MOCK TEST PAPER

FOUNDATION COURSE

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:

    1 When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with calls in arrear of shares forfeited.

    2. Discount at the time of retirement of a bill is a gain for the drawee.

    3 Receipts and Payments Account highlights total income and expenditure.

    4 Capital + Long Term Liabilities = Fixed Assets + Current Assets + Cash - Current Liabilities.

    5 Partners can share profits or losses in their capital ratio, when there is no agreement.

    6. Accrual concept implies accounting on cash basis. **(6 Statements x 2 Marks = 12 Marks)**

   (b) Prepare Journal Entries for the following transactions in the books of Symphony Bros. for the year ending 31st March, 2020

    (i) Employees had taken stock worth ₹ 10,000 (Cost price ₹ 7,500) on the eve of Deepawali and the same was deducted from their salaries in the subsequent month.

    (ii) Goods distributed by way of free samples ₹ 2,000.

    (iii) Income tax liability of proprietor ₹ 1,400 was paid out of petty cash.

    (iv) Purchase of goods from Naveen of the list price of ₹ 2,000. He allowed 10% trade discount, ₹ 50 cash discount was also allowed for quick payment. **(4 Marks)**

   (c) Discuss the limitations which must be kept in mind while evaluating the Financial Statements.

   (4 Marks)

2. (a) Physical verification of stock in a business was done on 14th June, 2020. The value of the stock was ₹96,00,000. The following transactions took place between 14th June to 30th June, 2020:

    (i) Out of the goods sent on consignment, goods at cost worth ₹ 4,80,000 were unsold.

    (ii) Purchases of ₹ 8,00,000 were made out of which goods worth ₹ 3,20,000 were delivered on 5th July, 2020.

    (iii) Sales were ₹27,20,000, which include goods worth ₹ 6,40,000 sent on approval. Half of these goods were returned before 30th June, 2020, but no information is available regarding the remaining goods.

1

(iv) Goods are sold at cost plus 25%. However goods costing ₹ 4,80,000 had been sold for ₹ 2,40,000.

You are required to determine the value of stock on 30th June, 2020.

(b) On 31st March 2020, the bank account of Chandan, according to the bank column of the Cash-Book, was overdrawn to the extent of ₹ 4,062. On the same date the bank statement showed a debit balance of ₹ 20,758 in favour of Chandan. An examination of the Cash Book and Bank statement reveals the following:

1. A cheque for ₹ 13,14,000 deposited on 29th March,2020 was credited by the bank only on 4th April ,2020

2. A payment by cheque for ₹ 16,000 has been entered twice in the Cash Book.

3. On 29th March, 2020, the bank credited an amount of ₹ 1,17,400 received from a customer of Chandan, but the advice was not received by Chandan until 1st April, 2020.

4. Bank charges amounting to ₹ 580 had not been entered in the Cash Book.

5. On 6th March, 2020, the bank credited ₹ 20,000 to Chandan in error.

6. A bill of exchange for ₹ 1,40,000 was discounted by Chandan with his bank. This bill was dishonoured on 28th March, 2020 but no entry had been made in the books of Chandan.

7. Cheques issued upto 31st March, 2020 but not presented for payment upto that date totalled ₹ 13,26,000.

You are required :

(a) to show the appropriate rectifications required in the Cash Book of Chandan, to arrive at the correct balance on 31st March,2020 and

(b) to prepare a bank reconciliation statement as on that date. **(10 +10 = 20 Marks)**

3 (a) Gagandeep of Delhi consigned to Mandeep of Ludhiana, goods to be sold at invoice price which represents 125% of cost. Mandeep 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 Gagandeep were ₹ 15,000. The account sales received by Gagandeep shows that Mandeep has effected sales amounting to ₹ 1,50,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were ₹ 12,000. 10% of consignment goods of the value of ₹ 18,750 were destroyed in fire at the Ludhiana godown. Mandeep remitted the balance in favour of Gagandeep.

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

(b) On 1st January, 2020, Ankur account in Varun ledger showed a debit balance of ₹ 2,500. The following transactions took place between Varun and Ankur during the quarter ended 31st March, 2020:

2020			₹
Jan.	11	Varun sold goods to Ankur	3,000
Jan.	24	Varun received a promissory note from Ankur due after 3 months	2,500
Feb.	01	Ankur sold goods to Varun	5,000
Feb.	04	Varun sold goods to Ankur	4,100
Feb.	07	Ankur returned goods to Varun	500

2

March	01	Ankur sold goods to Varun	2,800
March	18	Varun sold goods to Ankur	4,600
March	23	Ankur sold goods to Varun	2,000

Accounts were settled on 31st March, 2020 by means of a cheque. Prepare an Account Current to be submitted by Varun to Ankur as on 31st March, 2020, taking interest into account @ 10% per annum. Calculate interest to the nearest multiple of a rupee. **(12 + 8 = 20 Marks)**

4. (a) The following information of M/s. Rose Club are related for the year ended 31st March, 2020:

(1)

Balances	As on 01-04-2019 (₹)	As on 31-3-2020 (₹)
Stock of Sports Material	2,25,000	3,37,500
Amount due for Sports Material	2,02,500	2,92,500
Subscription due	33,750	49,500
Subscription received in advance	27,000	15,750

(2) Subscription received during the year   ₹ 11,25,000

(3) Payments for Sports Material during the year   ₹ 6,75,000

You are required to ascertain the amount of Subscription and Sports Material that will appear in Income & Expenditure Account for the year ended 31.03.2020.

(b) P and Q are partners in a firm, sharing Profits and Losses in the ratio of 3 : 2. The Balance Sheet of P and Q as on 31.3.2020 was as follow:

Liabilities	Amount ₹	Assets		Amount ₹
Sundry Creditors	25,800	Building		52,000
Bill Payable	8,200	Furniture		11,600
Bank Overdraft	18,000	Stock-in-Trade		42,800
Capital Accounts:		Debtors	70,000	
P 88,000		Less: Provision	400	69,600
Q 72,000	1,60,000	Investment		5,000
		Cash		31,000
	2,12,000			2,12,000

'R' was admitted to the firm on the above date on the following terms:

(i) He is admitted for 1/6th share in future profits and to introduce a Capital of ₹ 50,000.

(ii) The new profit sharing ratio of P, Q and R will be 3 : 2 : 1 respectively.

(iii) 'R' is unable to bring in cash for his share of goodwill, partners therefore, decide to raise goodwill account in the books of the firm. They further decide to calculate goodwill on the basis of 'R's share in the profits and the capital contribution made by him to the firm.

(iv) Furniture is to be written down by ₹ 1,740 and Stock to be depreciated by 5%. A provision is required for Debtors @ 5% for Bad Debts. A provision would also be made for outstanding wages for ₹3,120. The value of Buildings having appreciated be brought upto ₹ 58,400. The value of investment is increased by ₹ 900.

3

(v)   It is found that the creditors included a sum of ₹ 2,800, which is not to be paid off.

Prepare the following:

(i)   Revaluation Account.

(ii)   Partners' Capital Accounts.

(iii) Balance Sheet of New Partnership firm after admission of 'R'.   **(5+15= 20 Marks)**

5   (a) M/s Surya Transport purchased 10 Innova cars at ₹ 4,50,000 each on 1st April 2017. On October 1st 2019, one of the car is involved in an accident and is completely destroyed and ₹ 2,70,000 is received from the insurance in full settlement. On the same date, another car is purchased by the company for the sum of ₹ 5,00,000. The company writes off 20% on the original cost per annum. The company observe the calendar year as its financial year.

You are required to prepare the Innova cars account for years ended 31st Dec, 2019 and 31st Dec. 2020.

(b) The following are the balances as at 31st March, 2020 extracted from the books of Mr. Sanjeev.

	₹		₹
Plant and Machinery	39,100	Bad debts recovered	900
Furniture and Fittings	20,500	Salaries	45,100
Bank Overdraft	1,60,000	Salaries payable	4,900
Capital Account	1,30,000	Prepaid rent	600
Drawings	16,000	Rent	8,600
Purchases	3,20,000	Carriage inward	2,250
Opening Stock	64,500	Carriage outward	2,700
Wages	24,330	Sales	4,30,600
Provision for doubtful debts	6,400	Advertisement Expenses	6,700
Provision for Discount on debtors	2,750	Printing and Stationery	2,500
		Cash in hand	2,900
Sundry Debtors	2,40,000	Cash at bank	6,250
Sundry Creditors	95,000	Office Expenses	20,320
Bad debts	2,200	Interest paid on loan	6,000

Additional Information:

1.   Purchases include sales return of ₹ 5,150 and sales include purchases return of ₹ 3,450.

2.   Goods withdrawn by Mr. Sanjeev for own consumption ₹ 7,000 included in purchases.

3.   Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.

4.   Free samples distributed for publicity costing ₹ 1,650.

5.   Wages paid in the month of April for installation of plant and machinery amounting to ₹ 900 were included in wages account.

6.   Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2020 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

4

7. Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2020 and a Balance Sheet as on that date. **(6 + 14 = 20 Marks)**

6. (a) Alpha Limited registered with an authorized equity capital of ₹ 4,00,000 divided into 2,000 shares of ₹ 100 each, issued for subscription of 1,000 shares payable at ₹ 25 per share on application, ₹ 30 per share on allotment, ₹ 20 per share on first call and the balance as and when required. Application money on 1,000 shares was duly received and allotment was made to them. The allotment amount was received in full, but when the first call was made, two shareholders failed to pay the amount on 100 shares each held by them and another shareholder with 100 shares, paid the entire amount on his shares. The company did not make any other call. Give the necessary journal entries in the books of the company to record these transactions.

   (b) Aditya Limited issued 20,000 9% Debentures of the nominal value of ₹1,00,00,000 as follows:

   (a) To sundry persons for cash at 90% of nominal value of ₹ 50,00,000.

   (b) To a vendor for purchase of fixed assets worth ₹ 20,00,000 – ₹ 25,00,000 nominal value.

   (c) To the banker as collateral security for a loan of ₹ 20,00,000 – ₹ 25,00,000 nominal value.

   You are required to prepare necessary journal entries Journal Entries.

   (c) Distinguish between Money Measurement concept and Matching concept.

   (10 + 5 + 5 = 20 Marks)

5

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ANSWERS

1. **(a)** 1   **False-** When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with amount received on shares forfeited.

2.   **True -** Discount at the time of retirement of a bill is a gain for the drawee and loss for the drawer.

3   **False-** Receipts and payments account is a classified summary of cash receipts and payments over a certain period together with cash and bank balances at the beginning and close of the period.

4   **False-** The right hand side of the equation includes cash twice- once as a part of current assets and another separately. The basic accounting equation is

Equity + Long Term Liabilities = Fixed Assets + Current Assets - Current Liabilities

5   **False -** According to Partnership Act, in the absence of any agreement to the contrary profits and losses are to be shared equally among partners.

6.   **False-** Accrual concept implies accounting on 'due' or 'accrual' basis. Accrual basis of accounting involves recognition of revenues and costs as and when they accrue irrespective of actual receipts or payments.

(b)   **Journal Entries in the books of Symphony Bros.**

	Particulars	*Dr.*	*Cr.*
		Amount (₹)	*Amount (₹)*
(i)	Salaries A/c	7,500	
	To Purchase A/c		7,500
	(Being entry made for stock taken by employees)		
(ii)	Advertisement Expenses A/c	2,000	
	To Purchases A/c		2,000
	(Being distribution of goods by the way of free samples)		
(iii)	Drawings A/c	1,400	
	To Petty Cash A/c		1,400
	(Being the income tax of proprietor paid out of business money)		
(iv)	Purchase A/c	1,800	
	To Cash A/c		1,750
	To Discount Received A/c		50
	(Being the goods purchased from Naveen for ₹ 2,000 @ 10% trade discount and cash discount of ₹ 50)		

1

(c) Limitations which must be kept in mind while evaluating the Financial Statements are as follows:

- The factors which may be relevant in assessing the worth of the enterprise don't find place in the accounts as they cannot be measured in terms of money.
- Balance Sheet shows the position of the business on the day of its preparation and not on the future date while the users of the accounts are interested in knowing the position of the business in the near future and also in long run and not for the past date.
- Accounting ignores changes in some money factors like inflation etc.
- There are occasions when accounting principles conflict with each other.
- Certain accounting estimates depend on the sheer personal judgement of the accountant.
- Different accounting policies for the treatment of same item adds to the probability of manipulations.

2. **(a)** <div align="center">**Statement of Valuation of Stock on 30th June, 2020**</div>

		₹
Value of stock as on 14th June, 2020		96,00,000
Add: Unsold stock out of the goods sent on consignment	4,80,000	
Purchases during the period from 14th June, 2020 to 30th June, 2020	4,80,000	
Goods in transit on 30th June, 2020	3,20,000	
Cost of goods sent on approval basis (80% of ₹ 3,20,000)	2,56,000	15,36,000
		1,11,36,000
Less: Cost of sales during the period from 14th June, 2020 to 30th June, 2020		
Sales (₹ 27,20,000-₹ 3,20,000)	24,00,000	
Less: Gross profit	1,92,000	
		22,08,000
Value of stock as on 30th June, 2020		89,28,000

Working Notes:

		₹	₹
1.	**Calculation of normal sales:**		
	Actual sales		27,20,000
	Less: Abnormal sales	2,40,000	
	Return of goods sent on approval	3,20,000	5,60,000
			21,60,000
2.	**Calculation of gross profit:**		
	Gross profit or normal sales 20/100 x ₹ 21,60,000		4,32,000
	Less: Loss on sale of particular (abnormal) goods (4,80,000 less 2,40,000)		2,40,000
	Gross profit		1,92,000

(b) (i) **Cash Book (Bank Column)**

Date	Particulars		Amount	Date	Particulars		Amount
2020			₹	**2020**			₹
March 31				March 31			
	To	Party A/c	16,000		By	Balance b/d	4,062
	To	Customer A/c			By	Bank charges	580
		(Direct deposit)	1,17,400		By	Customer A/c	1,40,000
	To	Balance c/d	11,242			(B/R dishonoured)	
			1,44,642				1,44,642

(ii) **Bank Reconciliation Statement as on 31st March,2020**

Particulars	Amount
	₹
Overdraft as per Cash Book	11,242
Add: Cheque deposited but not collected upto 31st March,2020	13,14,000
	13,25,242
Less: Cheques issued but not presented for payment upto 31st March,2020	(13,26,000)
Credit by Bank erroneously on 6th March,2020	(20,000)
Overdraft as per bank statement	20,758

Note: Bank has credited Chandan by 20,000 in error on 6th March, 2020. If this mistake is rectified in the bank statement, then this will not be deducted in the above statement along with ₹ 13,26,000 resulting in debit balance of ₹ 758 as per pass-book.

3. (a) **Books of Gagandeep**

Consignment to Ludhiana Account

Particulars	₹	Particulars	₹
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 Mandeep (Expenses)	12,000	By Mandeep (Sales)	1,50,000
To Mandeep (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
	2,36,531		2,36,531

Working Notes:

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

   Abnormal Loss at Invoice price = ₹ 18,750

   Abnormal Loss as a percentage of total consignment = 10%

   Hence the value of goods sent on consignment = ₹ 18,750 X 100/ 10 = ₹ 1,87,500

   Loading of goods sent on consignment = ₹ 1,87,500 X 25/125 = ₹ 37,500

3

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

Abnormal Loss at Invoice price = ₹ 18,750.

Abnormal Loss at cost = ₹ 18,750 X 100/125   = ₹ 15,000

Add: Proportionate expenses of Gagandeep (10 % of ₹ 15,000) = ₹ <u>1,500</u>

                                                   ₹ 16,500

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

Gagandeep's Basic Invoice price of consignment=   ₹ 1,87,500

Gagandeep's expenses on consignment   = ₹ <u>15,000</u>

                                                ₹ <u>2,02,500</u>

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

Loading in closing Inventories = ₹ 37,500 x 15/100   = ₹ 5,625

Where ₹ 28,125 (15% of ₹ 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 ₹ 1,87,500 = ₹ 1,40,625

Excess of selling price over invoice price   = ₹ 9,375 (₹ 1,50,000 - ₹ 1,40,625)

Total commission   = 10% of ₹ 1,40,625 + 25% of ₹ 9,375

                                 = ₹ 14,062.5 + ₹ 2,343.75

                                 = ₹ 16,406

(b)   **In the books of Varun**

Ankur in Account Current with Varun

(Interest to 31st March, 2020 @ 10% p.a)

Date	Particulars	Amount	Days	Product	Date	Particulars	Amount	Days	Product
		₹		₹	2020		₹		₹
2020									
Jan.1	To Balance b/d	2,500	90	2,25,000	Jan.24	By Promissor Varun Note (due date 27th April)	2,500	(27)	(67500)
Jan. 11	To Sales	3,000	79	2,37,000	Feb. 1	By Purchases	5,000	58	2,90,000
Feb. 4	To Sales	4,100	55	2,25,500	Feb. 7	By Sales Return	500	52	26,000
Mar. 18	To Sales	4,600	13	59,800	Mar. 1	By Purchases	2,800	30	84,000
Mar. 31	To Interest	110			Mar. 23	By Purchases	2,000	8	16,000
					Mar. 31	By Balance of Products			3,98,800
					Mar. 31	By Bank	1,510		
		14,310		7,47,300			14,310		7,47,300

Working Note:

Calculation of interest: $\frac{3,98,800}{365} \times \frac{10}{100}$= ₹ 110 (approx.)

4

4. **(a)** **Subscription for the year ended 31.3.2020**

		₹
Subscription received during the year		11,25,000
Less: Subscription receivable on 1.4.2019	33,750	
Less: Subscription received in advance on 31.3.2020	15,750	(49,500)
		10,75,500
Add: Subscription receivable on 31.3.2020	49,500	
Add: Subscription received in advance on 1.4.2019	27,000	76,500
Amount of Subscription appearing in Income & Expenditure Account		11,52,000

Sports material consumed during the year end 31.3.2020

	₹
Payment for Sports material	6,75000
Less: Amounts due for sports material on 1.4.2019	(2,02,500)
	4,72,500
Add: Amounts due for sports material on 31.3.2020	2,92,500
Purchase of sports material	7,65,000
Sports material consumed:	
Stock of sports material on 1.4.2019	2,25,000
Add: Purchase of sports material during the year	7,65,000
	9,90,000
Less: Stock of sports material on 31.3.2020	(3,37,500)
Amount of Sports Material appearing in Income & Expenditure Account	6,52,500

(b) **(i)** **Revaluation Account**

		₹			₹
To	Furniture	1,740	By	Building	6,400
To	Stock	2,140	By	Sundry creditors	2,800
To	Provision of doubtful debts (₹ 3,500 – ₹ 400)	3,100	By	Investment	900
To	Outstanding wages	3,120			
		10,100			10,100

(ii) **Partners' Capital Accounts**

		P	Q	R			P	Q	R
		₹	₹	₹			₹	₹	₹
To	Balance c/d	142,000	108,000	50,000	By	Balance b/d	88,000	72,000	–
					By	Cash A/c	–	–	50,000
					By	Goodwill A/c (Working Note)	54,000	36,000	
		142,000	108,000	50,000			142,000	108,000	50,000

5

(iii) **Balance Sheet of New Partnership Firm**

(after admission of R) as on 31.3.2020

Liabilities		₹	Assets		₹
Capital Accounts:			Goodwill		90,000
P 1,42,000			Building (52,000 + 6,400)		58,400
Q 1,08,000			Furniture (11,600 – 1,740)		9,860
R 50,000	3,00,000		Stock-in-trade (42,800 – 2,140)		40,660
Bills Payable	8,200		Debtors	70,000	
Bank Overdraft	18,000		Less: Provision for bad Debts (3,500)		66,500
Sundry creditors	23,000		Investment (5,000 + 900)		5,900
(25,800-2,800)					
Outstanding wages	3,120		Cash (31,000 + 50,000)		81,000
	3,52,320				3,52,320

Working Note:

Calculation of goodwill

R's contribution of ₹ 50,000 consists only 1/6th of capital.

Therefore, total capital of firm should be ₹ 50,000 × 6 = ₹ 3,00,000.

But combined capital of P, Q and R amounts ₹ 88,000 + 72,000 + 50,000 = ₹ 2,10,000.

Thus Hidden goodwill is ₹ 90,000 (₹ 3,00,000 – ₹ 2,10,000).

5. (a) **Innova Cars A/c**

Date	Particulars	Amount	Date	Particulars	Amount
2019			2019		
Jan-01	To balance b/d	29,25,000	Oct-01	By bank A/c	2,70,000
Oct-01	To Profit & Loss A/c (Profit on settlement of car)	45,000	Oct-01	By Depreciation on lost assets	67,500
Oct-01	To Bank A/c	5,00,000	Dec-31	By Depreciation A/c	8,35,000
			Dec-31	By balance c/d	22,97,500
		34,70,000			34,70,000
2020			2020		
Jan-01	To balance b/d	22,97,500	Dec-31	By Depreciation A/c	9,10,000
			Dec-31	By balance c/d	13,87,500
		22,97,500			22,97,500

Working Note:

1. To find out loss on Profit on settlement of Innova Car   ₹

Original cost as on 1.4.2017   4,50,000

Less: Depreciation for 2017   67,500

                                                                                            3,82,500

6

		₹
Less: Depreciation for 2018		90,000
		2,92,500
Less: Depreciation for 2019 (9 months)		67,500
		2,25,000
Less: Amount received from Insurance company		2,70,000
		45,000

(b)   **Trading and Profit and Loss Account of Mr. Sanjeev**

for the year ended 31st March, 2020

.Dr.   *Cr.*

			Amount				Amount
		₹	₹			₹	₹
To	Opening stock		64,500	By	Sales	4,27,150	
To	Purchases	3,062,00			*Less*: Sales return	5,150	4,22,000
	Less: Purchases return	3,450	3,02,750	By	Closing stock		2,50,000
To	Carriage inward		2,250		$\left(\text{`}1,60,000 \times \dfrac{100}{80} \times \dfrac{100}{80}\right)$		
To	Wages		23,430				
To	Gross profit c/d		2,79,070				
			6,72,000				6,72,000
To	Salaries		45,100	By	Gross profit b/d		2,79,070
To	Rent		8,600	By	Bad debts recovered		900
To	Advertisement expenses		8,350				
To	Printing and stationery		2,500				
To	Bad debts		2,200				
To	Carriage outward		2,700				
To	Provision for doubtful debts						
	5% of ₹ 2,40,000 12,000						
	Less: Existing provision 6,400		5,600				
To	Provision for discount on debtors						
	2.5% of ₹ 2,28,000 5,700						
	Less: Existing provision 2,750		2,950				
To	Depreciation:						
	Plant and machinery	6,000					
	Furniture and fittings	2,050	8,050				
To	Office expenses		20,320				
To	Interest on loan		6,000				
To	Net profit						
	(Transferred to capital account)		1,67,600				
			2,79,970				2,79,970

7

Balance Sheet of Mr. Sanjeev as on 31st March, 2020

Liabilities	Amount ₹	Amount ₹	Assets	₹	Amount ₹
Capital account	1,30,000		Plant and machinery	40,000	
Add: Net profit	1,67,600		*Less*: Depreciation	6,000	34,000
	2,97,600		Furniture and fittings	20,500	
Less: Drawings	23,000	2,74,600	*Less*: Depreciation	2,050	18,450
Bank overdraft		1,60,000	Closing stock		2,50,000
Sundry creditors		95,000	Sundry debtors	2,40,000	
Payable salaries		4,900	*Less*: Provision for doubtful debts	12,000	
			Provision for bad debts	5,700	2,22,300
			Prepaid rent		600
			Cash in hand		2,900
			Cash at bank		6,250
		5,34,500			5,34,500

Working Note:

Rectification Entries

	Particulars	Dr. Amount ₹	Cr. Amount ₹
(i)	Returns inward account	Dr. 5,150	
	Sales account	Dr. 3,450	
	To Purchases account		5,150
	To Returns outward account		3,450
	(Being sales return and purchases return wrongly included in purchases and sales respectively, now rectified)		
(ii)	Drawings account	Dr. 7,000	
	To Purchases account		7,000
	(Being goods withdrawn for own consumption included in purchases, now rectified)		
(iii)	Plant and machinery account	Dr. 900	
	To Wages account		900
	(Being wages paid for installation of plant and machinery wrongly debited to wages, now rectified)		
(iv)	Advertisement expenses account	Dr. 1,650	
	To Purchases account		1,650
	(Being free samples distributed for publicity out of purchases, now rectified)		

8

6. (a)

Bank A/c	Dr.	25,000	
To Equity Share Application A/c			25,000
(Money received on application for 1,000 shares @ ₹ 25 per share)			
Equity Share Application A/c	Dr.	25,000	
To Equity Share Capital A/c			25,000
(Transfer of application money on 1,000 shares to share capital)			
Equity Share Allotment A/c	Dr.	30,000	
To Equity Share Capital A/c			30,000
(Amount due on the allotment of 1,000 shares @ ₹ 30 per share)			
Bank A/c	Dr.	30,000	
To Equity Share Allotment A/c			30,000
(Allotment money received)			
Equity Share First Call A/c	Dr.	20,000	
To Equity Share Capital A/c			20,000
(First call money due on 1,000 shares @ ₹ 20 per share)			
Bank A/c	Dr.	18,500	
Calls-in-Arrears A/c	Dr.	4,000	
To Equity Share First Call A/c			20,000
To Calls-in-Advance A/c			2,500
(First call money received on 800 shares and calls-in-advance on 100 shares @ ₹ 25 per share)			

(b)   **In the books of Aditya Company Ltd.**

Journal Entries

Date	Particulars		Dr. ₹	Cr. ₹
(a)	Bank A/c	Dr.	45,00,000	
	To Debentures Application A/c			45,00,000
	(Being the application money received on 10,000 debentures @ ₹ 450 each)			
	Debentures Application A/c	Dr.	45,00,000	
	Discount on issue of Debentures A/c	Dr.	5,00,000	
	To 9% Debentures A/c			50,00,000
	(Being the issue of 10,000 9% Debentures @ 90% as per Board's Resolution No….dated….)			
(b)	Fixed Assets A/c	Dr.	20,00,000	
	To Vendor A/c			20,00,000
	(Being the purchase of fixed assets from vendor)			
	Vendor A/c	Dr.	20,00,000	
	Discount on Issue of Debentures A/c	Dr.	5,00,000	
	To 9% Debentures A/c			25,00,000

9

	(Being the issue of debentures of ₹ 25,00,000 to vendor to satisfy his claim)			
(c)	Bank A/c	Dr.	20,00,000	
	To Bank Loan A/c (See Note)			20,00,000
	(Being a loan of ₹ 20,00,000 taken from bank by issuing debentures of ₹25,00,000 as collateral security)			

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

(c) Distinction 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 should 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.

MOCK TEST PAPER

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING

SECTION A: BUSINESS LAWS

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

QUESTIONS

1. (i)   X, Y and Z jointly borrowed ₹ 1,50,000 from A. The whole amount was repaid to A by Y. Decide in the light of the Indian Contract Act, 1872 whether:

    (a)   Y can recover the contribution from X and Z,

    (b)   Legal representatives of X are liable in case of death of X,

    (c)   Y can recover the contribution from the assets, in case Z becomes insolvent.   **(4 Marks)**

    (ii)   PQR Private Ltd. is a company registered under the Companies Act, 2013 with a Paid Up Share Capital of ₹ 40 lakh and turnover of ₹ 2.5 crores. Explain the meaning of the "Small Company" and examine whether the PQR Private Ltd. can avail the status of small company in accordance with the provisions of the Companies Act, 2013.   **(4 Marks)**

    (iii)   Classify the following transactions according to the types of goods they are:

    (a)   A wholesaler of cotton has 100 bales in his godown. He agrees to sell 50 bales and these bales were selected and set aside.

    (b)   A agrees to sell to B one packet of sugar out of the lot of one hundred packets lying in his shop.

    (c)   T agrees to sell to S all the apples which will be produced in his garden this year. **(4 Marks)**

2. (i)   "An anticipatory breach of contract is a breach of contract occurring before the time fixed for performance has arrived". Also, discuss the effect of anticipatory breach on contracts.   **(7 Marks)**

    (ii)   "LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership". Explain.   **(5 Marks)**

3. (i)   Ms. Lucy while drafting partnership deed taken care of few important points. What are those points? Also, give list of information to be included in partnership deed?   **(6 Marks)**

    (ii)   Vikas , aged 16 years, was studying in an engineering college. On 1ˢᵗ March, 2019 he took a loan of ₹ 2 lakhs from Rahul for the payment of his college fee and agreed to pay by 30ᵗʰ May, 2020. Vikas possesses assets worth ₹ 15 lakhs. On due date, Vikas fails to pay back the loan to Rahul. Rahul now wants to recover the loan from Vikas out of his assets. Decide whether Rahul would succeed referring to the provisions of the Indian Contract Act, 1872.   **(6 Marks)**

4. (i)   "*Nemo Dat Quod Non Habet*" – "None can give or transfer goods what he does not himself own." State the cases in which the rule does not apply under the provisions of the Sale of Goods Act, 1930.

    (6 Marks)

1

(ii) M/s XYZ & Associates, a partnership firm with X, Y and Z as senior partners were engaged in the business of carpet manufacturing and exporting to foreign countries. On 25th August, 2018, they inducted Mr. G, an expert in the field of carpet manufacturing as their partner. On 10th January 2020, Mr. G was blamed for unauthorized activities and thus expelled from the partnership by approval of all of the other partners.

    (i)   Examine whether action by the partners was justified or not?

    (ii)   What should have the factors to be kept in mind prior expelling a partner from the firm by other partners according to the provisions of the Indian Partnership Act, 1932? **(6 Marks)**

5. (i) A, who is an agent of a buyer, had obtained the goods from the Railway Authorities and loaded the goods on his truck. In the meantime, the Railway Authorities received a notice from B, the seller for stopping the goods in transit as the buyer has become insolvent. Referring to the provisions of Sale of Goods Act, 1930, decide whether the Railway Authorities can stop the goods in transit as instructed by the seller? **(6 Marks)**

(ii) The Articles of Association of Sound Syndicate Ltd., a public company, empowers the managing agents to borrow both short and long term loans on behalf of the company. Mr. Liddle, the director of the company, approached Easy Finance Ltd., a non banking finance company for a loan of ₹ 25,00,000 in name of the company.

The Lender agreed and provided the above said loan. Later on, Sound Syndicate Ltd. refused to repay the money borrowed on the pretext that no resolution authorizing such loan have been actually passed by the company and the lender should have enquired about the same prior providing such loan hence company not liable to pay such loan.

Analyse the above situation in terms of the provisions of Doctrine of Indoor Management under the Companies Act, 2013 and examine whether the contention of Sound Syndicate Ltd. is correct or not? **(6 Marks)**

6. (i) Explain the meaning of 'Contingent Contracts' and state the rules relating to such contracts.

(5 Marks)

(ii) When does dissolution of a partnership firm take place under the provisions of the Indian Partnership Act, 1932? Explain. **(4 Marks)**

(iii) Examine the following whether they are correct or incorrect along with reasons:

    (a)   A company being an artificial person cannot own property and cannot sue or be sued.

    (b)   A private limited company must have a minimum of two members, while a public limited company must have at least seven members. **(3 Marks)**

2

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.***

<div align="right">

Total Marks: 40

</div>

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

    1. Given the standing of some of its institutions of higher learning, the IITs and IIMs, India is a potential knowledge power. Realising the potential, however, is not going to be easy. The impressive strides made by Sarva Shiksha Abhiyan (SSA) notwithstanding, universal access to quality school education- a minimum necessary condition for any progress towards making India a knowledge society', as the 2006 report of the National Knowledge Commission (NKC) puts it- remains a distant goal.

    2. There is yet no legislation at the national level to affirm the right to education, a fundamental right under the Constitution. The number of school buildings for elementary and secondary education falls far short of requirements and so does the number of qualified teachers. The pressure on government budgets, which forces governments to hire teachers on contract paying a pittance of a salary, is playing havoc with quality. While the incursion of the private sector in the field is providing some competition, mechanisms to enforce the required standards are lacking.

    3. Not that there are no national standards or standards-enforcing agencies. We have the National Council for Educational Research and Training (NCERT) to bring out textbooks in various subjects for school education. The central government runs several model schools. The Central Board of Secondary Education (CBSE) conducts examinations for schools affiliated to it across the country. The states too have their school boards to conduct exams and enforce minimum standards. How even the standards vary widely. In their anxiety to show spectacular performance, some states are overly lenient-in marking answer papers.

    4. Questions arise even over the standards applied by CBSE. Going by the number of students securing 90% or more in their higher secondary exam, it would appear India is on the brink of a knowledge revolution. The numbers are so large that the cut-off point for admission to top colleges is now above 90%. However, admissions to IITs and medical colleges are not based only on CBSE or state board exam results. Leading undergraduate colleges offering non-professional degree courses hold their own admission tests. Obviously, higher secondary school results are not taken to be a reliable index of the quality of a student's learning capability or potential.

    5. It is not difficult to see why. In the CBSE class XII exam., the number of successful candidates securing more than 90% in economics this year turned out to be over 8000 in the Delhi region alone; in English it was above 9000. The numbers seem to be growing every year. If the country produces so many children who attain high levels of performance even before graduation, we can expect India to produce Amartya Sens by the dozens.

    6. While scoring high marks or even 100 out of 100 may not be out of a good student's reach in subjects like mathematics or physics, it is difficult to figure out the quality of the answers that fetch 90% marks in Economics or English. The standards applied by higher secondary boards like CBSE seem to have been diluted to the point that leaves a big gap between what students learn at school and what they have to face on entering institutions of higher learning. Thriving teaching shops around the country promise to bridge that gap.

<div align="center">3</div>

7. In an attempt to remedy the situation, NCERT had recently commissioned experts to rewrite textbooks on macro and microeconomics. Though not entirely free from blemishes, these new texts should go some way in helping beginners get acquainted with the basic concepts in the subject and their applications.

8. Not surprisingly, their introduction is facing roadblocks. Teachers do not like to be compelled to look at textbooks they are not familiar with. Those who revel in seeing students score 90% are wary of ushering in something that may stop the rush of such scores. Lastly, even teaching shops see red as they fear loss of business if the higher secondary finalists can get their skills upgraded without buying their help.

9. One wonders if our Knowledge Commission is aware of these insidious impediments to India's knowledge ambitions.

1. Why is quality school education a distant goal?

2. What is the tone of writer when he remarks: 'India is on the brink of a knowledge revolution.'

   (a) Optimistic

   (b) Imaginative

   (c) Sarcastic

   (d) Presumptuous

3. What are some states doing for ensuring good performances?

4. Why do teachers oppose the new textbooks?

5. Which of the following is the meaning of the word 'stride'?

   (a) A long step

   (b) Fall short

   (c) Raise

   (d) Fall

(b) Read the passage given below.

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

(3 Marks)

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

Effective speaking depends on effective listening. It takes energy to concentrate on hearing and to concentrate on understanding what has been heard. Incompetent listeners fail in a number of ways. First, they may drift. Their attention drifts from what the speaker is saying. Second, they may counter. They find counter-arguments to whatever a speaker may be saying. Third, they compete. Then, they filter. They exclude from their understanding those parts of the message which do not readily fit with their own frame of reference. Finally, they react. They let personal feelings about a speaker or subject override the significance of the message which is being sent.

What can a listener do to be more effective? The first key to effective listening is the art of concentration. If a listener positively wishes to concentrate on receiving a message his chances of success are high.

4

It may need determination. Some speakers are difficult to follow, either because of voice problems or because of the form in which they send a message. There is then a particular need for the determination of a listener to concentrate on what is being said.

Concentration is helped by alertness. Mental alertness is helped by physical alertness. It is not simply physical fitness, but also positioning of the body, the limbs and the head. Some people also find it helpful to their concentration if they hold the head slightly to one side. One useful way for achieving this is intensive note-taking, by trying to capture the critical headings and sub-headings the speaker is referring to.

Note-taking has been recommended as an aid to the listener. It also helps the speaker. It gives him confidence when he sees that listeners are sufficiently interested to take notes; the patterns of eye-contact when the note-taker looks up can be very positive; and the speaker's timing is aided-he can see when a note-taker is writing hard and can then make effective use of pauses.

Posture too is important. Consider the impact made by a less competent listener who pushes his chair backwards and slouches. An upright posture helps a listener's concentration. At the same time it is seen by the speaker to be a positive feature amongst his listeners. Effective listening skills have an impact on both the listener and the speaker.

2. (a) What do you understand by clarity and coherence in communication? **(1 Mark)**

 (b) (i) Choose the word which best expresses the meaning of the given word. **(1 Mark)**

 Abeyance

 a. Suspension

 b. Persistence

 c. Continuation

 d. Rigid

 (ii) Select a suitable antonym for the word given in question. **(1 Mark)**

 Morbid

 a. Healthy

 b. Liberal

 c. Progressive

 d. Stale

 (iii) Change the following sentences into passive voice. **(1 Mark)**

 She has preserved all the old letters of her dead lover.

 (iv) Change the following sentences to indirect speech. **(1 Mark)**

 Pinki said to Gaurav, "Will you help me in my work just now?"

 (c) Write a précis and give appropriate title to the passage given below. **(5 Marks)**

There is an enemy beneath our feet - an enemy more deadly for his complete impartiality. He recognizes no national boundaries, no political parties. Everyone in the world is threatened by him. The enemy is the earth itself. When an earthquake strikes, the world trembles. The power of a quake is greater than anything man himself can produce. But today scientists are directing a great deal of their effort into finding some way of combating earthquakes, and it is possible that at some time in the near future mankind will have discovered a means of protecting itself from earthquakes. An earthquake strikes without warning. When it does, its power is immense. If it strikes a modern city, the damage it causes is as great as if it has struck a primitive village.

Gas mains burst, explosions are caused and fires are started. Underground railways are wrecked. Buildings collapse, bridges fall, dams burst, gaping crevices appear in busy streets. If the quake strikes at sea, huge tidal waves sweep inland. If it strikes in mountain regions, avalanches roar down into the valley. Consider the terrifying statistics from the past 1755: Lisbon, capital of Portugal - the city destroyed entirely and 450 killed. 1970: Peru: 50,000 killed. In 1968 an earthquake struck Alaska. As this is a relatively underpopulated part, only a few people were killed. But it is likely that this was one of the most powerful quakes ever to have hit the world. Geologists estimate that during the tremors, the whole of the state moved over 80 feet farther west into the Pacific Ocean. Imagine the power of something that can move an entire subcontinent! This is the problem that the scientists face. They are dealing with forces so immense that man cannot hope to resist them. All that can be done is to try to pinpoint just where the earthquake will strike and work from there. At least some precautionary measures can then be taken to save lives and some of the property.

3. (a) What do you understand by visual communication? **(1 Mark)**

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

   Yokel

   a. Intrigue

   b. Simple-minded

   c. Victorious

   d. Noise **(1 Mark)**

   (ii) Choose appropriate words to fill the blank: **(1 Mark)**

   The woman _____ my house was a criminal.

   a. to whom I selled

   b. to whom I sell

   c. to whom I sold

   d. to who I sold

   (iii) Change the following sentences into passive voice: **(1 Mark)**

   I keep the butter in the fridge.

   (iv) Change the following sentence to indirect speech. **(1 Mark)**

   "Are you alone, my son?" asked a soft voice close behind me.

   (c) You are XYZ, Senior Manager Administration of ABC Solutions Pvt. Ltd. Draft an enquiry letter to ASD Enterprises regarding procurement of laser printers **5 b/w and 3 color** about their price, features, warranty and servicing details. **(5 Mark)**

4. (a) Differentiate between vertical and horizontal communication . **(2 Marks)**

   (b) (i) Select the suitable antonym for the given word: **(1 Mark)**

   Ecstasy

   a. Hate

   b. Agony

   c. Languor

   d. Fatigue

(ii) Rewrite the following sentence in passive voice: **(1 Mark)**

He had kept up his diet program for a month.

(iii) Change the following sentence into Indirect speech. **(1 Mark)**

She said, "What a beautiful scene!"

(c) Write an Article of about 250-300 words on the topic '**Atmanirbhar Bharat'.** **(5 Marks)**

Or

Write a report on 'Current Covid situation in your City' in 250-300 words.

5. (a) What is gender barrier in communication? **(2 Marks)**

(b) (i) Select the correct meaning of the idioms/phrases given below. **(1 Mark)**

1. By leaps and bounds

a) very fast

b) very slow

c) in details

d) aimlessly

2. Lions share **(1 Mark)**

a) look angrily

b) major share

c) minor share

d) heart of the prey

(ii) Change the following sentence into Indirect speech. **(1 Mark)**

She said to her, "Why didn't you go today?"

(c) You are a senior personnel of a food chain which has suffered severe losses due to the lockdown imposed in the country as a result of the virus pandemic. Prepare minutes of a meeting discussing the future plans with regards to uplifting the business. Include Director Sales and Marketing, Retail head, Supply Chain Head, Procurement Personnel and other senior members. **(5 Marks)**

OR

Prepare a cover letter and detailed résumé in the functional format for a candidate applying for the post of Article Assistant in a CA firm in Karol Bagh in New Delhi.

Other inputs: Name: Gaurav Sharma

Qualifications: qualified CA Intermediate both groups

MOCK TEST PAPER

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING

SECTION A: BUSINESS LAWS

ANSWER

1. **(i)** Section 42 of the Indian Contract Act, 1872 requires that when two or more persons have made a joint promise, then, unless a contrary intention appears from the contract, all such persons jointly must fulfill the promise. In the event of the death of any of them, his representative jointly with the survivors and in case of the death of all promisors, the representatives of all jointly must fulfill the promise.

   Section 43 allows the promisee to seek performance from any of the joint promisors. The liability of the joint promisors has thus been made not only joint but "joint and several". Section 43 provides that in the absence of express agreement to the contrary, the promisee may compel any one or more of the joint promisors to perform the whole of the promise.

   Section 43 deals with the contribution among joint promisors. The promisors, may compel every joint promisor to contribute equally to the performance of the promise (unless a contrary intention appears from the contract). If any one of the joint promisors makes default in such contribution the remaining joint promisors must bear the loss arising from such default in equal shares.

   As per the provisions of above sections,

   (i) Y can recover the contribution from X and Z because X, Y and Z are joint promisors.

   (ii) Legal representative of X are liable to pay the contribution to Y. However, a legal representative is liable only to the extent of property of the deceased received by him.

   (iii) Y also can recover the contribution from Z's assets.

   (ii) **Small Company:** According to Section 2(85) of the Companies Act, 2013, Small Company means a company, other than a public company,—

   (1) paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than ten crore rupees; and

   (2) turnover of which as per its last profit and loss account for the immediately preceding financial year does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than one hundred crore rupees.

   Nothing in this clause shall apply to—

   (A) a holding company or a subsidiary company;

   (B) a company registered under section 8; or

   (C) a company or body corporate governed by any special Act.

   In the present case, PQR Private Ltd., a company registered under the Companies Act, 2013 with a paid up share capital of ₹ 40 lakh and having turnover of ₹ 2.5 crore. Since only one criteria of share capital of ₹ 50 Lakhs is met, but the second criteria of turnover of ₹ 2 crores is not met and the provisions require both the criteria to be met in order to avail the status of a small company, PQR Ltd. cannot avail the status of small company.

(iii) (a) A wholesaler of cotton has 100 bales in his godown. So, the goods are existing goods. He agrees to sell 50 bales and these bales were selected and set aside. On selection, the goods becomes ascertained. In this case, the contract is for the sale of ascertained goods, as the cotton bales to be sold are identified and agreed after the formation of the contract.

(b) If A agrees to sell to B one packet of sugar out of the lot of one hundred packets lying in his shop, it is a sale of existing but unascertained goods because it is not known which packet is to be delivered.

(c) T agrees to sell to S all the apples which will be produced in his garden this year. It is contract of sale of future goods, amounting to 'an agreement to sell.'

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

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

(1) To either treat the contract as "rescinded and sue the other party for damages from breach of contract immediately without waiting until the due date of performance; or

(2) He may elect not to rescind but to treat the contract as still operative, and wait for the time of performance and then hold the other party responsible for the consequences of non-performance. But in this case, he will keep the contract alive for the benefit of the other party as well as his own, and the guilty party, if he so decides on re-consideration, may still perform his part of the contract and can also take advantage of any supervening impossibility which may have the effect of discharging the contract.

(ii) LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership

Limited Liability: Every partner of a LLP is, for the purpose of the business of LLP, the agent of the LLP, but not of other partners (Section 26 of the LLP Act, 2008). The liability of the partners will be limited to their agreed contribution in the LLP, while the LLP itself will be liable for the full extent of its assets.

Flexibility of a partnership: The LLP allows its members the flexibility of organizing their internal structure as a partnership based on a mutually arrived agreement. The LLP form enables entrepreneurs, professionals and enterprises providing services of any kind or engaged in scientific and technical disciplines, to form commercially efficient vehicles suited to their requirements. Owing to flexibility in its structure and operation, the LLP is a suitable vehicle for small enterprises and for investment by venture capital.

3. (i) Ms. Lucy while drafting partnership deed must take care of following important points:

- No particular formalities are required for an agreement of partnership.

- Partnership deed may be in writing or formed verbally. 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'.

- Partnership deed should be drafted with care and be stamped according to the provisions of the Stamp Act, 1899.

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

2

List of information included in Partnership Deed while drafting Partnership Deed by Ms. Lucy:

- Name of the partnership firm.

- Names of all the partners.

- Nature and place of the business of the firm.

- Date of commencement of partnership.

- Duration of the partnership firm.

- Capital contribution of each partner.

- Profit Sharing ratio of the partners.

- Admission and Retirement of a partner.

- Rates of interest on Capital, Drawings and loans.

- Provisions for settlement of accounts in the case of dissolution of the firm.

- Provisions for Salaries or commissions, payable to the partners, if any.

- Provisions for expulsion of a partner in case of gross breach of duty or fraud.

Note: Ms. Lucy may add or delete any provision according to the needs of the partnership firm.

(ii) According to Section 11 of the Indian Contract Act, 1872, every person is competent to contract who is of the age of majority according to the law to which he is subject, and who is of sound mind and is not disqualified from contracting by any law to which he is subject.

A person who has completed the age of 18 years is a major and otherwise he will be treated as minor. Thus, Vikas who is a minor is incompetent to contract and any agreement with him is void [*Mohori Bibi Vs Dharmo Das Ghose 1903*].

Section 68 of the Indian Contract Act, 1872 however, prescribes the liability of a minor for the supply of the things which are the necessaries of life to him. It says that though minor is not personally liable to pay the price of necessaries supplied to him or money lent for the purpose, the supplier or lender will be entitled to claim the money/price of goods or services which are necessaries suited to his condition of life provided that the minor has a property. The liability of minor is only to the extent of the minor's property. Thus, according to the above provision, Rahul will be entitled to recover the amount of loan given to Vikas for payment of the college fees from the property of the minor.

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

(i) **Sale by a Mercantile Agent:** A sale made by a mercantile agent of the goods or document of title to goods would pass a good title to the buyer in the following circumstances, namely;

(a) if he was in possession of the goods or documents with the consent of the owner;

(b) if the sale was made by him when acting in the ordinary course of business as a mercantile agent; and

(c) if the buyer had acted in good faith and has at the time of the contract of sale, no notice of the fact that the seller had no authority to sell. (Proviso to Section 27).

3

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

(ii) **Sale by one of the joint owners:** If one of the several joint owners of goods has the sole possession of them with the permission of the others the property in the goods may be transferred to any person who buys them from such a joint owner in good faith and does not at the time of the contract of sale have notice that the seller has no authority to sell. (Section 28)

(iii) **Sale by a person in possession under voidable contract:** A buyer would acquire a good title to the goods sold to him by seller who had obtained possession of the goods under a contract voidable on the ground of coercion, fraud, misrepresentation or undue influence provided that the contract had not been rescinded until the time of the sale (Section 29).

(iv) **Sale by one who has already sold the goods but continues in possession thereof:** If a person has sold goods but continues to be in possession of them or of the documents of title to them, he may sell them to a third person, and if such person obtains the delivery thereof in good faith without notice of the previous sale, he would have good title to them, although the property in the goods had passed to the first buyer earlier. A pledge or other deposition of the goods or documents of title by the seller in possession are equally valid. [Section 30(1)]

(v) **Sale by buyer obtaining possession before the property in the goods has vested in him:** Where a buyer with the consent of seller obtains possession of the goods before the property in them has passed to him, he may sell, pledge or otherwise dispose of the goods to a third person, and if such person obtains delivery of the goods in good faith and without notice of the lien or other right of the original seller in respect of the goods in good faith and without notice of the lien or other right of the original seller in respect of the goods, he would get a good title to them. [Section 30(2)].

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

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

(i) Sale by an official Receiver or liquidator of the company will give the purchaser a valid title.

(ii) Purchase of goods from a finder of goods will get a valid title under circumstances.

(iii) Sale by a pawnee under default of pawnor will give valid title to the purchaser.

(ii) Expulsion of a Partner (Section 33 of the Indian Partnership Act, 1932):

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.

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.

4

(i) Action by the partners of M/s XYZ & Associates, a partnership firm to expel Mr. G from the partnership was justified as he was expelled by approval of the other partners exercised in good faith to protect the interest of the partnership against the unauthorized activities charged against Mr. G. A proper notice and opportunity of being heard has to be given to Mr. G.

(ii) The following are the factors to be kept in mind prior expelling a partner from the firm by other partners:

   (a) the power of expulsion must have existed in a contract between the partners;

   (b) the power has been exercised by a majority of the partners; and

   (c) it has been exercised in good faith.

5. **(i)** The right of stoppage of goods in transit means the right of stopping the goods after the seller has parted with the goods. Thereafter the seller regains the possession of the goods.

This right can be exercised by an unpaid seller when he has lost his right of lien over the goods because the goods are delivered to a carrier for the purpose of taking the goods to the buyer. This right is available to the unpaid seller only when the buyer has become insolvent. The conditions necessary for exercising this right are:-

1. The buyer has not paid the total price to the seller

2. The seller has delivered the goods to a carrier thereby losing his right of lien

3. The buyer has become insolvent

4. The goods have not reached the buyer, they are in the course of transit. (Section 50, 51 and 52)

In the given case A, who is an agent of the buyer, had obtained the goods from the railway authorities and loaded the goods on his truck. After this, the railway authorities received a notice from the seller B to stop the goods as the buyer had become insolvent.

According to the Sales of Goods Act, 1930, the railway authorities cannot stop the goods because the goods are not in transit. A who has loaded the goods on his truck is the agent of the buyer. That means railway authorities have given the possession of the goods to the buyer. The transit comes to an end when the buyer or his agent takes the possession of the goods.

(ii) Doctrine of Indoor Management

According to this doctrine, persons dealing with the company need not inquire whether internal proceedings relating to the contract are followed correctly, once they are satisfied that the transaction is in accordance with the memorandum and articles of association.

Stakeholders need not enquire whether the necessary meeting was convened and held properly or whether necessary resolution was passed properly. They are entitled to take it for granted that the company had gone through all these proceedings in a regular manner.

The doctrine helps protect external members from the company and states that the people are entitled to presume that internal proceedings are as per documents submitted with the Registrar of Companies.

Thus,

5

(a) What happens internal to a company is not a matter of public knowledge. An outsider can only presume the intentions of a company, but do not know the information he/she is not privy to.

(b) If not for the doctrine, the company could escape creditors by denying the authority of officials to act on its behalf.

In the given question, Easy Finance Ltd. being external to the company, need not enquire whether the necessary resolution was passed properly. Even if the company claim that no resolution authorizing the loan was passed, the company is bound to pay the loan to Easy Finance Ltd.

6. (i) **Essential characteristics of a contingent contract:** A contract may be absolute or contingent. A contract is said to be absolute when the promisor undertakes to perform the contract in all events. A contingent contract, on the other hand "is a contract to do or not to do something, if some event, collateral to such contract does or does not happening (Section 31). It is a contract in which the performance becomes due only upon the happening of some event which may or may not happen. For example, A contracts to pay B ₹10,000 if he is elected President of a particular association. This is a contingent contract. The essential characteristics of a contingent contract may be listed as follows:

(i) There must be a contract to do or not to do something,

(ii) The performance of the contract must depend upon the happening or non-happening of some event.

(iii) The happening of the event is uncertain.

(iv) The even on which the performance is made to depend upon is an event collateral to the contract i.e. it does not form part of the reciprocal promises which constitute the contract. The even should neither be a performance promised, nor the consideration for the promise.

(v) The contingent even should not be the mere will of the promisor. However, where the event is within the promisor's will, but not merely his will, it may be a contingent contract.

The rules regarding the contingent contract are as follows:

(1) Contingent contract dependent on the happening of an uncertain future cannot be enforced until the event has happened. If the event becomes impossible, such contracts become void. (Section 32).

(2) Where a contingent contract is to be performed if a particular event does not happening performance can be enforced only when happening of that event becomes impossible (Section 33).

(3) If a contract is contingent upon, how a person will act at an unspecified time the event shall be considered to become impossible; when such person does anything which renders it impossible that he should so act within any definite time or otherwise than under further contingencies. (Section 34,35).

(4) The contingent contracts to do or not to do anything if an impossible event happens, are void whether or not the fact is known to the parties (Sec. 36).

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

6

dissolution of the firm, on the other hand, the whole firm is dissolved. The partnership terminates as between each and every partner of the firm.

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

(a)   as a result of any agreement between all the partners (i.e., dissolution by agreement);

(b)   by the adjudication of all the partners, or of all the partners but one, as insolvent (i.e., compulsory dissolution);

(c)   by the business of the firm becoming unlawful (i.e., compulsory dissolution);

(d)   subject to agreement between the parties, on the happening of certain contingencies, such as: (i) effluence of time; (ii) completion of the venture for which it was entered into; (iii) death of a partner; (iv) insolvency of a partner.

(e)   by a partner giving notice of his intention to dissolve the firm, in case of partnership at will and the firm being dissolved as from the date mentioned in the notice, or if no date is mentioned, as from the date of the communication of the notice; and

(f)   by intervention of court in case of: (i) a partner becoming the unsound mind; (ii) permanent incapacity of a partner to perform his duties as such; (iii) Misconduct of a partner affecting the business; (iv) willful or persistent breach of agreement by a partner; (v) transfer or sale of the whole interest of a partner; (vi) improbability of the business being carried on save at a loss; (vii) the court being satisfied on other equitable grounds that the firm should be dissolved.

(iii) (a)   A company being an artificial person cannot own property and cannot sue or be sued

Incorrect: A company is an artificial person as it is created by a process other than natural birth. It is legal or judicial as it is created by law. It is a person since it is clothed with all the rights of an individual.

Further, the company being a separate legal entity can own property, have banking account, raise loans, incur liabilities and enter into contracts. Even members can contract with company, acquire right against it or incur liability to it. It can sue and be sued in its own name. It can do everything which any natural person can do except be sent to jail, take an oath, marry or practice a learned profession. Hence, it is a legal person in its own sense.

(b)   A private limited company must have a minimum of two members, while a public limited company must have at least seven members.

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.

Answers

1. **(a)** (1) There are no minimum necessary conditions /guidelines making quality education in India a distant goal.

    (2) c

    (3) Some states follow lenient marking in order to ensure good performance.

    (4) Teachers oppose new books as they are not familiar with them.

    (5) a

    (b) (i) Title: The Art of Effective Listening Notes:

    1. Eff. speaking depends on:

        1.1 eff. Listening

        1.2 concen. on listening

        1.3 concen. on understanding what you hear

    2. Reasons why incompetent listeners fail:

        2.1 their attention drifts

        2.2 they find counter arguments

        2.3 they compete & then filter

        2.4. they react

    3. Ways for a listener to be more eff.:

        3.1 concen. on the msg. reed.

            3.1.1   mental alertness

            3.1.2   phys. alertness-positioning body

            3.1.3   note-taking-aid to listener helps speaker-gives him confidence
        encourages

            the eye contact

    4. Impce. of posture

        4.1 helps listeners in concen.

        4.2 seen by spkr. as a +ve feature among his listeners

    Key

    Eff. – effective

        concen. – concentrating

        msg. – message

        reed. – received

        phys. – physical

        +ve – positive

        impce. – importance

spkr. – speaker

(ii) Summary:

Effective speaking and effective listening are two sides of the same coin, both equally important. An incompetent listener will always fail as he drifts away from counters, competes and finally filters what the speaker is saying. To be a good listener concentration is important combined with mental and physical alertness. The importance of other factors like note-taking and posture cannot be ignored. All these are effective listening skills and are viewed as a positive feature by the speaker among his listeners. They have an impact not only on the listener but also on the speaker.

2. **(a) (i)** 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.

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.

(b) (i) c

(ii) a

(iii) All the old letters of her dead lover have been preserved by her.

(iv) Pinki asked Gaurav if he would help her in her work just then

(c) Earthquake - The Great Destroyer

Earthquake is the mankind's deadly enemy. Earthquake strikes all without a distinction of nationality or political affiliation. The power of a quake is greater than that of any man-made weapon of destruction. An earthquake strikes mankind without a warning. A modern city when struck is reduced -to a nibble. A quake strikes plains, seas and mountains causing all round destruction. The quake struck Lisbon in 1755 killing 450; Peru in 1970 killing 50,000; Alaska in 1968 moving it 80 feet into the Pacific Ocean. Scientists are trying to find out means to combat earthquakes, to predict the origin of the quake so that precaution can be taken to save man and property from destruction.

3. **(a) Visual Communication:** Visual communication through visual aids such as signs, typography, drawing, graphic design, illustration, color and other electronic resources usually reinforces written communication. Sometimes, it may replace written communication altogether. Visual communication is powerful medium. It is the reason that the print and audio-visual media makes effective use of visuals to convey their message. Visuals like graphs, pie charts and other diagrammatic presentations convey clearly and concisely a great deal of information. They are an essential part of official presentations these days.

(b) (i) b

(ii) c

(iii) Butter is kept in the fridge.

(iv) A soft voice behind me asked if I was alone.

(c)

Oct 3, 20XX

The Sales Manager

XYZ Enterprises Pvt. Ltd.

B-70 Electronics Enclave

New Delhi- 1100xx

Dear Sir,

Subject: Enquiry about Laser Printers

This is with reference to enquiry about heavy duty **Laser Printers** capable of printing 50 copies per minute. You are requested to submit complete features with brochures of the brands available with you along with **the price, warranty and servicing details**. We require 5 Black/White and 3 Color Printers within a fortnight.

We have been your customers for the past 3 years and have procured many devices from you. You are requested to work out specific discounted prices as you send the final quote.

You are requested to submit all the pertinent details by the end of this week. Looking forward to your earliest reply.

XYZ

Senior Manager(Administration)

ABC Solutions Pvt. Ltd.

4. (a) (i) Vertical: Information can flow upwards or downwards in the organization. Data that is collected flows up to the top levels of management for review and decision making, while instructions and orders are passed down from the management/ seniors to the subordinates for implementation.

Horizontal: Horizontal communication that involves communication between two parts of the organization at the same level. For example, the managers of a project in a company may hold a regular daily, weekly or monthly meeting to discuss the progress of the project.

(b) (i) b

(ii) His diet program had been kept up for a month.

(iii) She exclaimed that it was a very beautiful scene.

(c) Article Hints:

- It refers to a self-reliant India in terms of developing/encouraging/empowering :

- ➢ Skilled Human resource,

- ➢ Indigenous technologies in every sector mainly defence, infrastructure , agriculture and manufacturing

- ➢ SME/MSME sector by facilitating easy financing schemes and consultancy

- ➢ Research and innovation ; Top technical schools /institutions to develop incubation centres for focused research

- ➢ Industry and Academia to collaborate and innovate to evolve new products and services

- ➢ Alternative fuel/power generation technologies to meet the growing demand

- ➢ Capacity building in every sector

- ➢ Entrepreneurs to scale up their businesses

- ➢ FDI by further easing the norms for doing business

- ➢ Indian partners of MNCs

Report Hints:

- Total number of active cases

- Total number of cured cases

- Total number of casualities

- Total number of containment zones

- Total number of tests being conducted on daily basis

- Active cases increasing due to increased testing

- Most severely affected people in the age group of 60-80 with comorbidities

- Testing Centres

  - ➢ Dispensaries

  - ➢ Private Labs

- Wellness centres in the city

  - ➢ Facilities at these centres

  - ➢ Food/water

  - ➢ Hygiene

  - ➢ Medicine

  - ➢ Doctors

- Covid-19 Hospitals in the city for critical patients

  - ➢ Number of beds available in hospitals

  - ➢ Number of ICU beds/ventilators

5. (a) **Gender barriers-**Men and women communicate differently. The reason for this lies in the wiring of a man's and woman's brains. Men talk in a linear, logical and compartmentalized manner whereas the women use both logic and emotion, and are more verbose. This may be the cause of communication problem in an office where both men and women work side by side. Men can be

held guilty of providing insufficient information, while women may be blamed for providing too much detail.

Gender bias is another factor in communication barriers. Due to traditional mindsets, many men find it difficult to take orders from, or provide information to women.

(b) (i) a

(ii) b

(iii) She asked her why she did not go that day.

(c) Minutes of the Meeting

Participants in attendance: Director Sales and Marketing, Retail head, Supply Chain Head, Procurement Personnel and other senior members

Date: 12th October, 2020

Meeting started at 11: 00 am.

Mr. SS, Director Sales and Marketing informed the agenda of the meeting i.e lack of demand due to the pandemic and suggested tapping the local youth to popularize the joint.

Mr. RV, Retail Head expressed concern over the matter; discussed ways of increasing demand by opening new take-away outlets and free home delivery within 3 kms range.

Mr. AP, Supply Chain Head gave a detailed analysis of the raw material being over procured and suggested the stock be procured on daily basis from the local suppliers. To avoid wastage.

Mr. AS , Senior Product Head presented a detailed analysis of the customer demand in the past one month and suggested introducing combos, new finger- foods and snack items on the menu along with decreasing the size of each serving by 10% .

Procurement team: Proposed ways of effective delivery systems and aligning with the increased production. Patent laws also discussed.

Mr. SS, Director Sales and Marketing Gave a vote of thanks and appreciated the views and suggestions of members present.

All the participants agreed to the concern and come back with a detailed report.

ATR to be submitted by Oct 30, 2020 to the **Director Sales and Marketing**

(c) Cover Letter

(a) Cover Letter

To   Date: Oct 12, 20XX

Manager (HR) ABC Consultants

21/3 Lane-1

Prahlad Market,

Karol Bagh

New Delhi.

Sir,

Subject: Application for the post of Articled Assistant

Greetings for the day ! I am writing this letter to express my interest in the position of Articled Assistant in your firm.

12

I have qualified CA Intermediate both gropus in a single attempt in November 2019. Thereafter, it took me some time to complete the mandatory ITT and Orientation programme. Shortly after that lockdown was imposed in the country due to sudden onslaught of the Covid-19 pandemic. Therefore I could not join any firm earlier.

Now, I am eagerly looking for an opportunity in a prestigious firm like yours so that I am able to learn and grow as a professional. I am ready to present myself for a personal interview. I assure you that I shall work with utmost allegiance to your firm.

My detailed resume is appended here with for your perusal. Looking forward to a positive response.

Best Regards, Gaurav Sharma

12, Civil Lines

New Delhi-1100xx

Resume

Name: Gaurav Sharma

Address:

NewDelhi-110044

Email id: youremail@gmail.com

Mobile No.- +91 XXXXXXXX

Objective

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

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

Academics

Qualification	University/Board	Year of Passing	Score/Marks
B.Com	DU	Pursuing	
CA Intermediate	ICAI	2018-19	67%
CA Foundation	ICAI	2017	75%
XII	CBSE	2016-17	92%
X	CBSE	2014-15	90%

Skills

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

Good analytical and decision making skills

Achievements

- As captain of the school cricket team won 3 consecutive zonal inter- school championship matches

- Stood first in school in Maths Olympiad

- Stood second at the state level 'Sudoku' championship

Personal Details

Father's Name:

Date of Birth:

Nationality:

Declaration

I solemnly declare that all the above information is correct to the best of my knowledge and belief.

Date: Gaurav Sharma

                                                                        Signature

MOCK TEST PAPER

FOUNDATION COURSE

PAPER 3: BUSINESS MATHEMATICS, LOGICAL REASONING AND STATISTICS

Time: 120 Minutes   **Maximum Marks: 100**

Section A: Business Mathematics and Logical Reasoning

1.   If x: y = 2: 3, then find (5x+2y): (3x-y)

   (a)   13/3

   (b)   16/3

   (c)   19/3

   (d)   7/3

2.   A bag contains ₹187 in the form 1 rupee, 50 paise and 10 paise coins in the ratio 3:4:5. Find the number of each type of coins.

   (a)   102, 136, 170

   (b)   136,102, 170

   (c)   170, 102, 136

   (d)   none

3. $\log_e x + \log(1+x) = 0$ is equivalent to

   (a) $x^2+x+e = 0$

   (b) $x^2+x- e = 0$

   (c) $x^2+x+1 = 0$

   (d) $x^2+x-1 = 0$

4.   The ratio of the speed of the two trains is 2: 5. If the distances they travel are in the ratio 5: 9, find the ratio of times taken by them.

   (a)   2: 9

   (b)   18: 25

   (c)   25: 18

   (d)   10: 45

5.   If $x = 3^{1/4} + 3^{-1/4}$ and $y = 3^{1/4} - 3^{-1/4}$, then the value of $3\left(x^2 + y^2\right)^2$ will be

   (a)   12

   (b)   18

   (c)   46

   (d)   64

1

6. Find the value of $(x + y)$, if $\left(x + \dfrac{y^3}{x^2}\right)^{-1} - \left(\dfrac{x^2}{y} + \dfrac{y^2}{x}\right)^{-1} + \left(\dfrac{x^3}{y^2} + y\right)^{-1} = \dfrac{1}{3}$

    (a) 1/3

    (b) 3

    (c) ½

    (d) 2

7. If $2x - 3y = 1$ and $5x + 2y = 50$, then what is the value of $(x-2y)$?

    (a) -2

    (b) 6

    (c) 7

    (d) 10

8. The cost of 5 mangoes is equal to the cost of 20 oranges. If the total cost 2 mangoes and 10 oranges is ₹ 22.50, find the cost of two oranges.

    (a) ₹ 1.25

    (b) ₹ 2.50

    (c) ₹ 3

    (d) ₹ 3.50

9. The roots of the quadratic equation $9x^2 + 3kx + 4 = 0$ are equal if

    (a) $k = \pm 2$

    (b) $k = \pm 3$

    (c) $k = \pm 4$

    (d) $k = \pm 5$

10. If one root of a equation is $2 + \sqrt{5}$, then the quadratic equation is

    (a) $x^2 + 4x - 1 = 0$

    (b) $x^2 - 4x - 1 = 0$

    (c) $x^2 + 4x + 1 = 0$

    (d) $x^2 - 4x + 1 = 0$

11. A man sells 6 radios and 4 televisions for ₹ 18,480. If 14 radios and 2 televisions are sold for the same amount. What is the price of radio?

    (a) ₹ 1848

    (b) ₹ 840

    (c) ₹ 1680

    (d) ₹ 3360

12. if $\begin{pmatrix} x + y & 1 \\ 1 & x - y \end{pmatrix} + \begin{pmatrix} 2 & 3 \\ 2 & -4 \end{pmatrix} = \begin{pmatrix} 12 & 4 \\ 3 & 0 \end{pmatrix}$ then

   (a) x = 7, y = -3
   (b) x = -7, y = -3
   (c) x =- 7, y = 3
   (d) x = 7, y = 3

13. What is the value of x, if A = $\begin{pmatrix} 1 & 4 \\ 2 & x \end{pmatrix}$ is a singular matrix

   (a) 5
   (b) 6
   (c) 7
   (d) 8

14. The transpose of a square matrix is a ___
   (a) null matrix
   (b) row matrix
   (c) Square matrix
   (d) Column matrix

15. The solution set of the equations x+2 > 0 and 2x -6 > 0 is
   (a) (-2, ∞)
   (b) (3, ∞)
   (c) (-∞ , -2)
   (d) (-∞ , -3)

16. The solution space of the inequalities 2x +y ≤10 and x-y ≤5 :
   (i)   includes origin
   (ii) includes the point (4,3)
   Which one is correct?
   (a) Only (i)
   (b) only (ii)
   (c) Both (I) and (ii)
   (d) None of these

17. A sum of money triples itself in 18 years under simple interest. what is the rate of interest per annum?
   (a) 9 %
   (b) 9.09 %
   (c) 11.11 %
   (d) 13%

3

18. What time will be required for a sum of money to double itself at 8 % Simple interest?

    (a) 8 Years

    (b) 8.5 Years

    (c) 12.5 Years

    (d) 12 Years

19. The difference between simple interest and compound interest on a sum of ₹ 6,00,000 for two years is ₹ 6000. What is the annual rate of interest?

    (a) 8 %

    (b) 10 %

    (c) 6 %

    (d) 12 %

20. What is the sum of money will amount to ₹ 11035.50 in four years at compound interest for 1st , 2nd , 3rd and 4th years being 4% , 3% , 2% and 1% respectively.

    (a) ₹ 1000

    (b) ₹ 11,000

    (c) ₹ 1035

    (d) ₹ 11,305

21. Find the present value of ₹ 10,000 to be required after 5 years, if the interest rate be 9 per cent compounded annually (Given: $(1.09)^{-5} = 0.65$)

    (a) ₹ 5500

    (b) ₹ 5600

    (c) ₹ 6000

    (d) ₹ 6500

22. A Machine was purchased for ₹ 10,000. Its rate of depreciation is 10% in the first year and 5 % per annum afterwards. Find the depreciated value of Machine after 7 years of purchase (Given $(0.95)^6 = 0.7351$)

    (a) ₹ 6606

    (b) ₹ 6616

    (c) ₹ 6660

    (d) ₹ 6661

23. A company is considering proposal of purchasing a machine either by making full payment of ₹4,000 or by leasing it for 4 years at an annual rent of ₹1250. Which course of action is preferable? if the company can borrow money at 14 % per annum? [Given: $(1.14)^4 = 1.6870$]

    (a) Leasing preferable

    (b) Leasing is not preferable

    (c) can't say

    (d) none of these

4

24. A man borrows ₹4000 from a bank at 10% compound interest. At the end of every year ₹ 1,500 as part of repayment of loan and interest. How much is still owe to the bank after three such instalments [Given: $(1.1)^3 = 1.331$]

    (a) ₹ 824

    (b) ₹ 820

    (c) ₹ 724

    (d) ₹ 720.

25. The effective rate of interest for one-year deposit corresponding to a nominal 7 % rate of interest per annum convertible quarterly. is

    (a) 7 %

    (b) 7.5

    (c) 7.4 %

    (d) 7.18 %

26. The future value of annuity of ₹1,000, made annually for 5 years at the interest of 14% compounded annually is (Given $(1.14)^5= 1.925410$)

    (a) ₹ 5610

    (b) ₹ 6610

    (c) ₹ 6160

    (d) ₹ 6160

27. What will be the population after three years when present population is ₹25,000 and population increases at the rate of 3 % in first year, 4 % in second year and 5 % in third year?

    (a) 28119

    (b) 29118

    (c) 27000

    (d) 30000

28. SI = 0.125 P at 10% p.a find the time

    (a) 1.25 years

    (b) 25 Years

    (c) 0.25 Years

    (d) none

29. The number of triangles that can be formed by choosing the vertices from set of 12 points, seven of which lie on the same straight line is

    (a) 185

    (b) 175

    (c) 115

    (d) 105

30. How many ways can be letters of the word "FAILURE' be arranged so that the consonants may occupy only odd places?

    (a) 576

    (b) 476

    (c) 376

    (d) 276

31. In an examination a candidate has to pass in each of the 4 papers. In how many different ways can be failed?

    (a) 14

    (b) 16

    (c) 15

    (d) None of these

32. In an election the number of candidates is one more than the number of members to be elected. If a voter can vote in 254 different ways; find the number of candidates.

    (a) 8

    (b) 10

    (c) 7

    (d) None of these

33. If a, b, c are in AP and x, y, z are in GP , then the value of $x^{(b-c)} \cdot y^{(c-a)} \cdot z^{(a-b)}$ is

    (a) 1

    (b) 0

    (c) b (c-a)

    (d) none

34. The sum of the first two terms of an infinite geometric series is 15 and each term is equal to the sum of all the terms following it; then the sum of the series is

    (a) 20

    (b) 15

    (c) 25

    (d) None of these

35. Let f: R→R be such that $f(x) = 2^x$, then f(x+y) equals

    (a) f(x) + f(y)

    (b) f(x). f(y)

    (c) f(x) ÷f(y)

    (d) none of these

36. If A = { p, q, r, s } , B = { q, s , t} and C= { m , q, n} find C-(A∩B)

    (a) {m, n}

    (b) {p, q}

6

(c) {r, s}

(d) {p, r}

37. The set having no element is called

(a) Singleton set

(b) null set

(c) finite set

(d) Infinite set

38. If $x\sqrt{1+y}+y\sqrt{1+x}=0$, then $\left(1+x^2\right)\dfrac{dy}{dx}=$

(a) 0

(b) 1

(c) -1

(d) 2

39. Find $\dfrac{dy}{dx}$ at x=1, when x= t logt and y $=\dfrac{(\log t)}{t}$

(a) 1

(b) -1

(c) -1/2

(d) 0

40. If f '(x) = $3x^2$+2 and f(0) = 0, find f(2)

(a) 5

(b) 8

(c) 10

(d) 12

41. Find next number in the following series 7, 11, 13, 17, 19, 23, 25, 29?

(a) 30

(b) 31

(c) 32

(d) 33

42. Find odd man out of the following series 41, 43, 47, 53, 61, 71, 73, 81

(a) 41

(b) 47

(c) 61

(d) 81

43. If PLAY is coded as 8123 and RHYME is coded as 49367. What will be code of MALE?

   (a) 6217

   (b) 6198

   (c) 6395

   (d) 6285

44. Find the alphabet missing series ac_cab_baca_aaa_aba

   (a) aabc

   (b) aacb

   (c) babb

   (d) bcbb

45. If East is replaced by South-East, then West will be replaced by which replaced by which of the following directions?

   (a) North-East

   (b) North

   (c) East

   (d) North- West

46. Raju is facing East, he turns 100^0 in the clockwise direction and 145^0 in the anti-clock wise direction. Which direction is he facing now?

   (a) West

   (b) North-East

   (c) North

   (d) South-West

47. If a man on motor bike starts from a point and rides 4 km South then turns left and rides 2 km and turn again to the right to ride in which direction is he moving?

   (a) North

   (b) West

   (c) South

   (d) North

48. Five people A, B, C, D and E are seated about a round table. Every chair is spaced equidistant from adjacent chairs.

   I.   C is seated next to A

   II. A is seated two seats from D.

   III. B is not seated next to A.

   Which of the following must be true?

   (I)   D is seated next to B.

   II   E is seated next to A.

8

Select the correct answer from the codes given below:

(a) Only I

(b) Only II

(c) Both I and II

(d) Neither I nor II

49. Six friends A, B, C, D, E and F are sitting in a row facing East. 'C' is between 'A 'and 'E'. 'B' is just to the right of É' but left of 'D'. 'F' is not the right end . How many persons are Left of 'E' ?

(a) 1

(b) 2

(c) 3

(d) 4

50. In a straight line there are six persons sitting in a row? B is between F and D. E is between A and C. A does not stand next to F or D, C does not stand next to D. F is between which of the following?

(a) B and E

(b) B and C

(c) B and D

(d) B and A

51. Hema walks 30 km North. Then, she turns right and walks 30 m then she turns right and walks 55 m. Then she turns left and walks 20 m. Then she again turns left and walks 25 m. How many meters away is she from her original position.

(a) 45 m

(b) 50 m

(c) 66 m

(d) 55 m

52. Directions to solve

(a) P, Q, R, S, T, U, V and W are sitting round the circle and are facing the Centre

(b) P is second to the right of T who is the neighbor of R and V.

(c) S is not neighbour of P

(d) V is neighbour of U

(e) Q is not between S and W, W is not between U and S

Who is two of the following are not neighbour

(a) RV

(b) UV

(c) RP

(d) QW

9

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53. Pointing to a photograph of a boy, Ravi said, "He is son of the only son of my mother". How is Ravi related to that boy ?

    (a) Brother

    (b) Uncle

    (c) Cousin

    (d) Father

54. If A +B means A is brother of B, A-B means A is sister of B, and A × B means A is the father of B . Which of the following means that C is the son of M?

    (a) M-N×C+F

    (b) F-C+ N×M

    (c) N+M-F×C

    (d) M×N-C+F

55. If D is brother of B and B is related C. To answer this question which of the following statements are necessary?

    I.   The son of D is the grandson of C.

    II. B is the sister of D.

    (a) Only 1

    (b) Only II

    (c) Either I or II

    (d) I and II

56. There are two couple in a family. K has two children. M is wife of Q, who is the brother of B. F is daughter K. U is sister of S, who is son of O. T is the son of B, who is the male. How U is related to T?

    (a) Mother

    (b) Brother

    (c) Sister

    (d) Cousin

57. Statements I: Seetha is a girl.

    II: All girls are nice.

    Conclusions I: All girls are Seetha.

    II: Seetha is not a nice girl.

    (a) If only I follow.

    (b) If only II follow.

    (c) If both I and II follow.

    (d) If neither I nor II follow.

58. Statements: I: Some fruits are flowers.

    II: No flower is a boat.

    III: All boats are rivers.

10

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Conclusions: I: Some fruits are rivers.

            II: Some rivers are boats.

            III: Some rivers are fruits

            IV: Some flowers are fruits

(a) Only I and III follows.

(b) Only II and III follows.

(c) Only II and IV follows

(d) All follows.

59. Statement I : Some chairs are caps . II: No cap is red.

Conclusion: I : Some caps are Chairs

            II : No Chair is red

(a) If only Conclusion I follow

(b) If only conclusion II follow

(c) If either I or II follow.

(d) If neither I nor II follow.

60. Statement I: Some tigers are bats

            II: Some bats are cats

Conclusion: I: Some tigers are cats

            II: Some cats are tigers

(a) If only Conclusion I follow

(b) If only conclusion II follow

(c) If either I or II follow.

(d) If neither I nor II follow.

Section B: Statistics

61. The following data relates to the incomes of 90 persons:

Income in ₹	1500-1999	2000-2499	2500-2999	3000-3499
No.of Persons	13	32	20	25

Which is the percentage of persons earning more than ₹ 2,000?

(a) 45

(b) 85.56

(c) 52

(d) 55

62. The most appropriate diagram to represent the diagram to represent the data relating to the monthly expenditure on different items by a family is ?

(a) Histogram

(b) Pie-diagram

(c) Frequency polygon

(d) Line graph

63. The distribution of income is an example of frequency distribution of

(a) Continuous variable

(b) A discrete variable

(c) An attribute

(d) (b) or (c)

64. The number of accidents for seven days in a locality are given below :

No. of accidents	:	0	1	2	3	4	5	6
Frequency	:	12	15	23	30	9	3	2

What is the number of cases when 3 or less accidents occurred?

(a) 56

(b) 6

(c) 70

(d) 87

65. Two variables assume the values 1,2, 3,.. 5 with frequencies as 1, 2, 3, ..5 , then what is the AM ?

(a) 11/3

(b) 15/8

(c) 4.86

(d) 10

66. If there are two groups with 75 and 65 as harmonic means containing 15 and 13 observation then combined HM is given by

(a) 70.36

(b) 72.25

(c) 78

(d) 76

67. Quartile can be determined graphically using

(a) ogive

(b) Histogram

(c) Pie Chart

(d) Frequency Polygon

68. The mean deviation about ode for the numbers 4/11, 6/11, 8/11, 9/11, 12/11, 8/11 is

(a) 9/15

(b) 12

(c) 6/11

(d) 1

12

69. The range of 28, 22, 40, 20, 15, 50 is

    (a) 40

    (b) 22

    (c) 35

    (d) none of these

70. A shift of origin has no impact on

    (a) Mean Deviation

    (b) Standard Deviation

    (c) Quartile Deviation

    (d) All of these

71. What is the coefficient of variation of the following numbers 53, 52, 61, 60, 64

    (a) 18.09

    (b) 8.09

    (c) 12.23

    (d) 15.45

72. The quartiles of the variables are 45, 52, and 65 respectively, its Quartile Deviation is

    (a) 5

    (b) 10.

    (c) 25

    (d) 8.30

73. The mean and SD for a, b, and 2 are 3 and 1 respectively, the value of ab would be

    (a) 3

    (b) 5

    (c) 12

    (d) 13

74. If the relation between x and y is 5y -3x = 10 and the mean deviation about mean for x is 12, then the mean deviation of y about mean is

    (a) 9.20

    (b) 6.80

    (c) 7.20

    (d) 15.80

75. Which measure of dispersion is based on all the observations

    (a) Standard Deviation

    (b) Mean Deviation

    (c) Quartile Deviation

    (d) Both (a) and (b)

13

76. An investment consultant predicts that the odds against the price of a certain stock going up are 2:1 and odd are in favor of the price remaining the same are 1:3 .what is the probability that the price of stock will go down ?

    (a) 5/12

    (b) 7/12

    (c) 1/3

    (d) ¼

77. A pair of dice rolled. If the sum of the two dice is 9, find the probability that one of the dice showed is 3

    (a) 1/3

    (b) ¼

    (c) ½

    (d) 1/8

78. The overall percentage of failures in a certain examination was 30. What is the probability that out of a group f 6 candidates at least four passed the examination?

    (a) 0.747331

    (b) 0.757331

    (c) 0.76991

    (d) 0.72339

79. What is the probability of getting neither total of 7 nor 11 when the pair of dice is tossed?

    (a) 7/9

    (b) 2/9

    (c) 3/9

    (d) 4/9

80. What is the probability that a leap year is has 53 Sundays or 53 Mondays

    (a) 2/7

    (b) 3/7

    (c) 4/7

    (d) 1/7

81. if A and B are two events , such that P(A) = ¼ , P(B) = 1/3 and P(AUB)=1/2 , then P(B/A) is equal to

    (a) ¾

    (b) ½

    (c) ¼

    (d) 1/3

82. What is the probability of getting exactly 2 head in 7 tosses of a fair coin?

    (a) 5/64

    (b) 7/64

    (c) 7/128

(d)   21/128

83.   The Binomial Distribution for which mean = 16 and variance = 4.0 is

(a) $^{21}C_x (0.25)^x (0.75)^{21-x}$

(b) $^{21}C_x (0.75)^x (0.25)^{21-x}$

(c) $^{21C}_x (0.25)^x (0.75)^{1-x}$

(d) $^{21}C_x (0.75)^x (0.25)^{1-x}$

84.   The SD of a binomial distribution with parameter n and p is

(a)   n (1– p).

(b)   np (1 – p).

(c)   np.

(d) $\sqrt{np(1-p)}$.

85.   If P(X=2) = P(X=3) for a Poisson Variate X, then E(x) is

(a)   2

(b)   3

(c)   1

(d)   none of these

86.   The total area of the normal curve is

(a)   One.

(b)   50 per cent.

(c)   0.50.

(d)   Any value between 0 and 1

87.   The mean and mode of the normal distribution

(a)   may be equal

(b)   may be different

(c)   are always equal

(d)   (a) or (b)

88.   Bivariate Data are the data collected for

(a)   Two variables.

(b)   More than two variables.

(c)   Two variables at the same point of time.

(d)   Two variables at different points of time.

89.   The two lines of regression become identical when

(a)   r = 1

(b)   r = –1

(c)   r = 0

(d)   (a) or (b)

15

90. The regression coefficients remain unchanged due to a

    (a)   Shift of origin

    (b)   Shift of scale

    (c)   Both (a) and (b)

    (d)   (a) or (b).

91. If the coefficient of correlation between two variables is -0.9, then the coefficient of determination is

    (a)   0.9

    (b)   0.81

    (c)   0.1

    (d)   0.19

92. When r = 0 then cov (x,y) is equal to

    (a)   + 1

    (b)   − 1

    (c)   0

    (d)   none

93. Purchasing Power of Money is

    (a)   Reciprocal of price index number.

    (b)   Equal to price index number.

    (c)   Unequal to price index number.

    (d)   None of these.

94. Factor Reversal test is satisfied by

    (a)   Fisher's Ideal Index Number

    (b)   Laspeyre's Index Number

    (c)   Paasche's Index Number

    (d)   All of the above

95. During the certain period the C.L.I. goes up from 110 to 200 and the Salary of a worker is also raised from 330 to 500, then the real terms is

    (a)   Loss by ₹ 50

    (b)   Loss by ₹ 75

    (c)   Loss by ₹ 90

    (d)   None of these.

96. The number of tests adequacy is

    (a)   2

    (b)   5

    (c)   3

    (d)   4

97. In year 2005, the whole sale price index number is 286 with 1985 as base year, then how much the prices have increased in 2005 in comparison to 1995 ?

   (a) 286%

   (b) 386%

   (c) 86%

   (d) 186%

98. When the sale of cold drink increase in summer and decreases in winters is an example of ?

   (a) Seasonal Variations

   (b) Cyclic Variations

   (c) Secular trend

   (d) None

99. Seasonal Variations take place within

   (a) One year

   (b) Two year

   (c) half Year

   (d) five years

100. The fire in a factory is an example.

   (a) Secular trend

   (b) Seasonal Variations

   (c) Irregular variations

   (d) Cyclical Variations

17

MOCK TEST PAPER

FOUNDATION COURSE

PAPER – 3: BUSINESS MATHEMATICS, LOGICAL REASONING AND STATISTICS

ANSWERS

Section A: Business Mathematics, Logical Reasoning (60 Marks)

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

Section B: Statistics (40 Marks)

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

MOCK TEST PAPER

FOUNDATION COURSE

PAPER – 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART I : BUSINESS ECONOMICS

Max. Marks : 60

1. The economic analysis expects the consumer to behave in a manner which is:

   (a) Rational

   (b) Irrational

   (c) Emotional

   (d) Indifferent

2. A firm encounters its "shutdown point" when:

   (a) Average Total Cost equals price at the profit- maximizing level of output.

   (b) Average Fixed Cost equals price at the profit- maximizing level of output.

   (c) Average Variable Cost equals price at the profit- maximizing level of output.

   (d) Marginal Cost equals price at the profit- maximizing level of output.

3. Which of the following statements does not apply to market economy?

   (a) Firms decide whom to hire and what to produce.

   (b) Firms aim at maximizing profits.

   (c) Households decide which firms to work for and what to buy with their incomes.

   (d) Government policies are the primary forces that guide the decisions of firms and households.

4. Consider the following and decide which, if any, economy is without scarcity:

   (a) The pre-independent Indian economy, where most people were farmers.

   (b) A mythical economy where everybody is a billionaire.

   (c) Any economy where income is distributed equally among its people.

   (d) None of the above.

5. Which of the following is not a subject matter of Micro-economies?

   (a) The price of mangoes.

   (b) The cost of producing a fire truck for the fire department of Delhi, India.

   (c) The quantity of mangoes produced for the mangoes market.

   (d) The national economy's annual rate of growth

6. Marginal revenue will be negative if elasticity of demand is

   (a) Less than one

   (b) More than one

(c) Equal to one

(d) Equal to Zero

7. In the case of Giffen good, the demand curve will be -

(a) Horizontal

(b) Downward sloping to the right

(c) Upward sloping to the right

(d) Vertical

8. Which of the following statements is incorrect?

(a) Business economics is normative in nature.

(b) Business Economics has a close connection with statistics.

(c) Business Economist need not worry about macro variables.

(d) Business Economics is also called Managerial Economics.

9. Who expressed the view that "Economics is neutral between end".

(a) Robbins

(b) Marshall

(c) Pigou

(d) Adam Smith

10. A capitalist economy uses _____as the principal means of allocating resources.

(a) Demand

(b) Supply

(c) Efficiency

(d) Prices

11. Scarcity definition of Economics is given by-

(a) Alfred Marshall

(b) Samuelson

(c) Robinson

(d) Adam Smith

12. The definition "Science which deals with wealth of Nation" was given by:

(a) Alfred Marshall

(b) A C Pigou

(c) Adam Smith

(d) J B Say

13. Which of the following is not one of the features of capitalist economy?

(a) Right of private property

2

(b) Freedom of choice by the consumers

(c) No profit, No Loss motive

(d) Competition

14. In Economics, the central economic problem means:

(a) Output is restricted to the limited availability of resources

(b) Consumer 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

15. Conspicuous goods are also known as

(a) Prestige goods

(b) Snob goods

(c) Veblen goods

(d) All of the above

16. Chicken and fish are substitutes. If the price of chicken increases, the demand for fish will

(a) Increase or decrease but the demand curve for chicken will not change

(b) Increase and the demand curve for fish will shift rightwards.

(c) Not change but there will be a movement along the demand curve for fish.

(d) Decrease and the demand curve for fish will shift leftwards.

17. Coco- cola and Pepsi are substitutes. A rise in the price of coco-cola will ————— the demand for Pepsi and the quantity of Pepsi sold will —————

(a) Increase; increase

(b) Increase; decrease

(c) Decrease; decrease

(d) Decrease; increase

18. A decrease in the demand for mobiles, other things remaining the same will

(a) Increase the number of mobiles bought

(b) Decrease the price but increase the number of mobiles bought

(c) Increase the price of mobiles

(d) Decrease the price and decrease in the number of mobiles bought

19. Which of the following statements about inferior goods is/are false?

I. Inferior goods are those that we will never buy, no matter how cheap they are.

II. Inferior goods are those that we buy more of, if we become poorer.

III. Inferior goods are those that we buy more of, if we become richer.

(a) I and III only.

(b) I only

3

(c) III only.

(d) I, II, and III.

20. Marginal utility approach to demand was given by-

(a) J R Hicks

(b) Alfred Marshall

(c) Robbins

(d) A C Pigou

21. The price of a commodity decreases from ₹ 6 to ₹ 4 and the quantity demanded of the good increases from 10 units to 15 units, find the coefficient of price elasticity. (Use Point Elasticity Method)

(a) 1.5

(b) 2.5

(c) 1.5

(d) 0.5

22. The supply function is given as Q = -100 + 10P. Find the elasticity using point method, when price is ₹ 15.

(a) 4

(b) -3

(c) -5

(d) 3

23. A firm learns that the own price elasticity of a product it manufactures is 3.5. What would be the correct action for this firm to take if it wishes to raise its total revenue?

(a) Lower the price because demand for the good is elastic.

(b) Raise the price because demand for the product is inelastic.

(c) Raise the price because demand is elastic.

(d) We need information in order to answer this question.

24. In the case of a straight line demand curve meeting the two axes, the price elasticity of demand at y axis of the line would be equal to-

(a) 1

(b) Infinity

(c) 3

(d) 1.25

25. Calculate Income-elasticity for the household when the income of a household rises by 10% the demand for Laptop rises by 20%

(a) +.5

(b) -.5

(c) +2

(d) -2

26. A firm producing 7 units of output has an average total cost of ₹ 150 and has to pay ₹ 350 to its fixed factors of production whether it produces or not. How much of the average total cost is made up of variable cost?

(a) 200

(b) 50

(c) 300

(d) 100

27. If as a result of 20 percent fall in the ticket fares the demand for watching movie in the cinema hall increases by 10 percent, then price elasticity is

(a) Zero

(b) Greater than zero but less than one

(c) One

(d) Greater than one

28. If price of good A increases relative to the price of its substitutes B and C, then demand for

(a) B will decrease

(b) C will decrease

(c) B and C will increase

(d) B and C will decrease

Use the following data to answer questions 29-31

Quantity(Q)	1	2	3	4
Price (P)	40	30	20	10

29. The total revenue of third unit is –

(a) 35

(b) 40

(c) 60

(d) 30

30. The average revenue of second unit is-

(a) 40

(b) 45

(c) 20

(d) 30

31. The marginal revenue of fourth unit is-

(a) 20

(b) 25

5

(c) 30

(d) 40

32. Suppose that an owner is earning total revenue of ₹ 1, 00,000 and is increasing explicit cost of ₹ 60,000. If the owner could work for another company for ₹ 30,000 a year, we would conclude that:

(a) The firm is earning economic profit or ₹ 10,000

(b) The firm is earning accounting profit or ₹ 40,000

(c) The firm is earning economic profit of ₹ 40,000

(d) Both (a) and (b)

33. A Monopolistic Competitive firm advertises:

(a) Because it has no control over price of its product.

(b) To lower its cost of production

(c) To increase its sales and profits

(d) Because it cannot raise price of its product.

34. Peaks and troughs of the business cycle are known collectively as

(a) Volatility.

(b) Turning points.

(c) Equilibrium points.

(d) Real business cycle events.

35. The term business cycle refers to

(a) The ups and downs in production of commodities

(b) The fluctuating levels of economic activity over a period of time

(c) Decline in economic activities over prolonged period of time

(d) Increasing unemployment rate and diminishing rate of savings

36. Which of the following statements is correct?

(a) Business cycles occur periodically although they do not exhibit the same regularity.

(b) Business cycles have distinct phases of expansion, peak, contraction and trough.

(c) Business cycles generally originate in free market economies

(d) All of the above

37. Which of the following is the external cause of Business Cycles?

(a) Fluctuations in Effective Demand

(b) Fluctuations in Investment

(c) Variations in government spending

(d) War

6

38. Which of the following does not occur during an expansion?

    (a) Consumer purchases of all types of goods tend to increase.

    (b) Employment increases as demand for labour rises.

    (c) Business profits and business confidence tend to increase

    (d) None of the above.

39. New firms are barred from entering the market in

    (a) Perfect competition

    (b) Oligopoly

    (c) Monopolistic competition

    (d) Monopoly

40. The kinked demand hypothesis is designed to explain in the context of oligopoly

    (a) Price and output determination

    (b) Price rigidity

    (c) Price leadership

    (d) Collusion among rivals

41. In economics, what a consumer is ready to pay minus what he actually pays, is termed as:

    (a) Consumer's equilibrium

    (b) Consumer's surplus

    (c) Consumer's expenditure

    (d) None of the above

42. Contraction of demand is the result of:

    (a) Decrease in the number of consumers

    (b) Increase in the price of the goods concerned

    (c) Increase in the price of other goods

    (d) Decrease in the income of purchases

43. Price taker firms:

    (a) Advertise to increase the demand for their products.

    (b) Do not advertise because most advertising is harmful for the society.

    (c) Do not advertise because they can sell as much as they want at the current price.

    (d) Who advertise will get more profits than those who do not.

44. Generally, perishable goods like butter, eggs, milk, vegetables etc., will have

    (a) International market

    (b) Local market

    (c) National market

7

(d) None of the above

45. Pure oligopoly is based on the _____ products

(a) Differentiated

(b) Homogeneous

(c) Unrelated

(d) None of the above

46. In the long run any firm will eventually leave the industry if:

(a) Price does not at least cover average total cost.

(b) Price does not equal marginal cost.

(c) Economies of scale are being reaped.

(d) Price is greater than long run average cost.

47. Which of the following statements is incorrect?

(a) Under monopoly there is no difference between a firm and an industry.

(b) A monopolist may restrict the output and raise the price.

(c) Commodities offered for sale under a perfect competition will be heterogeneous.

(d) Product differentiation is peculiar to monopolistic competition.

48. If a firm's average variable cost curve is rising, its marginal cost curve must be -

(a) Constant

(b) Above the total cost curve

(c) Above the average variable cost curve

(d) All of the above

49. When the products are sold through a centralized body, oligopoly is known as

(a) Organized oligopoly

(b) Partial oligopoly

(c) Competitive oligopoly

(d) Syndicated oligopoly

50. When _____ , we know that the firms are earning just normal profits.

(a)   AC = AR

(b) MC = MR

(c) MC = AC

(d) AR = MR

51. Full capacity is utilized only when there is

(a) Perfect Competition

(b) Oligopoly

8

(c) Monopoly

(d) Monopolistic Competition

52. 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

53. Which of the following is considered production in Economics?

(a) Teaching Economics to CA students in class.

(b) Singing a song before friends

(c) Flying kite for pleasure

(d) Teaching concept of Economics to friends in a library.

54. The price of pizza increases by 22% and the quantity of pizza demanded falls by 25%. This Indicates that demand for pizza is

(a) Elastic

(b) Inelastic

(c) Unitarily elastic

(d) Perfectly elastic.

55. Which of the following is not an example of coincident indicator?

(a) Industrial production

(b) Inflation

(c) Retail sales

(d) New orders for plant and equipment

56. According to _____ trade cycle is purely monetary phenomenon.

(a) Hawtrey

(b) Adam Smith

(c) J M Keynes

(d) Schumpeter

57. The most probable outcome of an increase in the money supply is

(a) Interest rates to rise, investment spending to rise, and aggregate demand to rise

(b) Interest rates to rise, investment spending to fall, and aggregate demand to fall

(c) Interest rates to fall, investment spending to rise, and aggregate demand to rise

(d) Interest rates to fall, investment spending to fall, and aggregate demand to fall

58. Suppose the technology for producing personal computers improves and, at the same time, individuals discover new uses for personal computers so that there is greater utilisation of personal computers. Which of the following will happen to equilibrium price and equilibrium quantity?

    (a) Price will increase; quantity cannot be determined.

    (b) Price will decrease; quantity cannot be determined.

    (c) Quantity will increase; price cannot be determined.

    (d) Quantity will decrease; price cannot be determined.

59. Assume that consumers' incomes and the number of sellers in the market for good A both decrease. Based upon this information, we can conclude, with certainty, that the equilibrium:

    (a) Price will increase

    (b) Price will decrease.

    (c) Quantity will increase.

    (d) Quantity will decrease.

60. Assume that in the market for good Z there is a simultaneous increase in demand and the quantity supplied. The result will be:

    (a) An increase in equilibrium price and quantity.

    (b) A decrease in equilibrium price and quantity.

    (c) An increase in equilibrium quantity and uncertain effect on equilibrium price.

    (d) A decrease in equilibrium price and increase in equilibrium quantity.

61. Which of the following is not true about a Limited Liability Partnership (LLP)?

    (a) Separate Legal Entity

    (b) Incorporation not mandatory like normal partnership

    (c) Designated Partners

    (d) Hybrid form of Business Organisation

62. Change of customer's liking from oily foods to healthy packaged foods can be classified amongst which of the following?

    (a) Trend

    (b) Event

    (c) Issue

    (d) Expectation

63. Where is India's largest SEZ?

    (a) Hazira

    (b) Dhamra

    (c) Tehri

    (d) Mundra

64. Indigo, Spice Jet and Vistara, operating in Indian aviation, are a result of?

    (a) Privatisation

    (b) Liberalisation

    (c) Globalisation

    (d) Foriegn Direct Investment

65. Which of the following is Government's initiative for furthering and facilitating businesses in India?

    (a) Good and Service Tax

    (b) Make in India

    (c) Skill India

    (d) Beti Bachao Beti Padhao

66. A stock market where the number of transactions are very low and thus, the volatility in the market is huge, is called?

    (a) Thin Market

    (b) Slow Market

    (c) Lazy Market

    (d) Weak Market

11

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67. Which of the following statements cannot be associated with Business?

    (a) Revenue and profits are core to every business

    (b) Only an educated person can start a business

    (c) Capital is needed to start a business

    (d) It is better to be aware of Legal Compliances for all businesses

68. Which of the following internal strategies to respond to environment involves formulation and clarification of organization's mission?

    (a) Competitive Response

    (b) Administrative Response

    (c) Dynamic Response

    (d) Collective Response

69. In which state did Jamnalal Bajaj start Bajaj Auto Limited?

    (a) Maharashtra

    (b) Madhya Pradesh

    (c) Rajasthan

    (d) Haryana

70. Foreign Exchange Management Act (FEMA), would fall under which of the following type of Public Policy?

    (a) Restrictive

    (b) Regulatory

    (c) Facilitating

    (d) Advisory

71. Which of the following is not a Funding Institution?

    (a) World Bank

    (b) NABARD

    (c) Reserve Bank of India

    (d) International Monetary Fund

72. A company is said to undergo _____ when its assets are sold off piecemeal rather than one single operating entity?

    (a) Acquisition

    (b) Merger

    (c) Liquidation

    (d) Sale off

73. Dormant companies can be incorporated for which of the following purposes?

    (a) For Future Projects

12

(b) Holding Intellectual Property

(c) Both A or B

(d) Only for creating a dummy company to book insignificant transactions

74. Data which is useful in decision making is called?

(a) Database

(b) Information

(c) Resource

(d) Law

75. Which of the following is the Vision of Airtel?

(a) Make best quality Calls

(b) Win customers for life

(c) Win over competition

(d) Provide cheapest internet in India

76. FDI is restricted in which of the following sectors of economy in India?

(a) Healthcare Business

(b) Online Gaming Business

(c) Education Business

(d) Atomic Energy

77. All scheduled banks are required to maintain a certain minimum cash reserve ratio with the RBI. This provision enables RBI to ensure what?

(a) Forex Rate Fluctuation

(b) Credit Position of the Country

(c) Savings of People

(d) Collect Public Data of Money held by People

78. The marketing department of Go Now Pvt. Ltd. divided the consumers into different groups based on their characteristics, like buying frequency, actuals spend, age and preferences. Which of the following has the marketing department focused on?

(a) Market Segmentation

(b) Market Division

(c) Market Analysis

(d) Market Grouping

79. Head of a Hindu Undivided Family is called?

a) Father

b) Karta

(c) Coparcener

13

(d) Mitakshara

80. Which of the following is not part of internal environment of a business organisation?

(a) Labor Unions

(b) Corporate Culture

(c) Customers

(d) Organisational Structure

81. How many SBU (Strategic Business Units) does Bharat Petroleum Ltd. have?

(a) Five

(b) Three

(c) Seven

(d) Ten

82. The following statements characterise Public Policy making, but one of them is false. Find the odd one out.

(a) It is a collective effort of various departments

(b) It can only be formulated in a mixed economic setup

(c) It focuses on goals and results

(d) It is always formulated with a positive intent

83. Under which section of IRDAI Act can IRDAI function and impart its duties?

(a) Section 11 of IRDAI Act, 1999

(b) Section 21 of IRDAI Act, 1999

(c) Section 19 of IRDAI Act, 1999

(d) Section 14 of IRDAI Act, 1999

84. Token money paid in the early stages of Negotiation is called?

(a) Early Money Deposit

(b) Earning Money Deposit

(c) Token E-Cash

(d) Earnest Money Deposit

85. Which of the following is a non-economic activity?

(a) Sweets Shop

(b) Selling seeds of rare plants

(c) Serving free water on a hot summer day

(d) Village School Carpenter

86. Luxury hotels and luxury car companies compete to get attract the disposal income of affluent customers. What type of competition is it?

(a) Direct Competition

(b) Indirect Competition

(c) No Competition

(d) Both Direct and Indirect Competition

87. Ministry of Petroleum and Natural Gas owns which of the following?

(a) Indian Oil Corporation Ltd.

(b) GAIL Ltd.

(c) Bharat Petroleum

(d) Reliance Industries Ltd.

88. NABARD as a development bank, is concerned with various segments and issues, except?

(a) Self Help Groups of Men

(b) Tribal Development

(c) Self Help Groups of Women

(d) Water Treatment Planning

89. The current Reverse Repo Rate is 2.5%. The difference between repo and reverse repo shall be 250 basis points. RBI increases reverse repo by 150 basis points. What is the new Repo Rate?

(a) 6%

(b) 6.5%

(c) 7%

(d) 7.5%

90. Five private banks and two nationalised banks together issued a loan of INR 2,000 crores to Zhakthee Limited for opening a rice mill in ten rural areas of India. What are these kinds of loans with multiple banks involved called?

(a) Large Bank Loans

(b) Syndicate Loans

(c) Overdraft Loans

(d) Industrial Loans

91. Which type of economic activity requires specialised subject knowledge for rendering of services?

(a) Business

(b) Agriculture

(c) Employment

(d) Profession

92. Race, age, income, educational background, asset ownership, location, etc. form part of which environment?

(a) Demographic Environment

(b) Socio-Cultural Environment

    (c)   Economic Environment

    (d)   Technological Environment

93. In 2008, Centurion Bank was acquired by?

    (a)   ICICI Bank Ltd.

    (b)   Axis Bank Ltd.

    (c)   HDFC Bank Ltd.

    (d)   SBI

94. Government Organisations were operating at really poor profits margins and insignificant aims and mission. What brought about a change in their operation and ownership?

    (a)   Globalisation

    (b)   Privatisation

    (c)   Liberalisation

    (d)   Change of Political Parties

95. Which of the following does SEBI not cater to?

    (a)   Government Organisations

    (b)   Investors

    (c)   Intermediaries

    (d)   Security Issuing Companies

96. A position when a person's assets are not enough to pay off the liabilities due, is called?

    (a)   Poverty

    (b)   Risk Adjustment

    (c)   Payoff

    (d)   Insolvency

97. Which of the following is not a domain/characteristic of Business and Commercial Knowledge?

    (a)   It is Independent

    (b)   It is Ever Expanding

    (c)   It is Vast

    (d)   It is Multi-Disciplinary

98. While analyzing technological environment, which of the following is not considered?

    (a)   Capital Requirement

    (b)   Current technology being used

    (c)   Upcoming technologies relevant to business

    (d)   The relations with the country creating the technology

99. Who is the current CFO of TATA Sons Pvt. Ltd.?

    (a)   Natrajan Chandrasekaran

    (b)   Rajnish Kumar

    (c)   Eruch Norish Kapadia

    (d)   Jatin Dalal

100. Social Equity and Ecological Balance are a part of?

    (a)   Globalisation

    (b)   Sustainable Development

    (c)   Liberalisation

    (d)   Brand Loyalty

MOCK TEST PAPER

FOUNDATION COURSE

PAPER – 4: PART I : BUSINESS ECONOMICS

ANSWERS

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

PAPER – 4 PART- II: BUSINESS AND COMMERCIAL KNOWLEDGE

ANSWERS

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

2