

FOUNDATION COURSE
MOCK TEST PAPER
PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

Question No. 1 is compulsory.

*Answer any **four** questions from the remaining **five** questions.*

*Wherever necessary, suitable assumptions should be made and disclosed
by way of note forming part of the answer.*

Working Notes should form part of the answer.

(Time allowed: 3 Hours)

(100 Marks)

1. (a) **State** with reasons whether the following statements are **True or False**:
- (i) When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with calls in arrear of shares forfeited.
 - (iii) Accrual concept implies accounting on cash basis.
 - (iii) Finished goods are normally valued at cost or market price whichever is higher.
 - (iv) Discount at the time of retirement of a bill is a gain for the drawee.
 - (v) Partners can share profits or losses in their capital ratio, when there is no agreement.
 - (vi) Receipts and Payments Account highlights total income and expenditure.
- (6 Statements x 2 Marks = 12 Marks)**
- (b) Explain Cash and Mercantile system of accounting. **(4 Marks)**
- (c) Prepare Journal Entries for the following transactions in the books of Gamma Bros.
- (i) Employees had taken stock worth Rs. 10,000 (Cost price Rs. 7,500) on the eve of Deepawali and the same was deducted from their salaries in the subsequent month.
 - (ii) Wages paid for erection of Machinery Rs. 8,000.
 - (iii) Income tax liability of proprietor Rs. 1,700 was paid out of petty cash.
 - (iv) Purchase of goods from Naveen of the list price of Rs. 2,000. He allowed 10% trade discount, Rs. 50 cash discount was also allowed for quick payment. **(4 Marks)**
2. (a) M/s Kedar, Profit and loss account showed a net profit of Rs. 8,00,000, after considering the closing stock of Rs. 7,50,000 on 31st March, 2017. Subsequently the following information was obtained from scrutiny of the books:
- (i) Purchases for the year included Rs. 30,000 paid for new electric fittings for the shop.
 - (ii) M/s Kedar gave away goods valued at Rs. 80,000 as free samples for which no entry was made in the books of accounts.
 - (iii) Invoices for goods amounting to Rs. 5,00,000 have been entered on 27th March, 2017, but the goods were not included in stock.
 - (iv) In March, 2017 goods of Rs. 4,00,000 sold and delivered were taken in the sales for April, 2017.
 - (v) Goods costing Rs. 1,50,000 were sent on sale or return in March, 2017 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2017 these were taken as sales for March, 2017.

You are required to **determine** the adjusted net profit for the year ended on 31.3.2017 and calculate the value of stock on 31st March, 2017.

- (b) The M/s LG Transport purchased 10 trucks at Rs. 45,00,000 each on 1st April 2014. On October 1st, 2016, one of the trucks is involved in an accident and is completely destroyed and Rs. 27,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of Rs. 50,00,000. The company write off 20% on the original cost per annum. The company observe the calendar year as its financial year.

You are required to prepare the motor truck account for two year ending 31 Dec, 2017.

(10 Marks +10 Marks = 20 Marks)

3. (a) On 1st January, 2018, X's account in Y's ledger showed a debit balance of Rs. 5,000. The following transactions took place between Y and X during the quarter ended 31st March, 2018:

| 2018 | | | Rs. |
|-------|----|--|--------|
| Jan. | 11 | Y sold goods to X | 6,000 |
| Jan. | 24 | Y received a promissory note from X due after 3 months | 5,000 |
| Feb. | 01 | X sold goods to Y | 10,000 |
| Feb. | 04 | Y sold goods to X | 8,200 |
| Feb. | 07 | X returned goods to Y | 1,000 |
| March | 01 | X sold goods to Y | 5,600 |
| March | 18 | Y sold goods to X | 9,200 |
| March | 23 | X sold goods to Y | 4,000 |

Accounts were settled on 31st March, 2018 by means of a cheque. Prepare an Account Current to be submitted by Y to X as on 31st March, 2018, taking interest into account @ 10% per annum. Calculate interest to the nearest multiple of a rupee.

- (b) Mr. B accepted a bill for Rs. 10,000 drawn on him by Mr. A on 1st August, 2017 for 3 months. This was for the amount which B owed to A. On the same date Mr. A got the bill discounted at his bank for Rs. 9,800.

On the due date, B approached A for renewal of the bill. Mr. A agreed on condition that Rs. 2,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance B should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2017, B became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. A

(10 Marks +10 Marks = 20 Marks)

4. (a) The Balance Sheet of a Partnership Firm M/s AB & Co consisted of two partners A and B who were sharing Profits and Losses in the ratio of 5 : 3 respectively. The position as on 31-03-2018 was as follows:

| Liabilities | Rs. | Assets | Rs. |
|-------------------|----------|-------------------|----------|
| A's Capital | 4,10,000 | Land & Building | 3,80,000 |
| B's Capital | 3,30,000 | Plant & Machinery | 1,70,000 |
| Profit & Loss A/c | 1,12,000 | Furniture | 1,09,480 |
| Trade Creditors | 54,800 | Stock | 1,45,260 |
| | | Sundry debtors | 60,000 |
| | | Cash at Bank. | 42,060 |
| | 9,06,800 | | 9,06,800 |

On the above date, C was admitted as a partner on the following terms:

- C should get $\frac{1}{5}$ th of share of profits.
- C brought Rs. 2,40,000 as his capital and Rs. 32,000 for his share of Goodwill.
- Plant and Machinery would be depreciated by 15% and Land & Buildings would be appreciated by 40%.

A provision for doubtful debts to be created at 5% on sundry debtors.

An unrecorded liability of Rs. 6,000 for repairs to Buildings would be recorded in the books of accounts.

- Immediately after C's admission, Goodwill brought by him would be adjusted among old partners. Thereafter, the capital accounts of old partners would be adjusted through the current accounts of partners in such a manner that the capital accounts of all the partners would be in their profit sharing ratio.

Prepare Revaluation A/c, Capital Accounts of the partners, New profit sharing ratio and Balance Sheet of the Firm after the admission of C.

- Mr. Kotriwal is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March 2017 has been given below:

On 1.4.2016 he had a balance of Rs.2,00,000 advance from customers of which Rs.1,50,000 is related to year 2016-17 while remaining pertains to year 2017-18. During the year 2016-17 he made cash sales of Rs. 5,00,000. You are required to compute:

- Total income for the year 2016-17.
 - Total money received during the year if the closing balance in Advance from customers Account is Rs. 1,70,000.
- (12 Marks + 8 Marks = 20 Marks)**

- A doctor, after retiring from govt. service, started private practice on 1st April, 2017 with Rs. 20,000 of his own and Rs. 30,000 borrowed at an interest of 15% per annum on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

| | Rs. | | Rs. |
|---------------------|-----------------|---------------------------------|-----------------|
| Own capital | 20,000 | Medicines purchased | 24,500 |
| Loan | 30,000 | Surgical equipments | 25,000 |
| Prescription fees | 52,500 | Motor car | 32,000 |
| Gifts from patients | 13,500 | Motor car expenses | 12,000 |
| Visiting fees | 25,000 | Wages and salaries | 10,500 |
| Fees from lectures | 2,400 | Rent of clinic | 6,000 |
| Pension received | 30,000 | General charges | 4,900 |
| | | Household expenses | 18,000 |
| | | Household Furniture | 2,500 |
| | | Expenses on daughter's marriage | 21,500 |
| | | Interest on loan | 4,500 |
| | | Balance at bank | 11,000 |
| | | Cash in hand | 1,000 |
| | <u>1,73,400</u> | | <u>1,73,400</u> |

You are required to prepare his capital account and income and expenditure account for the year ended 31st March, 2018 and balance sheet as on that date. One-third of the motorcar expense may be treated as applicable to the private use of car and Rs. 3,000 of the wages and salaries are in respect of domestic servants.

The stock of medicines in hand on 31st March, 2018 was valued at Rs. 9,500.

- (b) From the information given below, calculate (i) Current Ratio and (ii) Debt to Equity Ratio:

Net Profit of the year Rs. 80,000, Fixed Assets Rs. 2,00,000; Closing Inventory Rs. 10,000; Other Current Assets Rs. 1,00,000; Current Liabilities Rs. 30,000; Share Capital Rs. 1,70,000; 12% Debenture Rs. 60,000.

(15 Marks + 5 Marks = 20 Marks)

6. (a) Mohan Ltd. invited applications for 15 lakhs shares of Rs. 100 each payable as follows :

| | Rs. |
|-------------------------------------|-----|
| On Application | 20 |
| On Allotment (on 1st June, 2017) | 30 |
| On First Call (on 1st Nov., 2017) | 30 |
| On Final Call (on 1st March., 2018) | 20 |

All the shares were applied for and allotted. A shareholder holding 30,000 shares paid the whole of the amount due along with allotment.

You are required to **prepare** the journal entries for the above-mentioned transactions, assuming all sums due were received. Interest was paid to the shareholder concerned on 1st March, 2018.

- (b) Riya Limited issued 20,000 14% Debentures of the nominal value of Rs.1,00,00,000 as follows:

- To sundry persons for cash at 90% of nominal value of Rs. 50,00,000.
- To a vendor for purchase of fixed assets worth Rs. 20,00,000 – Rs. 25,00,000 nominal value.
- To the banker as collateral security for a loan of Rs. 20,00,000 – Rs. 25,00,000 nominal value.

You are required to prepare necessary journal entries Journal Entries.

- (c) From the following particulars, **prepare** a Bank Reconciliation Statement for Pathak Ltd. As on 31.3.2017

- Balance as per cash book is Rs. 1,20,000.
- Cheques issued but not presented in the bank amounts to Rs. 68,000.
- Bank charges amounts to Rs. 300.
- Interest credited by bank amounts to Rs. 1,500.

(10 + 5 + 5 = 20 Marks)

OR

- (c) Difference between Going Concern Concept and Cost Concept.

FOUNDATION COURSE

MOCK TEST PAPER

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ANSWERS

1. (a) (i) **False**- When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with amount received on shares forfeited.
- (ii) **False**- Accrual concept implies accounting on 'due' or 'accrual' basis. Accrual basis of accounting involves recognition of revenues and costs as and when they accrue irrespective of actual receipts or payments.
- (iii) **False** - Finished goods are normally valued at cost or net realizable value whichever is lower.
- (iv) **True** - Discount at the time of retirement of a bill is a gain for the drawee and loss for the drawer.
- (v) **False** - According to Partnership Act, in the absence of any agreement to the contrary profits and losses are to be shared equally among partners.
- (vi) **False**- Receipts and payments account is a classified summary of cash receipts and payments over a certain period together with cash and bank balances at the beginning and close of the period.

- (b) **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

- (c) **Journal Entries in the books of Gamma Bros.**

| | Particulars | Dr. Amount (Rs.) | Cr. Amount (Rs.) |
|------|--|------------------------|------------------------|
| | | | |
| (i) | Salaries A/c To Purchase A/c (Being entry made for stock taken by employees) | 7,500 | 7,500 |
| (ii) | Machinery A/c To Cash A/c (Being wages paid for erection of machinery) | 8,000 | 8,000 |

| | | | |
|-------|--|-------|-------|
| (iii) | Drawings A/c | 1,700 | |
| | To Petty Cash A/c | | 1,700 |
| | (Being the income tax of proprietor paid out of business money) | | |
| (iv) | Purchase A/c | 1,800 | |
| | To Cash A/c | | 1,750 |
| | To Discount Received A/c | | 50 |
| | (Being the goods purchased from Naveen for Rs. 2,000 @ 10% trade discount and cash discount of Rs. 50) | | |

2. (a) **Profit and Loss Adjustment Account**

| | Rs. | | Rs. |
|--|------------------|---|------------------|
| To Advertisement (samples) | 80,000 | By Net profit | 8,00,000 |
| To Sales | 2,00,000 | By Electric fittings | 30,000 |
| (goods approved in April to be taken as April sales) | | By Samples | 80,000 |
| To Adjusted net profit | 16,80,000 | By Stock (Purchases of March not included in stock) | 5,00,000 |
| | | By Sales (goods sold in March wrongly taken as April sales) | 4,00,000 |
| | | By Stock (goods sent on approval basis not included in stock) | 1,50,000 |
| | <u>19,60,000</u> | | <u>19,60,000</u> |

Calculation of value of inventory on 31st March, 2017

| | Rs. |
|---|------------------|
| Stock on 31 st March, 2017 (given) | 7,50,000 |
| Add: Purchases of March, 2017 not included in the stock | 5,00,000 |
| Goods lying with customers on approval basis | <u>1,50,000</u> |
| | <u>14,00,000</u> |

(b) **Motor Truck A/c**

| Date | Particulars | Amount | Date | Particulars | Amount |
|-------------|--|--------------------|-------------|--------------------------------|--------------------|
| 2016 | | | 2016 | | |
| Jan-01 | To balance b/d | 2,92,50,000 | Oct-01 | By bank A/c | 27,00,000 |
| Oct-01 | To Profit & Loss A/c (Profit on settlement of Truck) | 4,50,000 | Oct-01 | By Depreciation on lost assets | 6,75,000 |
| Oct-01 | To Bank A/c | 50,00,000 | Dec-31 | By Depreciation A/c | 83,50,000 |
| | | | Dec-31 | By balance c/d | <u>2,29,75,000</u> |
| | | <u>3,47,00,000</u> | | | <u>3,47,00,000</u> |
| 2017 | | | 2017 | | |
| Jan-01 | To balance b/d | 2,29,75,000 | Dec-31 | By Depreciation A/c | 91,00,000 |
| | | | Dec-31 | By balance c/d | 1,38,75,000 |
| | | <u>2,29,75,000</u> | | | <u>2,29,75,000</u> |

Working Note:

| | |
|--|-----------|
| 1. To find out loss on Profit on settlement of truck | Rs. |
| Original cost as on 1.4.2014 | 45,00,000 |
| Less: Depreciation for 2014 | 6,75,000 |
| | 38,25,000 |
| Less: Depreciation for 2015 | 9,00,000 |
| | 29,25,000 |
| Less: Depreciation for 2016 (9 months) | 6,75,000 |
| | 22,50,000 |
| Less: Amount received from Insurance company | 27,00,000 |
| | 4,50,000 |

3. (a)

In the books of Y**X in Account Current with Y****(Interest to 31st March, 2018 @ 10% p.a)**

| Date | Particulars | Amount | Days | Product | Date | Particulars | Amount | Days | Product |
|--------|----------------|--------|------|-----------|--------|--|--------|------|------------|
| 2018 | | Rs. | | Rs. | 2018 | | Rs. | | Rs. |
| Jan.1 | To Balance b/d | 5,000 | 90 | 4,50,000 | Jan.24 | By Promissory Note (due date 27 th April) | 5,000 | (27) | (1,35,000) |
| Jan.11 | To Sales | 6,000 | 79 | 4,74,000 | Feb. 1 | By Purchases | 10,000 | 58 | 5,80,000 |
| Feb. 4 | To Sales | 8,200 | 55 | 4,51,000 | Feb. 7 | By Sales Return | 1,000 | 52 | 52,000 |
| Mar.18 | To Sales | 9,200 | 13 | 1,19,600 | Mar. 1 | By Purchases | 5,600 | 30 | 1,68,000 |
| Mar.31 | To Interest | 219 | | | Mar.23 | By Purchases | 4,000 | 8 | 32,000 |
| | | | | | Mar.31 | By Balance of Products | | | 7,97,600 |
| | | | | | Mar.31 | By Bank | 3,019 | | |
| | | 28,619 | | 14,94,600 | | | 28,619 | | 14,94,600 |

Working Note:**Calculation of interest:**

$$\text{Interest} = \frac{7,97,600}{365} \times \frac{10}{100} = \text{Rs. 219 (approx.)}$$

(b).

Journal Entries in the Books of Mr. A

| Date | | Particulars | L.F. | Dr. Amount Rs. | Cr. Amount Rs. |
|----------------|---|--|------|-------------------|-------------------|
| 2017 August | 1 | Bills Receivable A/c To B (Being the acceptance received from B to settle his account) | Dr. | 10,000 | 10,000 |

| | | | | | |
|----------|----|--|-----|--------|--------|
| August | 1 | Bank A/c | Dr. | 9,800 | |
| | | Discount A/c | Dr. | 200 | |
| | | To Bills Receivable | | | 10,000 |
| | | (Being the bill discounted for Rs. 9,800 from bank) | | | |
| November | 4 | B | Dr. | 10,000 | |
| | | To Bank Account | | | 10,000 |
| | | (Being the B's acceptance is to be renewed) | | | |
| November | 4 | B | Dr. | 240 | |
| | | To Interest Account | | | 240 |
| | | (Being the interest due from B for 3 months i.e., $8000 \times 3/12 \times 12\% = 240$) | | | |
| November | 4 | Cash A/c | Dr. | 2,240 | |
| | | Bills Receivable A/c | Dr. | 8,000 | |
| | | To B | | | 10,240 |
| | | (Being amount and acceptance of new bill received from B) | | | |
| December | 31 | B A/c | Dr. | 8,000 | |
| | | To Bills Receivable A/c | | | 8,000 |
| | | (Being B became insolvent) | | | |
| December | 31 | Cash A/c | Dr. | 3,200 | |
| | | Bad debts A/c | Dr. | 4,800 | |
| | | To B | | | 8,000 |
| | | (Being the amount received and written off on B's insolvency) | | | |

4. (a)

Revaluation Account

| | Rs. | | Rs. |
|--|----------|------------------------|----------|
| To Plant & Machinery (1,70,000 x 15%) | 25,500 | By Land & Building A/c | 1,52,000 |
| To Provision for Bad & Doubtful Debts (60,000 x 5%) | 3,000 | | |
| To Outstanding Repairs to Building | 6,000 | | |
| To A's Capital A/c (5/8) | 73,438 | | |
| To B's Capital A/c (3/8) | 44,062 | | |
| | 1,52,000 | | 1,52,000 |

Capital Accounts of Partners

| | A | B | C | | A | B | C |
|--------------------|----------|----------|----------|----------------------|----------|----------|----------|
| To A's Capital A/c | - | - | 20,000 | By Balance b/d | 4,10,000 | 3,30,000 | - |
| To B's Capital A/c | | | 12,000 | By Revaluation A/c | 73,438 | 44,062 | - |
| To B's Current A/c | - | 68,062 | | By Profit & Loss A/c | 70,000 | 42,000 | - |
| To Balance c/d | 6,00,000 | 3,60,000 | 2,40,000 | By Bank | - | - | 2,72,000 |
| | | | | By C's Capital A/c | 20,000 | 12,000 | - |
| | | | | By A's Current A/c | 26,562 | - | - |
| | 6,00,000 | 4,28,062 | 2,72,000 | | 6,00,000 | 4,28,062 | 2,72,000 |

Calculation of New Profit Sharing Ratio and gaining ratio:

C's Share of Profit = $1/5 = 2/10$

Remaining Share = $1 - 1/5 = 4/5$

A's Share = $5/8 \times 4/5 = 20/40 = 5/10$

B's Share = $3/8 \times 4/5 = 12/40 = 3/10$

New Profit sharing Ratio = 5:3:2

Gaining ratio = 5:3 (same as old profit sharing ratio among old partners)

Balance sheet of AB & Co. as on 31.3.2018

| Liabilities | | Rs. | Assets | | |
|---------------------------------|-----------------|------------------|--------------------|---------------|------------------|
| Capital Accounts: | | | Land & Buildings | | 5,32,000 |
| A | 6,00,000 | | Plant & Machinery | 1,70,000 | |
| B | 3,60,000 | | Less: Depreciation | <u>25,500</u> | 1,44,500 |
| C | <u>2,40,000</u> | 12,00,000 | Furniture | | 1,09,480 |
| B's Current A/c | | 68,062 | Stock | | 1,45,260 |
| Trade Creditors | | 54,800 | Sundry Debtors | 60,000 | |
| Outstanding Repairs to Building | | 6,000 | Less: Provision | <u>3,000</u> | 57,000 |
| | | | Cash at Bank | | 3,14,060 |
| | | | A's current A/c | | <u>26,562</u> |
| | | <u>13,28,862</u> | | | <u>13,28,862</u> |

Working Note:

Required Balance of Capital Accounts

C's Capital after writing off Goodwill = $2,72,000 - 32,000 = 2,40,000$

C's Share of Profit = $1/5$

Thus Capital of the firm shall be = $2,40,000 \times 5 = 12,00,000$

A's Capital = $12,00,000 \times 5/10 = 6,00,000$ and

B's Capital = $12,00,000 \times 3/10 = 3,60,000$

(b) (i) Computation of Income for the year 2016-17:

| | Rs. |
|--|-----------------|
| Money received during the year related to 2016-17 | 5,00,000 |
| Add: Money received in advance during previous years | 1,50,000 |
| Total income of the year 2016-17 | 6,50,000 |

(ii) Advance from Customers A/c

| Date | Particulars | Rs. | Date | Particulars | Rs. |
|------|--|----------|----------|----------------|----------|
| | To Sales A/c (Advance related to current year transferred to sales) | 1,50,000 | 1.4.2016 | By Balance b/d | 2,00,000 |

| | | | | |
|---------|----------------|-----------------|-----------------------------------|-----------------|
| 31.3.17 | To Balance c/d | 1,70,000 | By Bank A/c (Balancing Figure) | 1,20,000 |
| | | 3,20,000 | | 3,20,000 |

So, total money received during the year is:

| | |
|---------------------------------------|------------------------|
| | Rs. |
| Cash Sales during the year | 5,00,000 |
| Add: Advance received during the year | 1,20,000 |
| Total money received during the year | <u>6,20,000</u> |

5. (a) Capital Account

for the year ended 31st March, 2018

| | Rs. | | Rs. |
|----------------------------|---------------|---|---------------|
| To Drawings: | | By Cash/bank | 20,000 |
| Motor car expenses | 4,000 | By Cash bank (pension) | 30,000 |
| (one-third of Rs. 12,000) | | By Net income from practice | 47,500 |
| Household expenses | 18,000 | (derived from income and expenditure a/c) | |
| Daughter's marriage exp. | 21,500 | | |
| Wages of domestic servants | 3,000 | | |
| Household furniture | 2,500 | | |
| To Balance c/d | <u>48,500</u> | | |
| | <u>97,500</u> | | <u>97,500</u> |

**Income and Expenditure Account
for the year ended 31st March, 2018**

| | Rs. | | Rs. |
|--|----------------|-----------------------|---------------|
| To Medicines consumed | | By Prescription fees | 52,500 |
| Purchases | 24,500 | By Gift from patients | 13,500 |
| Less: Stock on 31.3.11 | <u>(9,500)</u> | By Visiting fees | 25,000 |
| To Motor car expense | 8,000 | By Fees from lectures | 2,400 |
| To Wages and salaries (Rs. 10,500 – Rs. 3,000) | 7,500 | | |
| To Rent for clinic | 6,000 | | |
| To General charges | 4,900 | | |
| To Interest on loan | 4,500 | | |
| To Net Income | <u>47,500</u> | | |
| | <u>93,400</u> | | <u>93,400</u> |

Balance Sheet as on 31st March, 2018

| Liabilities | Rs. | Assets | Rs. |
|-------------|--------|--------------------|--------|
| Capital | 48,500 | Motor car | 32,000 |
| Loan | 30,000 | Surgical equipment | 25,000 |
| | | Stock of medicines | 9,500 |

| | | | |
|--|---------------|--------------|---------------|
| | | Cash at bank | 11,000 |
| | | Cash in hand | <u>1,000</u> |
| | <u>78,500</u> | | <u>78,500</u> |

(b) (i) $\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{₹ 1,10,000}{₹ 30,000} = 11:3 \text{ or } 3.67:1$

Current Assets = Closing Inventory + Other Current Assets

= Rs. 10,000 + Rs. 1,00,000 = Rs. 1,10,000

(ii) $\text{Debt to Equity Ratio} = \frac{\text{Long term Debt}}{\text{Shareholders' Equity}}$

$$= \frac{\text{Debentures}}{\text{Share Capital} + \text{Profit}}$$

$$= \frac{₹ 60,000}{₹ 2,50,000} = 0.24:1$$

6. (a) **Journal of Mohan Ltd.**

| 2017 | | | Dr. Rs. in lakhs | Cr. Rs. in lakhs |
|--------|---|------------|---------------------|---------------------|
| June 1 | Bank A/c To Shares Application A/c (Receipt of applications for 15 lakh shares along with application money of Rs. 20 per share.) | Dr. | 300 | 300 |
| June 1 | Share Application and Allotment A/c Share Allotment A/c To Share Capital A/c (The allotment of 15 lakh shares : payable on application Rs. 20 share and Rs. 30 on allotment as per Directors' resolution no... dated...) | Dr. Dr. | 300 450 | 750 |
| June 1 | Bank A/c To Shares Allotment A/c To Calls in Advance A/c [Receipt of money due on allotment @ Rs. 30, also the two calls (Rs. 30 and Rs. 20) on 30,000 shares.] | Dr. | 465 | 450 15 |
| Nov. 1 | Share First Call A/c To Share Capital A/c (The amount due on 15 lakh shares @ Rs. 30 on first call, as per Directors, resolution no... dated...) | Dr. | 450 | 450 |
| | Bank A/c Calls in Advance A/c To Share First Call A/c (Receipt of the first call on 14.7 lakh shares, the balance having been previously received and now debited to call in advance account.) | Dr. Dr. | 441 9 | 450 |

| | | | | |
|-----------------|---|------------|----------|------|
| 2018 March 1 | Share Final Call A/c To Share Capital A/c (The amount due on Final Call on 15 lakh shares @ Rs. 20 per share, as per Directors' resolution no... dated...) | Dr. | 300 | 300 |
| March 1 | Bank A/c Calls in Advance A/c To Share Final Call A/c (Receipt of the moneys due on final call on 14.7 lakhs shares, the balance having been previously received.) | Dr. Dr. | 294 6 | 300 |
| March 1 | Interest on calls in Advance A/c To Shareholder A/c (Being interest on call in advance made due) | Dr. | 0.99 | 0.99 |
| Feb 1 | Shareholder A/c To Bank A/c (Being interest paid) | Dr. | 0.99 | 0.99 |

Working Note:

| | |
|--|--------|
| The interest on calls in advance paid @ 12% on : | Rs. |
| Rs. 9,00,000 (first call) from 1st June to 1st Nov., 2017–5 months | 45,000 |
| Rs. 6,00,000 (final call) from 1st June to 1st March., 2018–9 months | 54,000 |
| Total Interest Amount Due | 99,000 |

(b)

In the books of Riya Company Ltd.

Journal Entries

| Date | Particulars | | Dr. Rs. | Cr. Rs. |
|------|--|------------|-----------------------|------------|
| (a) | Bank A/c To Debentures Application A/c (Being the application money received on 10,000 debentures @ Rs. 450 each) | Dr. | 45,00,000 | 45,00,000 |
| | Debentures Application A/c Discount on issue of Debentures A/c To 14% Debentures A/c (Being the issue of 10,000 14% Debentures @ 90% as per Board's Resolution No....dated....) | Dr. Dr. | 45,00,000 5,00,000 | 50,00,000 |
| (b) | Fixed Assets A/c To Vendor A/c (Being the purchase of fixed assets from vendor) | Dr. | 20,00,000 | 20,00,000 |
| | Vendor A/c Discount on Issue of Debentures A/c To 14% Debentures A/c (Being the issue of debentures of Rs. 25,00,000 to vendor to satisfy his claim) | Dr. Dr. | 20,00,000 5,00,000 | 25,00,000 |

| | | | | |
|-----|---|-----|-----------|-----------|
| (c) | Bank A/c To Bank Loan A/c (See Note) (Being a loan of Rs. 20,00,000 taken from bank by issuing debentures of Rs.25,00,000 as collateral security) | Dr. | 20,00,000 | 20,00,000 |
|-----|---|-----|-----------|-----------|

Note: No entry is made in the books of account of the company at the time of making issue of such debentures. In the "Notes to Accounts" of Balance Sheet, the fact that the debentures being issued as collateral security and outstanding are shown by a note under the liability secured.

(c)

Pathak Ltd.

Bank Reconciliation Statement as on 31.3.2017

| Particulars | Rs. |
|---------------------------------------|-----------------|
| Balance as per cash book | 1,20,000 |
| Add : Cheque issued but not presented | 68,000 |
| Interest credited | 1,500 |
| | <u>1,89,500</u> |
| Less : Bank charges | (300) |
| Balance as per pass book | <u>1,89,200</u> |

Or

- (c) **Going Concern concept:** The financial statements are normally prepared on the assumption that an enterprise is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the enterprise has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used is disclosed.

The valuation of assets of a business entity is dependent on this assumption. Traditionally, accountants follow historical cost in majority of the cases.

Cost Concept: By this concept, the value of an asset is to be determined on the basis of historical cost, in other words, acquisition cost. Although there are various measurement bases, accountants traditionally prefer this concept in the interests of objectivity. When a machine is acquired by paying Rs. 5,00,000, following cost concept the value of the machine is taken as Rs. 5,00,000. It is highly objective and free from all bias. Other measurement bases are not so objective. Current cost of an asset is not easily determinable. If the asset is purchased on 1.1.1995 and such model is not available in the market, it becomes difficult to determine which model is the appropriate equivalent to the existing one. Similarly, unless the machine is actually sold, realisable value will give only a hypothetical figure. Lastly, present value base is highly subjective because to know the value of the asset one has to chase the uncertain future.

MOCK TEST PAPER
FOUNDATION COURSE
PAPER 2A: BUSINESS LAWS

Question No. 1 is compulsory.

*Answer any **four** questions from the remaining **five** questions. Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.*

Working Notes should form part of the answer.

Total Marks: 60

QUESTIONS

1. (a) Shambhu Dayal started “self service” system in his shop. Smt. Prakash entered the shop, took a basket and after taking articles of her choice into the basket reached the cashier for payments. The cashier refuses to accept the price. Can Shambhu Dayal be compelled to sell the said articles to Smt. Prakash? Decide as per the provisions of the Indian Contract Act, 1872. **(4 Marks)**
(b) Mr. X had purchased some goods from M/s ABC Limited on credit. A credit period of one month was allowed to Mr. X. Before the due date Mr. X went to the company and wanted to repay the amount due from him. He found only Mr. Z there, who was the factory supervisor of the company. Mr. Z told Mr. X that the accountant and the cashier were on leave, he is in-charge of receiving money and he may pay the amount to him. Mr. Z issued a money receipt under his signature. After two months M/s ABC Limited issued a notice to Mr. X for non-payment of the dues within the stipulated period. Mr. X informed the company that he had already cleared the dues and he is no more responsible for the same. He also contended that Mr. Z is an employee of the company whom he had made the payment and being an outsider, he trusted the words of Mr. Z as duty distribution is a job of the internal management of the company.
Analyse the situation and decide whether Mr. X is free from his liability. **(4 Marks)**
(c) Explain the term “Delivery and its forms” under the Sale of Goods Act, 1930. **(4 Marks)**
2. (a) “An anticipatory breach of contract is a breach of contract occurring before the time fixed for performance has arrived”. Discuss stating also the effect of anticipatory breach on contracts. **(7 Marks)**
(b) Differentiate between the Limited Liability Partnership (LLP) and Limited Liability Company. **(5 Marks)**
3. (a) “Though a minor cannot be a partner in a firm, he can nonetheless be admitted to the benefits of partnership.”
(i) Referring to the provisions of the Indian Partnership Act, 1932, state the rights which can be enjoyed by a minor partner.
(ii) State the liabilities of a minor partner both:
 1. Before attaining majority and
 2. After attaining majority.

- (b) Mr. X and Mr. Y entered into a contract on 1st August, 2018, by which Mr. X had to supply 50 tons of sugar to Mr. Y at a certain price strictly within a period of 10 days of the contract. Mr. Y also paid an amount of Rs. 50,000 towards advance as per the terms of the above contract. The mode of transportation available between their places is roadway only. Severe flood came on 2nd August, 2018 and the only road connecting their places was damaged and could not be repaired within fifteen days. Mr. X offered to supply sugar on 20th August, 2018 for which Mr. Y did not agree. On 1st September, 2018, Mr. X claimed compensation of Rs. 10,000 from Mr. Y for refusing to accept the supply of sugar, which was not there within the purview of the contract. On the other hand, Mr. Y claimed for refund of Rs. 50,000, which he had paid as advance in terms of the contract. Analyse the above situation in terms of the provisions of the Indian Contract Act, 1872 and decide on Y's contention. **(6 Marks)**
4. (a) What do you understand by the term "unpaid seller" under the Sale of Goods Act, 1930? When can an unpaid seller exercise the right of stoppage of goods in transit? **(6 Marks)**
- (b) A, B, and C are partners of a partnership firm ABC & Co. The firm is a dealer in office furniture. A was in charge of purchase and sale, B was in charge of maintenance of accounts of the firm and C was in charge of handling all legal matters. Recently through an agreement among them, it was decided that A will be in charge of maintenance of accounts and B will be in charge of purchase and sale. Being ignorant about such agreement, M, a supplier supplied some furniture to A, who ultimately sold them to a third party. Referring to the provisions of the Partnership Act, 1932, advise whether M can recover money from the firm.
- What will be your advice in case M was having knowledge about the agreement? **(6 Marks)**
5. (a) Mr. Samuel agreed to purchase 100 bales of cotton from Mr. Varun, out of his large stock and sent his men to take delivery of the goods. They could pack only 60 bales. Later on, there was an accidental fire and the entire stock was destroyed including 60 bales that were already packed. Referring to the provisions of the Sale of Goods Act, 1930 explain as to who will bear the loss and to what extent? **(6 Marks)**
- (b) F, an assessee, was a wealthy man earning huge income by way of dividend and interest. He formed three Private Companies and agreed with each to hold a bloc of investment as an agent for them. The dividend and interest income received by the companies was handed back to F as a pretended loan. This way, F divided his income into three parts in a bid to reduce his tax liability. Decide, for what purpose the three companies were established? Whether the legal personality of all the three companies may be disregarded. **(6 Marks)**
6. (a) Define consideration. State the characteristics of a valid consideration. **(5 Marks)**
- (b) When does dissolution of a partnership firm take place under the provisions of the Indian Partnership Act, 1932? Explain. **(4 Marks)**
- (c) Flora Fauna Limited was registered as a public company. There are 230 members in the company as noted below:
- | | |
|--|-----|
| (a) Directors and their relatives | 190 |
| (b) Employees | 15 |
| (c) Ex-Employees (Shares were allotted when they were employees) | 10 |
| (d) 5 couples holding shares jointly in the name of husband and wife (5*2) | 10 |
| (e) Others | 5 |
- The Board of Directors of the company propose to convert it into a private company. Also advise whether reduction in the number of members is necessary. **(3 Marks)**

FOUNDATION COURSE

MOCK TEST PAPER 1

PAPER 2: SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING

The Question Paper comprises of 5 questions of 10 marks each.

*Question No. 1 is compulsory. Out of questions 2 to 5, attempt any **three**.*

Max Marks: 40

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

The window offered a view of the house opposite. The two families did not speak to each other because of a property dispute. One day, Ruchira's textbooks lay untouched as the young girl's gaze was on the happenings in the house opposite. There were two new faces in the neighboring household – that of an elderly widow and a girl aged sixteen. Sometimes the elderly lady would sit by the window, doing the young girl's hair. On other days she was absent.

The new young neighbour's daily routine could be seen through the window – she cleaned the rice paddy, split nuts, put the cushions in the sun to air them. In the afternoons, while the men were all at work some of the women slept and others played cards. The girl sat on the terrace and read. Sometimes she wrote. One day there was hindrance. She was writing when the elderly woman snatched the unfinished letter from her hands. Thereafter the girl was not to be seen on the terrace. Sometimes during the day sounds came from the house indicating that a massive argument was going on inside.

A few days passed. One evening Ruchira noticed the girl standing on the terrace in tears. The evening prayer was in progress. As she did daily, the girl bowed several times in prayer. Then she went downstairs. That night Ruchira wrote a letter. She went out and posted it that very instant. But as she lay in bed that night, she prayed fervently that her offer of friendship wouldn't reach its destination. Ruchira then left for Madhupur and returned when it was time for college to start. She found the house opposite in darkness, locked. They had left. When she stepped into her room she found the desk piled with letters – one had a local stamp on it with her name and address in unfamiliar handwriting. She quickly read it. They continued to write to each other for the next twenty years.

- (i) Why did Ruchira write a letter to her new neighbour?

- (a) She wanted to offer her, her help.
- (b) She wanted to be friends with her.
- (c) To apologize for her family's behaviour towards her family
- (d) To encourage her to continue learning to read and write.

(1 Mark)

- (ii) Which of the following is TRUE in the context of the passage?

- (a) The young girl was very devout and prayed everyday.
- (b) Only two letters were exchanged between the two girls.
- (c) The new young neighbour was a servant.
- (d) The afternoon was a time to relax for everyone.

(1 Mark)(iii)

- (iii) How did the new young neighbour spend her days?

- (a) She was busy writing letters to Ruchira
- (b) She used to daydream about her past experiences.
- (c) She would attend to the needs of the widow.

- (d) She spent her time learning to read and write. **(1 Mark)**
- (iv) Why was the young neighbour prevented from sitting on the terrace?
- (a) She used to while away her time instead of working
- (b) The old woman could no longer keep an eye on her.
- (c) She had not finished writing the letter she was asked to.
- (d) She had been writing a letter which she wasn't supposed to. **(1 Mark)**
- (v) What was the major argument in the house about?
- (a) There were too many people living there, which resulted in arguments.
- (b) The young girl was insisting on attending college.
- (c) The young girl had been wasting her time instead of working.
- (d) The old woman did not guard the young girl closely. **(1 Mark)**
- (b) Read the passage given below.

(i) Make notes, using headings, sub-headings, and abbreviations wherever necessary. **(3 Marks)**

(ii) Write summary. **(2 Marks)**

(iii) A tax is a financial charge or levy imposed by a state or its functional equivalent upon a taxpayer and the failure to pay such a levy is punishable by law. Taxes are imposed by a number of administrative divisions. Taxes are direct or indirect in nature and are required to be reimbursed in money or its labour equivalent.

Finances obtained through the imposition of taxation have been used by countries and their functional equivalents conventionally to carry out a number of functions. Some of these include protection of property, expenditures on war, economic infrastructure, the enforcement of law and public order, public works, subsidies, social engineering, and the very operation of the government itself. Governments utilise taxes for the funding of welfare and public services. These services include education systems, pensions for the elderly, health care systems, unemployment rehabilitation and benefits, and public transportation. Energy, water and waste management systems are also common public utilities. A portion of taxes is used to alleviate the state's debt and the interest this debt accrues.

The important features of a modern economy are perceived by the efficient, fair and stable financial markets whose contribution is vital and significant for the overall financial system. The manners in which nations raise taxes are as varied as the amounts they raise. The tax patterns of a country are formulated on a number of factors as its inherent economic structure, its history, and to a significant extent on the tax structures of its neighbouring countries. Choice plays an important part, as different countries may attach different levels of importance to commonly established characteristics of a superior tax system such as fairness, required economic effects and collection costs that it entails.

The level of the per capita income is a powerful determinant of the nature of taxation a country will adopt, the higher the level of the per capita income, the more a country relies on direct taxes, particularly those on personal income. Consumption taxes although they rise more slowly tend to become relatively important in developed countries. These differentiations in tax structures reflect the basic differences between high and low income countries. Low-income countries it is observed tend to raise additional revenues at the border, as a few collection points require control. For this reason, they rely heavily on excise taxes on tobacco, alcohol and so on. In contrast, direct taxes (and VAT) require a more effective tax administration coupled with sophisticated taxpayers, these conditions are prevalent in developed countries.

2. (a) What do you mean by completeness in effective communication? **(1 Mark)**
- (b) (i) Choose the word which best expresses the meaning of the given word.
Embezzle
(a) Shine (b) Steal (c) Busy (d) Shocked **(1 Mark)**
- (ii) Select a suitable antonym for the word given in question.
Applaud
(a) Organize (b) Compose (c) About (d) Condemn **(1 Mark)**
- (iii) Change the following sentences into passive voice.
You should write an apology letter. **(1 Mark)**
- (iv) Change the following sentences to indirect speech.
Uncle said, 'I am unwell' **(1 Mark)**
- (c) Write a précis and give appropriate title to the passage given below.
- After years of questioning the potential health hazards of second hand cigarette smoke, a growing number of scientists and health officials are becoming persuaded that the dangers are real, broader than once believed and parallel those of direct smoke.
- It has long been established that smoking harms the health of those who do the smoking. Now new epidemiological studies and reviews are strengthening the evidence that it also harms the health of other people nearby who inhale the toxic fumes generated by the smoker, particularly from the burning end of the cigarette. Such indirect, or second hand, smoking causes death not only by lung cancer, but even more by heart attack, the studies show. The studies on passive smoking, as it is often called, also strengthen the link between parental smoking and respiratory damage in children.
- What has swayed many scientists is a remarkable consistency in findings from different types of studies in several countries with improved methods over those used in the first such studies a few years ago. The new findings confirm and advance two landmark reports in 1986 from the Surgeon General, who concluded that passive smoking caused lung cancer, and from the National Research Council, which said passive smoking is associated with lung cancer.
- "The links between passive smoking and health problems are now as solid as any finding in epidemiology," said, an expert in the epidemiology of smoking at the University of California at San Diego. **(5 Marks)**
3. (a) Explain briefly cultural barriers in communication. **(1 Mark)**
- (b) (i) Choose the word which best expresses the meaning of the given word.
Divulge
(a) Dig into (b) Varied (c) Reveal (d) Deep **(1 Mark)**
- (ii) Choose the appropriate antonym (opposite) for the word
Cumbersome
(a) Manageable (b) Clumsy (c) Quantitative (d) Moderate **(1 Mark)**
- (iii) Change the following sentences into passive voice
Anita finished the work very soon. **(1 Mark)**
- (iv) Change the following sentence to indirect speech.
"Don't try this at home," the stuntman told the audience. **(1 Mark)**

- (c) As the Manager, HR of Net Solutions Ltd, Mumbai, draft a complaint letter to the Administration Head of Food for you Solutions, Mumbai, stating your concern about the bad quality of food being supplied to your company's cafeteria. **(5 Marks)**
4. (a) What is non verbal communication. Explain its types. **(2 Marks)**
- (b) (i) Select the suitable antonym for the given word:
Concealed
(a) To hide (b) Uninteresting (c) Known (d) Related **(1 Mark)**
- (ii) Rewrite the following sentences in active voice
A conservative lifestyle was led by women in olden days. **(1 Mark)**
- (iii) Change the following sentence into Indirect speech.
The girl asked, 'Where do you live'? **(1 Mark)**
- (c) Write an Article of about 250-300 words on the topic **"Social media interferes with personal life"** **(5 Marks)**
5. (a) Define formal communication and explain its types **(2 Marks)**
- (b) Select the correct meaning of the idioms/phrases given below.
- (i) Face the music
(a) Escape from the situation
(b) Act violently
(c) Enjoy the music
(d) Face the challenges/consequences **(1 Mark)**
- (ii) Food for thought
(a) Incomplete information
(b) Good knowledge
(c) Uncensored words
(d) Baseless facts **(1 Mark)**
- (iii) Change the following sentence into Indirect speech.
"Does she know Robert?" he wanted to know. **(1 Mark)**
- (c) Draft a resume for Sushma Ranganathan, who has passed class XIIth, has completed her B.com with flying colours, from a well-reputed college/university. She has to write her CA finals and is quite hopeful of clearing the exams in first attempt and now wishes to apply for a job in the Audit department. Mention auditing as her skill expertise. **(5 Marks)**

MOCK TEST PAPER 1
FOUNDATION COURSE
PAPER 2A: BUSINESS LAWS

ANSWERS

1. (a) **Invitation to offer:** The offer should be distinguished from an invitation to offer. An offer is the final expression of willingness by the offeror to be bound by his offer should the party chooses to accept it. Where a party, without expressing his final willingness, proposes certain terms on which he is willing to negotiate, he does not make an offer, but invites only the other party to make an offer on those terms. This is the basic distinction between offer and invitation to offer.

The display of articles with a price in it in a self-service shop is merely an invitation to offer. It is in no sense an offer for sale, the acceptance of which constitutes a contract. In this case, Smt. Prakash by selecting some articles and approaching the cashier for payment simply made an offer to buy the articles selected by her. If the cashier does not accept the price, the interested buyer cannot compel him to sell.

- (b) **Doctrine of Indoor Management:** The Doctrine of Indoor Management is the exception to the doctrine of constructive notice. The doctrine of constructive notice does not mean that outsiders are deemed to have notice of the internal affairs of the company. For instance, if an act is authorised by the articles or memorandum, an outsider is entitled to assume that all the detailed formalities for doing that act have been observed.

The doctrine of Indoor Management is important to persons dealing with a company through its directors or other persons. They are entitled to assume that the acts of the directors or other officers of the company are validly performed, if they are within the scope of their apparent authority. So long as an act is valid under the articles, if done in a particular manner, an outsider dealing with the company is entitled to assume that it has been done in the manner required.

In the given question, Mr. X has made payment to Mr. Z and he (Mr. Z) gave to receipt of the same to Mr. X. Thus, it will be rightful on part of Mr. X to assume that Mr. Z was also authorised to receive money on behalf of the company. Hence, Mr. X will be free from liability for payment of goods purchased from M/s ABC Limited, as he has paid amount due to an employee of the company.

- (c) **Delivery - its forms and derivatives:** Delivery means voluntary transfer of possession from one person to another [Section 2(2) of the Sale of Goods Act, 1930]. As a general rule, delivery of goods may be made by doing anything, which has the effect of putting the goods in the possession of the buyer, or any person authorized to hold them on his behalf.

Forms of delivery: Following are the kinds of delivery for transfer of possession:

- (i) **Actual delivery:** When the goods are physically delivered to the buyer.
- (ii) **Constructive delivery:** When it is effected without any change in the custody or actual possession of the thing as in the case of delivery by attornment (acknowledgement) e.g., where a warehouseman holding the goods of A agrees to hold them on behalf of B, at A's request.
- (iii) **Symbolic delivery:** When there is a delivery of a thing in token of a transfer of something else, i.e., delivery of goods in the course of transit may be made by handing over documents of title to goods, like bill of lading or railway receipt or delivery orders or the key of a warehouse containing the goods is handed over to buyer.

2. (a) An anticipatory breach of contract is a breach of contract occurring before the time fixed for performance has arrived. When the promisor refuses altogether to perform his promise and signifies his unwillingness even before the time for performance has arrived, it is called Anticipatory Breach. The law in this regard has very well summed up in ***Frostv. Knight and Hochster v. Dela Tour***:

Section 39 of the Indian Contract Act deals with **anticipatory breach of contract** and provides as follows: "When a party to a contract has refused to perform or disable himself from performing, his promise in its entirety, the promisee may put an end to the contract, unless he has signified, but words or conduct, his acquiescence in its continuance."

Effect of anticipatory breach: The promisee is excused from performance or from further performance. Further he gets an option:

- (1) To either treat the contract as "rescinded and sue the other party for damages from breach of contract immediately without waiting until the due date of performance; or
- (2) He may elect not to rescind but to treat the contract as still operative, and wait for the time of performance and then hold the other party responsible for the consequences of non-performance. But in this case, he will keep the contract alive for the benefit of the other party as well as his own, and the guilty party, if he so decides on re-consideration, may still perform his part of the, contract and can also take advantage of any supervening impossibility which may have the effect of discharging the contract.

(b) Distinction between LLP and Limited Liability Company

| | Basis | LLP | LLC |
|----|-------------------------------|---|--|
| 1. | Regulating Act | The LLP Act, 2008. | The Companies Act, 2013. |
| 2. | Members/Partners | The persons who contribute to LLP are known as partners of the LLP. | The persons who invest the money in the shares are known as members of the company. |
| 3. | Internal governance structure | The internal governance structure of a LLP is governed by contract agreement between the partners. | The internal governance structure of a company is regulated by statute (i.e., Companies Act, 2013). |
| 4. | Name | Name of the LLP to contain the word "Limited Liability partnership" or "LLP" as suffix. | Name of the public company to contain the word "limited" and Pvt. Co. to contain the word "Private limited" as suffix. |
| 5. | No. of members/partners | Minimum – 2 members Maximum – No such limit on the members in the Act. The members of the LLP can be individuals or body corporate through the nominees. | Private company: Minimum – 2 members Maximum 200 members Public company: Minimum – 7 members Maximum – No such limit on the members. Members can be organizations, trusts, another business form or individuals. |
| 6. | Liability of members/partners | Liability of a partners is limited to the extent of agreed contribution in case of intention is fraud. | Liability of a member is limited to the amount unpaid on the shares held by them. |

| | | | |
|----|---|--|---|
| 7. | Management | The business of the company managed by the partners including the designated partners authorized in the agreement. | The affairs of the company are managed by board of directors elected by the shareholders. |
| 8. | Minimum number of directors/designated partners | Minimum 2 designated partners. | Pvt. Co. – 2 directors Public co. – 3 directors |

3. (a) (i) Rights which can be enjoyed by a minor partner:

- (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.

(ii) (1) Liabilities of a minor partner before attaining majority:

- (a) The liability of the minor is confined only to the extent of his share in the profits and the property of the firm.
- (b) Minor has no personal liability for the debts of the firm incurred during his minority.
- (c) Minor cannot be declared insolvent, but if the firm is declared insolvent his share in the firm vests in the Official Receiver/Assignee.

- (2) Liabilities of a minor partner after attaining majority:** Within 6 months of his attaining majority or on his obtaining knowledge that he had been admitted to the benefits of partnership, whichever date is later, the minor partner has to decide whether he shall remain a partner or leave the firm.

Where he has elected not to become partner he may give public notice that he has elected not to become partner and such notice shall determine his position as regards the firm. If he fails to give such notice he shall become a partner in the firm on the expiry of the said six months.

- (b) Subsequent or Supervening impossibility (Becomes impossible after entering into contract):** When performance of promise become impossible or illegal by occurrence of an unexpected event or a change of circumstances beyond the contemplation of parties, the contract becomes void e.g. change in law etc.

Also, according to section 65 of the Indian Contract Act, 1872, when an agreement is discovered to be void or when a contract becomes void, any person who has received any advantage under such agreement or contract is bound to restore it, or to make compensation for it to the person from whom he received it.

In the given question, after Mr. X and Mr. Y have entered into the contract to supply 50 tons of sugar, the event of flood occurred which made it impossible to deliver the sugar within the stipulated time. Thus, the promise in question became void. Further, Mr. X has to pay back the amount of Rs. 50,000 that he received from Mr. Y as an advance for the supply of sugar within the stipulated time. Hence, the contention of Mr. Y is correct.

4. (a) **Unpaid Seller:** According to Section 45 of the Sale of Goods Act, 1930 the seller of goods is deemed to be an 'Unpaid Seller' when-

- (a) the whole of the price has not been paid or tendered.
- (b) a bill of exchange or other negotiable instrument has been received as conditional payment, and it has been dishonoured.

Right of stoppage of goods in transit

When the unpaid seller has parted with the goods to a carrier and the buyer has become insolvent, he can exercise this right by asking the carrier to return the goods back, or not to deliver the goods to the buyer.

However, the right of stoppage in transit is exercised only when the following conditions are fulfilled:

- (a) The seller must be unpaid.
 - (b) The seller must have parted with the possession of goods.
 - (c) The goods must be in the course of transit.
 - (d) The buyer must have become insolvent.
 - (e) The right is subject to provisions of the Act.
- (b) According to Section 20 of the Indian Partnership Act, 1932, the partners in a firm may, by contract between the partners, extend or restrict implied authority of any partners.

Notwithstanding any such restriction, any act done by a partner on behalf of the firm which falls within his implied authority binds the firm, unless the person with whom he is dealing knows of the restriction or does not know or believe that partner to be a partner.

The implied authority of a partner may be extended or restricted by contract between the partners. Under the following conditions, the restrictions imposed on the implied authority of a partner by agreement shall be effective against a third party:

1. The third party knows above the restrictions, and
2. The third party does not know that he is dealing with a partner in a firm.

Now, referring to the case given in the question, M supplied furniture to A, who ultimately sold them to a third party and M was also ignorant about the agreement entered into by the partners about the change in their role. M also is not aware that he is dealing with a partner in a firm. Therefore, M on the basis of knowledge of implied authority of A, can recover money from the firm.

But in the second situation, if M was having knowledge about the agreement, he cannot recover money from the firm.

5. (a) Section 26 of the Sale of Goods Act, 1930 provides that unless otherwise agreed, the goods remain at the seller's risk until the property therein is transferred to the buyer, but when the property therein is transferred to the buyer, the goods are at buyer's risk whether delivery has been made or not. Further Section 18 read with Section 23 of the Act provides that in a contract for the sale of unascertained goods, no property in the goods is transferred to the buyer, unless and until the goods are ascertained and where there is contract for the sale of unascertained or future goods by description, and goods of that description and in a deliverable state are unconditionally appropriated to the contract, either by the seller with the assent of the buyer or by the buyer with the assent of the seller, the property in the goods thereupon passes to the buyer. Such assent may be express or implied. Applying the aforesaid law to the facts of the case in hand, it is clear that Mr. Samuel has the right to select the good out of the bulk and he has sent his men for same purpose.

Hence the problem can be answered based on the following two assumptions and the answer will vary accordingly.

- (i) Where the bales have been selected with the consent of the buyer's representatives: In this case, the property in the 60 bales has been transferred to the buyer and goods have been appropriated to the contract. Thus, loss arising due to fire in case of 60 bales would be borne by Mr. Samuel. As regards 40 bales, the loss would be borne by Mr. Varun, since the goods have not been identified and appropriated.
 - (ii) Where the bales have not been selected with the consent of buyer's representatives.
In this case the property in the goods has not been transferred at all and hence the loss of 100 bales would be borne by Mr. Varun completely.
- (b) The House of Lords in *Salomon Vs Salomon & Co. Ltd.* laid down that a company is a person distinct and separate from its members, and therefore, has an independent separate legal existence from its members who have constituted the company. But under certain circumstances the separate entity of the company may be ignored by the courts. When that happens, the courts ignore the corporate entity of the company and look behind the corporate façade and hold the persons in control of the management of its affairs liable for the acts of the company. Where a company is incorporated and formed by certain persons only for the purpose of evading taxes, the courts have discretion to disregard the corporate entity and tax the income in the hands of the appropriate assessee.
- (1) The problem asked in the question is based upon the aforesaid facts. The three companies were formed by the assessee purely and simply as a means of avoiding tax and the companies were nothing more than the façade of the assessee himself. Therefore the whole idea of Mr. F was simply to split his income into three parts with a view to evade tax. No other business was done by the company.
 - (2) The legal personality of the three private companies may be disregarded because the companies were formed only to avoid tax liability. It carried on no other business, but was created simply as a legal entity to ostensibly receive the dividend and interest and to hand them over to the assessee as pretended loans. The same was upheld in *Re Sir Dinshaw Maneckji Petit* AIR 1927 Bom.371 and *Juggilal vs. Commissioner of Income Tax* AIR (1969) SC (932).

6. (a) Definition of Consideration-Section 2(d)

"When at the desire of the promisor, the promise or any other person has done, or does or abstains from doing of promises to do or abstain from doing something, such an act or abstinence or promise is called consideration for the promise"

The essential characteristics of a valid consideration are as follows:

- (1) Consideration must move at the desire of the promisor
- (2) It may proceed from the promisee or any other person on his behalf.
- (3) It may be executed or executory. It may be past, present or future.
- (4) It must be real and have some value in the eyes of law.
- (5) It must not be something which the promisor is already legally bound to do.
- (6) It must not be unlawful, immoral or opposed to public policy.
- (7) Inadequacy of consideration does not invalidate the contract. Thus, it need not be proportionate to the value of the promise of the other.
- (8) It may comprise of some benefit, profit, right or interest accruing to one or some loss, detriment, obligation or responsibility undertaken by the other.

- (b) **Dissolution of Firm:** The Dissolution of Firm means the discontinuation of the jural relation existing between all the partners of the Firm. But when only one of the partners retires or becomes incapacitated from acting as a partner due to death, insolvency or insanity, the partnership, i.e., the relationship between such a partner and other is dissolved, but the rest may decide to continue. In such cases, there is in practice, no dissolution of the firm. The particular partner goes out, but the remaining partners carry on the business of the Firm. In the case of dissolution of the firm, on the other hand, the whole firm is dissolved. The partnership terminates as between each and every partner of the firm.

Dissolution of a Firm may take place (Section 39 - 44)

- (a) as a result of any agreement between all the partners (i.e., dissolution by agreement);
 - (b) by the adjudication of all the partners, or of all the partners but one, as insolvent (i.e., compulsory dissolution);
 - (c) by the business of the Firm becoming unlawful (i.e., compulsory dissolution);
 - (d) subject to agreement between the parties, on the happening of certain contingencies, such as: (i) effluence of time; (ii) completion of the venture for which it was entered into; (iii) death of a partner; (iv) insolvency of a partner.
 - (e) by a partner giving notice of his intention to dissolve the firm, in case of partnership at will and the firm being dissolved as from the date mentioned in the notice, or if no date is mentioned, as from the date of the communication of the notice; and
 - (f) by intervention of court in case of: (i) a partner becoming the unsound mind; (ii) permanent incapacity of a partner to perform his duties as such; (iii) Misconduct of a partner affecting the business; (iv) willful or persistent breaches of agreement by a partner; (v) transfer or sale of the whole interest of a partner; (vi) improbability of the business being carried on save at a loss; (vii) the court being satisfied on other equitable grounds that the firm should be dissolved.
- (c) According to section 2(68) of the Companies Act, 2013, "Private company" means a company having a minimum paid-up share capital as may be prescribed, and which by its articles, except in case of One Person Company, limits the number of its members to two hundred.

However, where two or more persons hold one or more shares in a company jointly, they shall, for the purposes of this clause, be treated as a single member.

It is further provided that -

- (A) persons who are in the employment of the company; and
- (B) persons who, having been formerly in the employment of the company, were members of the company while in that employment and have continued to be members after the employment ceased,

shall not be included in the number of members.

In the instant case, Flora Fauna Limited may be converted into a private company only if the total members of the company are limited to 200.

Total Number of members

| | | |
|-------|-------------------------------|-----|
| (i) | Directors and their relatives | 190 |
| (ii) | 5 Couples (5*1) | 5 |
| (iii) | Others | 5 |
| | Total | 200 |

Therefore, there is no need for reduction in the number of members since existing number of members are 200 which does not exceed maximum limit of 200.

FOUNDATION COURSE
MOCK TEST PAPER
PAPER 2: SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING
ANSWERS

1. (a)

Answer Key

(i) b

(ii) a

(iii) d

(iv) d

(v) c

(b) (i) A Basic understanding of Tax and its variants (Heading)

I) What is a tax?

- 1) A fincl charge or a levy
- 2) Can be direct or indirect
- 3) Administered by the govt.

II) Use of Tax

- 1) Protecⁿ of property
- 2) Expenditure on wars
- 3) Economic infrastructures
- 4) Law and order
- 5) Public works
- 6) Subsidies
- 7) Social engg
- 8) Functioning of the govt.
 - (a) Welfare and public services
 - (b) Eduⁿ
 - (c) Pension for the elderly
 - (d) Unemployment benefits
 - (e) Public transprtⁿ.
 - (f) Day to day public utilities

(ii) **Summary**

Tax is a charge which the government or its equivalent functional body levies on the public. Taxes are used for various purposes like protection of property, expenditures on war, economic infrastructure, the enforcement of law and public order, public works, subsidies, social engineering, and the very operation of the government itself. Calculation of tax is based on various factors such as its inherent economic structure, its history, and to a significant extent on the tax structures of its neighbouring countries. Direct and indirect taxes are

prevalent in countries depending on their income group. Per capita income too plays an important role in deciding a tax amount. Failure to pay tax is a punishable offence.

2. (a) A complete communication conveys all facts and information required by the recipient. It keeps in mind the receiver's intellect and attitude and conveys the message accordingly. A complete communication helps in building the company's reputation, aids in better decision making as all relevant and required information is available with the receiver.

(b) (i) b

(ii) d

(iii) An apology letter should be written by you.

(iv) Uncle complained that he was unwell.

(c) Hazards of Passive Smoking (Title)

A lot of research and studies have concluded that second hand smoke, or passive smoking as it is commonly called is equally hazardous to health as is active smoking. Consistent results show that passive smoking causes lung cancer; also a study brings out a link between parental smoking and damage in children.

3. (a) Understanding *cultural aspects of communication* refers to having knowledge of different cultures in order to communicate effectively with cross culture people.. Understanding various cultures in this era of globalization is an absolute necessity as the existence of 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 familiarize their staff with the culture of the country where they are based for work.

(b) (i) c

(ii) a

(iii) The work was finished very soon by Anita

(iv) The stuntman advised the audience not to try that at home.

(c) Letter

Manager Operations and Admin

15th Feb, 2019

Net Solutions

Mumbai

Administration Head

Food for you Solutions

Mumbai

Dear Sir/Madam

Sub: Complaint against food quality

This with reference to the food supplied to our cafeteria by your company's kitchen. Unfortunately, for the past few weeks, we have observed that the quality of food items, especially rice, wheat flour and pulses has degraded considerably.

A few of our employees complained of ill health after having consumed your food. I presume stale food is not being sent to us.

Kindly assure that the raw material you use is of high quality standards and is ISI approved.

I request you to look into this matter urgently and present a report within 2 days time to avoid a stern action.

Thanks and Regards,

Name

Manager, Ops and Admin

Net Solutions

(Signed)

Manager, Office and food supplies Ltd.

4. (a) Nonverbal communication is the process of communicating by sending and receiving wordless messages. These messages can aid verbal communication, convey thoughts and feelings contrary to the spoken words or express ideas and emotions on their own. Some of the functions of nonverbal communication in humans are to complement and illustrate, to reinforce and emphasize, to replace and substitute, to control and regulate, and to contradict the denoted message
- **Physical nonverbal communication:** An individual's body language that is, facial expressions, stance, gestures, tone of voice, touch, and other physical signals constitute this type of communication. For example, leaning forward may mean friendliness, acceptance and interest, while crossing arms can be interpreted as antagonistic or defensive posture.
 - **Paralanguage:** The way you say something, more than the actual words used, reveal the intent of the message, The voice quality, intonation, pitch, stress, emotion, tone, and style of speaking, communicates approval, interest or the lack of it.
 - **Aesthetic communication:** Art forms such as dancing, painting, sculptor, music are also means of communication. They distinctly convey the ideas and thoughts of the artist.
 - **Appearance:** Appearance is usually the first thing noticed about a person. A well dressed and groomed person is presumed to be organized and methodical, whereas a sloppy or shabby person fails to make a favourable impression. Therefore, dressing appropriately in all formal interactions is emphasized. The dress code in office is generally formal. It constitutes of formal suits, trousers with plain white or light coloured shirts and leather shoes. Bright colours, jeans, T - shirts, especially with slogans and other informal wear are frowned upon. For women formal two-piece trouser or skirt sets or formal ethnic wear like sarees, is permissible.
 - **Symbols** such as religious and status.
- (b) (i) c
- (ii) Women led a conservative lifestyle in olden days
- (iii) The girl asked where I lived?
- (c) **Answer Hints for Article**
- Mention a heading: **Social Media: A Bane or Boon**
 - Social media is a good way to connect with friends and relatives
 - A convenient platform for sharing ideas, thoughts and opinions
 - Facebook, twitter, instagram, whatsapp are useful when used in a healthy way.

- Getting addicted to them is very easy and affects one's productivity.
 - With the advent of social media in our lives, every movement gets tracked and reported.
 - Technology at its boom, is not safe always. One needs to use it judiciously for good causes.
 - The social media shows a person's daily movements, tracks your trips; what you see on your FB pages is influenced by your past searches, which is probably not right.
 - A good balance of technology and mind, with less interference of the social media is an appropriate approach.
5. (a) **Formal communication:** Formal communication, both oral and written, follows certain rules, principles and conventions in conveying the message. The hierarchy in the organization 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 organization. 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 management/seniors to the subordinates for implementation.
 - **Horizontal:** Horizontal communication that involves communication between two parts of the organization 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 organizational hierarchy is described as diagonal communication. Diagonal communication is increasingly common in larger organizations. 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.
- (b) (i) d
- (ii) b
- (iii) He wanted to know if she knew Robert.
- (c) Following is a standard format, with subheadings for freshers like Sushma. (A fresher is typically a person who has never worked in any organization and is applying for his first formal job)
- Name and contact details
 - Objective Summary
 - Academic Qualifications and Achievements (mention class XII marks/grades/CGPA) Also mention, that Sushma is going to write her CA finals, in May/November.
 - Co-curricular Achievements
 - Training Programs/Articleship attended/completed (Name the organization and the date of joining)
 - Strengths (Personal and professional) *Here the auditing expertise can be mentioned.*
 - Interests/Hobbies
 - Declaration
 - Signature

FOUNDATION COURSE

MOCK TEST PAPER

PAPER – 3: BUSINESS MATHEMATICS, LOGICAL REASONING AND STATISTICS

Time Allowed 2 Hours

Maximum Marks: 100

QUESTIONS

PART A: BUSINESS MATHEMATICS AND LOGICAL REASONING

1. The ratio compounded of 2:3, 9:4, 5:6 and 8: 10 is
 - (a) 1: 1
 - (b) 1:5
 - (c) 3: 8
 - (d) none of these
2. The sub-triplicate ratio of 8: 27
 - (a) 27: 8
 - (b) 24: 81
 - (c) 2: 3
 - (d) none of these
3. If $\frac{p}{q} = \frac{r}{s} = \frac{p-r}{q-s}$, the process is called
 - (a) Subtrahendo
 - (b) Componendo
 - (c) Alternendo
 - (d) none of these
4. The value of $\left(\frac{x^a}{x^b}\right)^{(a^2+ab+b^2)} \times \left(\frac{x^b}{x^c}\right)^{(b^2+bc+c^2)} \times \left(\frac{x^c}{x^a}\right)^{(c^2+ca+a^2)}$
 - (a) 1
 - (b) 0
 - (c) -1
 - (d) none of these
5. If $a = \log_{12} 24$, $b = \log_{36} 24$, $c = \log_{48} 36$ then prove that $1 + abc =$
 - (a) $2bc$
 - (b) $2ca$
 - (c) $2ba$
 - (d) $3bc$
6. If $x = 5^{1/3} + 5^{-1/3}$, $5x^3 - 15x$ is given by
 - (a) 25

- (b) 26
(c) 27
(d) 30
7. Ten years ago the age of a father was four times his son. Ten years hence the age of the father will be twice that of his son. The present age of the father and the son are
(a) (50, 20)
(b) (60, 20)
(c) (55, 25)
(d) none of these
8. When two roots of quadratic equations are α and $\frac{1}{\alpha}$ then what will be quadratic equation.
(a) $\alpha x^2 - (\alpha^2 + 1)x + \alpha = 0$
(b) $\alpha x^2 - \alpha^2 x + \alpha = 0$
(c) $\alpha x^2 - (\alpha^2 + 1)x + \alpha = 0$
(d) none of these
- (9) Let α and β be the roots of equation $x^2 + 7x + 12 = 0$. Then the value of $\left(\frac{\alpha^2}{\beta} + \frac{\beta^2}{\alpha}\right)$ will be
(a) $\left(\frac{49}{144} + \frac{144}{49}\right)$
(b) $\left(\frac{7}{12} + \frac{12}{7}\right)$
(c) $\left(-\frac{91}{12}\right)$
(d) none of these
10. If $A = \begin{pmatrix} 5 & -2 \\ -1 & 3 \end{pmatrix}$, then Adjoint of Matrix A
(a) $\begin{pmatrix} 3 & -2 \\ -1 & 5 \end{pmatrix}$
(b) $\begin{pmatrix} 5 & 2 \\ -1 & 3 \end{pmatrix}$
(c) $\begin{pmatrix} 3 & -2 \\ 1 & 5 \end{pmatrix}$
(d) $\begin{pmatrix} 3 & 2 \\ 1 & 5 \end{pmatrix}$

11. If $A = \begin{pmatrix} 5 & x \\ y & 0 \end{pmatrix}$ and $A = A^T$, then
- $x = 0, y = 5$
 - $x = y$
 - $x + y = 5$
 - none of these
12. If $A = \begin{pmatrix} 2i & 3i \\ 2i & i \end{pmatrix}$ (here $i^2 = -1$) then $|A| =$
- 2
 - 8
 - 4
 - 5
13. On solving the inequalities $5x + y \leq 100, x + y \leq 60, x \geq 0$ and $y \geq 0$, we get the following situation.
- $(0, 0), (20, 0), (10, 50)$ and $(0, 60)$
 - $(0, 0), (60, 0), (10, 50)$ and $(0, 60)$
 - $(0, 0), (20, 0), (0, 100)$ and $(10, 50)$
 - none of these
14. A certain money doubles itself in 10 years when deposited on simple interest. It would triple itself in
- 30 years
 - 20 years
 - 25 years
 - 15 years
15. A man deposited Rs. 8,000 in a bank for 3 years at 5% per annum compound interest, after 3 years he will get
- Rs. 9,000
 - Rs. 8,800
 - Rs. 9,200
 - Rs. 9261
16. The effective rate of interest for one year corresponding to a nominal at 7% rate of interest per annum convertible quarterly is
- Rs. 240
 - Rs. 200
 - Rs. 220
 - Rs. 210
17. The value of furniture depreciates by 10% a year, if the present value of the furniture in an office is Rs. 21870, calculate the value of furniture 3 years ago.
- Rs. 30,000
 - Rs. 35,000

- (c) Rs. 40,000
(d) Rs. 45,000
18. The population of a town increases every year by 2 % of the population beginning of that year. The number of years by which the total increase of population be 40% is
(a) 7 years
(b) 10 years
(c) 17 years (approximately)
(d) none of these
19. Find the future value of an annuity of Rs. 500 made annually for 7 years at interest rate of 14 % per annum
[Given that $(1.14)^7 = 2.5023$]
(a) Rs. 5365.35
(b) Rs. 5000
(c) Rs. 5325.65
(d) Rs. 6000.35
20. Rs. 200 invested at the end of each month in an account paying interest 6% per year compounded monthly. What is the future value of this annuity after 10th payment? [Given that $(1.005)^{10} = 1.0511$]
(a) Rs. 2045
(b) Rs. 5055
(c) Rs. 2044
(d) Rs. 2065
21. Suppose your father decides to gift you Rs. 10,000 every year starting from today for the next five years, you deposit this amount in a bank as and when you receive and get 10% per annum interest rate compounded annually. What is the present value of this annuity? ($P(4, 0.10) = 3.16987$)
(a) Rs. 41, 698.70
(b) Rs. 45, 698.70
(c) Rs. 41, 698.70
(d) Rs. 41, 698.70
22. Nominal Rate of Return =
(a) Real Rate of Return – Inflation
(b) Real Rate of Return + Inflation
(c) Inflation - Real Rate of return
(d) None of the above
23. Net Present Value (NPV)
(a) Present value of net cash inflow – Total net Investment
(b) Present value of net cash inflow – Present value of cash outflow
(c) Total net Investment- Present value of net cash Inflow
(d) a or b
24. The annual birth rates per 1,000 are 39.4 and 19.4 respectively. The number of years which the population will be doubled assuming there is no immigration or emigration is
(a) 35 years

- (b) 30 years
 - (c) 25 years
 - (d) none of these
25. Y bought Motor Bike Costing 80,000 by making down payment of Rs. 30000 and agreeing to make annual payment for four years. How much would be each payment if the interest on unpaid amount be 14% compounded annually. [Given $P(4, 0.14) = 2.91371$]
- (a) Rs. 17160.25
 - (b) Rs. 17600.25
 - (c) Rs.15600.25
 - (d) Rs. 16600.25
26. The value of K, for which the terms $7K + 3$, $4K - 5$, $2K + 10$ are in A.P., is
- (a) 13
 - (b) - 23
 - (c) 13
 - (d) 23
27. If $A = \{1, 2, 3, 4\}$ and $B = \{1, 4, 9, 16, 25\}$ is a function of f is defined set A to B where $f(x) = x^2$ then the range of f is
- (a) $\{1, 2, 3, 4\}$
 - (b) $\{1, 4, 9, 16\}$
 - (c) $\{1, 4, 9, 16, 25\}$
 - (d) none of these
28. If ${}^nP_r = 336$ and ${}^nC_r = 56$, then n and r will be
- (a) (3, 2)
 - (b) (8, 3)
 - (c) (7, 4)
 - (d) none of these
29. If $A = \{1, 2, 3, 4, 5, 6, 7\}$ and $B = \{2, 4, 6\}$ Cardinal number of $A \cup B$
- (a) 3
 - (b) 16
 - (c) 5
 - (d) 7
30. In how many ways the letters of the word 'ARRANGE' be arranged?
- (a) 1,200
 - (b) 1,250
 - (c) 1,260
 - (d) 1,300
31. The number of ways in which 8 examination papers be arranged so that the best and worst papers never come together.
- (a) $8! - 2 \times 7!$

- (b) $8! - 7!$
 (c) $8!$
 (d) $7!$
32. ${}^nP_r = 720$ and ${}^nC_r = 120$ then value of r is
 (a) 4
 (b) 5
 (c) 3
 (d) 6
33. Find the three numbers in G.P, whose sum is 19 and product is 216.
 (a) 9,6,4 or 4,6,9
 (b) 9,6,3 or 3,6,9
 (c) 9,3,1 or 1,3,9
 (d) 9,3, -1 or -1,3,9
34. The n^{th} term of the sequence -1,2, -4, 8, is
 (a) $(-1)^n 2^{n-1}$
 (b) 2^{n-1}
 (c) 2^n
 (d) none of these
35. If $f(x) = x+3$ and $g(x) = x^2$, then $f \circ g(x)$
 (a) x^2+3
 (b) x^2+x+3
 (c) $(x+3)^2$
 (d) none of these
36. Given $x = 2t + 5$, $y = t^2 - 2$; $\frac{dy}{dx}$ is calculated
 (a) t
 (b) $-1/t$
 (c) $1/t$
 (d) none of these
37. The slope of the tangent to the curve $y = x^2 - x$ at the point, where the line $y = 2$ cuts the curve in the first quadrant, is
 (a) 2
 (b) 3
 (c) -3
 (d) 2
38. For the curve $x^2 + y^2 + 2gx + 2hy = 0$, the value of $\frac{dy}{dx}$ at (0,0) is
 (a) $-g/h$

- (b) g/h
 (c) h/g
 (d) $-h/g$
39. $\int e^{-3x} dx =$
 (a) $-\frac{1}{3}e^{-3x} + c$
 (b) $\frac{1}{3}e^{-3x} + c$
 (c) $-\frac{1}{3}e^{3x} + c$
 (d) $-3e^{-3x} + c$
40. $\int x \cdot \log x \, dx$
 (a) $\frac{x^2}{2} \cdot \log x - \frac{x^2}{4} + c$
 (b) $-\frac{x^2}{2} \cdot \log x - \frac{x^2}{4} + c$
 (c) $\frac{x^2}{2} \cdot \log x + \frac{x^2}{4} + c$
 (d) $-\frac{x^2}{2} \cdot \log x + \frac{x^2}{4} + c$
41. Find the missing term of the number series 24, 60, 120, 210, ?
 (a) 300
 (b) 336
 (c) 420
 (d) 525
42. GO = 32, SHE = 49, then SOME will be equal to
 (a) 56
 (b) 58
 (c) 62
 (d) 64
43. In a certain Code DECEMBER is written as ERMBCEDE. Which word will be written as ERMBVENO in that code?
 (a) AUGUST
 (b) SEPTEMBER
 (c) OCTOBER
 (d) NOVEMBER

44. Find the missing term of the number series 48, 24, 96, 48, 192, ?
- 76
 - 90
 - 96
 - 98
45. Ramu walks 5 Kms starting from his house towards west then turns right and walks 3 km. Thereafter he takes left turn and walks 2 km. Further, he turn left and walks 3 km. Finally, he turns right and walks 3 kms. In what direction he is now from his house.
- West
 - North
 - South
 - North
46. Six children A, B, C, D, E and F are sitting in a row. B is between F and D. E is between A and C. However, A does not stand next to F or D. C does not stand next to D. F is between which of the following pairs of children?
- B and E
 - B and C
 - B and D
 - B and A
47. Five students are A, B, C, D and E are standing in a row. D is on the right of E; B is on the left of E but on right of A. D is next to C on his left. The student in middle is
- B
 - A
 - E
 - C

Q.No.48-50 Study the following information carefully to answer the given questions. Eight person's P to W are sitting in front of one another in two rows. Each row has four persons. P is between U and V and facing North. Q, who is to the immediate left of M is facing W. R is between T and M and W is to the immediate right of V.

48. Who is sitting in front of R?
- U
 - Q
 - V
 - P
49. Who is to the immediate right of R?
- M
 - U
 - M or P
 - T

50. In which of the following pairs, persons are sitting in front of each other?

- (a) MV
- (b) RV
- (c) TV
- (d) UR

(Q.NO. 51-53). In each of the of the following below are given two statements followed by two conclusion numbered I and II. You have to take the given two statements to be true even if they seem to be variance from commonly known facts. Read the conclusions logically follows from the two given statements. Disregarding commonly known facts.

Give Answer

- (a) If Only conclusion I follows
- (b) If Only conclusion II follows
- (c) If either conclusion I or II follows
- (d) If neither conclusion I nor II follows

51. Statements: I. Some rats are Cats

II. All Cats are bats.

Conclusions: No rats are cats

Some rats are bats.

52. Statements: I. No house is an apartment.

II. Some apartments are bungalows.

Conclusions: No house is a bungalow.

All bungalows being houses is a possibility.

53. Statements: I. All Pens are ink.

II. No ink is an eraser.

Conclusions: No pen is an eraser.

Some erasers are pens.

54. Statements: I. No toffee is Coffee

II. No Sweet is Toffee.

Conclusions: No coffee is sweet.

All sweets are coffee.

55. C is mother of A and B. If D is the husband of B, then what is C to D

- (a) Mother
- (b) Aunt
- (c) Mother-in Law
- (d) Sister

56. A is B's sister, C is B's mother, D is C's father of E is D's mother, then how is A related D?

- (a) Granddaughter
- (b) Daughter
- (c) Aunt

- (d) Father
57. A, Q, Y and Z are different persons. Z is the father of Q. A is the daughter of Y and Y is the son of Z. If P is the son of Y and B is the brother of P, then
- (a) B and Y are brothers
 - (b) A is sister of B
 - (c) Z is the uncle of B
 - (d) Q and Y are brothers
58. A is father of C and D is son of B. E is brother of A. If C is sister of D how is B related to E?
- (a) Sister-in-Law
 - (b) Sister
 - (c) Brother
 - (d) Brother-in-Law
59. A Driver left his village and drove North for 20 Km, after which he stopped for breakfast. Then he turned left and drove another 30 km, when he stopped for lunch. After some rest, he again turned left and drove 20 kms before stopping for evening tea. Once more he turned left and drove 30 kms to reach the town where he had supper. After evening tea in which direction did he drive?
- (a) West
 - (b) East
 - (c) North
 - (d) South
60. A man is facing East, then he turns left and goes 10m then turns right and goes 5 m then goes 5 m to the South and from there 5 m to West. In which direction is he from his original place?
- (a) East
 - (b) West
 - (c) North
 - (d) South

PART B: STATISTICS

61. Statistics is applied in
- (a) Economics
 - (b) Business management
 - (c) Commerce and industry
 - (d) All these.
62. The primary data are collected by
- (a) Interview method
 - (b) Observation method
 - (c) Questionnaire method
 - (d) All these.
63. The best method to collect data, in case of a natural calamity, is
- (a) Personal interview

- (b) Indirect interview
 - (c) Questionnaire method
 - (d) Direct observation method
64. 'Stub' of a table is the
- (a) Left part of the table describing the columns
 - (b) Right part of the table describing the columns
 - (c) Right part of the table describing the rows
 - (d) Left part of the table describing the rows
65. Pie-diagram is used for
- (a) Comparing different components and their relation to the total
 - (b) representing qualitative data in a circle
 - (c) Representing quantitative data in circle
 - (d) (b) or (c).
66. For open-end classification, which of the following is the best measure of central tendency?
- (a) AM
 - (b) GM
 - (c) Median
 - (d) Mode
67. The presence of extreme observations does not affect
- (a) AM
 - (b) Median
 - (c) Mode
 - (d) Any of these.
68. For a moderately skewed distribution, which of the following relationship holds?
- (a) Mean – Mode = 3 (Mean – Median)
 - (b) Median – Mode = 3 (Mean – Median)
 - (c) Mean – Median = 3 (Mean – Mode)
 - (d) Mean – Median = 3 (Median – Mode)
69. Which of the following results hold for a set of distinct positive observations?
- (a) $AM \geq GM \geq HM$
 - (b) $HM \geq GM \geq AM$
 - (c) $AM > GM > HM$
 - (d) $GM > AM > HM$
70. Quartiles are the values dividing a given set of observations into
- (a) Two equal parts
 - (b) Four equal parts
 - (c) Five equal parts
 - (d) None of these

71. If x and y are related by $x - y - 10 = 0$ and mode of x is known to be 23, then the mode of y is
- (a) 20
 - (b) 13
 - (c) 3
 - (d) 23
72. What is the value of the first quartile for observations 15, 18, 10, 20, 23, 28, 12, 16?
- (a) 17
 - (b) 16
 - (c) 12.75
 - (d) 12
73. If the relationship between two variables u and v are given by $2u + v + 7 = 0$ and if the AM of u is 10, then the AM of v is
- (a) 17
 - (b) -17
 - (c) -27
 - (d) 27.
74. Which one is an absolute measure of dispersion?
- (a) Range
 - (b) Mean Deviation
 - (c) Standard Deviation
 - (d) All these measures
75. The range of 15, 12, 10, 9, 17, 20 is
- (a) 5
 - (b) 12
 - (c) 13
 - (d) 11.
76. The standard deviation of, 10, 16, 10, 16, 10, 10, 16, 16 is
- (a) 4
 - (b) 6
 - (c) 3
 - (d) 0.
77. If all the observations are multiplied by 2, then
- (a) New SD would be also multiplied by 2
 - (b) New SD would be half of the previous SD
 - (c) New SD would be increased by 2
 - (d) New SD would be decreased by 2.
78. The quartiles of a variable are 45, 52 and 65 respectively. Its quartile deviation is
- (a) 10
 - (b) 20

- (c) 25
(d) 8.30.
79. If $P(A \cap B) = 0$, then the two events A and B are
(a) Mutually exclusive
(b) Exhaustive
(c) Equally likely
(d) Independent.
80. If A, B and C are mutually exclusive and exhaustive events, then $P(A) + P(B) + P(C)$ equals to
(a) $\frac{1}{3}$
(b) 1
(c) 0
(d) any value between 0 and 1.
81. Variance of a random variable x is given by
(a) $E(x - \mu)^2$
(b) $E[x - E(x)]^2$
(c) $E(x^2 - \mu)$
(d) (a) or (b)
82. If a card is drawn at random from a pack of 52 cards, what is the chance of getting a Spade or an ace?
(a) $4/13$
(b) $5/13$
(c) 0.25
(d) 0.20
83. Given that $P(A) = 1/2$, $P(B) = 1/3$, $P(AB) = 1/4$, what is $P(A' \cap B')$
(a) $1/2$
(b) $7/8$
(c) $5/8$
(d) $2/3$
84. A binomial distribution is
(a) never symmetrical.
(b) never positively skewed.
(c) never negatively skewed.
(d) symmetrical when $p = 0.5$.
85. The maximum value of the variance of a binomial distribution with parameters n and p is
(a) $n/2$.
(b) $n/4$.
(c) $np(1 - p)$.
(d) $2n$.

86. The total area of the normal curve is
- (a) one.
 - (b) 50 per cent.
 - (c) 0.50.
 - (d) any value between 0 and 1.
87. The interval $(\mu - 3\sigma, \mu + 3\sigma)$ covers
- (a) 95% area of a normal distribution.
 - (b) 96% area of a normal distribution.
 - (c) 99% area of a normal distribution.
 - (d) all but 0.27% area of a normal distribution.
88. If the mean deviation of a normal variable is 16, what is its quartile deviation?
- (a) 10.00.
 - (b) 13.50.
 - (c) 15.00.
 - (d) 12.05
89. If the points of inflexion of a normal curve are 40 and 60 respectively, then its mean deviation is
- (a) 40
 - (b) 45
 - (c) 50
 - (d) 60
90. For Poisson fitting to an observed frequency distribution
- (a) we equate the Poisson parameter to the mean of the frequency distribution.
 - (b) we equate the Poisson parameter to the median of the distribution.
 - (c) we equate the Poisson parameter to the mode of the distribution.
 - (d) none of these.
91. What is spurious correlation?
- (a) It is a bad relation between two variables.
 - (b) It is very low correlation between two variables.
 - (c) It is the correlation between two variables having no causal relation.
 - (d) It is a negative correlation
92. The covariance between two variables is
- (a) Strictly positive
 - (b) Strictly negative
 - (c) Always 0
 - (d) Either positive or negative or zero.
93. If $r = 0.6$ then the coefficient of non-determination is
- (a) 0.4
 - (b) -0.6
 - (c) 0.36

- (d) 0.64
94. If the sum of squares of difference of ranks, given by two judges A and B, of 8 students in 21, what is the value of rank correlation coefficient?
- (a) 0.7
(b) 0.65
(c) 0.75
(d) 0.8
95. Weighted G.M. of relative formula satisfy _____ test
- (a) Time Reversal Test
(b) Circular test
(c) Factor Reversal Test
(d) none
96. Laspyre's method and Paasche's method do not satisfy
- (a) Unit Test
(b) Time Reversal Test
(c) Factor Reversal Test
(d) a, b and (c)
97. Fisher's index number is based on
- (a) The Arithmetic mean of Laspeyre's and Paasche's index numbers.
(b) The Median of Laspeyre's and Paasche's index numbers.
(c) The Mode of Laspeyre's and Paasche's index numbers.
(d) The GM of Laspeyre's and Paasche's index numbers.
98. Purchasing Power of Money is
- (a) Reciprocal of price index number.
(b) Equal to price index number.
(c) Unequal to price index number.
(d) None of these.
99. Damages due to floods, droughts, strikes, fires and political disturbances are :
- (a) Trend
(b) Seasonal
(c) Cyclical
(d) Irregular
100. The additive model of Time Series
- (a) $Y = T + S + C + I$
(b) $Y = TSCI$
(c) $Y = a + bX$
(d) $Y = a + bX + cX^2$

FOUNDATION COURSE

MOCK TEST PAPER

PAPER – 3: BUSINESS MATHEMATICS, LOGICAL REASONING AND STATISTICS

ANSWERS

Part A: Business Mathematics and Logical Reasoning

| | | | | | | | | | | | |
|----|-----|----|-----|----|-----|----|-----|----|-----|----|-----|
| 1 | (a) | 11 | (b) | 21 | (a) | 31 | (a) | 41 | (b) | 51 | (b) |
| 2 | (c) | 12 | (c) | 22 | (b) | 32 | (c) | 42 | (a) | 52 | (d) |
| 3 | (a) | 13 | (a) | 23 | (d) | 33 | (a) | 43 | (d) | 53 | (a) |
| 4 | (a) | 14 | (b) | 24 | (a) | 34 | (a) | 44 | (c) | 54 | (d) |
| 5 | (a) | 15 | (d) | 25 | (a) | 35 | (a) | 45 | (a) | 55 | (c) |
| 6 | (b) | 16 | (d) | 26 | (b) | 36 | (a) | 46 | (b) | 56 | (a) |
| 7 | (a) | 17 | (a) | 27 | (b) | 37 | (b) | 47 | (c) | 57 | (b) |
| 8 | (a) | 18 | (c) | 28 | (b) | 38 | (a) | 48 | (a) | 58 | (a) |
| 9 | (c) | 19 | (a) | 29 | (d) | 39 | (a) | 49 | (d) | 59 | (b) |
| 10 | (d) | 20 | (c) | 30 | (c) | 40 | (a) | 50 | (a) | 60 | (c) |

Part B: Statistics

| | | | | | | | |
|----|-----|----|-----|----|-----|-----|-----|
| 61 | (d) | 71 | (d) | 81 | (d) | 91 | (c) |
| 62 | (d) | 72 | (c) | 82 | (a) | 92 | (d) |
| 63 | (a) | 73 | (c) | 83 | (c) | 93 | (d) |
| 64 | (d) | 74 | (d) | 84 | (d) | 94 | (c) |
| 65 | (a) | 75 | (d) | 85 | (b) | 95 | (a) |
| 66 | (c) | 76 | (c) | 86 | (a) | 96 | (d) |
| 67 | (b) | 77 | (d) | 87 | (d) | 97 | (d) |
| 68 | (a) | 78 | (a) | 88 | (b) | 98 | (a) |
| 69 | (c) | 79 | (a) | 89 | (a) | 99 | (d) |
| 70 | (a) | 80 | (b) | 90 | (a) | 100 | (a) |

Test Series: March, 2019

FOUNDATION COURSE

MOCK TEST PAPER

PAPER – 4 : BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART I: BUSINESS ECONOMICS

QUESTIONS

Max. Marks: 60

1. In the case of a straight line demand curve meeting the two axes, the price elasticity of demand at y-axis of the line would be equal to
 - (a) 1
 - (b) infinity
 - (c) 3
 - (d) 1.25
2. A firm under perfect competition will be making minimum losses (in the short run) at a point where:
 - (a) $MC > MR$
 - (b) $MR > MC$
 - (c) $MC = MR$
 - (d) $AC = AR$
3. When the consumer is in equilibrium his price line is _____ to indifference curve
 - (a) Parallel
 - (b) At right angle
 - (c) Diagonally opposite
 - (d) Tangent
4. The Law of variable proportions examines the Production function with:
 - (a) One factor variable and only one factor fixed
 - (b) One factor variable keeping quantities of other factors fixed
 - (c) All factors variable
 - (d) None of the above

5. Indifference Curve analysis is based on
 - (a) Ordinal utility
 - (b) Cardinal utility
 - (c) Marginal utility
 - (d) None of the above
6. MC curve cuts AVC Curve
 - (a) At its falling point
 - (b) At its minimum Point
 - (c) At its rising point
 - (d) At different points
7. Accounting profit is equal to:
 - (a) Total Revenue – Total variable cost
 - (b) Total Revenue – Total direct cost
 - (c) Total Revenue – Total Cost
 - (d) Total Revenue – Total Explicit cost and Total Implicit Cost.
8. Which of the following is a cause of an economic problem?
 - (a) Scarcity of Resources
 - (b) Unlimited wants
 - (c) Alternative uses
 - (d) All of the above
9. When two goods are perfect substitutes of each other then
 - (a) MRS is falling
 - (b) MRS is rising
 - (c) MRS is constant
 - (d) None of the above
10. In case of a Giffen good, the demand curve will be:
 - (a) Horizontal
 - (b) Downward – sloping to the right
 - (c) Vertical

- (d) Upward – sloping
11. Which of the following statements is incorrect?
- (a) The services of doctors, lawyers, teachers etc. are termed as production
 - (b) Man cannot create matter
 - (c) Accumulation of capital does not depend solely on income
 - (d) None of the above
12. In perfect competition utilization of resources is
- (a) Partial
 - (b) Moderate
 - (c) Full
 - (d) Over
13. Price discrimination occurs when:
- (a) Producer sells a specific commodity or service to different buyers for the same price
 - (b) Producer sells specific commodity or service to different buyers at two or more different prices due to difference in cost
 - (c) Producer sells a specific commodity or service to different buyers at two or more different prices for reasons not associate with difference in cost
 - (d) Producer under perfect competition sells different goods to consumers at different prices
14. MR curve under Monopoly lies between AR and Y – axis because, the rate of decline of the MR is
- (a) Just half of the rate of decline of AR
 - (b) Just equal to the rate of decline of AR
 - (c) Just triple the rate of decline of the average revenue
 - (d) Just double the rate of decline of the average revenue
15. In the long run, normal profits are included in the _____ curve.
- (a) LAC
 - (b) LMC
 - (c) AFC
 - (d) SAC

16. Calculate Income-elasticity for the household when the income of a household rises by 10% the demand for T.V. rises by 20%
- (a) + .5
 - (b) -.5
 - (c) + 2
 - (d) -2
17. In case of necessities the marginal utilities of the earlier units are large. In such cases the consumer surplus will be:
- (a) infinite
 - (b) Zero
 - (c) Marginally positive
 - (d) Marginally Negative
18. Which of the following is not the characteristic of Labour?
- (a) Labour is highly 'Perishable' in the sense that a day's labour lost cannot be completely recovered
 - (b) Labour is inseparable from the labourer himself
 - (c) Labour has a strong bargaining power
 - (d) The supply of labour and wage rate are directly related in the initial stages
19. Indicate which of the following is a variable cost?
- (a) Payment of rent on building
 - (b) Cost of Machinery
 - (c) Interest payment on Loan taken from bank
 - (d) Cost of raw material
20. Marginal costs are closely associated with:
- (a) Variable cost
 - (b) Total fixed cost
 - (c) Average cost
 - (d) Total cost
21. Economic cost means
- (a) Accounting cost + Implicit cost

- (b) Accounting cost + Marginal cost
 - (c) Cash cost + Opportunity cost
 - (d) Implicit cost
22. When is average product at its maximum point?
- (a) When AP intersects MP
 - (b) When AP intersects TP
 - (c) When MP is highest
 - (d) At the point of inflexion
23. A firm has producing 7 units of output has an average total cost of Rs. 150 and has to pay Rs. 350 to its fixed factors of production whether it produces or not. How much of the average total cost is made up of variable cost?
- (a) 200
 - (b) 50
 - (c) 300
 - (d) 100
24. Calculate Income-elasticity for the household when the income of a household rises by 5% and the demand for bajra falls by 2%
- (a) + 2.5
 - (b) - 2.5
 - (c) -.4
 - (d) +.4
25. The consumer surplus concept is derived from:
- (a) Law of demand
 - (b) Indifference curve analysis
 - (c) Law of diminishing marginal utility
 - (d) All of above
26. The cost that firm incurs in hiring or purchasing any factor of production is referred as:
- (a) Explicit cost
 - (b) Implicit cost
 - (c) Variable cost

- (d) Fixed cost
27. _____ depicts complete picture of consumer tastes and preferences.
- (a) Budget line
 - (b) Average cost curve
 - (c) Indifference map
 - (d) Marginal revenue curve
28. When economists speak of utility of a certain good, they are referring to:
- (a) the demand for the good
 - (b) The usefulness of the good in consumption
 - (c) the expected satisfaction derived from the consumption of good.
 - (d) The rate at which consumers are willing to exchange one good for another
29. Diminishing marginal returns imply:
- (a) Decreasing average variable cost
 - (b) Decreasing marginal cost
 - (c) Increasing marginal cost
 - (d) Decreasing average fixed cost
30. If the goods are perfect substitutes for each other then cross elasticity is
- (a) Infinite
 - (b) One
 - (c) Zero
 - (d) None of the above
31. Consumer Surplus is:
- (a) What a consumer is ready to pay + what he actually pays
 - (b) What a consumer is ready to pay – what he actually pays
 - (c) What he actually pays – what a consumer is ready to pay
 - (d) None of the above
32. Which of the following statements is correct?
- (a) Monopolist can earn only profits
 - (b) Firms in a perfectly competitive market are price maker

- (c) Industry in a perfectly competitive market is a price taker
 - (d) AR curve and demand curve are same
33. Soap industry is an example of:
- (a) Oligopoly
 - (b) Perfect competition
 - (c) Monopolistic competition
 - (d) Monopoly
34. When price is less than average variable cost at the profit maximizing level of output, a firm should :
- (a) Shut down, since it cannot recover its variable cost
 - (b) Produce where $MC = MR$, if operating in short run
 - (c) Produce where $MC = MR$, if operating in long run
 - (d) None of the above
35. For the Price taking firm:
- (a) Marginal Revenue is less than price
 - (b) Marginal revenue is greater than price
 - (c) The relationship between marginal revenue and price is not clear
 - (d) Marginal revenue is equal to average revenue
36. Economic goods are goods which:
- (a) Cannot be increased in quantity
 - (b) Obey the law of Micro Economics
 - (c) Are limited in supply and are scarce
 - (d) Are limited to man-made goods.
37. Which of the following means an Economic activity?
- (a) Production of Goods
 - (b) Production of Services
 - (c) Consumption of Goods and Services
 - (d) All of the above

38. Which economy is now a myth only, as no country in the world is having that type of economy?
- (a) Capitalist Economy
 - (b) Socialist Economy
 - (c) Mixed Economy
 - (d) None of the above

Use table to answer question 39-42

Mohan sweets is a small restaurant and a price taker. The table below provides the data of Mohan's Sandwich output and costs in Rupees

| Quantity | TC | TFC | TVC | AVC | AC | MC |
|----------|------|-----|-----|-----|----|----|
| 0 | 100 | | | | | |
| 10 | 210 | | | | | |
| 20 | 300 | | | | | |
| 30 | 400 | | | | | |
| 40 | 540 | | | | | |
| 50 | 790 | | | | | |
| 60 | 1060 | | | | | |

39. If Sandwiches are being sold for Rs. 14 each, what is Mohan's profit maximizing level of output?
- (a) 10 Sandwiches
 - (b) 40 Sandwiches
 - (c) 50 Sandwiches
 - (d) 60 Sandwiches
40. What is the total variable cost when 60 sandwich are produced?
- (a) Rs. 690
 - (b) Rs. 960
 - (c) Rs. 110
 - (d) Rs. 440
41. What is the average fixed cost when 20 sandwiches are produced?
- (a) Rs. 5

- (b) Rs. 3.33
 - (c) Rs. 10
 - (d) Rs. 2.5
42. Between 10 to 20 sandwiches, what is the marginal cost per sandwich?
- (a) Rs. 11
 - (b) Rs. 13
 - (c) Rs. 14
 - (d) Rs. 9
43. If decreasing returns to scale are present, then if all inputs are increased by 10% then:
- (a) Output will increase by less than 10%
 - (b) Output will increase by 10%
 - (c) Output will decrease by 10%
 - (d) Output will increase by more than 10%
44. Effective Demand depends on:
- (a) Desire
 - (b) Means to purchase
 - (c) Willingness to use those means
 - (d) All of the above
45. Quantity demanded is a:
- (a) Flow Concept
 - (b) Stock Concept
 - (c) Both (a) and (b)
 - (d) None of the above
46. If two goods are complementary, like pen and ink, then the cross elasticity is:
- (a) Positive
 - (b) Zero
 - (c) Negative
 - (d) Less than one

47. If the price of Banana rises from Rs. 30 per dozen to Rs. 40 per dozen and the supply increases from 240 dozen to 300 dozens elasticity of supply is:
- (a) .7
 - (b) -.67
 - (c) .65
 - (d) .77
48. If as a result of 90 percent increase in all inputs, the output increase by 75 percent this is a case of
- (a) Increasing return of a factor
 - (b) Decreasing return to a factor
 - (c) Diminishing return to scale
 - (d) None of the above
49. At shut down point:
- (a) Price is equal to AVC
 - (b) Total revenue is equal to TVC
 - (c) Total loss of the firm is equal to TFC
 - (d) All of the above
50. Excess Capacity is the essential characteristic of the firm in the market form of:
- (a) Monopoly
 - (b) Perfect competition
 - (c) Monopolistic competition
 - (d) Oligopoly
51. If a good is priced at Rs. 180 p.u. and its price is increased to Rs. 240 p.u. Now suppose quantity demanded previously was 100 units and as a result of price increase, the quantity demanded fell to 80 units. What is the price elasticity?
- (a) . 777
 - (b) 1.4
 - (c) 1
 - (d) . 8

52. Macroeconomics is the study of:
- (a) Inflation
 - (b) Unemployment
 - (c) Growth
 - (d) All of the above
53. All of the following are U-shaped curves except the:
- (a) AVC curve
 - (b) AFC curve
 - (c) AC curve
 - (d) MC curve
54. A horizontal supply curve parallel to the quantity axis implies that the elasticity of supply is:
- (a) Infinite
 - (b) Zero
 - (c) Equal to one
 - (d) Greater than zero but less than one
55. Lesser production of _____ would lead to lesser production in future
- (a) Public goods
 - (b) Consumer goods
 - (c) Agricultural goods
 - (d) Capital goods
56. A condition needed for a perfectly competitive industry to exist is that:
- (a) Buyers are able to influence the price of the commodity
 - (b) Any units of commodity are considered by buyers to be different
 - (c) Buyer discriminates in their purchases based on non-price factors.
 - (d) There are no obstacles to the free mobility of resources
57. If the price of petrol rises by 25% and demand for car falls by 40% then, cross elasticity between petrol and car is:
- (a) -1.6
 - (b) 1.6

- (c) -2.6
 - (d) 2.6
58. Assume that when price is Rs. 40 quantity demanded is 9 units, and when price is Rs. 38, quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units?
- (a) Rs. 20
 - (b) Rs. 40
 - (c) Rs.38
 - (d) Rs. 1
59. Which of the following is not a variable in the index of leading indicators?
- (a) New consumer goods order
 - (b) Delayed deliveries
 - (c) New building permits
 - (d) Prime rate
60. When aggregate economic activity is increasing the economy is said to be in
- (a) An expansion
 - (b) a contraction
 - (c) A peak
 - (d) A turning point.

PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

1. Mark the Correct:
 - (a) Hindu Succession Act, 1956 is applicable in HUF.
 - (b) LLP firm may be constituted on basis of LLP Act 2009.
 - (c) A dormant company registered under Companies Act, 2013.
 - (d) All are correct.
2. PESTLE refers to:
 - (a) Political, Economic, Social, Technological, Legal & Environmental factors affecting business.
 - (b) All these are external factors.
 - (c) All these constitute macro environment.
 - (d) All of the above.
3. Larsen & Toubro ranked ----- on Forbes World's Best Employer's List 2018.
 - (a) 102nd
 - (b) 82nd
 - (c) 52nd
 - (d) 22nd
4. Identify the one which may be considered as a public policy:
 - (a) A decision by a central government to purchase a fleet of cars.
 - (b) An old building to be demolished by a municipal corporation.
 - (c) All citizens are to be provided with biometric Aadhar card.
 - (d) Government passes a special resolution to change the name of a park.
5. Who was the regulatory body for controlling financial affairs in India before SEBI?
 - (a) Controller of Capital Issues
 - (b) Reserve Bank of India
 - (c) Insurance Regulatory and Development Authority of India
 - (d) Government of India

6. What is consolidation?
- (a) It is an expense that is supposed to reflect the loss in value of a fixed asset.
 - (b) combination of two or more entities that occurs when the entities transfer all their net assets to a new entity created for that purpose.
 - (c) Potential liability arising from a past transaction or a subsequent event.
 - (d) Costs that can be attributed clearly to the activity you are considering.
7. Which of the following statements distinguishes business from entrepreneurship?
- (a) Entrepreneurs are the business owners too
 - (b) All business owners are entrepreneurs too
 - (c) Entrepreneurs seek out new opportunities and pursue innovative business ideas
 - (d) (a) and (b)
8. Business and technology are:
- (a) Interrelated
 - (b) Interdependent
 - (c) Interrelated & Interdependent
 - (d) None of the above
9. Which pharmaceutical company has the slogan 'caring for life'?
- (a) Dr. Reddy's
 - (b) Lupin Ltd.
 - (c) Cipla Ltd.
 - (d) Sun Pharmaceutical Industries Ltd.
10. Public policies are of three types:
- (a) Restrictive, Regulatory, Participative
 - (b) Restrictive, Regulatory, Facilitating
 - (c) Voluntarily, Participative, Facilitating
 - (d) Regulatory, Voluntarily, Continuous
11. How many members of SEBI should be from RBI?
- (a) 4
 - (b) 3

- (c) 1
 - (d) 2
12. A portion of the after-tax profits paid out to the owners of a business as a return on their investment is:
- (a) Dividend
 - (b) Expense
 - (c) Expenditure
 - (d) Deferred income
13. Which of the following is NOT an economic objective of the firm?
- (a) Sales growth
 - (b) Improvement in market share
 - (c) Profits and return on investment
 - (d) Conservation of natural resources
14. Mark incorrect: Partnership implies
- (a) Contractual ownership of business
 - (b) Liability of partner is limited to the extent of one's share capital
 - (c) The contract is an agreement enforceable at law is called deed
 - (d) Deed may be registered in India under the Partnership Act, 1932
15. Who is the present CFO of Adani Ports and Special Economic Zone Limited?
- (a) B Ravi
 - (b) Deepak Maheshwari
 - (c) Anand D. Lal
 - (d) Jayesh Merchant
16. Which of the following statements about RBI is incorrect?
- (a) It deals largely with Governments, Central and State Banks.
 - (b) Its role is to ensure monetary stability, including stability of domestic price levels.
 - (c) One of its missions is to protect the interest of policyholders.
 - (d) The RBI is the sole authority for the issue of currency in India.

17. Economic Reforms introduced in India in 1992 are called LPG, that refers to
- (a) Liquidation of loss making units
 - (b) Popularise Public private partnership
 - (c) Good governance
 - (d) None of the above
18. Setting low prices in order to discourage or deter potential new entrants to the suppliers market:
- (a) Pre-Emptive Pricing
 - (b) Price Sensitivity
 - (c) Price Discrimination
 - (d) Price Elasticity
19. Find out the incorrect:
- (a) Economic Activities are drive by nationality.
 - (b) Economic Activities are guided by self interest.
 - (c) Non-Economic Activities are driven by emotional or sentimental force.
 - (d) Non-Economic Activities are not at all important in life.
20. SWOT refers to:
- (a) Strength, Worry, Option, Threat
 - (b) Strength, Weakness, Opportunity, Threat
 - (c) Strong, Weak, Option, Threat
 - (d) Strong, Weakness, Opportunity, Think
21. Which one of the following is NOT a FMCG company?
- (a) ITC
 - (b) Dabour
 - (c) HUL
 - (d) Maruti
22. Mark incorrect as Globalization refers to:
- (a) Encouraging regional economic cooperation.
 - (b) Integrating the world into one economic global village.

- (c) It paves the way for higher factor mobility.
 - (d) Drawing countries out of their insulation.
23. Which of the following is NOT a function of RBI?
- (a) Monopoly of Note issue
 - (b) Banker to the Government
 - (c) Advancing loan to large business houses
 - (d) Controller of Credit
24. Which of the following is incorrect?
- (a) Arbitrage is simultaneous purchase and sale of a commodity.
 - (b) Current assets are those which can be turned into cash within a year.
 - (c) Intangible assets are those which do not have physical form. They are in the form of rights.
 - (d) Break-even point is also called an optimum point of a firm.
25. The Indian Companies Act, 2013 provides for the registration of:
- (a) Private Limited and Public Limited Company
 - (b) One Person Company and Small Company
 - (c) Defunct Company
 - (d) All of the above
26. The businesses should continuously _____ and _____ to the environment if it is to service and prosper.
- (a) Identify, appraise
 - (b) Monitor, adapt
 - (c) Identify, monitor
 - (d) Monitor, appraise
27. Which company ranked 1st in Fortune 500 Companies list in 2018?
- (a) Apple
 - (b) Walmart
 - (c) Microsoft
 - (d) United Health Group

28. Reforms in Dowry Act and Divorce Act are the examples of:
- (a) Economic Reforms
 - (b) Cultural Reforms
 - (c) Commercial Reforms
 - (d) Socio-cultural Reforms
29. Where can the first appeal against SEBI be made?
- (a) High Court
 - (b) Supreme Court
 - (c) Securities Appellate Tribunal
 - (d) RBI
30. Which one is not correct about Bank rate?
- (a) It is a quantitative measure.
 - (b) It differs from repo rate.
 - (c) It is also known as discount rate.
 - (d) It influences credit availability to particular sector.
31. A HUF cannot comprise members of a:
- (a) Hindu & Sikh family
 - (b) Parsi family
 - (c) Buddhist family
 - (d) Muslim family
32. The term PESTLE analysis is used to describe a framework for analyzing:
- (a) Macro Environment
 - (b) Micro Environment
 - (c) Both Macro and Micro Environment
 - (d) None of above
33. Indane LPG is the product of which corporation in India?
- (a) IOCL
 - (b) NTPC
 - (c) ONGC

- (d) PGCIL
- 34. Simplification of trade restrictions related to import is an example of:
 - (a) Globalization
 - (b) Privatization
 - (c) Disinvestment
 - (d) Aggregation
- 35. The RBI has been vested with extensive power to control and supervise commercial banking system under the-
 - (a) Reserve Bank of India Act, 1934
 - (b) The Banking Regulation Act, 1949
 - (c) Both (a) and (b)
 - (d) The Companies Act, 2013
- 36. _____ is a strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment.
 - (a) Cap
 - (b) Encryption
 - (c) Hedge
 - (d) Term insurance
- 37. Under the income tax Act, A HUF cannot earn income from:
 - (a) House property
 - (b) Salary
 - (c) Profits
 - (d) Other sources
- 38. Which of the following is an economic activity:
 - (a) Social interest
 - (b) Social security
 - (c) Selfless concern
 - (d) Self interest

39. In the Forbes World's Largest Public Corporations List 2018, APPLE ranked:

- (a) 2nd
- (b) 8th
- (c) 4th
- (d) 6th

40. Identify the sector where, FDI is NOT permitted:

- (a) Automobile
- (b) Infrastructure
- (c) Textile
- (d) Atomic energy

FOUNDATION COURSE
MOCK TEST PAPER
PAPER – 4 PART I: BUSINESS ECONOMICS
ANSWERS

| | | | | | | | | | | | |
|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|
| 1 | B | 11 | D | 21 | A | 31 | B | 41 | A | 51 | A |
| 2 | C | 12 | C | 22 | A | 32 | D | 42 | D | 52 | D |
| 3 | D | 13 | C | 23 | D | 33 | C | 43 | A | 53 | B |
| 4 | B | 14 | D | 24 | C | 34 | A | 44 | D | 54 | A |
| 5 | A | 15 | A | 25 | C | 35 | D | 45 | A | 55 | D |
| 6 | B | 16 | C | 26 | A | 36 | C | 46 | C | 56 | D |
| 7 | C | 17 | A | 27 | C | 37 | D | 47 | D | 57 | A |
| 8 | D | 18 | C | 28 | C | 38 | B | 48 | C | 58 | A |
| 9 | C | 19 | D | 29 | C | 39 | B | 49 | D | 59 | D |
| 10 | D | 20 | A | 30 | A | 40 | B | 50 | C | 60 | A |

PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

| | | | | | | | |
|----|------------|----|------------|----|------------|----|------------|
| 1 | (d) | 11 | (c) | 21 | (d) | 31 | (d) |
| 2 | (d) | 12 | (a) | 22 | (a) | 32 | (a) |
| 3 | (d) | 13 | (d) | 23 | (c) | 33 | (a) |
| 4 | (c) | 14 | (b) | 24 | (d) | 34 | (a) |
| 5 | (a) | 15 | (b) | 25 | (d) | 35 | (c) |
| 6 | (b) | 16 | (c) | 26 | (b) | 36 | (c) |
| 7 | (c) | 17 | (d) | 27 | (b) | 37 | (b) |
| 8 | (c) | 18 | (a) | 28 | (d) | 38 | (d) |
| 9 | (c) | 19 | (d) | 29 | (c) | 39 | (b) |
| 10 | (b) | 20 | (b) | 30 | (d) | 40 | (d) |