

FOUNDATION COURSE
MOCK TEST PAPER 2
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) Debenture interest is payable after the payment of preference dividend but before the payment of equity dividend.
 - (ii) Amount paid to Management company for consultancy to reduce the working expenses is capital expenditure if the reduced working expenses will generate long term benefits to the entity.
 - (iii) The additional commission to the consignee who agrees to bear the loss on account of bad debts is called overriding commission.
 - (iv) When there is no agreement among the partners, the profit or loss of the firm will be shared in their capital ratio.
 - (v) Goods worth Rs. 600 taken by the proprietor for personal use should be credited to Capital Account.
 - (vi) Quick ratio is also known as Cash Ratio. **(6 statements x 2 Marks = 12 Marks)**
- (b) Explain in brief objective and advantages of setting Accounting Standards. **(4 Marks)**
- (c) A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15th April, 2018 on which date the total cost of goods in his godown came to Rs. 50,000. The following facts were established between 31st March and 15th April, 2018.
- (i) Sales Rs. 41,000 (including cash sales Rs. 10,000)
 - (ii) Purchases Rs. 5,034 (including cash purchases Rs. 1,990)
 - (iii) Sales Return Rs. 1,000.
 - (iv) On 15th March, goods of the sale value of Rs. 10,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April.
- Goods are sold by the trader at a profit of 20% on sales.
- You are required to ascertain the value of Inventory as on 31st March, 2018. **(4 Marks)**

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

2017		Rs.
April	1	Received Rs. 20,000 for petty cash
"	2	Paid auto fare 500
"	3	Paid cartage 2,500
"	4	Paid for Postage & Telegrams 500
"	5	Paid wages 600
"	5	Paid for stationery 400
"	6	Paid for the repairs to machinery 1,500
"	6	Bus fare 100
"	7	Cartage 400
"	7	Postage and Telegrams 700
"	8	Cartage 3,000
"	9	Stationery 2,000
"	10	Sundry expenses 5,000

- (b) On 30th Sept. 2018 my Cash Book (Bank Column of Account No. 1) shows a Bank Overdraft of Rs. 49,350. On going through the Bank Pass book for reconciling the Balance, I found the following:

- Out of cheques drawn on 26th Sept, those for Rs. 3,700 were cashed by the bankers on 2nd October.
- A crossed cheque for Rs. 750 given to Abdul was returned by him and a bearer cheque was issued to him in lieu on 1st Oct.
- Cash and cheques amounting to Rs. 3,400 were deposited in the Bank on 29th Sept., but cheques worth Rs. 1,300 were cleared by the Bank on 1st Oct., and one cheque for Rs. 250 was returned by them as dishonoured on the latter date.
- According to my standing instructions, the bankers have on 30th Sept, paid Rs. 320 as interest to my creditors, paid quarterly premium on my policy amounting to Rs. 160 and have paid a second call of Rs. 600 on shares held by me and lodged with the bankers for safe custody. They have also received Rs. 150 as dividend on my shares and recovered an Insurance Claim of Rs. 800, as their charges and commission on the above being Rs. 15. On receipt of information of the above transaction, I have passed necessary entries in my Cash Book on 1st Oct.
- My bankers seem to have given me a wrong credit for Rs. 500 paid in by me in No. 2 account and wrong debit in respect of a cheque for Rs. 300 drawn against my No. 2 account.

Prepare a Bank Reconciliation Statement as on 30th September, 2018.

(10 Marks + 10 Marks= 20 Marks)

- 3 (a) Manoj of Noida consigned to Kiran of Jaipur, goods to be sold at invoice price which represents 125% of cost. Kiran is entitled to a commission of 10% on sales at invoice price and 25% of any excess realised over invoice price. The expenses on freight and insurance incurred by Manoj were Rs. 15,000. The account sales received by Manoj shows that Kiran has effected sales amounting to Rs. 1,50,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were Rs. 12,000. 10% of consignment goods of the value of Rs. 18,750 were destroyed in fire at the Jaipur godown. Kiran remitted the balance in favour of Manoj.

You are required to prepare consignment account in the books of Manoj along with the necessary calculations. **(10 Marks)**

- (b) A and B entered into a joint venture to buy and sell mobile sets, on 1st July, 2017.

On 1.7.2017, A sent a draft for Rs. 3,75,000 in favour of B, and on 4.7.2017, the latter purchased 200 sets each at a cost of Rs. 3,000 each. The sets were sent to A by lorry under freight "to pay" for Rs. 3,000 and were cleared by A on 15.7.2017.

A effected sales in the following manner:

Date	No. of sets	Sale price per set	Discount on sale price
16.7.2017	3	4,500	10%
31.7.2017	80	4,200	-
15.8.2017	80	4,050	5%

On 25.8.2017, A settled the account by sending a draft in favour of B, profits being shared equally. B does not maintain any books.

You are required to prepare in A's books:

- Joint Venture with B A/c; and
- Memorandum Joint Venture A/c.

(10 Marks)

4. Smith Library Society showed the following position on 31st March, 2018:

Balance Sheet as on 31st March, 2018

Liabilities	Rs.	Assets	Rs.
Capital fund	7,93,000	Electrical fittings	1,50,000
Expenses payable	7,000	Furniture	50,000
		Books	4,00,000
		Investment in securities	1,50,000
		Cash at bank	25,000
		Cash in hand	<u>25,000</u>
	<u>8,00,000</u>		<u>8,00,000</u>

The receipts and payment account for the year ended on 31st March, 2019 is given below:

	Rs.		Rs.
To Balance b/d		By Electric charges	7,200
Cash at bank 25,000		By Postage and stationary	5,000
Cash in hand <u>25,000</u>	50,000	By Telephone charges	5,000
To Entrance fee	30,000	By Books purchased	60,000
To Membership subscription	2,00,000	By Outstanding expenses paid	7,000
To Sale proceeds of old papers	1,500	By Rent	88,000
To Hire of lecture hall	20,000	By Investment in securities	40,000
To Interest on securities.	8,000	By Salaries	66,000
		By Balance c/d	
		Cash at bank	20,000
		Cash in hand	<u>11,300</u>
	<u>3,09,500</u>		<u>3,09,500</u>

You are required to prepare income and expenditure account for the year ended 31st March, 2019 and a balance sheet as at 31st, March, 2019 after making the following adjustments:

Membership subscription included Rs. 10,000 received in advance.

Provide for outstanding rent Rs. 4,000 and salaries Rs. 3,000.

Books to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate.

75% of the entrance fees is to be capitalized.

Interest on securities is to be calculated @ 5% p.a. including purchases made on 1.10.2018 for Rs. 40,000. **(20 Marks)**

- 5 (a) Neha & Co. is a partnership firm with partners Mr. P, Mr. Q and Mr. R, sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2019 is as under:

Liabilities		Rs.	Assets	Rs.
Capitals:			Land	10,000
Mr. P	80,000		Buildings	2,00,000
Mr. Q	20,000		Plant and machinery	1,30,000
Mr. R	30,000	1,30,000	Furniture	43,000
Reserves			Investments	12,000
(un-appropriated profit)		20,000	Inventories	1,30,000
Long Term Debt		3,00,000	Trade receivables	1,39,000
Bank Overdraft		44,000		
Trade payables		1,70,000		
		6,64,000		6,64,000

It was mutually agreed that Mr. Q will retire from partnership and in his place Mr. T will be admitted as a partner with effect from 1st April, 2019. For this purpose, the following adjustments are to be made:

- Goodwill is to be valued at Rs.1 lakh but the same will not appear as an asset in the books of the reconstituted firm.
- Buildings and plant and machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at Rs.15,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.
- In the reconstituted firm, the total capital will be Rs. 2 lakhs which will be contributed by Mr. P, Mr. R and Mr. T in their new profit sharing ratio, which is 2:2:1.
 - The surplus funds, if any, will be used for repaying bank overdraft.
 - The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare

- Revaluation account;
- Partners' capital accounts;
- Bank account; and

- (b) The following information of Hari Ltd. as on Dec 31st 2017 is given as below:

Equity and Liabilities		Assets		Rs.
Shareholder's Funds		1,12,500	Current Assets	1,50,000
Current Liabilities	1,50,000		Fixed Assets	2,25,000
Long Term Liabilities	<u>1,12,500</u>	<u>2,62,500</u>		
		<u>3,75,000</u>		<u>3,75,000</u>
Net sales				5,62,500
Interest Expense				6,000
Net Profit				39,375

On Dec 31st 2016, Total Assets were Rs.3,00,000 and the tax rate is 40%.

You are required to compute the following ratios of Hari Ltd. as on Dec. 31st 2017.

- Long Term Debt to Total Assets Ratio
- Net Profit Ratio
- Return on Average Total Assets
- Return on Equity
- Net Sales to Total Assets.

(10 + 10 = 20 Marks)

6. (a) Abhijeet who was the holder of 4,000 preference shares of Rs. 100 each, on which Rs. 75 per share has been called up could not pay his dues on Allotment and First call each at Rs. 25 per share. The Directors forfeited the above shares and reissued 3,000 of such shares to Mr. X at Rs. 65 per share paid-up as Rs.75 per share.

You are required to prepare journal entries to record the above forfeiture and re-issue in the books of the company. **(10 Marks)**

- (b) Pihu Ltd. issued 300 lakh 8% debentures of Rs.100 each at a discount of 6%, redeemable at a premium of 5% after 3 years payable as : Rs. 50 on application and Rs. 44 on allotment.

You are required to prepare the necessary journal entries for issue of debentures. **(5 Marks)**

- (c) Explain the differences between Money measurement concept and Matching Concept

Or

Explain, in brief, the basic considerations for distinguishing between capital and revenue expenditures? **(5 Marks)**

FOUNDATION COURSE

MOCK TEST PAPER 2

PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

ANSWERS

1. (a) (i) False - Debenture interest is payable before the payment of any dividend on shares.
 (ii) True: Amount paid to management company for consultancy to reduce the working expenses is capital expenditure as this expenditure will generate long-term benefit to the entity.
 (iii) False: The additional commission to the consignee who agrees to bear the loss on account of bad debts is called del credere commission.
 (iv) False: According to the Indian Partnership Act, in the absence of any agreement to the contrary, profits and losses of the firm are shared equally among partners.
 (v) False: Goods taken by the proprietor for personal use should be credited to Purchases Account as less goods are left in the business for sale.
 (vi) False: Quick ratio is known as Acid Test Ratio and not Cash Ratio.

- (b) **Objective and Advantages of Accounting Standards:** An Accounting Standard is a selected set of accounting policies or broad guidelines regarding the principles and methods to be chosen out of several alternatives. The Accounting Standards Board formulates Accounting Standards to be established by the Council of the Institute of Chartered Accountants of India.

The main objective of Accounting Standards is to establish standards which have to be complied with to ensure that financial statements are prepared in accordance with generally accepted accounting standards. Accounting Standards seek to suggest rules and criteria of accounting measurements. These standards harmonize the diverse accounting policies and practices at present in use in India.

The main advantage of setting accounting standards is that the adoption and application of Accounting Standards ensure uniformity, comparability and qualitative improvement in the preparation and presentation of financial statements.

The other advantages are as follows:

- (i) Reduction in variations.
 (ii) Disclosure beyond that required by law.
 (iii) Facilities comparison.

- (c) **Statement of Valuation of Stock on 31st March, 2018**

	Rs.	Rs.
Value of stock as on 15th April, 2018		50,000
Add: Cost of sales during the period from 31st March, 2018 to 15th April, 2018		
Sales (Rs. 41,000 – Rs. 1,000)	40,000	
Less: Gross Profit (20% of Rs. 40,000)	<u>8,000</u>	32,000
Cost of goods sent on approval basis (80% of Rs. 6,000)		<u>4,800</u>
		86,800

Less: Purchases during the period from 31st March, 2018 to 15th April, 2018

5,034

81,766

2. (a)

PETTY CASH BOOK

Receipts Rs.	Date 2017	V. No.	Particulars	Total Rs.	Con- veyance Rs.	Cartage Rs.	Statio- nery Rs.	Postage & Telegrams Rs.	Wages Rs.	Sundries Rs.
20,000	April 1		To Cash							
	2	1	By Conveyance	500	500					
	3	2	By Cartage	2,500		2,500				
	4	3	By Postage and Telegrams	500				500		
	5	4	By Wages	600					600	
	5	5	By Stationery	400			400			
	6	6	By Repairs to machine	1,500						1,500
	6	7	By Conveyance	100	100					
	7	8	By Cartage	400		400				
	7	9	By Postage and Telegrams	700				700		
	8	10	By Cartage	3,000		3,000				
	9	11	By Stationery	2,000			2,000			
	10	12	By Sundry Expenses	5,000						5,000
				17,200	600	5,900	2,400	1,200	600	6,500
			By Balance c/d	2,800						
20,000				20,000						
2800			To Balance b/d							
17,200	11		To Cash							

(b)

Balance as per Cash Book			(49,350)
Add :	Cheques issued but not presented for payment	3,700	
	Crossed Cheque issued to Abdul not presented for payment	750	
	Amounts collected by Bank on our behalf but not entered in the Cash Book		
	Dividend	150	
	Insurance claim	<u>800</u>	
		950	
	(-) Bank Commission	<u>15</u>	935
	Amount paid in A/c No. 2 credited by the Bank wrongly to this A/c	<u>500</u>	<u>5885</u>
			(43,465)
Less :	Cheques deposited in the bank but no cleared (Rs. 1,300 + Rs. 250)	1550	

Payments made by Bank on our behalf but not entered in the Cash Book			
Interest	320		
Premium	160		
Second call	<u>600</u>	1,080	
Cheques issued against A/c No. 2 but wrongly debited by the Bank to this A/c		<u>300</u>	(2,930)
Overdraft as per Pass Book			46,395

3. (a)

Books of Manoj

Consignment to Jaipur Account

Particulars	Rs.	Particulars	Rs.
To Goods sent on Consignment A/c	1,87,500	By Goods sent on Consignment A/c (loading)	37,500
To Cash A/c	15,000	By Abnormal Loss	16,500
To Kiran (Expenses)	12,000	By Kiran (Sales)	1,50,000
To Kiran (Commission)	16,406	By Inventories on Consignment A/c	30,375
To Inventories Reserve A/c	5,625	By General Profit & Loss A/c	2,156
	<u>2,36,531</u>		<u>2,36,531</u>

Working Notes:

1. **Calculation of value of goods sent on consignment:**

Abnormal Loss at Invoice price = Rs. 18,750

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

Hence the value of goods sent on consignment = Rs. $18,750 \times 100 / 10$ = Rs. 1,87,500

Loading of goods sent on consignment = Rs. $1,87,500 \times 25 / 125$ = Rs. 37,500

2. **Calculation of abnormal loss (10%):**

Abnormal Loss at Invoice price = Rs. 18,750.

Abnormal Loss at cost = Rs. $18,750 \times 100 / 125$ = Rs. 15,000

Add: Proportionate expenses of Manoj (10 % of Rs. 15,000) = Rs. 1,500

Rs. 16,500

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

Manoj's Basic Invoice price of consignment = Rs. 1,87,500

Manoj's expenses on consignment = Rs. 15,000

Rs. 2,02,500

Value of closing Inventories = 15% of Rs. 2,02,500 = Rs. 30,375

Loading in closing Inventories = Rs. $37,500 \times 15 / 100$ = Rs. 5,625

Where Rs. 28,125 (15% of Rs. 1,87,500) is the basic invoice price of the goods sent on consignment remaining unsold.

4. **Calculation of commission:**

Invoice price of the goods sold	= 75% of Rs. 1,87,500 = Rs. 1,40,625
Excess of selling price over invoice price	= Rs. 9,375 (Rs. 1,50,000 - Rs. 1,40,625)
Total commission	= 10% of Rs. 1,40,625 + 25% of Rs. 9,375
	= Rs. 14,062.5 + Rs. 2,343.75
	= Rs. 16,406

(b)

A's Books

Joint Venture with B A/c

2017	Particulars	Amount (Rs.)	2017	Particulars	Amount (Rs.)
July 1	To Bank - draft sent on A/c	3,75,000	July 16	By Bank-sale proceeds	1,21,500
July 15	To Bank - freight	3,000	July 31	By Bank-sale proceeds	3,36,000
Aug 25	To Profit and Loss A/c share of profit	81,150	Aug 14	By Bank-sale proceeds	3,07,800
	To Bank - draft sent in settlement	3,06,150			
		7,65,300			7,65,300

Memorandum Joint Venture A/c

Particulars		Amount (Rs.)	Particulars	Amount (Rs.)
To Cost of 200 sets		6,00,000	By Sales proceeds (net)	
To Freight		3,000	30 sets @ Rs. 4,050	1,21,500
To Profit :			80 sets @ Rs. 4,200	3,36,000
A	81,150		80 sets @ Rs. 3,847.5	3,07,800
B	81,150	1,62,300		
		7,65,300		7,65,300

4.

Smith Library Society

**Income and Expenditure Account
for the year ended 31st March, 2019**

Dr.					Cr.
Expenditure	Rs.	Rs.	Income		Rs.
To Electric charges		7,200	By Entrance fee (25% of Rs. 30,000)		7,500
To Postage and stationary		5,000	By Membership subscription	2,00,000	
To Telephone charges		5,000	Less: Received in advance	10,000	1,90,000
To Rent	88,000				
Add: Outstanding	4,000	92,000			
To Salaries	66,000		By Sale proceeds of old papers		1,500
Add: Outstanding	3,000	69,000	By Hire of lecture hall		20,000
To Depreciation (W.N.1)					

Electrical fittings	15,000		By Interest on securities	8,000	
Furniture	5,000		(W.N.2)		
Books	<u>46,000</u>	66,000	Add: Receivable	<u>500</u>	8,500
			By Deficit-excess of		16,700
			expenditure over income		
		<u>2,44,200</u>			<u>2,44,200</u>

**Balance Sheet of Smith Library Society
as on 31st March, 2019**

Liabilities	Rs.	Rs.	Asset	Rs.	Rs.
Capital fund	7,93,000		Electrical fittings	1,50,000	
Add: Entrance fees	<u>22,500</u>		Less: Depreciation	<u>(15,000)</u>	1,35,000
	8,15,500		Furniture	50,000	
Less: Excess of expenditure over income	<u>(16,700)</u>	7,98,800	Less: Depreciation	<u>(5,000)</u>	45,000
Outstanding expenses:			Books	4,60,000	
Rent	4,000		Less Depreciation	<u>(46,000)</u>	4,14,000
Salaries	<u>3,000</u>	7,000	Investment:		
Membership subscription in advance		10,000	Securities	1,90,000	
			Accrued interest	<u>500</u>	1,90,500
		<u>8,15,800</u>	Cash at bank		20,000
			Cash in hand		<u>11,300</u>
					<u>8,15,800</u>

Working Notes:

1. Depreciation	Rs.
Electrical fittings 10% of Rs. 1,50,000	15,000
Furniture 10% of Rs. 50,000	5,000
Books 10% of Rs. 4,60,000	46,000
2. Interest on Securities	
Interest @ 5% p.a. on Rs. 1,50,000 for full year	7,500
Interest @ 5% p.a. on Rs. 40,000 for half year	<u>1,000</u> 8,500
Less: Received	<u>(8,000)</u>
Receivable	<u>500</u>

5. (a) Revaluation Account

	Rs.		Rs.
To Buildings A/c	10,000	By Investments A/c	3,000
To Plant and Machinery A/c	26,000	By Loss to Partners:	
To Provision for Doubtful Debts A/c	27,800	P 30,400	
		Q 18,240	
		R <u>12,160</u>	60,800
	<u>63,800</u>		<u>63,800</u>

Capital Accounts of Partners

Particulars	P	Q	R	T	Particulars	P	Q	R	T
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
To Revaluation A/c	30,400	18,240	12,160	-	By Balance b/d	80,000	20,000	30,000	-
To Investments A/c	-	15,000	-	-	By Reserves A/c	10,000	6,000	4,000	-
To Q's Loan A/c	-	22,760	-	-	By R and T's Capital A/c	10,000	30,000	-	-
To P and Q's Capital A/c			20,000	20,000	By Bank A/c (balancing figure)	10,400	-	78,160	60,000
To Balance c/d	80,000	-	80,000	40,000					
	<u>1,10,400</u>	<u>56,000</u>	<u>1,12,160</u>	<u>60,000</u>		<u>1,10,400</u>	<u>56,000</u>	<u>1,12,160</u>	<u>60,000</u>

Bank Account

	Rs.		Rs.
To P's capital A/c	10,400	By Bank Overdraft A/c	44,000
To R's capital A/c	78,160	By Balance c/d	1,04,560
To T's capital A/c	60,000		
	<u>1,48,560</u>		<u>1,48,560</u>

$$(b) \text{ Long Term Debt to Total assets} = \frac{\text{Long Term Debt}}{\text{Total Assets}}$$

$$= \frac{1,12,500}{3,75,000}$$

$$= 1:3.33$$

$$(i) \text{ Net Profit Ratio} = \frac{\text{Net Profit} \times 100}{\text{Net Sales}}$$

$$= \frac{39,375 \times 100}{5,62,500}$$

$$= 7\%$$

$$(ii) \text{ Return on Average Total Assets Ratio} = \frac{\text{Net Profit} + \text{Interest}(1 - t) \times 100}{\text{Average Total Assets}}$$

$$= \frac{39,375 + 6,000(1 - 0.40) \times 100}{(3,00,000 + 3,75,000) / 2}$$

$$= \frac{42,975 \times 100}{3,37,500}$$

$$= 12.73\%$$

$$(iii) \text{ Return on Equity} = \frac{\text{Net Profit} \times 100}{\text{Shareholders' Funds}}$$

$$= \frac{39,375 \times 100}{1,12,500}$$

$$= 35\%$$

$$\begin{aligned}
 \text{(iv) Net Sales to Total Assets Ratio} &= \frac{\text{Net Profit}}{\text{Total Assets}} \\
 &= \frac{5,62,500}{3,37,500} \\
 &= 1.67:1
 \end{aligned}$$

6. (a)

<i>Journal</i>		<i>Dr. Rs.</i>	<i>Cr. Rs.</i>
Preference Share Capital A/c (4,000 x Rs.75) To Preference Share Allotment A/c To Preference Share First Call A/c To Forfeited Share A/c (Being the forfeiture of 4,000 preference shares Rs.75 each being called up for non-payment of allotment and first call money as per Board's Resolution No.... dated....)	Dr.	3,00,000	1,00,000 1,00,000 1,00,000
Bank A/c (3,000 x Rs.65) Forfeited Shares A/c (3,000 x Rs.10) To Preference Share Capital A/c (Being re-issue of 3,000 shares at Rs. 65 per share paid-up as Rs. 75 as per Board's Resolution No.....dated....)	Dr. Dr.	1,95,000 30,000	2,25,000
Forfeited Shares A/c To Capital Reserve A/c (Note 1) (Being profit on re-issue transferred to Capital/Reserve)	Dr.	45,000	45,000

Working Note:

Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share = Rs. 1,00,000/4,000 = Rs. 25

Loss on re-issue = Rs. 75 – Rs. 65 = Rs. 10

Surplus per share re-issued Rs. 15

Transferred to capital Reserve Rs. 15 x 3,000 = Rs. 45,000.

(b)

Books of Pihu Ltd.

Journal Entries

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Debit Amount (Rs.' Lakhs)</i>	<i>Credit Amount (Rs.' Lakhs)</i>
	Bank A/c To Debenture Application A/c (Debentures application money received)	Dr.	15,000	15,000
	Debenture Application A/c To 8% Debentures A/c (Application money transferred to 8% debentures account)	Dr.	15,000	15,000
	Debenture Allotment A/c	Dr.	13,200	

Loss on issue of debenture A/c To 8% Debentures A/c To Debenture redemption premium A/c (Call made consequent upon allotment of debentures issued at discount and redeemable at premium)	Dr.	3,300	15,000 1,500
Bank A/c To Debenture Allotment A/c (Allotment amount received)	Dr.	13,200	13,200

Working Notes :

Loss on issue of debentures =

(Amount of discount on issue + Premium payable on redemption) x No. of Debentures

= (6% of Rs.100 + 5% of Rs.100) x 300 lakh

= (Rs. 6 + Rs. 5) x 300 lakh

= Rs. 3,300 lakh

(c) Difference between Money measurement concept and matching concept

As per **Money Measurement concept**, only those transactions, which can be measured in terms of money are recorded. Since money is the medium of exchange and the standard of economic value, this concept requires that those transactions alone that are capable of being measured in terms of money be only to be recorded in the books of accounts. Transactions and events that cannot be expressed in terms of money are not recorded in the business books.

In **Matching concept**, all expenses matched with the revenue of that period should only be taken into consideration. In the financial statements of the organization if any revenue is recognized then expenses related to earn that revenue should also be recognized.

Or

The basic considerations in distinction between capital and revenue expenditures are:

- Nature of business: For a trader dealing in furniture, purchase of furniture is revenue expenditure but for any other trade, the purchase of furniture should be treated as capital expenditure and shown in the balance sheet as asset.
- Recurring nature of expenditure: If the frequency of an expense is quite often in an accounting year then it is said to be an expenditure of revenue nature while non-recurring expenditure is infrequent in nature and do not occur often in an accounting year.
- Purpose of expenses: Expenses for repairs of machine may be incurred in course of normal maintenance of the asset. Such expenses are revenue in nature. On the other hand, expenditure incurred for major repair of the asset so as to increase its productive capacity is capital in nature.
- Materiality of the amount involved: Relative proportion of the amount involved is another important consideration in distinction between revenue and capital.

MOCK TEST PAPER
FOUNDATION COURSE
PAPER 2: SECTION A: 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) Krish, Kamya and Ketan are partners in a firm. They jointly promised to pay Rs. 6,00,000 to Dia. Kamya become insolvent and her private assets are sufficient to pay 1/5 of her share of debts. Krish is compelled to pay the whole amount to Dia. Examining the provisions of the Indian Contract Act, 1872, decide the extent to which Krish can recover the amount from Ketan. **(4 Marks)**
(b) Akbar, 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 Akbar as a pretended loan. This way, Akbar 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. **(4 Marks)**
(c) Explain the difference between Sale and Agreement to sell under the Sale of Goods Act, 1930. **(4 Marks)**
2. (a) State the grounds upon which a contract may be discharged under the provisions of the Indian Contract Act, 1872. **(7 Marks)**
(b) State the meaning of Limited Liability Partnership (LLP). What are the relevant steps to incorporate LLP? **(5 Marks)**
3. (a) State the modes by which a partner may transfer his interest in the firm in favour of another person under the Indian Partnership Act, 1932. What are the rights of such a transferee? **(6 Marks)**
(b) 'X' entered into a contract with 'Y' to supply him 1,000 water bottles @ Rs. 5.00 per water bottle, to be delivered at a specified time. Thereafter, 'X' contracts with 'Z' for the purchase of 1,000 water bottles @ Rs. 4.50 per water bottle, and at the same time told 'Z' that he did so for the purpose of performing his contract entered into with 'Y'. 'Z' failed to perform his contract in due course and market price of each water bottle on that day was Rs. 5.25 per water bottle. Consequently, 'X' could not procure any water bottle and 'Y' rescinded the contract. Calculate the amount of damages which 'X' could claim from 'Z' in the circumstances? What would be your answer if 'Z' had not informed about the 'Y's contract? Explain with reference to the provisions of the Indian Contract Act, 1872. **(6 Marks)**

4. (a) What are the implied conditions in a contract of 'Sale by sample' under the Sale of Goods Act, 1930? State also the implied warranties operative under the said Act. **(6 Marks)**
- (b) X, Y and Z are partners in a Partnership Firm. They were carrying their business successfully for the past several years. Spouses of X and Y fought in ladies club on their personal issue and X's wife was hurt badly. X got angry on the incident and he convinced Z to expel Y from their partnership firm. Y was expelled from partnership without any notice from X and Z. Considering the provisions of the Indian Partnership Act, 1932, state whether they can expel a partner from the firm. What are the criteria for test of good faith in such circumstances? **(6 Marks)**
5. (a) Mr. D sold some goods to Mr. E for Rs. 5,00,000 on 15 days credit. Mr. D delivered the goods. On due date Mr. E refused to pay for it. State the position and rights of Mr. D as per the Sale of Goods Act, 1930. **(6 Marks)**
- (b) Explain the meaning of Guarantee Company? State the similarities and dissimilarities between a 'Guarantee Company' and 'Company Limited by Shares'. **(6 Marks)**
6. (a) "No consideration, no contract". Discuss.

Or

- "Mere silence does not amount to fraud". Discuss. **(5 Marks)**
- (b) What is Partnership Deed and state the information contained therein? **(4 Marks)**
- (c) Examine with reasons whether the following statement is correct or incorrect:
- (i) A private limited company must have a minimum of two members, while a public limited company must have at least seven members.
- (ii) Affixing of Common seal on company's documents is compulsory. **(3 Marks)**

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**.*

Total Marks: 40

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

A sanctuary may be defined as a place where Man is passive and the rest of Nature active. Till quite recently Nature had her own sanctuaries, where man either did not go at all or went only as a tool-using animal in comparatively small numbers. But now, in this machine age, there is no place left where man cannot go with overwhelming forces at his command. He can strangle to death all the nobler wild life in the world to-day. Tomorrow he certainly will have done so, unless he exercises due foresight and self-control in the mean time.

There is not the slightest doubt that birds and mammals are now being killed off much faster than they can breed. And it is always the largest and noblest forms of life that suffer most. The whales and elephants, lions and eagles, go. The rats and flies, and all mean parasites, remain. This is inevitable in certain cases. But it is wanton killing off that is of concern. Civilized man begins by destroying the very forms of wild life he learns to appreciate most when he becomes still more civilized. The obvious remedy is to begin conservation at an earlier stage, when it is easier and better in every way, by enforcing laws for close seasons, game preserves, the selective protection of certain species, and sanctuaries.

I have just defined a sanctuary as a place where man is passive and the rest of Nature active. But this general definition is too absolute for any special case. The mere fact that man has to protect a sanctuary does away with his purely passive attitude. Then, he can be beneficially active by destroying pests and parasites, like bot-flies or mosquitoes, and by finding antidotes for diseases like the epidemic which periodically kills off the rabbits and thus starves many of the carnivores to death. But, except in cases where experiment has proved his intervention to be beneficial, the less he upsets the balance of Nature the better, even when he tries to be an earthly Providence.

1. What can man do to avoid killing all wild life in the future?
 - (a) Experiment more
 - (b) Have a foresight
 - (c) Maintain self control
 - (d) Both a and b (1 Mark)
2. What according to the author is a sanctuary?
 - (a) A place where Man is active and so is Nature
 - (b) A place where Man is passive and so is Nature
 - (c) A place where Man is passive but Nature is active
 - (d) A place where Man and Nature do not co exist. (1 Mark)
3. What according to the author can lead to the death of carnivores?
 - (a) Finding antidotes for epidemics, which might kill animal that are food for carnivores
 - (b) Conservation at a later stage
 - (c) Carnivores can die anytime.
 - (d) Man is egoistic and wants to be powerful than carnivores. (1 Mark)

4. Find the word in the passage that means 'unprovoked' or 'deliberate'
- Beneficially
 - Wanton
 - Inevitable
 - Providence
- (1 Mark)**
5. What does the author mean by the phrase 'earthly Providence' in the last line of the passage?
- The Earth is God.
 - Man is inferior to God.
 - God will not take care of the Earth
 - Man wants to be like God on Earth.
- (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)

The small village of Somnathpur contains an extraordinary temple, built around 1268 A.D. by the Hoyasalas of Karnataka – one of the most prolific temple builders. Belur and Halebidu are among their better-known works. While these suffered during the invasion of the 14th century, the Somnathpur temple stands more or less intact in near-original condition. The small temple captivates with the beauty and vitality of its detailed sculpture, covering almost every inch of the walls, pillars and even ceilings. It has three shikaras and stands on a star-shaped raised platform with 24 edges. The outer walls have a profusion of detailed carvings: the entire surface run over by carved plaques of stone. There were vertical panels covered by exquisite figures of God and Goddesses, with many incarnations being depicted. There were nymphs too, some carrying an ear of maize, a symbol of plenty and prosperity. The elaborate ornamentation, very characteristic of Hoysala sculptures was a remarkable feature. On closer look – and it is worth it – the series of friezes on the outer walls revealed intricately carved caparisoned elephants, charging horsemen, stylized flowers, warriors, musicians, crocodiles and swans.

The temple was actually commissioned by Soma Dandanayaka or Somnath (he named the village after himself), the minister of the Hoysala king, Narasimha the Third. The temple was built to house three versions of Krishna – Venugopala, Janardana and Prasanna Keshava, though only two remain in their original form. In the darkness of the sanctum sanctorum, it is interesting to discern the different images. The temple's sculptural perfection is amazing and includes the doors of the temple and the three elegantly carved towers.

2. (a) What is visual communication? **(1 Mark)**

- (b) (i) Choose the word which best expresses the meaning of the given word.

Contingency

- (a) Existence (b) Evidence (c) Rebel (d) Emergency **(1 Mark)**

- (ii) Select a suitable antonym for the word given in question.

Proximity

- (a) Approximation (b) Assumingly (c) Remoteness (d) Cure **(1 Mark)**

- (iii) Change the following sentences into passive voice.

Who wrote this essay?

(1 Mark)

- (iv) Change the following sentences to indirect speech.

Sheila said, 'How smart Seema is'

(1 Mark)

- (c) Write a précis and give appropriate title to the passage given below.

Digital payments in India took off in a massive way right after demonetization, with the likes of Paytm, Google pay leveraging the government move to become a household name. However, a new study now reveals that more than half of the shops in Indian cities want to stay away from digital payments. Awareness is not enough to get Indians to use digital payments as only 48% of merchants accept digital payments, according to a report done by CUTS international. Expensive and unreliable infrastructure, unaware customers, lack of interoperability, transaction failures and charges are reasons why merchants don't prefer digital payments in India.

Cash is still king in India and digital payments today hold a mere 10% of all transactions in the country. Recognising that, the Payments Council of India recently submitted recommendations to the newly-formed panel by the government for digital payments. The PCI suggested seamless access to payments infrastructure and formation of a KYC bureau among multiple other things. While right after demonetization going cashless meant digital payments saw a huge spike in numbers, in 2018 the conversion rate actually fell. According to data from the Reserve Bank of India, there was a one percent fall in digital payments in November 2018 when compared to November 2017. Regulations, too, form a major role in the adoption of digital payments in India. While the current government has been encouraging of India's shift to digitization and has been promoting a cashless India, mandates like compulsory KYC had halted the operations of many payment wallets.

(5 Marks)

3. (a) What is network in communication.

(1 Mark)

- (b) (i) Choose the word which best expresses the meaning of the given word.

Inherent

- (a) Intrinsic (b) Inevitable (c) Innovation (d) Intent

(1 Mark)

- (ii) Choose the appropriate antonym (opposite) for the word

Serene

- (a) Valley (b) Young (c) Unrest (d) Harmless

(1 Mark)

- (iii) Change the following sentences into passive voice

Rajesh uses a pen to sketch figures.

(1 Mark)

- (iv) Change the following sentence to indirect speech.

Elders always say, 'If you work hard, you will succeed.'

(1 Mark)

- (c) Draft a Circular informing the staff about the dismissal of the Sales Head on being proved guilty of charges of misappropriation of funds/accounts.

(5 Marks)

4. (a) Explain briefly the characteristics of effective communication.

(2 Marks)

- (b) (i) Select the suitable antonym for the given word:

Vigilant

- (a) Careful (b) Curious (c) Concerned (d) Inattentive

(1 Mark)

- (ii) Rewrite the following sentences in active voice

Work could be done by us only by next week.

(1 Mark)

- (iii) Change the following sentence into Indirect speech.
Teacher said, 'Please use a blue pen for your homework' **(1 Mark)**
- (c) Write an Article of about 250-300 words on the topic "What is more important—Physical fitness or Mental fitness?" **(5 Marks)**
5. (a) What/Which according to you is/are the most significant communication barrier/s that should be eliminated for a seamless communication in a diverse/multi-cultural work environment? **(2 Marks)**
- (b) Select the correct meaning of the idioms/phrases given below.
- (i) Acid test
- (a) Difficult job
 - (b) Useless task
 - (c) Decisive test
 - (d) Unknown work **(1 Mark)**
- (ii) Sell like hotcakes
- (a) A difficult campaign
 - (b) Controversial marketing
 - (c) Good baker
 - (d) Fast selling / in huge numbers **(1 Mark)**
- (iii) Change the following sentence into Indirect speech.
The Principal said, 'You are a bright child'. **(1 Mark)**
- (c) Draft your resume for the position of articled trainee in a firm. **(5 Marks)**

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

ANSWERS

1. (a) As per section 43 of the Indian Contract Act, 1872, when two or more persons make a joint promise, the promisee may, in the absence of express agreement to the contrary, compel any one or more of such joint promisors to perform the whole of the promise.

Each of two or more joint promisors may compel every other joint promisor to contribute equally with himself to the performance of the promise, unless a contrary intention appears from the contract.

If any one of two or more joint promisors makes default in such contribution, the remaining joint promisors must bear the loss arising from such default in equal shares.

In the instant case, Krish, Kamya and Ketan jointly promised to pay Rs. 6,00,000 to Dia. Kamya become insolvent and her private assets are sufficient to pay 1/5 of her share of debts. Krish is compelled to pay the whole amount. Krish is entitled to receive Rs. 40,000 from Kamya's estate, and Rs. 2,80,000 from Ketan.

- (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. Akbar 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 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.

- (c) The differences between the sale and agreement to sell is as follows:

Basis of difference	Sale	Agreement to sell
Transfer of property	The property in the goods passes to the buyer immediately.	Property in the goods passes to the buyer on future date or on fulfilment of some condition.
Nature of contract	It is an executed contract. i.e. contract for which consideration has been paid.	It is an executory contract. i.e. contract for which consideration is to be paid at a future date.
Remedies for breach	The seller can sue the buyer for the price of the goods because	The aggrieved party can sue for damages only and not for the price,

	of the passing of the property therein to the buyer.	unless the price was payable at a stated date.
Liability of parties	A subsequent loss or destruction of the goods is the liability of the buyer.	Such loss or destruction is the liability of the seller.
Burden of risk	Risk of loss is that of buyer since risk follows ownership.	Risk of loss is that of seller.
Nature of rights	Creates Jus in rem	Creates Jus in personam
Right of resale	The seller cannot resell the goods.	The seller may sell the goods since ownership is with the seller.

2. (a) Discharge of a Contract:

A Contract may be discharged either by an act of parties or by an operation of law which may be enumerated as follows:

- (1) **Discharge by performance** which may be actual performance or attempted performance. Actual performance is said to have taken place, when each of the parties has done what he had agreed to do under the agreement. When the promisor offers to perform his obligation, but the promisee refuses to accept the performance, it amounts to attempted performance or tender.
 - (2) **Discharge by mutual agreement:** Section 62 of the Indian Contract Act, 1872 provides that if the parties to a contract agree to substitute a new contract for it or to refund or remit or alter it, the original contract need not to be performed. Novation, Rescission, Alteration and Remission are also the same ground of this nature.
 - (3) **Discharge by impossibility of performance:** The impossibility may exist from its initiation. Alternatively, it may be supervening impossibility which may take place owing to (a) unforeseen change in law (b) The destruction of subject matter (c) The non-existence or non-occurrence of particular state of things (d) the declaration of war (Section 56).
 - (4) **Discharge by lapse of time:** A contract should be performed within a specific period as prescribed in the Law of Limitation Act, 1963. If it is not performed the party is deprived of remedy at law.
 - (5) **Discharge by operation of law:** It may occur by death of the promisor, by insolvency etc.
 - (6) **Discharge by breach of contract:** Breach of contract may be actual breach of contract or anticipatory breach of contract. If one party defaults in performing his part of the contract on the due date, he is said to have committed breach thereof. When on the other hand, a person repudiates a contract before the stipulated time for its performance has arrived, he is deemed to have committed anticipatory breach. If one of the parties to a contract breaks the promise the party injured thereby, has not only a right of action for damages but he is also discharged from performing his part of the contract (Section 64).
 - (7) A promisee may dispense with or remit, wholly or in part, the performance of the promise made to him, or may extend the time for such performance or may accept instead of it any satisfaction he thinks fit. In other words, a contract may be discharged by remission. (Section 63).
 - (8) When a promisee neglects or refuses to afford the promisor reasonable facilities for the performance of the promise, the promisor is excused by such neglect or refusal (Section 67).
- (b) **Meaning:** A LLP is a new form of legal business entity with limited liability. It is an alternative corporate business vehicle that not only gives the benefits of limited liability at low compliance cost but allows its partners the flexibility of organising their internal structure as a traditional partnership.

The LLP is a separate legal entity and, while the LLP itself will be liable for the full extent of its assets, the liability of the partners will be limited.

Steps to incorporate LLP:

- (a) Name reservation
 - The first step to incorporate Limited Liability Partnership (LLP) is reservation of name of LLP.
 - Applicant has to file e- Form 1, for ascertaining availability and reservation of the name of a LLP business.
 - (b) Incorporate LLP
 - After reserving a name, user has to file e- Form 2 for incorporating a new Limited Liability Partnership (LLP).
 - e-Form 2 contains the details of LLP proposed to be incorporated, partners'/ designated partners' details and consent of the partners/ designated partners to act as partners/ designated partners.
 - (c) LLP Agreement
 - Execution of LLP Agreement is mandatory as per Section 23 of the Act.
 - LLP Agreement is required to be filed with the registrar in e- Form 3 within 30 days of incorporation of LLP.
3. (a) Section 29 of the Indian Partnership Act, 1932 provides that a share in a partnership is transferable like any other property, but as the partnership relationship is based on mutual confidence, the assignee of a partner's interest by sale, mortgage or otherwise cannot enjoy the same rights and privileges as the original partner.

The rights of such a transferee are as follows:

- (1) During the continuance of partnership, such transferee is not entitled
 - (a) to interfere with the conduct of the business,
 - (b) to require accounts, or
 - (c) to inspect books of the firm.He is only entitled to receive the share of the profits of the transferring partner and he is bound to accept the profits as agreed to by the partners, i.e., he cannot challenge the accounts.
- (2) On the dissolution of the firm or on the retirement of the transferring partner, the transferee will be entitled, against the remaining partners:
 - (a) to receive the share of the assets of the firm to which the transferring partner was entitled, and
 - (b) for the purpose of ascertaining the share,he is entitled to an account as from the date of the dissolution.

By virtue of Section 31, no person can be introduced as a partner in a firm without the consent of all the partners. A partner cannot by transferring his own interest, make anybody else a partner in his place, unless the other partners agree to accept that person as a partner. At the same time, a partner is not debarred from transferring his interest. A partner's interest in the partnership can be regarded as an existing interest and tangible property which can be assigned.

- (b) **BREACH OF CONTRACT - DAMAGES:** Section 73 of the Indian Contract Act, 1872 lays down that when a contract has been broken, the party who suffers by such breach is entitled to receive from the party who has broken the contract compensation for any loss or damage caused to him thereby

which naturally arose in the usual course of things from such breach or which the parties knew when they made the contract to be likely to result from the breach of it.

The leading case on this point is "*Hadley v. Baxendale*" in which it was decided by the Court that the special circumstances under which the contract was actually made were communicated by the plaintiff to the defendant, and thus known to both the parties to the contract, the damages resulting from the breach of such contract which they would reasonably contemplate, would be the amount of injury which would ordinarily follow from the breach of contract under these special circumstances so known and communicated.

The problem asked in this question is based on the provisions of Section 73 of the Indian Contract Act, 1872. In the instant case 'X' had intimated to 'Z' that he was purchasing water bottles from him for the purpose of performing his contract with 'Y'. Thus, 'Z' had the knowledge of the special circumstances. Therefore, 'X' is entitled to claim from 'Z' ₹ 500/- at the rate of 0.50 paise i.e. 1000 water bottles x 0.50 paise (difference between the procuring price of water bottles and contracted selling price to 'Y') being the amount of profit 'X' would have made by the performance of his contract with 'Y'.

If 'X' had not informed 'Z' of 'Y's contract, then the amount of damages would have been the difference between the contract price and the market price on the day of default. In other words, the amount of damages would be ₹ 750/- (i.e. 1000 water bottles x 0.75 paise).

4. (a) The following are implied conditions in a contract of sale by sample in accordance with Section 17 of the Sale of Goods Act, 1930;

- (a) that the bulk shall correspond with the sample in quality;
- (b) that the buyer shall have a reasonable opportunity of comparing the bulk with the sample.
- (c) that the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on a reasonable examination of the sample.

Implied Warrants:

1. *Warranty as to undisturbed possession [Section 14(b)]*: An implied warranty that the buyer shall have and enjoy quiet possession of the goods. That is to say, if the buyer having got possession of the goods, is later on disturbed in his possession, he is entitled to sue the seller for the breach of the warranty.
 2. *Warranty as to non-existence of encumbrances [Section 14(c)]*: An implied warranty that the goods shall be free from any charge or encumbrance in favour of any third party not declared or known to the buyer before or at the time the contract is entered into.
 3. *Warranty as to quality or fitness by usage of trade [Section 16(3)]*: An implied warranty as to quality or fitness for a particular purpose may be annexed by the usage of trade.
 4. *Warranty to disclose dangerous nature of goods*: Where a person sells goods, knowing that the goods are inherently dangerous or they are likely to be dangerous to the buyer and that the buyer is ignorant of the danger, he must warn the buyer of the probable danger, otherwise he will be liable in damages.
- (b) A partner may not be expelled from a firm by a majority of partners except in exercise, in good faith, of powers conferred by contract between the partners. It is, thus, essential that:
- (i) the power of expulsion must have existed in a contract between the partners;
 - (ii) the power has been exercised by a majority of the partners; and
 - (iii) it has been exercised in good faith.

If all these conditions are not present, the expulsion is not deemed to be in bonafide interest of the business of the firm.

The test of good faith as required under Section 33(1) includes three things:

- The expulsion must be in the interest of the partnership.
- The partner to be expelled is served with a notice.
- He is given an opportunity of being heard.

If a partner is otherwise expelled, the expulsion is null and void.

Thus, according to the test of good faith as required under Section 33(1), expulsion of Partner Y is not valid.

5. (a) **Position of Mr. D:** Mr. D sold some goods to Mr. E for ₹ 5,00,000 on 15 days credit. Mr. D delivered the goods. On due date Mr. E refused to pay for it. So, Mr. D is an unpaid seller as according to section 45(1) of the Sale of Goods Act, 1930 the seller of goods is deemed to be an 'Unpaid Seller' when the whole of the price has not been paid or tendered and the seller had an immediate right of action for the price.

Rights of Mr. D: As the goods have parted away from Mr. D, therefore, Mr. D cannot exercise the right against the goods, he can only exercise his rights against the buyer i.e. Mr. E which are as under:

- (i) **Suit for price (Section 55):** In the mentioned contract of sale, the price is payable after 15 days and Mr. E refuses to pay such price, Mr. D may sue Mr. E for the price.
- (ii) **Suit for damages for non-acceptance (Section 56):** Mr. D may sue Mr. E for damages for non-acceptance if Mr. E wrongfully neglects or refuses to accept and pay for the goods. As regards measure of damages, Section 73 of the Indian Contract Act, 1872 applies.
- (iii) **Suit for interest (Section 61):** If there is no specific agreement between the Mr. D and Mr. E as to interest on the price of the goods from the date on which payment becomes due, Mr. D may charge interest on the price when it becomes due from such day as he may notify to Mr. E.

- (b) **Meaning of Guarantee Company:** Section 2(21) of the Companies Act, 2013 defines a Company Limited by Guarantee as a company having the liability of its members limited by the memorandum to such amount as the members may respectively undertake to contribute to the assets of the company in the event of its being wound up. Thus, the liability of the members of a guarantee company is limited to a stipulated amount in terms of individual guarantees given by members and mentioned in the memorandum. The members cannot be called upon to contribute more than such stipulated amount for which each member has given a guarantee in the memorandum of association.

Similarities and dis-similarities between the Guarantee Company and the Company limited by shares: The common features between a "guarantee company" and the "company limited share" are legal entity and limited liability. In case of a company limited by shares, the liability of its members is limited to the amount remaining unpaid on the shares held by them. Both these type of companies have to state this fact in their memorandum that the members' liability is limited.

However, the dissimilarities between a 'guarantee company' and 'company limited by shares' is that in the former case the members will be called upon to discharge their liability only after commencement of the winding up of the company and only to the extent of amounts guaranteed by them respectively; whereas in the case of a company limited by shares, the members may be called upon to discharge their liability at any time, either during the life of the company or during the course of its winding up.

6. (a) **No consideration, no contract:** Every agreement, to be enforceable by law must be supported by valid consideration. An agreement made without any consideration is void. No consideration, no contract is a general rule. However, Section 25 of the Indian Contract Act, 1872 provides some exceptions to this rule, where an agreement without consideration will be valid and binding. These exceptions are as follows:
- (i) **Agreement made on account of natural love and affection:** Section 25 (1) provides that if an agreement is (i) in writing (ii) registered under the law and (iii) made on account of natural love and affection (iv) between the parties standing in a near relation to each other, it will be enforceable at law even if there is no consideration. Thus, where A, for natural love and affection, promises to give his son, B, ₹ 1,00,000 in writing and registers it. This is a valid contract.
 - (ii) **Compensation for past voluntary services:** Section 25(2) provides that a promise to compensate, wholly or in part, a person who has already voluntarily done something for the promisor, is enforceable. Thus, when A finds B's purse and gives it to him and B promises to give A ₹ 5,000, this is a valid contract.
 - (iii) **Promise to pay time-barred debts (Section 25 (3)):** Where there is an agreement, made in writing and signed by the debtor or by his agent, to pay wholly or in part a time barred debt, the agreement is valid and binding even though there is no consideration. If A owes B ₹ 1,00,000 but the debt is lapsed due to time-bar and A further makes a written promise to pay ₹ 50,000 on account of this debt, it constitutes a valid contract.
 - (iv) **Contract of agency (Section 185):** No consideration is necessary to create an agency.
 - (v) **Completed gift (Explanation 1 to Section 25):** A completed gift needs no consideration. Thus, if a person transfers some property by a duly written and registered deed as a gift he cannot claim back the property subsequently on the ground of lack of consideration.

Or

Mere silence not amounting to fraud: Mere silence as to facts likely to affect the willingness of a person to enter into a contract is no fraud; but where it is the duty of a person to speak, or his silence is equivalent to speech, silence amounts to fraud.

It is a rule of law that mere silence does not amount to fraud. A contracting party is not duty bound to disclose the whole truth to the other party or to give him the whole information in his possession affecting the subject matter of the contract.

The rule is contained in explanation to Section 17 of the Indian Contract Act which clearly states the position that mere silence as to facts likely to affect the willingness of a person to enter into a contract is not fraud.

Exceptions to this rule:

- (a) Where the circumstances of the case are such that, regard being had to them, it is the duty of the person keeping silence to speak. Duty to speak arises when one contracting party reposes trust and confidence in the other or where one party has to depend upon the good sense of the other (e.g. Insurance Contract).
- (b) Where the silence is, in itself, equivalent to speech.

(b) Partnership Deed

Partnership is the result of an agreement. No particular formalities are required for an agreement of partnership. It may be in writing or formed verbally. But it is desirable to have the partnership agreement in writing to avoid future disputes. The document in writing containing the various terms and conditions as to the relationship of the partners to each other is called the 'partnership deed'. It should be drafted with care and be stamped according to the provisions of the Stamp Act, 1899.

Where the partnership comprises immovable property, the instrument of partnership must be in writing, stamped and registered under the Registration Act.

Partnership deed may contain the following information:-

1. Name of the partnership firm.
2. Names of all the partners.
3. Nature and place of the business of the firm.
4. Date of commencement of partnership.
5. Duration of the partnership firm.
6. Capital contribution of each partner.
7. Profit Sharing ratio of the partners.
8. Admission and Retirement of a partner.
9. Rates of interest on Capital, Drawings and loans.
10. Provisions for settlement of accounts in the case of dissolution of the firm.
11. Provisions for Salaries or commissions, payable to the partners, if any.
12. Provisions for expulsion of a partner in case of gross breach of duty or fraud.

A partnership firm may add or delete any provision according to the needs of the firm.

- (c) (i) **Correct:** Section 3 of the Companies Act, 2013 deals with the basic requirement with respect to the constitution of the company. In the case of a public company, any 7 or more persons can form a company for any lawful purpose by subscribing their names to memorandum and complying with the requirements of this Act in respect of registration. In exactly the same way, 2 or more persons can form a private company.
- (ii) **Incorrect:** The common seal is a seal used by a corporation as the symbol of its incorporation. The Companies (Amendment) Act, 2015 has made the common seal optional by omitting the words "and a common seal" from Section 9 so as to provide an alternative mode of authorization for companies who opt not to have a common seal. This amendment provides that the documents which need to be authenticated by a common seal will be required to be so done, only if the company opts to have a common seal. In case a company does not have a common seal, the authorization shall be made by two directors or by a director and the Company Secretary, wherever the company has appointed a Company Secretary.

PAPER 2: SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING

ANSWERS

1. (a) (i) d
(ii) c
(iii) a
(iv) b
(v) d

(b) (i) (I) **Loc & Origin**

- 1) Built around 1268 AD
- 2) At Somnathpur.
 - a) A small village
- 3) Commsnd by **Soma Dandanayaka or Somnath**,
 - a) Mnstr of Hoyasala King of Karnataka, **Narasimha, III**
- 4) almost in orgnl condtn
- 5) Houses three shrines
 - a) Ddictd to three incmnts of Krishna
 - i. Venugopala,
 - ii. Janardana
 - iii. Prasanna Keshava.

(II) **Strctrl Details**

- 1) has three Shikaras.
- 2) stands on a star-shaped-raised platform with 24 edges.

(III) **Sclptrl Details**

- 1) Intrct crvngs on outer walls dpctng
 - a) cprsnd elephants,
 - b) chrgng horsemen,
 - c) stylzd flowers,
 - d) warriors, musicians,
 - e) crocodiles and swans.
- 2) Vrtcl pnls dpctng
 - a) figures of gods & goddesses in many incmnts
 - i. hvng elbrt ormmnttn
 - b) nymphs caryng ear of maize – a smbl of prsprty
- 3) doors and three elgntly carved towers

Key Used:

Loc: location

Commsnd: commissioned

Orgnl: original

Cndtn: condition
 Mnstr: minister
 Ddictd: dedicated
 Incrntrns: incarnations
 Strctr: structural
 Scpltr: sculptural
 Intrct: intricate
 Crvngs: carvings
 Dpctng: depicting
 Cprsnd: caparisoned
 Chrgng: charging
 Stylzd: stylized
 Vrtcl: vertical
 Pnls: panels
 Dpctng: depicting
 Havng: having
 Elbrt: elaborate
 Ornmntn: ornamentation
 Caryng: carrying
 Smbl: symbol
 Prsprty: prosperity
 Elgntly: elegantly

(b) (ii) Summary

The Somnathpur temple, built around 1268 AD, by the Hoysalas of Karnataka is an epitome of exquisite craftsmanship. Commissioned by the Dandanayak. The temple is dedicated to three incarnations of Lord Krishna - Venugopala, Janardana and Prasanna Keshava. It stands almost in its original condition on a star shaped raised platform. It has three shikaras. The outer walls are replete with intricate carvings of caparisoned elephants, charging horsemen, stylized flowers, warriors, musicians, crocodiles and swans. Vertical panels depict figures of Gods and Goddesses in various incarnations and symbols of , prosperity such as nymphs carrying ear of maize. The beautifully carved three elegant towers and doors are worth seeing and appreciating.

2. (a) Visual communication is effected through visual aids such as signs, typography, drawing, graphic design, illustration, color and other electronic resources usually reinforces written communication. It is a powerful medium to communicate. Thus print and audio-visual media makes effective use of adverts to convey their message. Visuals like videos graphs, pie charts and other diagrammatic presentations convey clearly and concisely a great deal of information.
- (b) (i) d
- (ii) c
- (iii) By whom was this essay written?
- (iv) Sheila exclaimed how smart Seema was.

(c) Digital Payments: The Flip side (Title)

Although digital payments like Paytm and Google pay took on a fast flight after demonetization, their presence is not yet complete. Reasons could be many- unaware customers, unwilling merchants, unreliable infrastructure, lack of interoperability etc. According to data reports, cash still rules the market with digital payments holding only 10% of share. Also, recommendations from PCI have not played a major role. Moreover, government regulations like KYC mandates bring down the implementation and usage of digital payments, thus discouraging a digitized Indian economy.

3. (a) A **communication network** refers to the method and pattern used by members of an organization to pass on information to other employees in the organization. Network helps managers create various types of communication flow according to requirement of the task at hand. Some companies have established and predefined networks of communication for specified venture.
- (b) (i) a
(ii) c
(iii) A pen is used by Rajesh to sketch figures.
(iv) Elders always say that if you work hard, you will succeed. (Universal truth)

(c) Circular

XYZ Consultants
32, Jai Hind Road
Nagpur, India

Circular

Date: 10th April, 2019

To: The all staff members

From: HR department

Reference : HR/Circular/2019/03

Subject: Dismissal of staff member

This is to inform that Mr. PQR, holding the position of Sales Head has been suspended from his responsibilities due to multiple charges of misappropriation of office funds against him. He is currently at large and avoiding police arrest.

Staff is instructed to immediately report any information/clue about him to the undersigned.

Head , HR.

4. (a) **Various desirable characteristics of effective communication are:**

1. **Clarity:** Any spoken or written communication should state the purpose of message clearly. The language should be simple. Sentences ought to be short as the core message is lost in long, convoluted sentences. Each idea or point must be explained in a separate bulleted points or paragraphs. Make it easy for the reader to grasp the intent of the communiqué.

2. **Conciseness:** Brevity is the essence of business communication. No one has the time to read long drawn out essays. Besides, the core content is lost in elaborate details. Avoid using too many irrelevant words or adjectives, for example, 'you see', 'I mean to say', etc. Ensure that there are no repetitions
3. **Concreteness:** The content of your communiqué should be tangible. Base it on facts and figures. Abstract ideas and thoughts are liable to misinterpretation. Make sure that there is just sufficient detail to support your case/ argument and bring focus to the main message
4. **Coherence:** Coherence in writing and speech refers to the logical bridge between words, sentences, and paragraphs. Main ideas and meaning can be difficult for the reader to follow if the writer jumps from one idea to another and uses contradictory words to express himself. The key to coherence is sequentially organized and logically presented information which is easily understood. All content under the topic should be relevant, interconnected and present information in a flow.
5. **Completeness:** 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.
6. **Courtesy:** Courtesy implies that the sender is polite, considerate, respectful, open and honest with the receiver. The sender of the message takes into consideration the viewpoints and feelings of the receiver of the message. Make sure nothing offensive or with hidden negative tone is included.
7. **Listening for Understanding:** We are bombarded by noise and sound in all our waking hours. We 'hear' conversations, news, gossip and many other forms of speech all the time. However, most of it is not listened to carefully and therefore, not understood, partially understood or misunderstood. A good listener does not only listen to the spoken words, but observes carefully the nonverbal cues to understand the complete message. He absorbs the given information, processes it, understands its context and meaning and to form an accurate, reasoned, intelligent response.

The listener has to be objective, practical and in control of his emotions. Often the understanding of a listener is coloured by his own emotions, judgments, opinions, and reactions to what is being said. While listening for understanding, we focus on the individual and his agenda. A perceptive listener is able to satisfy a customer and suggest solutions as per the needs of the client
8. **Focus and Attention:** Everyday work environment has multiple activities going on simultaneously. The ringing of the phone, an incoming email, or a number of tasks requiring your attention, anxiety related to work, emotional distress etc. can distract you. Such distractions are detrimental to the communication process with an individual or a group of people. You may overlook or completely miss important points or cues in the interaction. Thus, keeping your focus and attention during the communiqué is imperative for effective communication.
9. **Emotional Awareness and Control:** Emotional awareness is a necessary element of good communication. While interacting with another person or a group, it is important to understand the emotions you and he/ she/ they are bringing to the discussion. Managing your own and others emotions and communicating keeping in mind the emotional state of others helps in smooth interaction and breakdown of the communication process.

- (b) (i) d
- (ii) We can do the work only by next week.
- (iii) Teacher requested the children to use a blue pen for their homework.

(c) **Answer Hints for Article**

- Both play an equally significant role
- Only physical fitness keeps the body in shape
- Six packs, abs, muscular body.....all look impressive but does running and doing cardio take care of the mind.
- Is it fine to be dumb in the head and have a strong, finely chiselled body?
- Mind is the hard drive of a human body. Data stored, collected, used etc.
- An active mind ensures proper functioning of the whole system
- Quote like, 'an empty mind is a devil's workshop'.
- However, physical prowess and mental agility both have their own specific and need based roles.

5. (a) In a cross cultural environment the factors that impact communication the most are:

1. **Language:** It can create many obstacles in communication. Literally, people from different regions and countries may interpret the same words differently. Difficult words, subject specific terminology, unfamiliar expressions and ambiguous words having multiple meanings, create hurdles in communicating. It is also a fact that the linguistic ability of various people in the work place is different. Some may be proficient in the language while others may possess just basic skills. Therefore, it is important to use clear, simple easily understood language in most of your official communications.

2. **Cultural barriers:** 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. In addition, every organization too has its own work culture. In fact, departments within the same company may also differ in their expectations, norms and ideologies. This can impact intra and inter organizational communication.

The same principle applies to families and family groups, where people have different expectations according to their background and traditions leading to friction and misunderstanding. A very simple example is of the way food is served by a member of a family. It can be the cause of appreciation or displeasure.

3. **Emotional barriers:** Anger, fear of criticism or ridicule, mistrust of person, suspicion of intentions, jealousy, anxiety and many more feelings and sentiments we carry within us, affect our communication ability and quality. A person who is upset and disturbed cannot pass on or receive information appropriately and objectively. His emotions will colour his perception and assessment of the communication.

4. **Attitude barriers-** Personal attitudes of employees can affect communication within the organization. A proactive, motivated worker will facilitate the communication process, whereas a dissatisfied, disgruntled, shy, introvert or lazy employee can delay, hesitate in taking the initiative, or refuse to communicate. Attitude problems can be addressed by good management and regular interaction with staff members.

(b) (i) c

(ii) d

(iii) The Principal exclaimed that he was a bright child.

(c) Following is a standard format, with subheadings as under:

- Name and contact details
- Objective Summary
- Academic Qualifications and Achievements (mention class X, XII marks/grades/CGPA)
- Co-curricular Achievements
- Areas of interest/ aptitude
- Strengths (Personal and professional)
- Specialized skills, if any
- Language Proficiency
- Interests/Hobbies
- Declaration
- Signature

Mock Test Paper -2

Foundation Course

Paper 3: Business Mathematics, Logical Reasoning and Statistics

Time: 120 Minutes

Maximum Marks: 100

Part A : Business Mathematics and Logical Reasoning

1. If $x:y:z = 2:3:5$ if $x+y+z = 60$, then the value of z
 - (a) 30
 - (b) 15
 - (c) 9
 - (d) 12
2. The ratio of two numbers is 15: 19. If a certain number is added to each term of the ratio it become 8: 9. What is the number added to each of the ratio?
 - (a) 6
 - (b) 15
 - (c) 17
 - (d) 23
3. If $\frac{a}{3} = \frac{b}{4} = \frac{c}{5}$ then $\frac{2a+3b+2c}{4a-b+2c}$ is
 - (a) $\frac{11}{19}$
 - (b) $\frac{17}{9}$
 - (c) $\frac{19}{9}$
 - (d) $\frac{19}{7}$
4. Simplify $\frac{2^n + 2^{n-1}}{2^{n+1} + 2^n} =$
 - (a) 2^{n+2}
 - (b) 2^n
 - (c) 2
 - (d) $\frac{1}{2}$
5. If $2^a = 3^b = 12^c$ then $\frac{1}{a} + \frac{1}{b} =$
 - (a) $\frac{1}{c}$

- (b) $\frac{1}{c} - \frac{1}{a}$
- (c) $-\frac{1}{c}$
- (d) 0
6. The value of $\log_{64} 512$ is
- (a) 9
- (b) $9/2$
- (c) $9/4$
- (d) $3/2$
7. The value of $(\log_b a \log_c b \log_a c)^3 =$
- (a) 1
- (b) 3
- (c) $(\log_b C)^3$
- (d) $(\log_c b)^3$
8. If α and β be the roots of the equation $2x^2 - 4x - 3 = 0$ the value of $\alpha^2 + \beta^2$ is
- (a) 5
- (b) 7
- (c) 3
- (d) -4
9. If one root of the equation $x^2 + 7x + p = 0$ be reciprocal of the other then the value of p is_____.
- (a) 1
- (b) -1
- (c) 7
- (d) -7
10. Let $A = \begin{pmatrix} 2 & 3 \\ 4 & 5 \end{pmatrix}$; $B = \begin{pmatrix} 1 & 5 \\ 6 & 7 \end{pmatrix}$ then the value $3A - B$
- (a) $\begin{pmatrix} -4 & -14 \\ 9 & 11 \end{pmatrix}$
- (b) $\begin{pmatrix} 4 & -14 \\ -9 & -11 \end{pmatrix}$
- (c) $\begin{pmatrix} 4 & -14 \\ 9 & 11 \end{pmatrix}$
- (d) $\begin{pmatrix} 5 & 4 \\ 6 & 8 \end{pmatrix}$

11. $\begin{pmatrix} a & -b \\ b & a \end{pmatrix} \times \begin{pmatrix} a & b \\ -b & a \end{pmatrix}$
- (a) $\begin{pmatrix} a^2 + b^2 & 0 \\ 0 & a^2 + b^2 \end{pmatrix}$
- (b) $\begin{pmatrix} -a^2 - b^2 & 0 \\ 0 & a^2 + b^2 \end{pmatrix}$
- (c) $\begin{pmatrix} a^2 - b^2 & 0 \\ 0 & a^2 + b^2 \end{pmatrix}$
- (d) $\begin{pmatrix} a^2 - b^2 & 0 \\ 0 & a^2 - b^2 \end{pmatrix}$
12. Mr. A plans to invest up to Rs. 30,000 in two stocks X and Y. Stock X(x) is priced at Rs.175 and Stock Y(y) at Rs.95 per share. This can be shown by
- (a) $175x + 95y < 30,000$
- (b) $175x + 95y > 30,000$
- (c) $175x + 95y = 30,000$
- (d) None of these
13. A sum of money doubles itself at compounded interest in 10 years in how many years will it become eight times?
- (a) 20
- (b) 30
- (c) 40
- (d) 35
14. A machine costs Rs. 1,00,000. The depreciation rate is 10% per annum. The scrap value of the machine at the end of 5 years is
- (a) Rs.49490
- (b) Rs. 59049
- (c) Rs.61029
- (d) Rs.51049
15. Rs. 10,000 is invested at annual rate of interest of 10% p.a. The amount after two years at annual compounding is
- (a) Rs. 21100
- (b) Rs. 12100
- (c) Rs. 12110
- (d) None of these
16. The annual birth rate and death rate per 1000 are 39.4 and 19.4 respectively. The number of years in which population will be doubled assuming that there is no immigration or emigration is approximately
- (a) 40 years

- (b) 30 years
 - (c) 36 years
 - (d) 25 years
17. If the effective rate of interest is 12% per annum and the interest is compounded quarterly, the nominal rate of interest per annum
- (a) 11.78 %
 - (b) 11.21 %
 - (c) 11.89%
 - (d) 11.49 %
18. A machine can be purchased for Rs. 50, 000. Machine will be contributing Rs. 12, 000 per year for the next five years. Assuming borrowing cost is 10% per annum. Determine whether machine should be purchased or not
- (a) Should be purchased
 - (b) Should not be purchased
 - (c) Can't say about purchase
 - (d) none of the above
19. X bought a TV costing 25,000 making down payment of Rs. 5000 and agreeing to make equal annual payment for four years. How much would be each payment if the interest on unpaid amount be 14% compounded annually? [$P(4, 0.14) = 2.91371$]
- (a) Rs.6864.10
 - (b) Rs.6850.63
 - (c) Rs.6859
 - (d) Rs.6871
20. The future value of annuity on Rs. 5000 a year for 7 years at 14% per annum compound interest is given $(1.14)^7 = 2.5023$
- (a) Rs.5300
 - (b) Rs.53653.57
 - (c) Rs.5480
 - (d) Rs.5465.23
21. Rs.5000 paid for ten years to off a loan. What is the loan amount if interest rate be 14% per annum compounded annually? (Given $P(10, 0.14) = 5.21611$)
- (a) Rs.26080.55
 - (b) Rs.26580.55
 - (c) Rs.26280.55
 - (d) Rs.27080.55
22. Suppose your friend decided gift to you Rs. 10000 every year starting from today for the next five years. Your deposit this amount in a bank as and when you receive and get 10% per annum interest compounded annually. What is the present value of this annuity?
- (a) Rs.42698.70
 - (b) Rs.43698.70

- (c) Rs.45698.70
(d) Rs.41698.70
23. Rs.1000 is invested at the end of each month in an account paying interest 6% per year compounded monthly. What is the future value of annuity after 10th payment? (Given that $(1.005)^{10} = 1.0511$)
(a) Rs.10220
(b) Rs.1022
(c) Rs.20000
(d) Rs.1020
24. The difference between CI and SI on a certain money invested for three years at 6% per annum is Rs. 110.16. The sum is
(a) Rs. 3000
(b) Rs.3700
(c) Rs.12000
(d) Rs.10000
25. Simple interest on Rs.3500 for 3 years at 12% per annum is
(a) Rs.1200
(b) Rs.1260
(c) Rs.2260
(d) Rs. 2000
26. A function $f(x)$ is an even function, if
(a) $-f(x) = f(x)$
(b) $f(-x) = f(x)$
(c) $f(-x) = -f(x)$
(d) None of these
27. If $A = \{1, 2, 3, 4\}$ and $B = \{5, 6, 7, 6\}$, then cardinal number of the set $A \times B$ is ____
(a) 7
(b) 1
(c) 16
(d) None of these
28. Find the $f \circ g$ for the functions $f(x) = x^3$, $g(x) = x + 1$
(a) $x^2(x+1)$
(b) x^2
(c) $x+1$
(d) $(x+1)^3$
29. if $nP_4 = 12nP_2$ then $n =$
(a) 2
(b) 3
(c) 4

- (d) 6
30. The number of sub sets of function $\{2, 3, 5, 6\}$
- (a) 3
(b) 8
(c) 16
(d) none of these
31. A man has 5 friends'. In how many ways can be invite one or more of his friends to dinner?
- (a) 30
(b) 31
(c) 32
(d) 10
32. The sum of the first two terms of a GP is $\frac{5}{3}$ and the sum of infinity of the series is 3. The common ratio is
- (a) $\frac{1}{3}$
(b) $\frac{2}{3}$
(c) $-\frac{1}{3}$
(d) none of these
33. The sum of the infinite series $1 + \frac{2}{3} + \frac{4}{9} + \dots$ is
- (a) $\frac{1}{3}$
(b) 3
(c) $\frac{2}{3}$
(d) none of these
34. Which term of the AP 64,60,56,52....is Zero
- (a) 16
(b) 17
(c) 15
(d) 14
35. if $x=at^2$, $y=2at$ then $\left. \frac{dy}{dx} \right|_{t=2}$ is equal to
- (a) $\frac{1}{2}$
(b) -2
(c) $-\frac{1}{2}$
(d) none of these
36. The gradient of the curve $y = 4x^2 - 2x$ at $x = 1$ is
- (a) 4
(b) 6
(c) 8
(d) None of these

37. $\int \frac{1}{a^2 - x^2} dx$

(a) $\frac{1}{2a} \log \left| \frac{a+x}{a-x} \right| + c$

(b) $\frac{-1}{2a} \log \left| \frac{a-x}{a+x} \right| + c$

(c) $\frac{1}{2a} \log \left| \frac{x-a}{x+a} \right| + c$

(d) None of these

38. $\int \left\{ \frac{1}{\log x} - \frac{1}{(\log x)^2} \right\} dx$

(a) $\frac{1}{\log x} + c$

(b) $\frac{x}{\log x} + c$

(c) $-\frac{x}{\log x} + c$

(d) None of these

39. $\int x^2 e^x dx$

(a) $e^x(x^2 - 2x + 2) + c$

(b) $e^x(x^2 - 2) + c$

(c) $e^x(x^2 + 2x + 2) + c$

(d) $e^x(x^2 - 2x) + c$

40. If $x = at^3$, $y = \frac{a}{t^3}$, $\frac{dy}{dx}$ at $t = 1$ is

(a) 1

(b) -1

(c) 3

(d) 2/3

41. Find odd one out of the series 7, 9, 11, 12, 14, 15

(a) 15

(b) 14

(c) 9

(d) 7

42. Find odd one out of the series 37, 45, 49, 65, 79

(a) 37

- (b) 45
 - (c) 49
 - (d) 65
43. Find the missing number of the series 22, 24, 28, ? , 52, 84
- (a) 36
 - (b) 38
 - (c) 42
 - (d) 46
44. Find the missing number of series 1, 5, 13, 25, 41, ?
- (a) 51
 - (b) 57
 - (c) 61
 - (d) 63
45. If SUMMER is coded as RUNNER the code for WINTER will be
- (a) SUITER
 - (b) VIOUER
 - (c) WALKER
 - (d) SUFFER
46. In a certain code KAVERI is written as VAKIRE. How is MYSORE written in that code?
- (a) EROSYM
 - (b) SYMORE
 - (c) SMYERP
 - (d) SYMERO
47. 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
48. From her home Prerna wishes to go to school. From home she goes towards North and then turns left and then turns right, and finally she turns left and reaches school. In which direction her school is situated with respect to her home?
- (a) North-East
 - (b) North-West
 - (c) South-East
 - (d) South-West

49. A child walks 25 feet towards North, turns right and walks 40 feet, turns right again and walks 45 feet. He then turns left and walks 20 feet. He turns left again walks 20 feet. Finally, he turns to his left to walks another 20 feet. In which direction is the child from his starting point?
- North
 - South
 - West
 - East
50. In a college party, 5 girls are sitting in a row. F is to the left of M and to the right of O. R is sitting to the right of N but to the left of O. Who is sitting in the middle?
- O
 - R
 - P
 - M
51. Five friends P, Q, R, S and T are sitting in a row facing North. Here, S is between T and Q and Q is to the immediate left of R. P is to the immediate left of T. Who is in the middle?
- S
 - T
 - Q
 - R
- (52.-54) 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.
52. Who is sitting in front of R?
- U
 - Q
 - V
 - P
53. Who is to the immediate right of R?
- M
 - U
 - M or T
 - None of these
54. In which of the following pairs, persons are sitting in front of each other?
- MV
 - RV
 - TV
 - UR
55. X is the husband of Y. W is the daughter of X. Z is husband of W. N is the daughter of Z. What is the relationship of N to Y?
- Cousin

- (b) Niece
 - (c) Daughter
 - (d) Grand-daughter
56. 'A' reads a book and find the name of the author familiar. The author 'B' is the paternal uncle of 'C'. 'C' is the daughter of 'A'. How is 'B' related to 'A'?
- (a) Brother
 - (b) Sister
 - (c) Father
 - (d) Uncle
57. 'A' s mother is sister of B and she has a daughter C who is 21 years old. How is B related to D?
- (a) Uncle
 - (b) Maternal Uncle
 - (c) Niece
 - (d) Daughter
- (58 -60) Each of the following questions contains two statements followed by two conclusions numbered I and II. You have to consider the two statements to be true, even if they seem to be at variance at the commonly known facts. You have to decide which of the given conclusions definitely follows from the given statements Give answer ((a) if only I follows; ((b) if only conclusion II follows; ((c) if either I or II follows and ((d) if neither I nor II follows
58. Statements: I. All pots are cups.
II. All cups are bowls.
Conclusions: I. All pots are bowls.
II. All cups are pots.
59. Statements: I. All roads are poles
II. No poles are bungalows
Conclusions: I. Some roads are bungalows
II. Some bungalows are poles
60. Statements: I. Some cats are kittens.
II. All goats are kittens.
Conclusions: I. Some cats are goats
II. Some goats are cats.

Part B: Statistics

61. 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.
62. The entire upper part of a table is known as
- (a) Caption

- (b) Stub
 - (c) Box head
 - (d) Body
63. A frequency distribution
- (a) Arranges observations in an increasing order
 - (b) Arranges observation in terms of a number of groups
 - (c) Relates to a measurable characteristic
 - (d) all these.
64. Mode of a distribution can be obtained from
- (a) Histogram
 - (b) Less than type ogives
 - (c) More than type ogives
 - (d) Frequency polygon
65. The presence of extreme observations does not affect
- (a) AM
 - (b) Median
 - (c) Mode
 - (d) Any of these
66. For a moderately skewed distribution, which of the following relationship holds?
- (a) $\text{Mean} - \text{Mode} = 3 (\text{Mean} - \text{Median})$
 - (b) $\text{Median} - \text{Mode} = 3 (\text{Mean} - \text{Median})$
 - (c) $\text{Mean} - \text{Median} = 3 (\text{Mean} - \text{Mode})$
 - (d) $\text{Mean} - \text{Median} = 3 (\text{Median} - \text{Mode})$
67. Quartiles can be determined graphically using
- (a) Histogram
 - (b) Frequency Polygon
 - (c) Ogive
 - (d) Pie chart
68. If there are 3 observations 15, 20, 25 then the sum of deviation of the observations from their AM is
- (a) 0
 - (b) 5
 - (c) -5
 - (d) None of these.
69. The third decile for the numbers 15, 10, 20, 25, 18, 11, 9, 12 is
- (a) 13
 - (b) 10.70
 - (c) 11
 - (d) 11.50

70. Which measures of dispersions is not affected by the presence of extreme observations?
- (a) Range
 - (b) Mean deviation
 - (c) Standard deviation
 - (d) Quartile deviation
71. Which measure is based on only the central fifty percent of the observations?
- (a) Standard deviation
 - (b) Quartile deviation
 - (c) Mean deviation
 - (d) All these measures
72. If the profits of a company remain the same for the last ten months, then the standard deviation of profits for these ten months would be?
- (a) Positive
 - (b) Negative
 - (c) Zero
 - (d) (a) or (c)
73. The range of 15, 12, 10, 9, 17, 30 is
- (a) 5
 - (b) 12
 - (c) 13
 - (d) 21
74. If the range of x is 2, what would be the range of $-3x + 50$?
- (a) 2
 - (b) 6
 - (c) -6
 - (d) 44
75. If x and y are related by $2x + 3y + 4 = 0$ and SD of x is 6, then SD of y is
- (a) 22
 - (b) 4
 - (c) 40
 - (d) 9
76. If x and y are related by $y = 2x + 5$ and the SD and AM of x are known to be 5 and 10 respectively, then the coefficient of variation is
- (a) 25
 - (b) 30
 - (c) 40
 - (d) 20

77. If for two events A and B, $P(A \cap B) = P(A) \times P(B)$, then the two events A and B are
- Independent
 - Dependent
 - Not equally likely
 - Not exhaustive.
78. Addition Theorem of Probability states that for any two events A and B,
- $P(A \cup B) = P(A) + P(B)$
 - $P(A \cup B) = P(A) + P(B) + P(A \cap B)$
 - $P(A \cup B) = P(A) + P(B) - P(A \cap B)$
 - $P(A \cup B) = P(A) P(B)$
79. If a random variable x assumes the values x_1, x_2, x_3, x_4 with corresponding probabilities p_1, p_2, p_3, p_4 then the expected value of x is
- $p_1 + p_2 + p_3 + p_4$
 - $x_1 p_1 + x_2 p_2 + x_3 p_3 + x_4 p_4$
 - $p_1 x_1 + p_2 x_2 + p_3 x_3 + p_4 x_4$
 - none of these.
80. If an unbiased die is rolled once, the odds in favour of getting a point which is a multiple of 3 is
- 1:2
 - 2:1
 - 1:3
 - 3:1
81. A, B, C are three mutually independent with probabilities 0.3, 0.2 and 0.4 respectively. What is $P(ABC)$?
- 0.400
 - 0.240
 - 0.024
 - 0.500
82. What is the chance of throwing at least 7 in a single cast with 2 dice?
- $5/12$
 - $7/12$
 - $1/4$
 - $17/36$
83. A binomial distribution is
- never symmetrical
 - never positively skewed
 - never negatively skewed
 - symmetrical when $p = 0.5$

84. The maximum value of the variance of a binomial distribution with parameters n and p is
- $n/2$
 - $n/4$
 - $np(1-p)$
 - $2n$
85. Which one is uniparametric distribution?
- Binomial
 - Poisson
 - Normal
 - Hyper geometric
86. The mean deviation about median of a standard normal variate is
- 0.675σ
 - 0.675
 - 0.80σ
 - 0.80
87. If the points of inflexion of a normal curve are 40 and 60 respectively, then its mean deviation is
- 40
 - 45
 - 50
 - 60
88. What is the first quartile of X having the following probability density function?
- $$f(x) = \frac{1}{\sqrt{72\pi}} e^{-\frac{(x-10)^2}{72}} \quad \text{for } -\infty < x < \infty$$
- 4.
 - 5.
 - 5.95.
 - 6.75.
89. Correlation analysis aims at
- Predicting one variable for a given value of the other variable
 - Establishing relation between two variables
 - Measuring the extent of relation between two variables
 - Both (b) and (c).
90. The two lines of regression become identical when
- $r = 1$
 - $r = -1$
 - $r = 0$
 - (a) or (b).

91. If the coefficient of correlation between two variables is 0.7 then the percentage of variation unaccounted for is
- 70%
 - 30%
 - 51%
 - 49%
92. If the regression coefficient of y on x is 2.5, the correlation coefficient 0.6 and the SD of y is 4, the SD of x is
- 0.64
 - 0.24
 - 0.96
 - 1.44
93. If the regression coefficient of y on x is 1.5 and the variances of x and y is 4/9 then the correlation coefficient is
- 1
 - 1
 - 2.25
 - 1
94. If the coefficient of determination is 0.64 and the regression coefficient of x on y is 4 then the regression coefficient of y on x is
- 0.32
 - 0.16
 - 0.48
 - 0.96
95. Chain index is equal to
- $$\frac{\text{Link relative of current year} \times \text{chain index of the current year}}{100}$$
 - $$\frac{\text{Link relative of previous year} \times \text{chain index of the current year}}{100}$$
 - $$\frac{\text{Link relative of current year} \times \text{chain index of the previous year}}{100}$$
 - $$\frac{\text{Link relative of previous year} \times \text{chain index of the previous year}}{100}$$
96. The formula should be independent of the unit in which or for which price and quantities are quoted in
- Unit Test
 - Time Reversal Test
 - Factor Reversal Test
 - none

97. The formula for conversion to current value
- (a) Deflated value = $\frac{\text{Price Index of the current year}}{\text{previous value}}$
 - (b) Deflated value = $\frac{\text{Price Index of the current year}}{\text{current value}}$
 - (c) Deflated value = $\frac{\text{Price Index of the previous year}}{\text{previous value}}$
 - (d) Deflated value = $\frac{\text{Price Index of the previous year}}{\text{previous value}}$
98. Damages due to floods, droughts, strikes fires and political disturbances are:
- (a) Trend
 - (b) Seasonal
 - (c) Cyclical
 - (d) Irregular
99. The rise and fall of a time series over periods longer than one year is called:
- (a) Secular trend
 - (b) Seasonal variation
 - (c) Cyclical Variation
 - (d) irregular variations
100. A time series has:
- (a) Two components
 - (b) Three Components
 - (c) Four Components
 - (d) Five Components

FOUNDATION COURSE

MOCK TEST PAPER 2

PAPER – 3: BUSINESS MATHEMATICS, LOGICAL REASONING AND STATISTICS

ANSWERS

PART A: BUSINESS MATHEMATICS

Part A : Business Mathematics , Logical Reasoning

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

Part B : Statistics

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

FOUNDATION COURSE
MOCK TEST PAPER 2
PAPER – 4: PART I : BUSINESSECONOMICS

Max. Marks : 60

QUESTIONS

1. In the long run under which competition a firm may earn super normal profits?
 - (a) Monopolistic competition
 - (b) Perfect competition
 - (c) Oligopoly
 - (d) Monopoly
2. In Law of negative returns (Third stage of Law of variable proportions)
 - (a) Total Product declines, MP is positive
 - (b) Total Product declines, MP is Zero
 - (c) Total Product declines, MP is negative
 - (d) Total Product in constant, MP is constant
3. Supply of a good and its price have
 - (a) Negative relationship
 - (b) Inverse relationship
 - (c) No relationship
 - (d) Positive relationship
4. If firm's average cost curve is falling then marginal curve must be:
 - (a) Falling
 - (b) Rising
 - (c) Below average cost curve
 - (d) None of the above
5. An expansion in the supply of a good is caused by a:
 - (a) Rise in the price of good
 - (b) Fall in the prices of other goods
 - (c) Fall in the prices of factors of production
 - (d) All of the above

6. Which of the following has the lowest price elasticity of supply?
- (a) Luxury
 - (b) Necessities
 - (c) Salt
 - (d) Perishable goods
7. In Economics, the central economic problem means:
- (a) Output is restricted to the limited availability of resources
 - (b) Consumers do not have as much money as they would wish
 - (c) There will always be certain level of unemployment
 - (d) Resources are not always allocated in an optimum way
8. The law of scarcity
- (a) Does not apply to rich, developed countries
 - (b) Does not apply to poor, under developed countries
 - (c) Implies only to socialist economies.
 - (d) Implies that all consumer wants will never be completely satisfied.
9. For the prices- taking firm:
- (a) Marginal revenue is less than price
 - (b) Marginal revenue is equal to price
 - (c) Marginal revenue is greater than price
 - (d) The relationship between marginal revenue and price is indeterminate
10. A monopolist is able to maximize his profits when:
- (a) His output is maximum
 - (b) He charges high price
 - (c) His average cost is minimum
 - (d) His marginal cost is equal to marginal revenue
11. In Imperfect competition:
- (a) Excess capacity always exists
 - (b) Excess capacity never exists
 - (c) Excess capacity may or may not exist
 - (d) None of the above
12. Product differentiation is the most important feature of:
- (a) Monopolistic Competition

- (b) Monopoly
 - (c) Oligopoly
 - (d) Perfect Competition
13. Relationship between AR, MR and Price elasticity of demand is
- (a) $MR = AR + [e-1/e]$
 - (b) $MR = AR \times [e-1/e]$
 - (c) $AR = MR \times [e-1/e]$
 - (d) $MR = AR \times [e/e - 1]$
14. In a perfectly competitive firm, MC curve above AVC is the _____ Curve of the firm
- (a) Average cost
 - (b) Marginal revenue
 - (c) Demand
 - (d) Supply
15. Questions like what should be the level of national income, what should be the wage rate fall within the scope of:
- (a) Positive Science
 - (b) Normative Science
 - (c) Both (a) and (b)
 - (d) None of the above
16. Which of the following is not one of the features of capitalist economy?
- (a) Right of private property
 - (b) Freedom of choice by the consumers
 - (c) No profit, No Loss motive
 - (d) Competition
17. Which is not the assumption of Indifference curve Analysis?
- (a) The consumer is rational and possesses full information about all the aspects of economic environment
 - (b) The consumer is not capable of ranking all combinations
 - (c) If consumer prefers combination A to B, and B to C, then he must prefer combination A to C
 - (d) If combination A has more commodities than combination B, then A must be preferred to B.
18. The horizontal demand curve parallel to x-axis implies that the elasticity of demand is
- (a) Zero
 - (b) Infinite

- (c) Equal to one
 - (d) Greater than zero but less than infinity
19. When is TP maximum
- (a) When AP becomes Zero
 - (b) When MP becomes Zero
 - (c) At the intersecting point of AP and MP
 - (d) When MP is highest
20. Variable cost includes the cost of
- (a) Buying land and building
 - (b) Hire charges of machinery
 - (c) Insurance premium
 - (d) Material bought
21. Which of the following is correct?
- (a) Marginal cost is always less than the average cost.
 - (b) Marginal cost is always more than the average cost.
 - (c) Marginal cost is always equal to the average cost at its minimum point.
 - (d) Marginal cost is always equal to the average cost
22. When average cost curve is rising then, marginal cost
- (a) Must be decreasing
 - (b) Must be above the average cost curve
 - (c) Must be constant
 - (d) Must be equal to average cost
23. A firm has variable cost of Rs. 1,000 at 5 units of output. If fixed cost are Rs. 400, what will be the average total cost at 5 units of output?
- (a) 380
 - (b) 280
 - (c) 60
 - (d) 400
24. The vertical difference between TVC and TC is equal to:
- (a) MC
 - (b) AVC
 - (c) TFC

- (d) None of the above
25. The consumer is in equilibrium when:
- (a) When marginal utility is constant
 - (b) When marginal utility is greater than price of the good
 - (c) When marginal utility is less than price of the good
 - (d) When marginal utility is equal to price of the good
26. Capital is a :
- (a) Stock concept
 - (b) Flow Concept
 - (c) Both (a) and (b)
 - (d) None of the above
27. Which is not the function of an entrepreneur?
- (a) Initiating a business enterprise and resource co-ordination
 - (b) Risk bearing or uncertainty bearing
 - (c) Innovation
 - (d) Mobilisation of savings
28. A higher indifference curve shows:
- (a) A higher level of satisfaction
 - (b) A higher level of production
 - (c) A higher level of income
 - (d) None of the above
29. In case of an inferior good the income elasticity of demand is:
- (a) Zero
 - (b) Positive
 - (c) Negative
 - (d) None of the above
30. When quantity demanded changes by larger percentage than does price, elasticity is termed as:
- (a) Inelastic
 - (b) Elastic
 - (c) Perfectly Elastic
 - (d) Perfectly Inelastic

31. Marginal cost is defined as:
- (a) The change in total cost due to a one unit change in output
 - (b) Total cost divided by output
 - (c) The change in output due to a one unit change in an input
 - (d) Total product divided by the quantity of input
32. Indifference curve is convex to the origin due to:
- (a) Falling MRS
 - (b) Rising MRS
 - (c) Constant MRS
 - (d) None of the above
33. Which of the following is not included in the stages of capital formation?
- (a) Savings
 - (b) Mobilisation of Income
 - (c) Mobilisation of saving
 - (d) Investment
34. We mainly study the following in Micro Economics:
- (a) Location of a Industry
 - (b) Study of firms
 - (c) Factor pricing
 - (d) All of the above
35. In perfect competition in the long run there will be _____
- (a) Normal Profits
 - (b) Super Normal Profit
 - (c) Less production
 - (d) Cost will be falling
36. A firm encounters its shut down point when:
- (a) Average total cost equal price at the profit maximizing level of output
 - (b) Average variable cost equals price at the profit maximizing level of output
 - (c) Average fixed cost equals price at the profit maximizing level of output
 - (d) Marginal cost equals price at the profit maximizing level of output

37. In which form of the market structure is the degree of control over the price of its product by a firm is very large?
- (a) Imperfect competition
 - (b) Monopoly
 - (c) Oligopoly
 - (d) Perfect competition
38. Which of the following statements is correct?
- (a) As normative science, Economics involves value judgments
 - (b) Robbins has made economics as a form of welfare economics
 - (c) The Law of Demand is always true
 - (d) None of the above
39. An economy achieves "productive efficiency" when:
- (a) The best quality goods are produced
 - (b) The highly skillful resources in the country are fully employed
 - (c) All resources are utilized and goods and services are produced at least cost
 - (d) None of the above
40. If the proportion of income spent on a goods decrease as income rises then income elasticity is:
- (a) Greater than one
 - (b) Less than one
 - (c) One
 - (d) Zero
41. If two goods are totally unrelated, then cross elasticity between them is:
- (a) Zero
 - (b) One
 - (c) Infinite
 - (d) None of the above
42. Which of the following is considered production in Economics?
- (a) Teaching CA students in CA Institute by a teacher
 - (b) Singing a song before friends
 - (c) Flying kite for pleasure
 - (d) Teaching to friends in a library any concept of Economics

Use following table to answer questions 43-46

Quantity	Variable Cost	Fixed Cost	Total Cost	AVC	ATC	MC
0	0					
5	25					
10	470					
15	700					
20	980					
25	1350					
30	1850					
35	2520					
40	3400					
45	4530					
50	5950					

A firm operating in perfect competition sells as much as of its products as it chooses at a market price of Rs. 100 per unit. Its Fixed cost is Rs. 300 and its Variable cost for different levels of production are shown in the above table.

43. When production is 40 units, the average cost is:
 - (a) Rs. 4.40
 - (b) Rs. 7.50
 - (c) Rs. 85
 - (d) Rs. 92.50
44. In the table, marginal cost per unit that corresponds to 40 units of production is:
 - (a) Rs. 22
 - (b) Rs. 85
 - (c) Rs. 176
 - (d) Rs. 880
45. To maximize profit the firm should produce:
 - (a) 15 units
 - (b) 30 units
 - (c) 35 units
 - (d) 50 units
46. If the market price drops from Rs. 100 to Rs. 56 per unit, the firm's short run response should be
 - (a) Shut down
 - (b) Produce 5 units
 - (c) Produce 20 units
 - (d) Continue to produce the same number of units as before the drop in price
47. The LAC curve
 - (a) Falls when the LMC curve falls

- (b) Rises when the LMC curve rises
 - (c) Goes through the lowest point of the LMC curve
 - (d) Falls when $LMC < LAC$ and rises when $LMC > LAC$
48. When we are studying how a producer fixes the price of his products we are studying
- (a) Macro Economics
 - (b) Micro Economics
 - (c) Both Micro and Macro Economics
 - (d) None of the above
49. Macro economics doesn't include one example from the following:
- (a) National Income and output
 - (b) Study of firms
 - (c) General Price Level
 - (d) Saving and Investment
50. Normal goods have:
- (a) Positive income elasticity
 - (b) Negative income elasticity
 - (c) Fluctuating income elasticity
 - (d) Zero income elasticity
51. _____ is an implicit cost of production
- (a) Wages of the labour
 - (b) Charges for electricity
 - (c) Interest on owned money capital
 - (d) Payment for raw material
52. Cardinal Measurability of utility means:
- (a) Utility can be measured
 - (b) Utility cannot be measured
 - (c) Utility can be ranked
 - (d) Utility can be measured in some case
53. Which of the following statement is false?
- (a) An indifference curve is concave to the origin
 - (b) An indifference curve is convex to the origin
 - (c) A higher indifference curve is better than a lower indifferent curve
 - (d) An indifference curve is a curve which represents all those combinations of two goods which give same satisfaction to the consumer.
54. Identify the factor which generally keeps the price-elasticity of a demand for a good high.
- (a) Its very high price

- (b) Its very low price
 - (c) Large number of substitutes
 - (d) None of the above
55. Under which market structure, the control of firm over price is nil?
- (a) Perfect competition
 - (b) Monopoly
 - (c) Oligopoly
 - (d) Monopolistic Competition
56. If as a result of 80 percent increase in all inputs, the output increases by 25 percent, this is a case of:
- (a) Increasing return to scale
 - (b) Decreasing return to factor
 - (c) Decreasing returns to scale
 - (d) Diminishing return to factor
57. When marginal product is negative, then total product is:
- (a) Maximum
 - (b) Decreasing
 - (c) Constant
 - (d) None of the above
58. Suppose that an owner is earning total revenue of Rs. 1,00,000 and is incurring explicit cost of Rs. 60,000. If the owner could work for another company for Rs. 30,000 a year, we would conclude that:
- (a) The firm is earning economic profit of Rs. 10,000
 - (b) The firm is earning accounting profit of Rs. 40,000
 - (c) The firm is earning economic profit of Rs. 40,000
 - (d) Both (a) and (b)
59. The four phases of the business cycle are
- (a) peak, recession, trough and boom
 - (b) peak, depression, trough and boom
 - (c) peak, recession, trough and recovery
 - (d) peak, depression, bust and boom.
60. Peaks and troughs of the business cycle are collectively known as:
- (a) Volatility
 - (b) Turning points
 - (c) Equilibrium points
 - (d) Real business cycle events.

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

1. The occupation in which people work for others and get remunerated in return is known as:
 - (a) Business
 - (b) Employment
 - (c) Profession
 - (d) None of these
2. The price sensitivity of the market is an important factor of which element of Micro environment:
 - (a) Suppliers
 - (b) Market
 - (c) Intermediaries
 - (d) Customer
3. Jayesh Merchant is the CFO of which company?
 - (a) Asian Paints Ltd.
 - (b) Ambuja cements Ltd.
 - (c) Bosch Ltd.
 - (d) Ultratech cement Ltd.
4. Which of the following institutions has been scrapped recently?
 - (a) Minerals and Metals Regulatory Commission
 - (b) Coal India Limited
 - (c) Planning Commission
 - (d) FIPB
5. When was IRDAI constituted?
 - (a) 1997
 - (b) 1998
 - (c) 1999
 - (d) 2000
6. 'Personal selling' is done through:
 - (a) Written communication
 - (b) Oral communication
 - (c) TV and media
 - (d) Sign language
7. The Indian Companies Act provides for the registration of:
 - (a) Private Limited and Public Company

- (b) One Person Company and Small Company
 - (c) Defunct Company
 - (d) All of the above
8. Environment which is close to business and affect its capacity to work is known as _____ environment:
- (a) Micro
 - (b) Macro
 - (c) Internal
 - (d) External
9. Where are the headquarters of Walmart?
- (a) Arkansas, US
 - (b) California, US
 - (c) New York, US
 - (d) None of the above
10. In case of Maruti–Suzuki, the Union Government surrendered partial ownership and sold the majority stake to Suzuki of Japan in course of time. This is a case of:
- (a) Partial Disinvestment
 - (b) Displacement
 - (c) Delegation
 - (d) Divestment
11. Where is the headquarter of NABARD?
- (a) Mumbai
 - (b) Delhi
 - (c) Gurugram
 - (d) Benlgaluru
12. Bid is the opposite of
- (a) Ask/offer
 - (b) Call
 - (c) Equity
 - (d) None of the above
13. Mark Incorrect:
- (a) Business has only one motive; profit
 - (b) Plurality of the objective is a modern phenomenon
 - (c) Objective of survival & growth of business are called organic objectives
 - (d) In addition to economic motive, it may have non-economic motives like social, ethical or environmental

14. Which of the following constitute Demographic Environment?

- (a) Nature of economy i.e. capitalism, socialism, Mixed
- (b) Size, composition, distribution of population, sex ratio
- (c) Foreign trade policy of Government
- (d) Economic policy i.e. fiscal and monetary policy of Government

15. Match the following:

Companies

Product

Microsoft

Coffee

Bajaj

Windows

Nestle

Activa

Jio

Mobile phone service

- (a) Microsoft-Activa, Bajaj-Windows, Nestle-Coffee, Jio-Mobile phone service
- (b) Microsoft-Windows, Bajaj-Activa, Nestle-Coffee, Jio-Mobile phone service
- (c) Microsoft-Coffee, Bajaj-Windows, Nestle-Activa, Jio-Mobile phone service
- (d) Microsoft-Windows, Bajaj-Coffee, Nestle-Activa, Jio-Mobile phone service

16. Mark the Incorrect statement:

- (a) FDI is made with an intention of exercising control over an enterprise.
- (b) FDI is called Portfolio Investment.
- (c) FDI is a long run Investment.
- (d) FDI helps in upgradation of technology.

17. Which one 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

18. Marketing mix includes 4 Ps and 4Cs. Match the following and prepare the proper combinations:

4 P's

4 C's

Product

Convenience

Price

Communication

Promotion

Cost

Place

Customers' satisfaction

- (a) Product-Communication, Price-Cost, Promotion- Customers' satisfaction, Place-Convenience
- (b) Product-Customer's satisfaction, Price-Cost, Promotion- Convenience, Place- Communication

- (c) Product- Convenience, Price-Cost, Promotion-Communication, Place- Customer's satisfaction
 - (d) Product-Customer's satisfaction, Price-Cost, Promotion-Communication, Place-Convenience
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 pares 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 maximum number of members of a public company is:
- (a) 07

- (b) 50
 - (c) No limit
 - (d) 200
26. What is the single word that can best describe today's business?
- (a) Technology
 - (b) Change
 - (c) Persistence
 - (d) Profit making
27. Who was the co-founder of Microsoft with Bill Gates?
- (a) Paul Allen
 - (b) Melinda Gates
 - (c) Satya Nadella
 - (d) Lucci Hood
28. BRICS stands for:
- (a) Belgium, Russia, Indonesia, China and Saudi Arabia
 - (b) Belgium, Russia, India, Cambodia and Saudi Arabia
 - (c) Brazil, Russia, India, China and South Africa
 - (d) Brazil, Romania, India, Cambodia and South Africa
29. Which one of the following is an Indian Regulatory Body that facilitates business organizations?
- (a) EXIM Bank
 - (b) NABARD
 - (c) IRDA
 - (d) IFCI
30. When two or more companies come together to expand their business operations in a newly created entity.
- (a) Joint venture
 - (b) Acquisition
 - (c) Partnership
 - (d) Merger
31. 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.

32. 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.
33. Which company ranked 3rd on Forbes World's Best Employer's List 2018?
- (a) Google
 - (b) Walmart
 - (c) Microsoft
 - (d) Apple
34. 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.
35. 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
36. 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.
37. 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)
38. Business and technology are:
- (a) Interrelated
 - (b) Interdependent
 - (c) Interrelated & Interdependent

- (d) None of the above
39. Which pharmaceutical company has the slogan 'caring for life'?
- (a) Dr. Reddy's
 - (b) Lupin Ltd.
 - (c) Cipla Ltd.
 - (d) Sun Pharmaceutical Industries Ltd.
40. Public policies are of three types:
- (a) Restrictive, Regulatory, Participative
 - (b) Restrictive, Regulatory, Facilitating
 - (c) Voluntarily, Participative, Facilitating
 - (d) Regulatory, Voluntarily, Continuous

FOUNDATION COURSE
MOCK TEST PAPER 2
PAPER – 4: PART I : BUSINESS ECONOMICS

ANSWERS

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

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

ANSWERS

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