in its normal position after falling on table. Hence, in the given problem, sale is not completed. Megha will not be liable for loss and can avoid the contract.

11. Payment of the price by the buyer is an important ingredient of a contract of sale. If the parties totally ignore the question of price while making the contract, it would not become an uncertain and invalid agreement. It will rather be a valid contract and the buyer shall pay a reasonable price. (Section 9 of the Sale of Goods Act, 1930)

In the give case, X and Y have entered into a contract for sale of car but they did not fix the price of the car. X refused to sell the car to Y on this ground. Y can legally demand the car from X and X can recover a reasonable price of the car from Y.

12. **Exceptions to the Rule *Nemo dat Quod Non Habet*:** The term means, “none can give or transfer goods what he does not himself own”. Exceptions to the rule and the cases in which the Rule does not apply under the provisions of the Sale of Goods Act, 1930 are enumerated below:

- (i) **Sale by a Mercantile Agent:** A sale made by a mercantile agent of the goods or document of title to goods would pass a good title to the buyer in the following circumstances, namely;
- (a) if he was in possession of the goods or documents with the consent of the owner;
 - (b) if the sale was made by him when acting in the ordinary course of business as a mercantile agent; and
 - (c) if the buyer had acted in good faith and has at the time of the contract of sale, no notice of the fact that the seller had no authority to sell. (Proviso to Section 27).

Mercantile agent means an agent having in the customary course of business as such agent's authority either to sell goods, or to consign goods for the purposes of sale, or to buy goods, or to raise money on the security of goods. [section 2(9)]

- (ii) **Sale by one of the joint owners:** If one of the several joint owners of goods has the sole possession of them with the permission of the others, the property in the goods may be transferred to any person who buys them from such a joint owner in good faith and does not at the time of the contract of sale have notice that the seller has no authority to sell. (Section 28)
- (iii) **Sale by a person in possession under voidable contract:** A buyer would acquire a good title to the goods sold to him by seller who had obtained possession of the goods under a contract voidable on the ground of coercion, fraud, misrepresentation or undue influence provided that the contract had not been rescinded until the time of the sale (Section 29).
- (iv) **Sale by one who has already sold the goods but continues in possession thereof:** If a person has sold goods but continues to be in possession of them or of the documents of title to them, he may sell them to a third person, and if such person obtains the delivery thereof in good faith without notice of the previous sale, he would have good title to them, although the property in the goods had passed to the first buyer earlier. A pledge or other deposition of the goods or documents of title by the seller in possession are equally valid. [Section 30(1)]
- (v) **Sale by buyer obtaining possession before the property in the goods has vested in him:** Where a buyer with the consent of seller obtains possession of the goods before the property in them has passed to him, he may sell, pledge or otherwise

dispose of the goods to a third person, and if such person obtains delivery of the goods in good faith and without notice of the lien or other right of the original seller in respect of the goods in good faith and without notice of the lien or other right of the original seller in respect of the goods, he would get a good title to them. [Section 30(2)].

(vi) **Sale by an unpaid seller:** Where an unpaid seller who had exercised his right of lien or stoppage in transit resells the goods, the buyer acquires a good title to the goods as against the original buyer [Section 54(3)].

(vii) **Sale under the provisions of other Acts:**

- (a) Sale by an official Receiver or liquidator of the company will give the purchaser a valid title.
- (b) Purchase of goods from a finder of goods will get a valid title under circumstances.
- (c) Sale by a pawnee under default of pawnor will give valid title to the purchaser.

13. According to section 16 of the Indian Partnership Act, 1932, subject to contract between partners –

- (a) if a partner derives any profit for himself from any transaction of the firm, or from the use of the property or business connection of the firm or the firm name, he shall account for that profit and pay it to the firm;
- (b) if a partner carries on any business of the same nature as and competing with that of the firm, he shall account for and pay to the firm all profits made by him in that business.

In the given scenario, Mr. B had sold iron bar to the firm at the current prevailing market rate of ₹ 350 per Kg though he had stock with him which he bought for ₹ 200 per Kg. Hence, he made an extra profit of ₹ 150 per Kg. This is arising purely out of transactions with the firm. Hence, Mr. B is accountable to the firm for the extra profit earned thereby.

14. As per Section 29 of the Indian Partnership Act, 1932, during the continuance of the business, a transferee is not entitled

- To interfere with the conduct of the business
- To require the accounts
- To inspect the books of the firm

He is only entitled to his share of profit.

Keeping the above points, in the given case, since the partnership business is in continuance, Mr. B is bound to accept the profits as agreed to by the partners. He cannot

challenge the accounts. He is only entitled to receive the share of profits of Mr. A (transferring partner).

15. According to Section 41 of the Indian Partnership Act, 1932, a firm is compulsorily dissolved;
- (a) by the adjudication of all the partners or of all the partners but one as insolvent, or
 - (b) by the happening of any event which makes it unlawful for the business of the firm to be carried on or for the partners to carry it on in partnership.

However, where more than one separate adventure or undertaking is carried on by the firm, the illegality of one or more shall not of itself cause the dissolution of the firm in respect of its lawful adventures and undertakings.

Here, MN has to compulsorily dissolve due to happening of law which bans the usage of ajinomoto. Else the business of the firm shall be treated as unlawful.

However, the illegality of ajinomoto business will in no way affect the legality or dissolution of the other line of business (paper plates & cups). MN can continue with paper plates and cup manufacture.

16. A minor cannot be bound by a contract because a minor's contract is void and not merely voidable. Therefore, a minor cannot become a partner in a firm because partnership is founded on a contract. Though a minor cannot be a partner in a firm, he can nonetheless be admitted to the benefits of partnership under Section 30 of the Indian Partnership Act, 1932. In other words, he can be validly given a share in the partnership profits. When this has been done and it can be done with the consent of all the partners then the rights and liabilities of such a partner will be governed under Section 30 as follows:

Rights:

- (i) A minor partner has a right to his agreed share of the profits and of the firm.
- (ii) He can have access to, inspect and copy the accounts of the firm.
- (iii) He can sue the partners for accounts or for payment of his share but only when severing his connection with the firm, and not otherwise.
- (iv) On attaining majority, he may within 6 months elect to become a partner or not to become a partner. If he elects to become a partner, then he is entitled to the share to which he was entitled as a minor. If he does not, then his share is not liable for any acts of the firm after the date of the public notice served to that effect.

17. Comparison between an LLP and partnership can be analysed on the below tabulated parameters.

	Basis	LLP	Partnership firm
1.	Regulating Act	The Limited Liability Partnership Act, 2008.	The Indian Partnership Act, 1932.
2.	Body corporate	It is a body corporate.	It is not a body corporate,
3.	Separate legal entity	It is a legal entity separate from its members.	It is a group of persons with no separate legal entity.
4.	Creation	It is created by a legal process called registration under the LLP Act, 2008.	It is created by an agreement between the partners.
5.	Registration	Registration is mandatory. LLP can sue and be sued in its own name.	Registration is voluntary. Only the registered partnership firm can sue the third parties.
6.	Perpetual succession	The death, insanity, retirement or insolvency of the partner(s) does not affect its existence of LLP. Members may join or leave but its existence continues forever.	The death, insanity, retirement or insolvency of the partner(s) may affect its existence. It has no perpetual succession.
7.	Name	Name of the LLP to contain the word limited liability partners (LLP) as suffix.	No guidelines. The partners can have any name as per their choice.
8.	Liability	Liability of each partner limited to the extent to agreed contribution except in case of willful fraud.	Liability of each partner is unlimited. It can be extended upto the personal assets of the partners.
9.	Mutual agency	Each partner can bind the LLP by his own acts but not the other partners.	Each partner can bind the firm as well as other partners by his own acts.
10.	Designated partners	At least two designated partners and atleast one of them shall be resident in India.	There is no provision for such partners under the Partnership Act, 1932.

11.	Common seal	It may have its common seal as its official signatures.	There is no such concept in partnership
12.	Legal compliances	Only designated partners are responsible for all the compliances and penalties under this Act.	All partners are responsible for all the compliances and penalties under the Act.
13.	Annual filing of documents	LLP is required to file: (i) Annual statement of accounts (ii) Statement of solvency (iii) Annual return with the registration of LLP every year.	Partnership firm is not required to file any annual document with the registrar of firms.
14.	Foreign partnership	Foreign nationals can become a partner in a LLP.	Foreign nationals cannot become a partner in a partnership firm.
15.	Minor as partner	Minor cannot be admitted to the benefits of LLP.	Minor can be admitted to the benefits of the partnership with the prior consent of the existing partners.

18. It was decided by the court in the case of *Gilford Motor Co. Vs. Horne*, that if the company is formed simply as a mere device to evade legal obligations, though this is only in limited and discrete circumstances, courts can pierce the corporate veil. In other words, if the company is mere sham or cloak, the separate legal entity can be disregarded.

On considering the decision taken in *Gilford Motor Co. Vs. Horne* and facts of the problem given, it is very much clear that Seven Stars Timbers Private Limited was formed just to evade legal obligations of the agreement between Mr. Dhruv and Sunmoon Timber Private Limited. Hence, Seven Stars Timbers Private Limited is just a sham or cloak and separate legal entity between Mr. Dhruv and Seven Stars Timbers Private Limited should be disregarded.

19. According to the provisions of Section 2(45) of Companies Act, 2013, Government Company means any company in which not less than 51% of the paid-up share capital is held by-
- (i) the Central Government, or
 - (ii) by any State Government or Governments, or

- (iii) partly by the Central Government and partly by one or more State Governments, and the section includes a company which is a subsidiary company of such a Government company.

According to Section 2(87), "subsidiary company" in relation to any other company (that is to say the holding company), means a company in which the holding exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.

By virtue of provisions of Section 2(87) of Companies Act, 2013, Shah Auto Private Limited is a subsidiary company of Narendra Motors Limited because Narendra Motors Limited is holding more than one-half of the total voting power in Shah Auto Private Limited. Further as per Section 2(45), a subsidiary company of Government Company is also termed as Government Company. Hence, Shah Auto Private Limited being subsidiary of Narendra Motors Limited will also be considered as Government Company.

20. As per the provisions of the Companies Act, 2013, only a natural person who is an Indian citizen and resident in India (person who stayed in India for a period of not less than 120 days during immediately preceding financial year) –

- Shall be eligible to incorporate an OPC
- Shall be a nominee for the sole member.

- (i) In the given case, though Mr. A is an Indian citizen, his stay in India during the immediately preceding previous year is only 115 days which is below the requirement of 120 days. Hence Mr. A is not eligible to incorporate an OPC.

Also, even though Mr. B's name is mentioned in the memorandum of Association as nominee and his stay in India during the immediately preceding financial year is more than 120 days, he is a foreign citizen and not an Indian citizen. Hence B's name cannot be given as nominee in the memorandum.

- (ii) Since Mr. A is not eligible to incorporate a One Person Company (OPC), he will be contravening the provisions, if he incorporates one. He shall be punishable with fine which may extent to ten thousand rupees and with a further fine which may extent to One thousand rupees every day after the first during which such contravention occurs.

SECTION -B: BUSINESS CORRESPONDENCE AND REPORTING

QUESTIONS

Part-A

Chapter-1 Communication

1. What are the different types of Formal Communication?
2. How do cultural barriers affect communication? Discuss.

Part-B

Chapter-2 Sentence Types, Active-Passive Voice and Direct-Indirect Speech

1. Change the following sentences into passive voice.
 1. Did she do her duty?
 2. The tiger was chasing the deer.
 3. She has learned her lessons.
 4. Have you finished the report?
 5. The police have caught the thief.
2. Change the following sentences into active voice.
 1. The jackpot will be won by her.
 2. Yam is eaten by people in my country
 3. The mother tongue would be taught to him by her.
 4. A stone was being thrown by the kid.
 5. The door had been knocked at by someone
3. Change the following sentences into indirect speech.
 1. She said, "He works in a bank."
 2. He said, "I'm coming!"
 3. She said, "We went out last night."
 4. Neeraj said, "I was waiting for the bus when he arrived."
 5. Mother said, "You should go to bed early."

Chapter-3 Vocabulary

1. Select a suitable synonym that best expresses the meaning of the words
 1. Acumen
(a) Abundance (b) Bitterness (c) Deficit (d) Quickness of insight

2. Nascent
 - (a) Initial (b) Unpleasant (c) Latest (d) Crude
 3. Interim
 - (a) Temporary (b) Internal (c) Timely (d) Interval
 4. Perspicacious
 - (a) Bad (b) Clear (c) Hazy (d) Shrewd
 5. Incensed
 - (a) Affected (b) Incited (c) Encouraged (d) Inspired
2. Select a suitable antonym that best expresses the opposite meaning of the words
1. Anomalous
 - (a) Usual (b) Connected (c) Vicious (d) Capacious
 2. Preposterous
 - (a) Apologetic (b) Credible (c) Conceited (d) Complacent
 3. Puissance
 - (a) Repudiation (b) Impotence (c) Approbation (d) Ignorance
 4. Deleterious
 - (a) Inclusive (b) Impulsive (c) Pathetic (d) Salubrious
 5. Jocose
 - (a) Diseased (b) Playful (c) Dull (d) Humorous
3. Choose the option that best expresses the meaning of each of these idioms
1. With open arms
 - (a) Warmly (b) Cold blooded (c) Resemble (d) Coldly
 2. By leaps and bounds
 - (a) very slow (b) very fast (c) in details (d) aimlessly
 3. Lions share
 - (a) look angrily (b) major part (c) lions food (d) heart of the prey
 4. To cry wolf
 - (a) To refer to (b) To emphasise (c) To have no result (d) To give false alarm

5. A turn coat

- (a) One who changes opinion or party (b) A wet coat (c) A poor man (d) Man of principal one's opinion or party

Part-C

Chapter-4

1. Read the passage carefully and answer the questions that follow:

There are two ways of carrying out most of the operations we perform in the course of our daily life and work. We may learn by trial and error to perform the operation and afterwards repeat it mechanically, as when a man learns to drive a car without knowing what goes on under the bonnet. Or we may study the true nature of the operation and see why we use the methods we do, as when a motorist studies and understands the mechanism of his car. Both men may succeed in conveying their families to and from a Sunday picnic, but there is no doubt as to who will be potentially the better driver and the one more capable of dealing with a breakdown should it occur.

Selling is another such operation. The mechanism of a sales transaction is infinitely more complicated than that of the most expensive motorcar since selling involves the inter-play of human motives and reactions rather than of mechanical principles. Yet it is possible for a salesman to sell mechanically – and all too many of them do! But for true success in selling an appreciation of those human motives and reactions is indispensable.

When we look at the chain of processes by which goods and services of all kinds are placed at the disposal of the final consumer, we find one kind of link which is common to all types of merchandise and all kinds of service. That link is the sale. It may appear several times in one chain – as where raw wool is sold to the spinner, who sells the resultant yarn to the weaver, the latter selling the cloth made from the yarn to the maker-up, who in turn sells the garment made from the cloth to the retailer to be re-sold to the ultimate wearer. Or it may appear only once, as it does when a smallholder picks the fruit from his orchard and sells it by the roadside. Wherever man produces, other than for his own personal consumption, there is the raw material of a sale – that link which joins together the producer and consumer; a link, therefore, every bit as important as the manufacturing processes which change the shape of raw materials to the finished article, and transportation which changes the location of raw materials and the finished products.

The first thing we notice in examining this link is that it brings about an exchange between two parties. Now if each of two parties has something that the other wants, and if the two units can be equated, it is clear that an exchange could take place. A hungry tailor and a thread-bare baker could obviously 'do business'. The difficulty of expressing the want for

a suit of clothes in terms of loaves of bread is overcome, in all but the most primitive economies; by the use of a medium in terms of which both wants can be measured.

This medium of exchange, or 'money', is also used to facilitate, by remote control as it were, the exchange itself. Wants, in our modern civilization, are complex and varied. These wants are satisfied by individuals and organizations each performing a part only of the process which produces the finished article. The marrying of wants and satisfactions directly would be an impossible task – the hungry tailor might search along while with a suit of clothes over his arm before he found a threadbare baker willing to make the necessary exchange. And even this picture is an over-simplification of the problem in these days of the minute subdivision of labour, when the 'tailor' might be the operator of a button-hole stitching machine and the 'baker' a maintenance mechanic or a backhouse oven. As we know, each exchanges his 'product' for a common medium in the shape of money, which he then uses to procure the satisfaction he desires.

1. According to the passage what is/are the way(s) to perform operations of life are?
 1. Learning by trial and error
 2. Repeating it mechanically
 3. Studying the true nature of the operation
 4. Driving a car without knowing what goes on under the bonnet
 - a. 1 & 3
 - b. 1, 2 & 3
 - c. 3 & 4
 - d. Only 1
2. Why selling operation is more complicated than that of the most expensive motor car?
 - a. The true success in selling is an appreciation of human motives and reactions
 - b. Selling involves the inter-play of human motives and reactions rather than of mechanical principles.
 - c. One can learn driving a car without knowing what goes on under the bonnet.
 - d. We can study the nature of the operations in selling process.
3. The link that is common to all kinds of merchandise and all kinds of services is
 - a. The chain of processes
 - b. Sale
 - c. The producer and consumer

- d. Manufacturing process
- 4. A hungry tailor and a thread-bare baker could obviously 'do business' because
 - a. They want 'money' in exchange.
 - b. Their units can be equated.
 - c. Each of the two parties has something that the other wants
 - d. They are just performing their part/role.
- 5. Which is the most suitable one-line central idea of the passage?
 - a. Business between a tailor and a baker.
 - b. Process by which goods and services of all kinds are placed at the disposal of the final consumer.
 - c. Selling as a link which is common to all types of merchandise and all kinds of services
 - d. Concept of business in modern world.
- 2. Read the passage carefully and answer the questions that follow:

Raising funds for elections has been a unique feature of Indian politics from the very beginning and it will not be wrong to say that it is one of the most dominant motive forces behind political corruption. A strange hawala scandal came to light in January 1996, which was then the chief vehicle exclusively for politicians to raise election funds for their parties and themselves via illegal foreign exchange transactions. This raised huge public attention on both corruption and its linkage with our great democratic festival of elections. The explosion of the corrupt fund-raising incidents in connection with arms deals by Tehelka.com in March 2001 was the next mind-blowing eye-opener for all. The notorious incidents highlighted the requirement for reform of party and election finance, including the possible option of state funding of elections. To have a clear blotless democracy the need of Political finance reform is a must as elections are the foundation. What will happen to our great building of democratic India if its foundation stones have been sunk in the waters of corruption before using?

There are a lot of working systems managing political, including election, finance around the world. The funds are needed for various operations of Political parties: election campaigns, inter-election maintenance of their organizations and political activities, and support of research and information infrastructure for the parties. Election campaigns are always the primary visible activity requiring funds. Unfortunately, this has made political parties (of the right and centre) unduly dependent on big business houses and wealthy individuals. On the other hand Parties of the left became dependent on the collective contributions of workers, often channelled through affiliated trade unions. Such interests, typically, seek rents as a quid pro quo for political donations.

We have to get to the roots of the problem to bring election finance reform. We need to have a focused spotlight and restructuring management related to the election campaign costs, laws to maintain transparency in the election-related fundraising and checks for corruption scandals. It was widely felt worldwide that a free-for-all system of election fundraising gave excessive power to the rich business organizations and individuals, not only over left-of-centre parties but even pro-business parties and politicians.

If we study the fundamentals of political finance reform in democracies worldwide, we would have certain characteristics conspicuous to us: limits on expenditure including sub-limits on particular expenditure; limits on contributions from individuals and organizations; public funding, full or partial, of elections and/or parties; and reporting and disclosure of election, party and candidate finances in some form as an administrative pre-requisite for implementation of any or all of the above.

It is a fact that some democracies have more frequently applied limits on expenditures than limits on contributions to parties/candidates. The point that they missed is that their limitation laws applied only to election campaigns, usually limited to the format period of the campaigns, rather than to general party expenditures. They aimed to reduce costs for all contestants, thus indirectly addressing the issue of equality of political opportunity. Usually, the limits apply to the amounts that candidates and/or parties may spend on election campaigns. Within these overall maxima, there are often limits on the amounts that may be spent on particular items, for example, broadcasting, advertising, wall posters and billboards.

1. According to the passage what is/are the reason(s) for warranting a discussion on political finance reform?
 1. Increasing costs attached to political campaigns.
 2. The polity's concern for equal opportunity for political participation.
 3. Instances of corruption.
 4. Political parties' excessive dependence on big business and wealthy individuals.
 - a. 2 and 4
 - b. 1, 2 and 3
 - c. 1 and 3
 - d. 2, 4 and 3
2. What according to the passage is the difference between parties of the left and right in the dependence on funds for election campaign?
 - a. Political parties of the left depend on the collective wealth of the unions whereas those of the right depend on big business and wealthy individuals

- b. Political parties of the right depend on large business organizations and affluent individuals whereas those of the left depend on the collective contribution of workers.
 - c. Political parties of the right depend on large MNCs and corporate houses whereas those of the left depend on contributions from the common man.
 - d. Political parties of the right depend on their networks of influential individuals whereas those of the left depend on contributions from the trade unions.
3. Political funds are used for which of the following purpose (s)?
- 1. To influence the electorate.
 - 2. To ensure inter-election maintenance of the political organization and political activities.
 - 3. To allow for sustenance of research infrastructure for the political parties.
 - 4. To introduce an understanding of political issues amongst the electorate.
 - a. Both 1 and 4
 - b. Only 2, 3 and 4
 - c. Both 3 and 4
 - d. Both 2 and 3
4. What is the primary purpose of the passage?
- a. Discuss the need for reform of political finance.
 - b. Discuss the methodology to ensure political finance reform.
 - c. Discuss the ways and means to bring about stability of democracy.
 - d. Discuss the need for reducing widespread cynicism about parties and politicians
5. According to the passage, democracies worldwide focus on which main characteristics of political finance reform?

Chapter-5

1. Read the following passages carefully. (i) Make notes, using headings, sub-headings and using abbreviations wherever necessary. (ii) Write summary.

Life began to change in England in the middle of the eighteenth century, when machines began to appear. Driven by waterwheels, James Hargreaves's *spinning jenny* carded wool or cotton. *Carding* means to comb the tangled fibers so that they could be spun into yarn or thread. (*Jenny* is short for "engine."). Sir Richard Arkwright invented a machine that did the spinning. It twisted wool or cotton into yarn and thread many times faster than the most

skilful person with a hand-turned spinning wheel could do it. Edmund Cartwright also helped to found another industry by inventing a rope-making machine. Machines to produce other goods followed at a dizzying rate.

When cloth-making and other crafts were done by hand and depended on human muscle for power, they were done at home. It would have made no sense to have 50 women working at hand-turned spinning wheels under one roof. Dozens of the new machines, however, could be turned by a fast-running river or by a stream engine, which had also been invented in English. Workers, mostly girls and women at first, had to be brought to the riverside factory or mill, with its whirring belts and pulleys. Because they worked 14 or 16 hours a day and walked to work, they could not live too far from the mill. Among its many effects, the Industrial Revolution caused the rapid growth of cities and towns.

The Industrial Revolution made Great Britain the world's richest nation and, in time, the most powerful. The textiles that English mills turned out by the ton were better and cheaper than handmade cloth. Every country in the world wanted to buy them.

Understandably, the British placed a high value on their machinery. The cloth was for sale, but not the spinning jennies and power looms that made it. In fact, it was illegal for anyone who worked in a textile mill to leave the country, because with them would go their knowledge of the machines.

In 1789, Samuel Slater, a 23-year-old English machinist, heard that American state legislatures had offered large sums of money to machine experts who would defy the British law and come to the United States. He managed to slip out of Great Britain and get to New York. There he announced that he had memorized the plans for an entire spinning factory and was prepared to build one. Moses Brown, a wealthy Quaker merchant, was quicker than anyone else. He wrote to Slater, "If thou canst do this thing, I invite thee to come to Rhode Island and have the credit of introducing cotton-manufacturing into America."

2. The myth of modern man does not do away with the truth that man always remains essentially the same with regard to his moral obligation, his need of redemption and the true sources of happiness. Man, as such, always lacks of some positive good. He always lacks of something required for an adequate adjustment and efficiency. Man is complex and needs many things.

Psychologists speak of different basic needs. Freud said that man wants most of all to be loved. Adler, that he wants most of all to be significant. Jang, that he wants security. A need is the lack of some good. If we consider it in the philosophical sense, good is something that fits to one's nature, either because it is necessary – something which completes or perfects a person. The need may be physiological, psychological, social or religious. The satisfaction of material needs is more of an economic and political problem than the psychological. While it is not always in our power and ability to satisfy the former,

much depends upon our efficiency, maturity and inner growth to satisfy, possess and enjoy the latter- psychological, social and religious needs.

Man for the development of his personality needs adequate food, adequate housing, adequate rest and recreation, economic autonomy and security and physical health. These are basic necessities without which we can hardly say that man lives a human life and their satisfaction is a matter of daily concern to each of us. Failure to satisfy some of the material needs may affect our health – bodily and mental, even result in death. Of course, the solution to many of these problems depends also on man's mental moral and spiritual outlook.

Many people are unaware of the emotions that might be responsible for their inefficiency. They frequently have emotions of a wrong variety because the basic psychological needs are neglected. Psychological needs are many and diverse. Generally they are numbered up to 13, but they can be reduced to six basic needs. Perhaps they are more important than material needs for the proper adjustment and efficiency of a person. Failure to satisfy any of these needs may disturb mental health and affect efficiency both at home and at work.

Man is an animal both social and cooperating. He does not live and play alone. He needs the family, the group and society. He depends on his fellowmen if he is to survive. Cooperation enables him to become a specialist and to do his work well. In this specialisation he finds a sense of accomplishment and fulfilment. Man's efficiency depends on his relationship with his fellowman, on his communion with another person, which leads him to experience him as another self, and therefore makes him willing to protect him, perfect him, develop him and make him become something.

Chapter-7 Précis Writing

1. Write précis and give appropriate titles for the passages given below.

1. Retailers are generally inclined to saying that the only thing that matters most is the location. No doubt it is a traditional view that real estate plays a vital role and good location does give a good launch. While more and more talented people today have taken on the reins to deliver growth across organisations, a key enabler has been the real estate space that we have at our disposal.

It is a fact that our organization does not own most of the real estate spaces that we operate on. We have a clear, strong and vibrant model of establishing shopping malls based on renting them out from developers and real estate owners on long-term contracts. While during the initial years of our business, there were hardly any shopping malls in the country, the scenario is clearly quite different today. It is a fact that a lot of business organizations and critics were not convinced about the latent potential of modern retail in the country even till a few years back. But we were optimistic, well planned and super energetic and were ready to place a bet on the

future based on our direct experience of the growing consumerism in the country. Anyhow we booked a substantial amount of retail space.

Rising real estate costs, especially in the metros, seem to be the single biggest impediment to the growth of this sector now. On the one hand, consumers have a lower disposable income to spend on shopping, since a large chunk of their income goes into servicing mortgages and home loans. On the other hand, high real estate prices increase cost should be less than five percent of the total sales of a store in order to provide maximum benefit to customers. At the current rates, it can be as high as fifteen to twenty percent.

Fortunately, we do not pay such high rents because we secured our spaces much before other retailers joined in and before the prices shot through the roof. This foresight is now helping us deliver more value at a reasonable cost to our customers.

Though our study in the field we were convinced that a retailer doesn't need to choose the most posh part of a city in order to be a successful. We are in the opinion to look at the future potential of a locality rather than the current profile. When it comes to choosing the right location we mostly bank on a lot of soft data and general observations. We visit neighbouring markets attempt to understand the kind of products that are accessible at the nearest shops, speak to individuals in that particular zone and try to perceive their shopping pattern. It has come to our experience that often extremely unconventional tools have proved to be the best way to judge the potential of a particular city or locality, rather the catchment analyses or consultant reports.

2. India has progressed in leaps and bound in the nineties. The country has not only attempted sustained efforts to improve equity but attained the second highest rate of economic development globally also. There are numerous indications of uplifting trends in the deepening of Democratic roots along with a win-win situation on social fronts. Social transition has moved further along with leaders from the lower castes now occupying the highest political offices in several provinces. In harmony with the strong-stream of growth, Indian companies have materialized as ambitious multinationals with major acquisitions abroad and ready to take on bigger challenges. The world, having recognized these accomplishments, has apparently decided that despite some ostensible weaknesses in public governance – headstrong poverty, low levels of human development indicators and mounting left-wing extremism – India deserves to have a place at the global high table.

The beginning of India's appearance as a global leader can be traced back to the BRICS report by Goldman Sachs. His reports simply projected that the Indian economy will be the third largest in the world by 2050 as per its prevailing GDP growth rates. Higher rates of growth sustained over the present decade, despite internal political upheavals, external shocks and global crisis, have further reinforce India's claim to be included in any new architecture of global governance. This was reflected by India's inclusion initially as member of the O-5 group that along with the G-8 made up the HAP process, which

unfortunately met an early demise. India was then given a prominent role in the G-20 grouping and its working groups and in the in constituted financial Stability Board.

The rising Sun of India's global growth is best captured in that heads of state of all five permanent members of the UN Security Council visited Delhi between July and December 2021. President Obama was very much in tune with Indian claim; he stated that India was not just an emerging but an emerged power. And to further strengthen the sentiment, both President Obama and subsequently President Sarkozy, during their visits endorsed India's bid to secure a permanent seat in the UN Security Council to which it has already been elected as a temporary member for two years starting 2021.

This great acknowledgment by the existing world leaders justifies a long-standing aspiration of the great nation of being treated as a global player and not being consigned to a mere regional power, being linked with a rogue state like Pakistan. The Indian political leadership, its diplomats and civil servants, in pursuit of this genuine recognition, have in the past persistently tried to highlight its potential in numerous ways.

Chapter-8 Article Writing

1. Write an article in 250-300 words on the following topics:
 - (i) 'Environmental Pollution – A Global Problem'
 - (ii) Problems of Youth

Chapter-9 Report Writing

1. An NGO, 'Healthy India' organized a health check-up camp in a slum at Mumbai. You visited the camp. Write a report in 250-300 words covering advertisement, arrangements etc.
2. You are an active member of 'Love Animals Save Animals' Club which works for the welfare of animals by preventing cruelty to them. Recently, you visited Indian Animal Care Home. You were pleasantly surprised to see the good treatment given to animals. Write a report in 250-300 words on your visit.

Chapter-10 Formal letters and Official Communication

1. Write a letter as a reply to an inquiry about 'Flora' Silk Sarees of your manufacturing unit. Give details about price and other important information regarding your products.
2. You are purchase manager of a company. You had ordered a 100 units of a product from a company in Mumbai. While checking, the consignment was found to be poor in quality. Write a complaint letter to the Sales Manager to replace the order.

Chapter-11 Writing formal mails

1. Write a mail to one of the customer of your company's product 'Tummy Trimmer' to write a review about the product.

2. Write a mail to prospective clients, introducing your organization and informing about the products/services offered by your company.

Chapter-12 Resume Writing

1. Prepare a Cover Letter and detailed resume for a candidate applying for the post of Article Assistant in a CA Firm.
2. There is an urgent job opportunity in An Established Chartered Accountancy (CA) Firm for the job of qualified / competent Chartered Accountant. Prepare a Cover Letter and detailed resume for a candidate applying for the post.

Chapter-13 Meetings

1. The Marketing Head of ABC Co – Northern Region, a car manufacturing company, plans to conduct a Monthly Sales Meeting. Set an agenda for the meeting (introducing new starters; health & safety update; product revision update; Sales results & forecasts; New product launch; upcoming initiatives)
2. An organization ABC Co., had a quarterly sales meeting of Zone A, B, C & D. The senior management along with managers from all zones, Manager Sales & Marketing, Production Manager, Senior Manager Accounts and Tech-range Chief Engineer discussed various issues like health & safety update, product revision update, sales results & forecasts; Prepare minutes of the meeting with participants in discussion.

SUGGESTED ANSWERS

Revisionary Test Paper December 2021

CA Foundation Paper 2B Business Correspondence and Reporting

Answers

Chapter-1 Communication

1. **Formal communication:** Formal communication, both oral and written, follows certain rules, principles and conventions in conveying the message. The hierarchy in the organisation has to be followed. Formal format, style and language have to be used. The communication pattern can be vertical, horizontal or diagonal.
 - **Vertical:** Information can flow upwards or downwards in the organisation. Data that is collected flows up to the top levels of management for review and decision making, while instructions and orders are passed down from the managements/ seniors to the subordinates for implementation.
 - **Horizontal:** Horizontal communication that involves communication between two parts of the organisation at the same level. For example, the managers of a project

in a company may hold a regular daily, weekly or monthly meeting to discuss the progress of the project.

- **Diagonal:** Cross-functional communication between employees at different levels of the organisational hierarchy is described as diagonal communication. Diagonal communication is increasingly common in larger organisations. It reduces the chances of distortion or misinterpretation by encouraging direct communication between the relevant parties. For example, a junior engineer reports directly to the General Manager regarding the progress on the project.
2. Cultural differences between people from various countries, regions tribes and, religions, where words and symbols may be interpreted differently can result in communication barriers and miscommunications. Multinational companies offer special courses and documents to familiarise their staff with the culture of the country where they are based for work.

Chapter-2 Sentence Types Active-Passive Voice and Direct-Indirect Speech

Ans. 1.

1. Was her duty done by her?
2. The deer was being chased by the tiger.
3. Her lessons have been learnt by her.
4. Has the report been finished by you.
5. The thief has been caught by the police.

Ans. 2

1. She will win the jackpot.
2. People eat yam in my country.
3. She would teach him the mother tongue.
4. The kid was throwing a stone.
5. Someone had knocked at the door.

Ans. 3

1. She said that he worked in a bank.
2. He said that he was coming.
3. She said that they had gone out last night.
4. Neeraj said that he had been waiting for the bus when he arrived.
5. Mother instructed that I should go to bed early.

Chapter-3**Ans.1**

1. d, 2. a, 3. a, 4. d, 5. b

Ans. 2

1. a, 2. b, 3. b, 4. d, 5. c

Chapter-4**Ans. 1**

1. a 2. b 3. b 4. c 5. c

Ans. 2

1. c 2. b 3. d 4. a 5. a

Ans.3

1. a, 2. b, 3. b, 4. d, 5. a

Chapter-5**Ans.1****INDUSTRIAL REVOLUTION & ENGLAND****I. Changed life in England**

I. (i) Mddl of 18th century

(ii) Mchns appear

I.(ii) a. Spngjenny by JH

I.(i) b. SpngMchn by SRA

I.(i) c. Rope-makgMchn by EC

I.(iii) Mchnsprdc other goods

II. Riverside Factories or Mills

II. (i) No dpndncy on human msl

(ii) Less workers on spngwhls

(iii) Riverside factory or mill rplcd Homes

(iv) Rpd growth of cities

III. Monopoly

III. (i) GB

- III. (i) a. Richest nation
- III. (i) b. Most powerful
- III. (ii) English Textiles
 - III. (ii) a. b & c
 - III. (ii) b. In Dmnd
- IV. Secrecy
 - (i) Mchns not on sale
 - (ii) Mill wrkrs can't leave cntry
- V. Experts Reach America
 - (i) SS Defy British Law
 - V. (i) a. Slip to NY, US
 - V. (i) b. Memorised plan for spngfctry
 - (ii) Wealthy Quaker Mrchnt invitation for cotton-mnfctng

KEY:-

1. Mddl - Middle
2. mchn – machine
3. mchns – machines
4. spng – spinning
5. makg – making
6. prdc – product
7. dpndncy – dependency
8. msl – Muscle
9. whls – wheels
10. rplcd – replaced
11. rpd– rapid
12. dmnd – demand
13. wrkrs – workers
14. cntry – country
15. fctry – factory

Abbreviations:

1. JH – James Hargreaves
2. SRA – Sir Richard Arkwright
3. EC – Edmund Cartwright
4. GB – Great Britain
5. b & c – better & cheaper
6. SS – Samuel Slater
7. NY – New York
8. US – United States
9. Mrchnt - Merchant
10. Mnfctrng – manufacturing

SUMMARY

Inventions of machine brought a great change in England in the middle of the eighteenth century. It ended the era of dependency on human power in cloth-making and other craft industry. Fast-running rivers and especially stream engine played a very important role in the process of establishing riverside factories or mills. This caused a rapid growth of cities and towns in the Great Britain. The raising demand of textiles of English mills made Britain the world's richest and most power nation. It became illegal for a mill worker to leave the country or leak the knowledge of machines. Nevertheless, the expertise researched America.

- I. The myth of modern man
 - I. (i) Same with rgrd
 - I. (i) a. Moral oblgtn
 - I. (i) b. Nd of rdmpn
 - I. (i) c. True sources of hppnss
 - I. (ii) Lacks
 - I. (ii) a. some +ive good
 - I. (ii) b. adequate adjtmnt&effncy
 - I. (iii) Complex &nds many thngs
- II. Psychologists on Man
 - II (i) Dffrnt basic nds

- II. (i) a. Freud - to be loved
- II. (i) b. Adler - to be significant
- II. (i) c. Jung - security
- II (ii) Needs described
- II.(ii) a. lack of some good
- II.(ii) b. physiological, psychological, social or religious
- II (iii) Good described
- II (iii) a. completes or perfects person
- II (iv) Psychological needs
- II (iv) a. not always satisfied
- III. To Develop personality
- III. (i) Man needs
- III. (i) a. adequate food
- III. (i) b. adequate housing
- III. (i) c. adequate rest & recreation
- III. (i) d. EA
- III.(i) e. security & PH
- III. (ii) If not satisfied
- III. (ii) a. may affect health
- III. (iii) Solution – MMS Outlook
- IV. Emotions & Inefficiency
- IV. (i) Neglected psychological needs
- IV. (i) a. Emotions of wrong variety
- IV. (ii) Psychological needs
- IV. (ii) a. 13 in number
- IV. (ii) b. 6 basic needs
- IV. (ii) c. important than material needs
- IV. (iii) Failure to satisfy emotional needs
- IV. (iii) a. disturb mental health

IV. (iii) b. affect effcncy

V. Social Nds

V. (i) Man social animal

V. (i) a. not live alone

V. (i) b. work well when cprt

V. (i) c. finds acplsmt& fulfilment

V. (ii) Man's effcncy

V. (ii) a. dpnds on rltnshp

V. (ii) b. Experience as another self

V.(iii) Willing to bcmsmthg

Key:-

1. rgrd – regard
2. oblgtn - obligation
3. rdmpn – redemption
4. hppnss – happiness
5. +ive – positive
6. Adjtmnt – adjustment
7. Effcncy – efficiency
8. Nd – need
9. Nds - needs
10. Thngs – things
11. Dffrnt – different
12. Sgnfcnt – significant
13. Scrty – security
14. Dscrbd – described
15. Physlgcl – physiological
16. Psychlgcl – psychological
17. Prsn – person
18. Stsfd – satisfied

19. Adqt – adequate
20. Rcrtn - recreation
21. Nglctd – neglected
22. Nmbr – number
23. Imprnt – important
24. Stsfy – satisfy
25. Dstrb– disturbed
26. Cprt - cooperate
27. Acplsmt – accomplishment
28. Dpnds – depends
29. Rltnshp – relationship
30. Bcm – become
31. Smthg
32. EA – Economic Autonomy
33. PH – Physical Health
34. MMS – Mental, moral & spiritual

SUMMARY

Moral obligations, need of redemption and the true sources of happiness are always important for a man. There always exists something that he lacks. According to psychologists like Freud, Adler and Jung he wants love, significance and security respectively. In the philosophical sense something good completes him. Psychological, social and religious needs are linked with efficiency, maturity and inner growth. The dissatisfaction related to basic necessities leads to physical as well as mental hazards and can effect on efficiency level. Psychological needs are more important than material needs. Man, being a social animal, can find satisfaction, efficiency and fulfilment through cooperation and good relationship with his fellowmen.

Chapter-7

Strategies in retail

In retail sector, space and location are important. A good location lends a good launch. Real estate spaces should be rented on long-term contracts from owners and developers rather than owned by retailers for the establishment of shopping malls. Author's team could manage to get spaces for his stores at comfortable prices. His malls could deliver more value to the customers, who generally allocate a very small part of their income for shopping. This could only happen

as they focused on future potential of a locality rather than the current posh area of a city. The strategy to study the market and perceive shopping pattern in an area through extremely unconventional methods paved a clear path for their success.

India: A growing Power

India has raised its status in almost all facets in the nineties. It has exhibited growth on not only economic front globally but has strengthened its democratic roots also. The world has recognized its harmony on social grounds as well as its empowering status in the field of international business. Being the third largest economy in the world India has all the ingredients of a world leader. Report by Goldman Sachs clearly states India's role in G-20 and the visit by the heads of states of all five permanent members of the UN Security Council are clear indicators of its emerging as a new global leader. The strong support of President Obama and President Sarkozy have clearly justified India's claim to be treated as a great global player.

Chapter-8

Answer Hints:

Environmental Pollution

- a matter of great concern
- self-created problem of man, a menace
- disturbs ecological balance
- need of the hour to protect and preserve the environment
- Causes:
 - rapid deforestation
 - depletion of the ozone layer
 - global warming
 - rapid urbanization
 - industrial wastes, garbage and dirt
- Effects:
 - melting of the polar glaciers
 - swallowed forests
 - famines, floods, landslides, soil erosions
 - polluted cities
- Solution
 - Afforestation

- Vertical gardening
- Awareness about green spaces
- Recycle waste
- Reuse articles
- Shifting to renewal energy

Problems of Youth

1. Causes

- Over ambitions parents
- Pressure of society
- Bullying taunting & teasing by fellow students
- Peer pressure
- Ragging
- Cyber bullying
- Substance Abuse
- Cut throat competition
- Forced career choices

2. Effects

- Succumb to very high amount of pressure
- Mental Health deteriorates
- Commit suicide
- Commit crimes

3. Solutions

- Inculcating Habit of Good reading
- Developing empathy
- Being informed about the child's academic progress
- Soft skills and personality development classes
- Developing hobbies
- Active engagement in outdoor games
- Becoming friends to your children

- Lending a patient ear
- Have meals together
- Spending quality time
- Consulting a professional Counselor

Chapter-8**Ans-1**

1. Organizing under the guidance of
2. Collaboration with hospital
3. Advertisement through banners, posters etc.,
4. Registration for
 - Free full body checkup
 - Free pathological test
 - General health checkup
 - A voluntary blood donation camp
 - Eye check-up stall
 - Skin Care stall
 - Kids Care
 - Blood Pressure & sugar checkup
5. Team of physicians, dentists, gynecologists
6. Free consultation for:
 - Chronic back pain
 - Osteoporosis in females
 - Malnutrition and deficiencies in children
 - Inoculation derive for infants
7. Free medicine
8. Wellness programmes (special stall)
9. Simple Exercises & yoga

2. Visit to Animal Care Home Answer hints:
 1. Importance of Animal Care
 2. Magnanimity of human heart
 3. A natural feeling of contentment
 4. Abandoned pets are well taken care of
 5. A wonderful shelter
 6. Treatment provided to injured animals
 - Well-equipped medical room
 - Veterinary surgeon
 7. Given for adoption
 8. Clean enclosures
 9. Helpline for animal ambulance
 10. How to donate
 - Process of donation
 - Tax exemption, if any

Chapter-10 Formal Letters and Official Communication

Production Manager 27th July 20XX

ABC Silk Sarees,

Surat, Gujrat

Mr Vikram Kumar

Purchase Officer

Saree Bazar, New Delhi

Subject: Regarding your inquiry about 'Flora' Silk Sarees

Dear Sir

We thank you for your inquiry of 19th July, 20XX for assorted 'Flora' Silk Sarees. We appreciate the interest that you have shown in our products. You might, perhaps be aware of that ours is an established silk manufacturing unit with over fifty years of reputation. Recently we have introduced three new varieties of Silk Sarees namely 'Flora', 'Radha' and 'Ramayana' in rainbow colours and attractive designs.

Since we earnestly desire to secure larger orders, we have quoted very low prices on attractive terms. No shipping charges will be levied on orders amounting to Rs. 30,000 or more. As there are indications of rise in silk prices, we shall be unable to repeat these prices and terms after our present stock is exhausted. We recommend you to place your order before 20th August 20XX. Your order will receive our prompt attention.

Yours faithfully,

Mr. DFG

Production Manager

Encl: Catalogue.

Answer 2

VJ Dealers

Date: Feb. 7, 20XX

21, Station Road

New Delhi – 22

The Sales Manager,

SDF Traders,

15, Industrial Road

Ramnagar, Mumbai

Subject: Complaint for Order No. XXXX dispatched on 3rd Feb. 20xx

Mr. BNM,

With reference to the subject, Order No. XXXX for 100 units of product id xxxxx was placed dated 22th Jan 20xx. The consignment received on 3rd Feb, 20xx has been found to be of poor quality and much higher in price as compared to the previously supplied units.

You are hereby requested to replace the order within 5 working days, failing which the order will be summarily cancelled.

We look forward to swift action at your end.

Yours Faithfully,

Mr. CVB

Purchase Head

VJ Dealers

Chapter-11 Writing formal mails

Ans.1

Dear Ms. ABC

Greetings!

I am glad to receive your encouraging mail regarding our product "Tummy Trimmer". Thanks for expressing your satisfaction.

I am in the process of putting together a list of testimonials about our product "Tummy Trimmer" from satisfied customers like you.

You are requested to take a few minutes to submit your comments/suggestions as part of Product Review at the link: XXXXXXXX by 5 PM tomorrow.

You may also send a brief video using the product that will be featured in our commercial TV campaign for the product.

Looking forward to your earliest response.

Thanks and Regards,

Ans.2

Ms. XYZ

Dear Sir,

Greetings from **QWE Teleservices Pvt. Ltd.!**

I would like to take this opportunity to introduce you to our organization that provides a host of connectivity solutions with collaboration with **Tata Tele Business Services** – India's largest optic fibre network service provider.

Our entire range of products/services is enclosed herewith for your reference.

Kindly drop a call at our customer care helpline xxxxxxxxxx or the undersigned, should you require any guidance/services for your esteemed organization.

Regards,

Mr. SDF

Sales Deptt

QWE Teleservices

(Mob) xxxxxxxxxx

Chapter-12 Resume Writing**Ans. 1**

To

Manager (HR)

ABC Consultants

B-19/444, Raj Vihar

New Delhi 1100xxx

Dated: 24th July 20XX

Subject: Application for the post of Article Assistant

Dear Sir,

Greetings! I am writing to express my interest in the above position in your esteemed firm.

I have just passed CA Intermediate Group-1 Exams in February 20XX. I would like to learn vital aspects of the profession. Having a keen interest in international trade laws and taxation, I am an avid reader of international accounting journals and remain abreast with the developments in accounting worldwide.

I look forward to the opportunity for a personal interaction. Please find my resume attached herewith for your perusal. I assure you that I shall work with utmost commitment to your firm.

Thanking you for your consideration.

Sincerely yours

XXX

Address: XXX

RESUME:

Name: XYZ

Address: A-29, Radha Krishna Garden

New Delhi, 1100xx Email Id: xxx@gmail.com

Mobile No.- +91xxxxxxxxxx

CAREER OBJECTIVE:

I seek to join a firm where I can learn various aspects of profession and use my skills and knowledge of MS Excel, MIS, Tally, and Taxation with GST.

I wish to contribute towards organizational goal through my technical skills, hard work and initiative.

PROFESSIONAL QUALIFICATION:

1. Qualification: CA Intermediate Group 1
Year of Passing: Feb 2021
University/Board: Institute of Chartered Accountants of India, New Delhi
2. Qualification: CA Foundation
Year of Passing: Feb 2020
University/Board: Institute of Chartered Accountants of India, New Delhi

ACADEMIC QUALIFICATION:

1. Qualification: Bachelor of Commerce
Year of Passing: Pursuing
University/Board: C.C.S University, Meerut
2. Qualification: Intermediate
Year of Passing: 2019
University/Board: CBSE
Score/Marks: 78%
3. Qualification: High School
Year of Passing: 2017
University/Board: CBSE
Score/Marks: 80%

ACHIEVEMENTS:

§ Represented school as a part of the student delegation from the NCR region for the Event "CONFLUENCE-2000", held at HYDERABAD.

§ As Captain of the school cricket team. State-level cricket player.

§ Won First prize in Inter-school Quiz Competition

HONOURS AND AWARDS:

§ A consistent scholarship holder school.

§ Won 2nd Prize in the Inter-school Debate Competition.

SKILLS:

MS- Office, Tally, Advance Excel, Payroll, MIS

Good Communication Skills, Analytical Skills and Decision Making Skills

PERSONAL DETAILS

Father's Name : Mr. V.P. Singh

Date of birth : 17th June, 19xx

Gender : Female

Language Known : English, Hindi

DATE: 24th July 20XX

PLACE: XXX

(NAME) XXX

To

Manager (HR)

XYZ

28, Jawahar Park

New Delhi 1100xxx

Dated: 24th July 20XX

Subject: Application for the post of Chartered Accountant

Dear Sir,

Greetings! I am writing to express my interest in the above position in your esteemed firm. I have the requisite education and skills mentioned for the position. Kindly find my detailed resume for your perusal/reference.

I did my articleship with M&M consultants, highly reputed firm having large client base ranging from small, medium to large scale organizations. Owing to rich experience in diverse areas such as accounts, auditing, taxation and compliance, I gained a lot of knowledge that would come handy in my professional journey ahead. I would much appreciate the opportunity to contribute to your ongoing growth and continued success.

I look forward to present myself for a personal interaction as per your convenience. I assure you that I shall work with utmost commitment to your firm.

Thanks you for your consideration.

Sincerely yours

XXX

Address: XXX

RESUME:

Name: XYZ

Address: A-29, Radha Krishna Garden

New Delhi, 1100xx Email Id: xxx@gmail.com

Mobil No.- _+91xxxxxxxxxx

CAREER OBJECTIVE:

I seek to join a firm where I can learn various aspects of profession and use my skills and knowledge of MS Excel, MIS, Tally, and Taxation with GST.

I wish to contribute towards organizational goal through my technical skills, hard work and initiative.

PROFESSIONAL QUALIFICATION:

1. Qualification: CA Final
Year of Passing: Jan 2021
University/Board: Institute of Chartered Accountants of India, New Delhi
2. Qualification: CA Foundation
Year of Passing: XX 2016
University/Board: Institute of Chartered Accountants of India, New Delhi

ACADEMIC QUALIFICATION:

3. Qualification: Bachelor of Commerce
Year of Passing: XX 2019
University/Board: Delhi University
4. Qualification: Intermediate
Year of Passing: XX 2016
University/Board: CBSE
Score/Marks: 78%
5. Qualification: High School
Year of Passing: 2014
University/Board: CBSE
Score/Marks: 80%

WORKING EXPOSURE

As an Article Assistant in M&M Consultants

Responsibilities: Efficiently worked as Audit Assistant, and worked as an effective team member for handling the Statutory Audits & Tax Audit assignments

ACHIEVEMENTS:

§ Represented school as a part of the student delegation from the NCR region for the Event "CONFLUENCE-2000", held at HYDERABAD.

§ As Captain of the school cricket team. State-level cricket player.

§ Won First prize in Inter-school Quiz Competition

HONOURS AND AWARDS:

§ A consistent scholarship holder school.

§ Won 2nd Prize in the Inter-school Debate Competition.

SKILLS:

MS- Office, Tally, Advance Excel, Payroll, MIS

Good Communication Skills, Analytical Skills and Decision Making Skills

PERSONAL DETAILS

Father's name : Mr. XXXX

Date of birth : xxx, 19xx

Gender : Female

Language Known : English, Hindi

DATE: 24th August 20XX

PLACE: XXX

(NAME) XXX

Chapter-13 Meetings

Ans. 1.

(Meeting Title) Monthly Sales Meeting – ABC Co – Northern Region

(Venue, Time, Date) Conference Room, ABC Co., New Delhi 0900 hrs Monday xx/xx/xxxx				
Agenda	Topic	Details	Speaker	Duration
Light Refreshment 0830 hrs –				
09:00	Introduction / Overview	New starters Mr. RS and Mr.MG Guests: Ms. AB, Zonal Manager; Mr. SC Off-shore Product Manager; and Mr. S V Tech-range Chief Engineer.	Mr PJ, Meeting Co- ordinator	15 Mts
09:15	Health and safety update.	Revised procedures for hazardous chemicals near Sunder Van Production facility.	Mr. RL Production Manager	15 mts
09:30	Product revision update.	Discussion on Model 4. New Product to be demonstrated	Mr. RL Production Manager	30 mts
10:00	Coffee break			15 mts
10:15	Sales results & forecasts.	Presentation on forecast followed by discussion	Mr. AK, Zone A; Ms., Zone B; Ms. R G, Zone C; Mr. TR, Zone D	60 mts
11:15	Upcoming initiatives.	Brainstorm session – How can we accelerate R&D w.r.t the offshore sector?	Mr. RL Production Manager with team	45 mts
12:00	Meeting review, questions.		Mr. PJ Meeting Co- ordinator	30 mts
12:30	Thank you note		Mr. RJ Chairperson	10 mts
12:40	Lunch			

Ans. 2

Participants in attendance: Managing Director, Zonal Managers, Manager Sales & Marketing, Product Manager, Senior Manager Accounts and Tech-range Chief Engineer.

Date: July 8, 20xx

Meeting started at 10:00 am.

Participants: Ms. HT, MD, Mr. RK, Managing Director, Mr. PL, Production Manager, Mr. A K, Sales & Marketing Manager, Mr. AS (North Zone) and Ms. DS (West Zone), Zonal Heads, Marketing

Mr RK, Managing Director briefly introduced the agenda of the meeting i.e., update on health & safety issues, product revision, sales results & forecasts; new product launch, major accounts initiatives; new company car scheme, awards and incentive.

Mr PL, Production Manager

- Presented revised procedures for hazardous chemicals at New Delhi production plant. Same procedure will be followed in all production plants.
- Presented Product revision update about Tech-range Model 4 now has stand-by mode control.
- The product will be demonstrated next month.

Mr A K, Sales & Marketing Manager presented details about Sales in the previous quarter & gave targets to the Zonal Heads to be circulated to the Sales and Marketing Departments.

Zonal Heads, Marketing

- Mr. AS and Ms DS presented Sales forecast and Advertising/Marketing ideas and strategies.
- They presented the list of prospective clients and upcoming marketing activities.

Ms S S, Production Manager along with **Tech-range Chief Engineer**

- Presented details about new product range to be launched next month.
- Demonstrated the product performance data, USPs, benefits for key sectors, and details of launch promotion.

Ms. HS Senior Manager Accounts

- Budget Allocation
- Proposed session on cost cutting ideas across all sections in the organization
- With the permission of MD fixed it as chief agenda for next meeting

MD delivered vote of thanks

Group to again meet on August 8, 20xx at same time.