

MOCK TEST PAPER 1
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:
 - (i) The concept of conservatism when applied to the balance sheet results in understatement of assets.
 - (ii) Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.
 - (iii) Discount at the time of retirement of a bill is a gain for the drawee.
 - (iv) If individual life policies are taken in the name of the partners and premium is paid from the firm, then retiring partner is entitled to surrender value of his policy only.
 - (v) 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.
 - (vi) Goods worth ₹ 600 taken by the proprietor for personal use should be credited to Capital Account.

(6 statements x 2 Marks = 12 Marks)
- (b) Explain, in brief, the basic considerations for distinguishing between capital and revenue expenditures?

(4 Marks)
- (c) Classify the following errors under the three categories – Errors of Omission, Errors of Commission and Errors of Principle.
 - (i) Sale of furniture credited to Sales Account.
 - (ii) Purchase worth ₹ 500 from M not recorded in subsidiary books.
 - (iii) Credit sale wrongly passed through the Purchase Book.
 - (iv) Machinery sold on credit to Mohan recorded in Journal Proper but omitted to be posted.
 - (v) Goods worth ₹ 5000 purchased on credit from Ram recorded in the Purchase Book as ₹ 500.

(4 Marks)
2. (a) Prepare a Bank Reconciliation statement for Satyam Traders as on 31st March, 2021
The cash book of Satyam Traders shows a debit balance of ₹ 4,12,200 at bank as on 31st March, 2021, but you find that it does not agree with the balance as per Pass Book. After checking you find the following:
 1. On 12th March, 2021 the payment side of the Cash Book was under cast by ₹ 12,000/-
 2. A cheque of ₹ 85,000 issued on 20th March, 2021 was not taken in the bank column.

3. On 22nd March, 2021 the debit balance of ₹ 18,500 as on the previous day, was brought forwards as credit balance.
 4. Out of the total cheques amounting to ₹ 42,000 issued in, the last week of March, 2021, cheques aggregating ₹ 28,500 were encashed in March, 2021.
 5. Dividends of ₹ 35,000 collected by the Bank and Fire insurance premium of ₹ 20,000 paid by it were not recorded in the cash book.
 6. One cheque issued to a Creditor of ₹ 1,29,000 was recorded twice in the Cash book.
 7. A debtor Mr. A has deposited the Cheque for ₹ 32,000 into the bank directly in the month of March, 2021 without intimating to Satyam Traders and the same cheque was dishonored by the bank due to insufficient funds in the month of March itself.
 8. A cheque from customer for ₹ 5,000 was deposited in bank on 28th March, 2021 but was dishonored and advice received from bank on 3rd April, 2021.
 9. Bank paid credit card bill of ₹ 2,500 which is not recorded in cash book.
 10. Bank wrongly credited cheque of ₹ 25,000 of other customer in our account.
 11. Bank credited cheque of ₹ 2,000 in savings account of proprietor of Satyam Traders instead of crediting cheque in current account of Satyam Traders.
 12. ₹ 500 discount received wrongly entered in bank column in cash book.
 13. Bank debited charges ₹ 200 on 25th March for which no intimation received till 31st March.
- (b) A Plant & Machinery costing ₹ 50,00,000 is depreciated on straight line assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by ₹ 2,00,000. The remaining useful life was reassessed at 8th year. Calculate Depreciation for the fifth year. **(15 Marks +5 Marks= 20 Marks)**
- 3 (a) Calculate average due date from the following information:

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

(5 Marks)

- (b) Mr. Lalit owed ₹ 4,000 on 1st January, 2021 to Mr. Sumit. The following transactions took place between them. It is agreed between the parties that interest @ 10% p.a. is to be calculated on all transactions.

	₹
15 January, 2021 Mr. Sumit sold goods to Mr. Lalit	2,230
29 January, 2021 Mr. Sumit bought goods from Mr. Lalit	1,200
10 February, 2021 Mr. Lalit paid cash to Mr. Sumit	1,000
13 March, 2021 Mr. Lalit accepted a bill drawn by Mr. Sumit for one month	2,000

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

Prepare Mr. Lalit in Account Current with Mr. Sumit and ascertain the amount to be paid. Ignore days of grace. **(5 Marks)**

- (c) Mr. Q accepted a bill for ₹ 10,000 drawn on him by Mr. P on 1st August, 2020 for 3 months. This was for the amount which Q owed to P. On the same date Mr. P got the bill discounted at his bank for ₹ 9,800.

On the due date, Q approached P for renewal of the bill. Mr. P agreed on condition that ₹ 2,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Q should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2020, Q became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. P **(10 Marks)**

4. From the following data, prepare an Income and Expenditure Account for the year ended 31st December 2020, and Balance Sheet as at that date of the Rex Speciality Hospital:

**Receipts and Payments Account for the
year ended 31 December, 2020**

RECEIPTS	₹		PAYMENTS		₹
To Balance b/d			By Salaries:		
Cash	1,600		(₹ 14,400 for 2019)		62,400
Bank	<u>10,400</u>	12,000	By Hospital Equipment		34,000
To Subscriptions:			By Furniture purchased		12,000
For 2019		10,200	By Additions to Building		1,00,000
For 2020		49,000	By Printing and Stationery		4,800
For 2021		4,800	By Diet expenses		31,200
To Government Grant:			By Rent and rates		4,000
For building		1,60,000	(₹ 600 for 2021)		
For maintenance		40,000	By Electricity and water charges		4,800
Fees from sundry Patients		9,600	By office expenses		4,000
To Donations (not to be capitalized)		16,000	By Investments		40,000
To Net collections from benefit shows		12,000	By Balances:		
			Cash	2,800	
			Bank	<u>13,600</u>	<u>16,400</u>
		<u>3,13,600</u>			<u>3,13,600</u>
Additional information :					₹
Value of building under construction as on 31.12.2020					2,80,000
Value of hospital equipment on 31.12.2020					1,02,000
Building Fund as on 1.1. 2020					1,60,000
Subscriptions in arrears as on 31.12.2019					13,000
Investments in 8% Govt. securities were made on 1st July, 2020.					

(20 Marks)

5. (a) Superior & Co. is a partnership firm with partners Mr. Sam, Mr. Tim and Mr. Lee, sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2020 is as under:

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

It was mutually agreed that Mr. Tim will retire from partnership and in his place Mr. Ben will be admitted as a partner with effect from 1st April, 2020. For this purpose, the following adjustments are to be made:

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

You are required to prepare

- Revaluation account;
 - Partners' capital accounts; and
 - Bank account;
- (b) Following information is provided for M/s. Rishi traders for the year ended 31st March, 2021:

	₹
Opening Inventory	3,00,000
Purchases	20,16,000
Carriage Inwards	90,000
Wages	1,50,000
Sales	33,00,000
Returns inward	3,00,000
Returns outward	2,16,000
Closing Inventory	6,00,000

You are required to pass necessary closing entries in the journal proper of M/s. Rishi traders.

(15 + 5 = 20 Marks)

6. (a) Give necessary journal entries for the forfeiture and re-issue of shares:
- (i) Suresh Ltd. forfeited 300 shares of ₹ 10 each fully called up, held by Ramesh for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Mahesh for ₹ 8 per share.
 - (ii) Mr. P, who was the holder of 2,500 preference shares of ₹ 100 each, on which ₹ 70 per share has been called up, could not pay his dues on Allotment and First call each at ₹ 20 per share. The Directors forfeited the above shares and reissued 2,000 of such shares to Mr. Q at ₹ 60 per share paid-up as ₹ 70 per share. **(10 Marks)**
- (b) On 1st April, 2020, Sky Ltd. took over assets of ₹ 4,50,000 and liabilities of ₹ 60,000 of Universe Ltd. for the purchase consideration of ₹ 4,40,000. It paid the purchase consideration by issuing 8% debentures of ₹ 100 each at 10% premium. On the same date it issued another 3,000, 8% debentures of ₹ 100 at discount of 10% redeemable at the premium of 5% after 5 years. According to the terms of the issue ₹ 30 is payable on application and the balance on the allotment of debenture.
- You are required to pass journal entries in the books of Sky Ltd. for financial year 2020-21. **(5 Marks)**
- (c) Explain in brief objectives of preparing Trial Balance.

Or

What are the rules of posting of journal entries into the Ledger? Explain in brief. **(5 Marks)**

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ANSWERS

1. (a) (i) **True** - Conservatism states that the accountant / entity should not anticipate any future income. However, they should provide for all possible / probable losses. Imprudent use of concept of conservatism may lead to understatement of income and assets.
- (ii) **True** - In the early periods of useful life of a fixed assets, repairs and maintenance expenses are relatively low because the asset is new. Whereas in later periods, as the asset become old, repairs and maintenance expenses increase continuously. Under written down value method, depreciation charged is high in the initial period and reduces continuously in the later periods. Thus, depreciation and repair and maintenance expenses become more or less uniform throughout the useful life of the asset
- (iii) **True** - Discount at the time of retirement of a bill is a gain for the drawee and loss for the drawer.
- (iv) **False** -If individual life policies are taken in the name of the partners and premium is paid from the firm, then retiring partner is entitled to surrender value of all the partners policies.
- (v) **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.
- (vi) **False** -Goods taken by the proprietor for personal use should be credited to Purchases Account as less goods are left in the business for sale.
- (b) The basic considerations in distinction between capital and revenue expenditures are:
- (i) Nature of business: For a trader dealing in furniture, purchase of furniture is revenue expenditure but for any other trade, the purchase of furniture should be treated as capital expenditure and shown in the balance sheet as asset.
- (ii) Recurring nature of expenditure: If the frequency of an expense is quite often in an accounting year then it is said to be an expenditure of revenue nature while non-recurring expenditure is infrequent in nature and do not occur often in an accounting year.
- (iii) Purpose of expenses: Expenses for repairs of machine may be incurred in course of normal maintenance of the asset. Such expenses are revenue in nature. On the other hand, expenditure incurred for major repair of the asset so as to increase its productive capacity is capital in nature.
- (iv) Materiality of the amount involved: Relative proportion of the amount involved is another important consideration in distinction between revenue and capital.
- (c) (i) Error of Principle.
- (ii) Error of Omission.
- (iii) Error of Commission.
- (iv) Error of Omission.
- (v) Error of Commission

2. (a)

Bank Reconciliation Statement of Satyam Traders as on 31 st March, 2021		
Particulars	Amount	Amount
Balance as per Cash Book		4,12,200
Add:		
Mistake in bringing forward ₹18,500/-debit	37,000	
Balance as credit balance on 22nd March		
Cheques issued but not presented	13,500	
Issued = ₹42,000 less cashed ₹ 28,500 = ₹13,500/-		
Dividend directly collected but not entered in cash book	35,000	
Cheques recorded twice in the cash book	1,29,000	
Wrongly credited cheque by bank	25,000	
Discount amount wrongly entered in bank column	500	
TOTAL		2,40,000
Less:		
Wrong casting in cash book on 12th March, 2021	12,000	
Cheque issued and not entered in the Bank Column	85,000	
Fire Insurance premium paid directly by bank	20,000	
Cheque dishonored not recorded in books	5,000	
Credit card payment not recorded in cash book	2,500	
Cheque wrongly deposited by bank in savings account	2,000	
Bank charges debited not recorded in cash book	200	
TOTAL		1,26,700
Balance as per the Passbook		5,25,500
<i>No effects of cheque deposit directly and dishonored in the same Month. Alternatively figure of ₹32,000/- can be added as well as deducted from balance as per cash book.</i>		

(b) Calculation of depreciation for 5th year

Depreciation per year charged for four years = ₹ 50,00,000 / 10 = ₹ 5,00,000

WDV of the machine at the end of fourth year = ₹ 50,00,000 – ₹ 5,00,000 × 4 = ₹ 30,00,000.

Depreciable amount after revaluation = ₹ 30,00,000 + ₹ 2,00,000 = ₹ 32,00,000

Remaining useful life as per previous estimate = 6 years

Remaining useful life as per revised estimate = 8 years

Depreciation for the fifth year and onwards = ₹ 32,00,000 / 8 = ₹ 4,00,000.

3. (a)

Calculation of Average Due Date
(Taking 4th May, 2021 as the base date)

Date of bill	Term	Due date	Amount ₹	No. of days from the base date i.e. May 4, 2021	Product ₹
2021		2021			
1 st March	2 months	4 th May	20,000	0	0
10 th March	3 months	13 th June	15,000	40	6,00,000
5 th April	2 months	8 th June	10,000	35	3,50,000
23 rd April	1 month	26 th May	18,750	22	4,12,500
10 th May	2 months	13 th July	<u>25,000</u>	70	<u>17,50,000</u>
			<u>88,750</u>		<u>31,12,500</u>

Average due date = Base date + Days equal to $\frac{\text{Total of products}}{\text{Total amount}}$

$$= 4^{\text{th}} \text{ May, 2021} + \frac{₹ 31,12,500}{88,750} = 4^{\text{th}} \text{ May, 2021} + 35 \text{ days} = 8^{\text{th}} \text{ June, 2021}$$

(b)

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

Dr.										Cr.	
Date		Particulars	Amount	Days	Product	Date		Particulars	Amount	Days	Product
2021						2021					
Jan. 01	To	Balance b/d	4,000	74	2,96,000	Jan. 29	By	Purchase account	1,200	45	54,000
Jan. 15	To	Sales account	2,230	59	1,31,570	Feb. 10	By	Cash account	1,000	33	33,000
Mar. 13	To	Red Ink product (₹ 2,000 × 29)			58,000	Mar. 13	By	Bills Receivable account	2,000		
Mar. 15	To	Interest account $\left(\frac{₹3,98,570 \times 10 \times 1}{100 \times 365}\right)$	109			Mar. 15	By	Balance of product			3,98,570
							By	Balance c/d (amount to be paid)	2,139		
			<u>6,339</u>		<u>4,85,570</u>				<u>6,339</u>		<u>4,85,570</u>

(c)

Journal Entries in the Books of Mr. P

Date		Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
2020 August	1	Bills Receivable A/c To Q	Dr.	10,000	10,000

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

4.

Rex Speciality Hospital
Income & Expenditure Account
for the year ended 31 December, 2020

Expenditure	(₹)	Income	(₹)
To Salaries	48,000	By Subscriptions	49,000
To Diet expenses	31,200	By Govt. Grants (Maintenance)	40,000
To Rent & Rates	3,400	By Fees, Sundry Patients	9,600
To Printing & Stationery	4,800	By Donations	16,000
To Electricity & Water-charges	4,800	By Benefit shows (net collections)	12,000
To Office expenses	4,000	By Interest on Investments	1,600
To Excess of Income over expenditure transferred to Capital Fund	<u>32,000</u>		
	<u>1,28,200</u>		<u>1,28,200</u>

Balance Sheet as at 31st Dec., 2020

Liabilities	₹	₹	Assets	₹	₹
Capital Fund :			Building :		
Opening balance	98,600		Opening balance	1,80,000	
Excess of Income			Addition	<u>1,00,000</u>	2,80,000
Over Expenditure	<u>32,000</u>	1,30,600	Hospital Equipment :		
Building Fund :			Opening balance	68,000	
Opening balance	1,60,000		Addition	<u>34,000</u>	1,02,000
Add : Govt. Grant	<u>1,60,000</u>	3,20,000	Furniture		12,000
Subscriptions			Investments-		
received in advance		4,800	8% Govt. Securities		40,000
			Subscriptions receivable		2,800
			Accrued interest		1,600
			Prepaid expenses (Rent)		600
			Cash at Bank		13,600
			Cash in hand		2,800
		<u>4,55,400</u>			<u>4,55,400</u>

Working Notes:

(1) Balance sheet as at 31st Dec., 2020

Liabilities	₹	Assets	₹
Capital Fund		Building	1,80,000
(Balancing Figure)	98,600	Equipment	68,000
Building Fund	1,60,000	Subscription Receivable	13,000
Creditors for Expenses :		Cash at Bank	10,400
Salaries payable	<u>14,400</u>	Cash in hand	<u>1,600</u>
	<u>2,73,000</u>		<u>2,73,000</u>
(2) Value of Building			₹
Balance on 31st Dec. 2020			2,80,000
Paid during the year			<u>1,00,000</u>
Balance on 31st Dec. 2019			<u>1,80,000</u>
(3) Value of Equipment			
Balance on 31st Dec. 2020			1,02,000
Paid during the year			<u>(34,000)</u>
Balance on 31st Dec. 2019			<u>78,000</u>
(4) Subscription due for 2019			
Receivable on 31st Dec. 2019			13,000
Received in 2020			<u>10,200</u>
Still Receivable for 2019			<u>2,800</u>

5. (a)

Revaluation Account

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

Capital Accounts of Partners

Particulars	Sam	Tim	Lee	Ben	Particulars	Sam	Tim	Lee	Ben
	₹	₹	₹	₹		₹	₹	₹	₹
To Revaluation A/c	30,400	18,240	12,160	-	By Balance b/d	80,000	20,000	30,000	-
To Investments A/c	-	15,000	-	-	By Reserves A/c	10,000	6,000	4,000	-
To Tim Loan A/c	-	22,760	-	-	By Lee and Ben Capital A/c	10,000	30,000	-	-
To P and Q's Capital A/c			20,000	20,000	By Bank A/c (balancing figure)	10,400	-	78,160	60,000
To Balance c/d	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>40,000</u>					
	<u>1,10,400</u>	<u>56,000</u>	<u>1,12,160</u>	<u>60,000</u>		<u>1,10,400</u>	<u>56,000</u>	<u>1,12,160</u>	<u>60,000</u>

Bank Account

	₹		₹
To Sam's capital A/c	10,400	By Bank Overdraft A/c	44,000
To Lee's capital A/c	78,160	By Balance c/d	1,04,560
To Ben's capital A/c	60,000		
	<u>1,48,560</u>		<u>1,48,560</u>

(b) Journal Proper in the Books of M/s. Rishi Traders

Date 2021	Particulars		Amount ₹	Amount ₹
Mar. 31	Returns outward A/c To Purchases A/c (Being the transfer of returns to purchases account)	Dr.	2,16,000	2,16,000
	Sales A/c To Returns Inward A/c (Being the transfer of returns to sales account)	Dr.	3,00,000	3,00,000
	Sales A/c To Trading A/c (Being the transfer of balance of sales account to trading account)	Dr.	30,00,000	30,00,000
	Trading A/c To Opening Inventory A/c	Dr.	23,40,000	3,00,000

	To Purchases A/c To Wages A/c To Carriage Inwards A/c (Being the transfer of balances of opening inventory, purchases and wages accounts)			18,00,000 1,50,000 90,000
	Closing Inventory A/c To Trading A/c (Being the incorporation of value of closing Inventory)	Dr.	6,00,000	6,00,000
	Trading A/c To Gross Profit (Being the amount of gross profit)	Dr.	12,60,000	12,60,000
	Gross profit To Profit and Loss A/c (Being the transfer of gross profit to Profit and Loss Account)	Dr.	12,60,000	12,60,000

6. (a) (i) **Journal Entries in the books of Suresh Ltd.**

Date		Dr. ₹	Cr. ₹
(a)	Equity Share Capital A/c Dr. To Equity Share Allotment money A/c (300 x ₹ 3) To Equity Share Final Call A/c (300 x ₹ 4) To Forfeited Shares A/c (300 x ₹ 3) (Being the forfeiture of 300 equity shares of ₹ 10 each for non-payment of allotment money and final call, held by Ramesh as per Board's resolution No.....dated.....)	3,000	900 1,200 900
(b)	Bank Account (300 x 8) Dr. Forfeited Shares Account (300x 2) Dr. To Equity Share Capital Account (Being the re-issue of 300 forfeited shares @ ₹ 8 each as fully paid up to Mahesh as per Board's resolution No.....dated.....)	2,400 600	3,000
(c)	Forfeited Shares Account Dr. To Capital Reserve Account (Being the profit on re-issue, transferred to capital reserve)	300	300

(ii)

	Dr. ₹	Cr. ₹
Preference Share Capital A/c (2,500 x ₹ 70) Dr. To Preference Share Allotment A/c (2,500 x ₹ 20)	1,75,000	50,000

To Preference Share First Call A/c (2,500 x ₹ 20)			50,000
To Forfeited Share A/c			75,000
(Being the forfeiture of 2,500 preference shares ₹ 70 each being called up for non-payment of allotment and first call money as per Board's Resolution No.... dated.....)			
Bank A/c (2,000 x ₹60)	Dr.	1,20,000	
Forfeited Shares A/c (2,000 x ₹10)	Dr.	20,000	
To Preference Share Capital A/c			1,40,000
(Being re-issue of 2,000 shares at ₹ 60 per share paid-up as ₹ 70 as per Board's Resolution No.....dated.....)			
Forfeited Shares A/c	Dr.	40,000	
To Capital Reserve A/c (Note 1)			40,000
(Being profit on re-issue transferred to Capital/Reserve)			

Working Note:

Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share = ₹ 75,000/2500	= ₹ 30
Loss on re-issue = ₹ 70 – ₹ 60	= ₹ 10
Surplus per share re-issued	₹ 20
Transferred to capital Reserve ₹ 20 x 2000	= ₹ 40,000.

(b)

Journal of Sky Ltd.

Date	Particulars	Dr.	Cr.
2020 April, 1	Sundry Assets A/c Dr. Goodwill A/c (Bal. fig) Dr. To Universe Ltd. A/c To Sundry Liabilities A/c (Being Asset and liabilities taken over for a net Consideration of ₹ 4,40,000)	4,50,000 50,00	4,40,000 60,000
	Universe Ltd. A/c Dr. To Debentures A/c To Securities Premium Reserve A/c (Being 4000; 8% Debenture of ₹ 100 each Issued at a premium of 10%)	4,40,000	4,00,000 40,000
	Bank A/c Dr. To Debenture Application A/c (Being the application money received for 3000, 8% Debenture)	90,000	90,000
	Debenture Application A/c Dr. To 8% Debenture A/c (Being 3000; 8% Debenture allotted)	90,000	90,000
	Debentures allotment A/c Dr. Loss on issue of debenture A/c Dr. To 8% Debentures A/c	1,80,000 45,000	2,10,000

	To Premium on redemption of debentures A/c (Being allotment money due on 3000; 8% Debentures at 10% discount and redeemable at 5% premium)		15,000
	Bank A/c Dr. To Debentures Allotment A/c (Being the allotment money received)	1,80,000	1,80,000
2021 March, 31	Securities Premium Reserve A/c Dr. Profit and Loss A/c Dr. To Loss on issue of Debenture A/c (Being the Loss on issue of debenture written off)	40,000 5,000	45,000

(c) The preparation of trial balance has the following objectives:

- 1 Checking of the arithmetical accuracy of the accounting entries:** Trial Balance enables one to establish whether the posting and other accounting processes have been carried out without committing arithmetical errors. In other words, the trial balance helps to establish the arithmetical accuracy of the books.
- 2. Basis for preparation of financial statements:** Trial Balance forms the basis for preparing financial statements such as the Income Statement and the Balance Sheet. The Trial Balance represents all transactions relating to different accounts in a summarized form for a particular period. In case, the Trial Balance is not prepared, it will be almost impossible to prepare the financial statements to know the profit or loss made by the business during a particular period or its financial position on a particular date.
- 3. Summarized ledger:** Trial Balance contains the ledger balances on a particular position of a particular account can be judged simply by looking at the Trial Balance. The ledger may be seen only when details regarding the accounts are required

Or

Rules regarding posting of entries in the ledger

1. Separate account is opened in ledger book for each account and entries from journal are posted to respective account accordingly.
2. It is a practice to use words 'To' and 'By' while posting transactions in the ledger.
3. The concerned account debited in the journal should also be debited in the ledger but reference should be of the respective credit account.

MOCK TEST PAPER 1

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) Rahul goes to super market to buy a washing machine. He selects a branded washing machine having a price tag of ₹ 15000 after a discount of ₹ 3000. Rahul reaches at cash counter for making the payment, but cashier says, "Sorry sir, the discount was upto yesterday. There is no discount from today. Hence you have to pay ₹ 18000." Rahul got angry and insists for ₹ 15000. State with reasons whether under Indian Contract Act, 1872, Rahul can enforce the cashier to sale at discounted price i.e. ₹ 15000. **(4 Marks)**
- (ii) The paid-up capital of Ram Private Limited is ₹ 10 Crores in the form of 7,00,000 Equity Shares of ₹ 100 each and 3,00,000 Preference Shares of ₹ 100 each. Lakhan Private Limited is holding 3,00,000 Equity Shares and 3,00,000 Preference Shares in Ram Private Limited. State with reason, Whether Ram Private Limited is subsidiary of Lakhan Private Limited? **(4 Marks)**
- (iii) Write any four exceptions to the doctrine of Caveat Emptor as per the Sale of Goods Act, 1930. **(4 Marks)**
2. (i) "An anticipatory breach of contract is a breach of contract occurring before the time fixed for performance has arrived". Discuss stating also the effect of anticipatory breach on contracts. **(7 Marks)**
- (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) Enumerate the differences between Partnership and Joint Stock Company. **(6 Marks)**
- (ii) Rohan is running a grocery store in Delhi. He sells his grocery business, including goodwill worth ₹ 1,00,000 to Rohit for a sum of ₹ 5,00,000. After the sale of goodwill, Rohit made an agreement with Rohan. As per this agreement, Rohan is not to open another grocery store (similar kind of business) in the whole of India for next ten years. However, Rohan opens another store in the same city two months later. What are the rights available with Rohit regarding the restriction imposed on Rohan with reference to Indian Contract Act, 1872? **(6 Marks)**
4. (i) Explain any six circumstances in detail in which a non-owner can convey better title to the bona fide purchaser of goods for value under the Sale of Goods Act, 1930. **(6 Marks)**
- (ii) Sohan, Rohan and Jay were partners in a firm. The firm is dealer in office furniture. They have regular dealings with M/s AB and Co. for the supply of furniture for their business. On 30th June 2020, one of the partners, Mr. Jay died in a road accident. The firm has ordered M/s AB and Co. to supply the furniture for their business on 25th May 2020, when Jay was also alive.

Now Sohan and Rohan continue the business in the firm's name after Jay's death. The firm did not give any notice about Jay's death to the public or the persons dealing with the firm. M/s AB and Co. delivered the furniture to the firm on 25th July 2020. The fact about Jay's death was

known to them at the time of delivery of goods. Afterwards the firm became insolvent and failed to pay the price of furniture to M/s AB and Co. Now M/s AB and Co. has filed a case against the firm for recovery of the price of furniture. With reference to the provisions of Indian Partnership Act, 1932, explain whether Jay's private estate is also liable for the price of furniture purchased by the firm? **(6 Marks)**

5. (i) Mr. P was running a shop selling good quality washing machines. Mr. Q came to his shop and asked for washing machine which is suitable for washing woollen clothes. Mr. P showed him a particular machine which Mr. Q liked and paid for it. Later on, when the machine was delivered at Mr. Q's house, it was found that it was wrong machine and also unfit for washing woollen clothes. He immediately informed Mr. P about the delivery of wrong machine. Mr. P refused to exchange the same, saying that the contract was complete after the delivery of washing machine and payment of price. With reference to the provisions of Sale of Goods Act, 1930, discuss whether Mr. P is right in refusing to exchange the washing machine? **(6 Marks)**
- (ii) "The Memorandum of Association is a charter of a company". Discuss. Also explain in brief the contents of Memorandum of Association. **(6 Marks)**
6. (i) Explain the term "Coercion" and what are the effects of coercion under Indian Contract Act, 1872. **(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) Five persons are the only members of a private company Flower Fans Limited. All of them go in a boat on a pleasure trip into an open sea. The boat capsizes and all the 5 die being drowned.
- (a) Is the private company Flower Fans Limited no longer in existence?
- (b) Further is it correct to say that a company being an artificial person cannot own property and cannot sue or be sued? Explain with reference to the provisions of Companies Act, 2013. **(3 Marks)**

PAPER 2: SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING

Max Marks: 40

Instructions

The Question Paper comprises 5 questions of 10 Marks each. Question No. 1 is compulsory. Out of questions 2 to 5, attempt any three.

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

India's economic growth is now much more closely linked to the state of the rural economy than it ever was. Sustaining a 7.5 per cent growth in GDP would be contingent on higher growth in rural household consumption.

Rural expenditure grew 5.7 per cent annually during 2005-15 — against 5 per cent annual growth in the preceding decade — as the government increased social sector spending during the last 10 years.

However, the average rural monthly per capita expenditure (MPCE) at ₹ 1,430 is still about half the average urban MPCE of ₹ 2,630.

A higher social sector spend by the government is the key to India's sustained high economic growth, as it would cut rural populace's social expenditure burden, leaving them with more disposable income to buy consumer goods, clothes and vehicles.

The government's employment scheme, for instance, had significant contribution in raising disposable income among rural households. The National Rural Employment Guarantee Act (NREGA) generated 230.46 crore 'person days' of employment in 2012-13. Two years later, in 2014-15, this fell to 166.36 crore person-days of employment, as the government cut social-sector allocation.

The average NREGA wage being at ₹ 152 per day, a similar employment level in 2014-15 as that in 2012-13 would result in additional rural income generation of more than ₹ 9,700 crore, calculated for the gap of 64.1 core person-days.

The number of households that completed 100 days of employment under the NREGA in 2012-13 was at 50 lakhs. This fell by half in 2014-15 to 25 lakhs households. It shows the enormity of the impact that increased focus on one scheme alone can have.

Further, other social sector spend by the government through various schemes for health, education, rural housing, rural electrification, agriculture and financial inclusion would reduce rural households' expenditure burden on social goods and services.

This, in turn, would lead to increased spending on apparel and footwear, FMCG, consumer services and consumer durables. The spending pattern in rural areas too would depend on households' income category (lower, middle and higher).

According to India Brand Equity Foundation, the rural FMCG market has been growing at around 13 per cent per year over the past five years. It is expected to reach \$100 billion in next 10 years, from \$19 billion in 2014-15. Such growth is possible only with sustained growth in rural economy and households' disposable income.

In the last few years, rural households have shown a trend of increasing spending on apparel and footwear, which were hitherto more of semi-urban and urban characteristics.

This segment is expected to see decent growth in coming years in rural markets, specifically in ready-to-stitch and ready-to-wear wear clothes, T-shirts, denims, sandals, etc.

The rural consumer durable market is roughly 35 per cent of the overall \$10-billion market as of

2014-15. This segment is expected to see higher volume growth in rural areas as the urban markets are getting saturated, and the next cycle of growth there would come from replacements and upgrades.

In rural markets, the demand is expected to rise for items such as refrigerators, two-wheelers and other consumer electronic goods.

The recent media interactions and public speeches of the Prime Minister and the Finance Minister indicate a policy shift towards looking at increased spending on social schemes and targeted subsidies for the needy.

Such measures will spur rural economy and can have a positive impact on sectors such as consumer goods, apparel and footwear, consumer durables and services.

1. What has been the latest expenditure trend in the last few years? **(1 Mark)**
2. How can higher social sector spending by the government boost sustainable economic growth? **(1 Mark)**
3. What is/are true about rural market? **(1 Mark)**
 - a. Increased usage of ready-to-wear clothes.
 - b. Increased purchasing of luxury items such as refrigerators, electronic goods and two-wheelers.
 - c. The rural FMCG market has been growing at around 13 per cent per year over the past five years.
 - d. Rural growth is possible only with sustained growth in rural economy and households' disposable income.
 - e. All the above
4. What is/are the moot point(s) of the recent media interactions and public speeches of the Prime Minister and the Finance Minister? **(1 Mark)**
5. Which of the following is/are not true according to the passage? **(1 Mark)**
 - a. Several employment schemes have tremendously contributed in raising disposable income among rural households.
 - b. Other social sector spend by the government would help reduce expenditure burden on social goods and services.
 - c. The increase in employment rate shows the enormity of the impact that increased focus on one scheme alone can have.
 - d. The spending pattern of consumer expenditure would depend on households' income category.

(b) Read the passage given below.

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

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

1. The tests of life are its plus factors. Overcoming illness and suffering is a plus factor for it moulds character. Steel is iron plus fire, soil is rock plus heat. So let's include the plus factor in our lives.
2. Sometimes the plus factor is more readily seen by the simple hearted. Myers tells the story of a mother who brought into her home – as a companion to her own son- a little

boy who happened to have a hunch back. She had warned her son to be careful, not to refer to his disability. The boys were playing and after a few minutes she overheard her son say to his companion "Do you know what you have got on your back ?" The little boy was embarrassed, but before he could reply, his playmate continued " It is the box in which your wings are, and some day God is going to cut it open and then you will fly away and be an angel."

3. Often it takes a third eye or a change in focus, to see the plus factor. Walking along the corridors of a hospital recently where patients were struggling with fear of pain and tests, I was perturbed. What gave me a fresh perspective were the sayings put up everywhere, intended to uplift. One saying made me conscious of the beauty of the universe in the midst of pain, suffering and struggle. The other saying assured me that God was with me when I was in deep water and that no troubles would overwhelm me.
4. The import of those sayings also made me aware of the nether springs that flow into people's lives when they touch rock bottom or are lonely or guilt ridden. The nether springs make recovery possible, and they bring peace and patience in the midst of negative forces.
5. The forces of death and destruction are not so much physical as they are psychic and psychological. When malice, hatred and hard heartedness prevail, they get channelled as forces of destruction. Where openness, peace and good heartedness prevail, the forces of life gush forth to regenerate hope and joy. The life force is triumphant when love overcomes fear. Both fear and love are deep mysteries, but the effect of love is to build, whereas fear tends to destroy. Love is generally the plus factor that helps build character. It creates bonds and its reach is infinite.
6. It is true there is no shortage of destructive elements – forces and people who seek to destroy others and in the process destroy themselves – but at the same time there are signs of love and life everywhere that are constantly enabling us to overcome setbacks. So let's not look at gloom and doom – let us seek positivity and happiness. For it is when you seek that you will find what is waiting to be discovered.

2. (a) What is the difference between chain network and wheel spoke network? **(1 Mark)**

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

Clamour

a. Assuage b. Affirm c. Silence d. Tumult **(1 Mark)**

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

Cobble

a. Indifferent b. Synthesize c. Complete d. Destroy

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

I was watering the plants.

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

He said, "Call me back later!"

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

Liberalism is founded on the belief in human liberty. Unlike rats and monkeys, human beings are supposed to have "free will". This is what makes human choices the ultimate moral and political authority in the world.

If you happened to be amid the riots in Washington on the day after Martin Luther King was assassinated, or in Paris in May 1968, or at the Democratic party's convention in Chicago in

August 1968, you might well have thought that the end was near. While Washington, Paris and Chicago were descending into chaos, the Soviet system seemed destined to endure forever. Yet 20 years later it was the Soviet system that collapsed. The clashes of the 1960s strengthened liberal democracy, while the stifling climate in the Soviet bloc presaged its demise.

3. (a) What do you understand by coherence in communication? **(1 Mark)**
- (b) (i) Choose the word which best expresses the meaning of the given word. **(1 Mark)**
Posit
a. Hypothesize b. Catalogue c. Farcical d. Division
- (ii) Select a suitable antonym for the word given in question. **(1 Mark)**
Augur
a. Harbinger b. Herald c. Contraindicate d. Risible
- (iii) Change the following sentences into passive voice: **(1 Mark)**
Everyone is going to love her.
- (iv) Change the following sentence to indirect speech. **(1 Mark)**
My mother said, "I had headache yesterday."
- (c) You are JM, Senior Associate of XYZ Legal and you have been approached by Ms. KC of ABC Enterprises for legal services. Write a letter to share the fee proposal of the discussed services.
4. (a) Discuss Non Verbal communication and its types. **(2 Mark)**
- (b) (i) Select the suitable antonym for the given word: **(1 Mark)**
Transient
a. Immanent b. Temporal c. Ephemeral d. Affinity
- (ii) Rewrite the following sentence in passive voice: **(1 Mark)**
Someone has made a mistake.
- (iii) Change the following sentence into Indirect speech. **(1 Mark)**
Ria said, "I'm seeing my brother tomorrow."
- (c) Write an Article of about 250-300 words on the topic '**Impact of working from home on careers**'. **(5 Marks)**

Or

Write a report on 'School Reopen after 1.5 years : Back to School.' in 250-300 words.

5. (a) What are cultural barriers in communication? **(2 Mark)**
- (b) (i) Select the correct meaning of the idioms/phrases used in sentences given below. **(2 Marks)**
 1. The chairman of the corporation plays a second fiddle to the minister.
 - a. To extend a helping hand
 - b. To play a secondary role.
 - c. To be guiding person.
 - d. To be facilitator.
 2. In order to become a successful administrator in the office, an executive has to keep his ears to the ground.
 - a. To be very polite

- b. To encourage backbiting
- c. To keep informed about happening in surrounding.
- d. To have a strict control over all.

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

My sister is being helped by her.

(c) Prepare agenda for a meeting to discuss productivity in the 'work from home' model in office and discussing the tentative timelines for starting offline office. **(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 Tri Nagar in New Delhi.

Name: Rohit Varma

Qualifications: CA Intermediate

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING

SECTION A: BUSINESS LAWS

ANSWERS

1. (i) **An invitation to offer is different from offer.** Quotations, menu cards, price tags, advertisements in newspaper for sale are not offer. These are merely invitations to public to make an offer. An invitation to offer is an act precedent to making an offer. Acceptance of an invitation to an offer does not result in the contract and only an offer emerges in the process of negotiation.

In the instant case, Rahul reaches to super market and selects a washing machine with a discounted price tag of ₹15000 but cashier denied to sale at discounted price by saying that discount is closed from today and request to make full payment. But Rahul insists to sale at discounted price.

On the basis of above provisions and facts, the price tag with washing machine was not offer. It is merely an invitation to offer. Hence, it is the Rahul who is making the offer not the super market. Cashier has right to reject the Rahul's offer. Therefore, Rahul cannot enforce cashier to sale at discounted price.

- (ii) According to Section 2(87) of Companies Act, 2013 "subsidiary company" in relation to any other company (that is to say the holding company), means a company in which the holding company—

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies:

For the purposes of this section —

- (i) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (ii) the expression "company" includes anybody corporate;

It is to be noted that Preference share capital will also be considered if preference shareholders have same voting rights as equity shareholders.

In the instant case, Ram Private Limited is having paid-up capital of ₹10 Crores in the form of 7,00,000 Equity Shares of ₹100 each and 3,00,000 Preference Shares of ₹100 each. Lakhan Private Limited is holding 3,00,000 Equity Shares and 3,00,000 Preference Shares in Ram Private Limited.

As in the given problem it is not clear that whether Preference Shares are having voting rights or not, it can be taken that there is no voting right with these shares. On the basis of provisions of Section 2(87) and facts of the given problem, Lakhan Private Limited is holding 3,00,000 Equity Shares of total equity paid up share capital of Ram Private Limited. Therefore, as Lakhan Private Limited does not exercises or controls more than one-half of the total voting power in Ram Private Limited, Ram Private Limited is not subsidiary of Lakhan Private Limited.

- (iii) **Caveat Emptor:** In case of sale of goods, the doctrine 'Caveat Emptor' means 'let the buyer beware'. When sellers display their goods in the open market, it is for the buyers to make a proper selection or choice of the goods. If the goods turn out to be defective, he cannot hold the seller liable. The seller is in no way responsible for the bad selection of the buyer. The seller is not bound to disclose the defects in the goods which he is selling.

The doctrine of Caveat Emptor is subject to the following exceptions:

1. **Fitness as to quality or use:** Where the buyer makes known to the seller the particular purpose for which the goods are required, so as to show that he relies on the seller's skill or judgment and the goods are of a description which is in the course of seller's business to supply, it is the duty of the seller to supply such goods as are reasonably fit for that purpose [Section 16 (1) of the Sale of goods Act, 1930].
 2. **Goods purchased under patent or brand name:** In case where the goods are purchased under its patent name or brand name, there is no implied condition that the goods shall be fit for any particular purpose [Section 16(1)].
 3. **Goods sold by description:** Where the goods are sold by description there is an implied condition that the goods shall correspond with the description [Section 15]. If it is not so, then seller is responsible.
 4. **Goods of Merchantable Quality:** Where the goods are bought by description from a seller who deals in goods of that description there is an implied condition that the goods shall be of merchantable quality. The rule of Caveat Emptor is not applicable. But where the buyer has examined the goods, this rule shall apply if the defects were such which ought to have not been revealed by ordinary examination [Section 16(2)].
 5. **Sale by sample:** Where the goods are bought by sample, this rule of Caveat Emptor does not apply if the bulk does not correspond with the sample [Section 17].
 6. **Goods by sample as well as description:** Where the goods are bought by sample as well as description, the rule of Caveat Emptor is not applicable in case the goods do not correspond with both the sample and description or either of the condition [Section 15].
 7. **Trade Usage:** An implied warranty or condition as to quality or fitness for a particular purpose may be annexed by the usage of trade and if the seller deviates from that, this rule of Caveat Emptor is not applicable [Section 16(3)].
 8. **Seller actively conceals a defect or is guilty of fraud:** Where the seller sells the goods by making some misrepresentation or fraud and the buyer relies on it or when the seller actively conceals some defect in the goods so that the same could not be discovered by the buyer on a reasonable examination, then the rule of Caveat Emptor will not apply. In such a case the buyer has a right to avoid the contract and claim damages.
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**.

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

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

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

Basis	Partnership	Joint Stock Company
Legal status	A firm is not legal entity i.e. it has no legal personality distinct from the personalities of its constituent members.	A company is a separate legal entity distinct from its members (<i>Salomon v. Salomon</i>).
Agency	In a firm, every partner is an agent of the other partners as well as of the firm.	In a company, a member is not an agent of the other members or of the company, his actions do not bind either.
Distribution of profits	The profits of the firm must be distributed among the partners according to the terms of the partnership deed.	There is no such compulsion to distribute its profits among its members. Some portion of the profits, but generally not the entire profit, become distributable among the shareholders only when dividends are declared.
Extent of liability	In a partnership, the liability of the partners is unlimited. This means that each partner is liable for debts of a firm incurred in the course of the business of the firm and these debts can be recovered from his private property, if the joint estate is insufficient to meet them wholly.	In a company limited by shares, the liability of a shareholder is limited to the amount, if any, unpaid on his shares, but in the case of a guarantee company, the liability is limited to the amount for which he has agreed to be liable. However, there may be companies where the liability of members is unlimited.
Property	The firm's property is that which is the “joint estate” of all the partners	In a company, its property is separate from that of its members

	as distinguished from the 'separate' estate of any of them and it does not belong to a body distinct in law from its members.	who can receive it back only in the form of dividends or refund of capital.
Transfer of shares	A share in a partnership cannot be transferred without the consent of all the partners.	In a company a shareholder may transfer his shares, subject to the provisions contained in its Articles. In the case of public limited companies whose shares are quoted on the stock exchange, the transfer is usually unrestricted.
Management	In the absence of an express agreement to the contrary, all the partners are entitled to participate in the management.	Members of a company are not entitled to take part in the management unless they are appointed as directors, in which case they may participate. Members, however, enjoy the right of attending general meeting and voting where they can decide certain questions such as election of directors, appointment of auditors, etc.
Registration	Registration is not compulsory in the case of partnership.	A company cannot come into existence unless it is registered under the Companies Act, 2013.
Winding up	A partnership firm can be dissolved at any time if all the partners agree.	A company, being a legal person is either wind up by the National Company Law Tribunal or its name is struck off by the Registrar of Companies.
Number of membership	According to section 464 of the Companies Act, 2013, the number of partners in any association shall not exceed 100. However, the Rule given under the Companies (<i>Miscellaneous</i>) Rules, 2014 restrict the present limit to 50.	A private company may have as many as 200 members but not less than two and a public company may have any number of members but not less than seven. A private Company can also be formed by one person known as one person Company.
Duration of existence	Unless there is a contract to the contrary, death, retirement or insolvency of a partner results in the dissolution of the firm.	A company enjoys a perpetual succession.

(ii) Section 27 of the Indian Contract Act, 1872 provides that any agreement that restrains a person from carrying on a lawful trade, profession or business is void agreement. However, there are certain exceptions to this rule. One of the statutory exceptions includes sale of Goodwill. The restraint as to sale of goodwill would be a valid restraint provided-

- (i) Where the restraint is to refrain from carrying on a similar business
- (ii) The restraint should be within the specified local limits
- (iii) The restraint should be not to carry on the similar business after sale of goodwill to the buyer for a price

- (iv) The restriction should be reasonable. Reasonableness of restriction will depend upon number of factors as considered by court.

In the given case, Rohan has sold the goodwill and there is restraint for not carrying on the same business of grocery store. However the restriction imposed on Rohan is unreasonable as he cannot carry similar business in whole of India for next 10 years. The restriction on restraint to similar kind of trade should be reasonable to make it a valid agreement. Therefore, Rohit cannot take any legal action against Rohan as the restriction is unreasonable as per Section 27 of Indian Contract Act, 1872. Hence, the agreement made between Rohan and Rohit in restraint of trade is void agreement.

4. (i) In the following cases, a non-owner can convey better title to the bona fide purchaser of goods for value.

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

- (a) If he was in possession of the goods or documents with the consent of the owner;
- (b) If the sale was made by him when acting in the ordinary course of business as a mercantile agent; and
- (c) If the buyer had acted in good faith and has at the time of the contract of sale, no notice of the fact that the seller had no authority to sell (**Proviso to Section 27**).

Mercantile Agent means an agent having in the customary course of business as such agent 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)].

(2) **Sale by one of the joint owners (Section 28):** If one of several joint owners of goods has the sole possession of them by permission of the co-owners, the property in the goods is transferred to any person who buys them from such joint owner in good faith and has not at the time of the contract of sale notice that the seller has no authority to sell.

(3) **Sale by a person in possession under voidable contract:** A buyer would acquire a good title to the goods sold to him by a 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**).

(4) **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 and 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 disposition of the goods or documents of title by the seller in possession are equally valid [**Section 30(1)**].

(5) **Sale by buyer obtaining possession before the property in the goods has vested in him:** Where a buyer with the consent of the 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, he would get a good title to them [**Section 30(2)**].

However, a person in possession of goods under a 'hire-purchase' agreement which gives him only an option to buy is not covered within the section unless it amounts to a sale.

(6) **Effect of Estoppel:** Where the owner is estopped by the conduct from denying the seller's authority to sell, the transferee will get a good title as against the true owner. But before a good title by estoppel can be made, it must be shown that the true owner had actively

suffered or held out the other person in question as the true owner or as a person authorized to sell the goods.

- (7) **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)].

(8) **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 [Section 169 of the Indian Contract Act, 1872]
 - (iii) A sale by pawnee can convey a good title to the buyer [Section 176 of the Indian Contract Act, 1872]
- (ii) According to section 35 of the Indian Partnership Act, 1932, where under a contract between the partners, the firm is not dissolved by the death of a partner, the estate of a deceased partner is not liable for any act of the firm done after his death.

Further, in order that the estate of the deceased partner may be absolved from liability for the future obligations of the firm, it is not necessary to give any notice either to the public or the persons having dealings with the firm.

In the light of the facts of the case and provisions of law, since the delivery of furniture was made after Jay's death, his estate would not be liable for the debt of the firm. A suit for goods sold and delivered would not lie against the representatives of the deceased partner. This is because there was no debt due in respect of the goods in Jay's lifetime. He was already dead when the delivery of goods was made to the firm and also it is not necessary to give any notice either to the public or the persons having dealings with the firm on a death of a partner. So, the estate of the deceased partner may be absolved from liability for the future obligations of the firm.

5. (i) According to Section 15 of the Sale of Goods Act, 1930, whenever the goods are sold as per sample as well as by description, the implied condition is that the goods must correspond to both sample as well as description. In case the goods do not correspond to sample or description, the buyer has the right to repudiate the contract.

Further under Sale of Goods Act, 1930 when the buyer makes known to the seller the particular purpose for which the goods are required and he relies on his judgment and skill of the seller, it is the duty of the seller to supply such goods which are fit for that purpose.

In the given case, Mr. Q has informed to Mr. P that he wanted the washing machine for washing woollen clothes. However, the machine which was delivered by Mr. P was unfit for the purpose for which Mr. Q wanted the machine.

Based on the above provision and facts of case, we understand that there is breach of implied condition as to sample as well as description, therefore Mr. Q can either repudiate the contract or claim the refund of the price paid by him or he may require Mr. P to replace the washing machine with desired one.

- (ii) The Memorandum of Association of company is in fact its charter; it defines its constitution and the scope of the powers of the company with which it has been established under the Act. It is the very foundation on which the whole edifice of the company is built.

Object of registering a memorandum of association:

- ◆ It contains the object for which the company is formed and therefore identifies the possible scope of its operations beyond which its actions cannot go.
- ◆ It enables shareholders, creditors and all those who deal with company to know what its powers are and what activities it can engage in.

A memorandum is a public document under Section 399 of the Companies Act, 2013. Consequently, every person entering into a contract with the company is presumed to have the knowledge of the conditions contained therein.

- ◆ The shareholders must know the purposes for which his money can be used by the company and what risks he is taking in making the investment.

A company cannot depart from the provisions contained in the memorandum however imperative may be the necessity for the departure. It cannot enter into a contract or engage in any trade or business, which is beyond the power confessed on it by the memorandum. If it does so, it would be ultra vires the company and void.

Content of the memorandum: The memorandum of a company shall state—

- the name of the company (**Name Clause**) with the last word “Limited” in the case of a public limited company, or the last words “Private Limited” in the case of a private limited company. This clause is not applicable on the companies formed under section 8 of the Act.
- the State in which the registered office of the company (**Registered Office clause**) is to be situated;
- the objects for which the company is proposed to be incorporated and any matter considered necessary in furtherance thereof (**Object clause**);
- the liability of members of the company (**Liability clause**), whether limited or unlimited,
- the amount of authorized capital (**Capital Clause**) divided into share of fixed amounts and the number of shares with the subscribers to the memorandum have agreed to take, indicated opposite their names, which shall not be less than one share. A company not having share capital need not have this clause.
- the desire of the subscribers to be formed into a company. The Memorandum shall conclude with the **association clause**. Every subscriber to the Memorandum shall take atleast one share, and shall write against his name, the number of shares taken by him.

6. (i) **Coercion (Section 15)**

“Coercion” is the committing, or threatening to commit, any act forbidden by the Indian Penal Code or the unlawful detaining, or threatening to detain any property, to the prejudice of any person whatever, with the intention of causing any person to enter into an agreement.”

Effects of coercion under section 19 of Indian Contract Act, 1872

- Contract induced by coercion is voidable at the option of the party whose consent was so obtained.
- As to the consequences of the rescission of voidable contract, the party rescinding a void contract should, if he has received any benefit, thereunder from the other party to the contract, restore such benefit so far as may be applicable, to the person from whom it was received.
- A person to whom money has been paid or anything delivered under coercion must repay or return it. (Section 72)

- Dissolution of Firm:** The Dissolution of Firm means the discontinuation of the jural relation existing between all the partners of the Firm. But when only one of the partners retires or

becomes incapacitated from acting as a partner due to death, insolvency or insanity, the partnership, i.e., the relationship between such a partner and other is dissolved, but the rest may decide to continue. In such cases, there is in practice, no dissolution of the firm. The particular partner goes out, but the remaining partners carry on the business of the Firm. In the case of dissolution of the firm, on the other hand, the whole firm is dissolved. The partnership terminates as between each and every partner of the firm.

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

- (a) as a result of any agreement between all the partners (i.e., dissolution by agreement);
 - (b) by the adjudication of all the partners, or of all the partners but one, as insolvent (i.e., compulsory dissolution);
 - (c) by the business of the Firm becoming unlawful (i.e., compulsory dissolution);
 - (d) subject to agreement between the parties, on the happening of certain contingencies, such as: (i) effluence of time; (ii) completion of the venture for which it was entered into; (iii) death of a partner; (iv) insolvency of a partner.
 - (e) by a partner giving notice of his intention to dissolve the firm, in case of partnership at will and the firm being dissolved as from the date mentioned in the notice, or if no date is mentioned, as from the date of the communication of the notice; and
 - (f) by intervention of court in case of: (i) a partner becoming the unsound mind; (ii) permanent incapacity of a partner to perform his duties as such; (iii) Misconduct of a partner affecting the business; (iv) willful or persistent 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) **Perpetual Succession** – A company on incorporation becomes a separate legal entity. It is an artificial legal person and have perpetual succession which means even if all the members of a company die, the company still continues to exist. It has permanent existence.

In the instant case, five persons who were the only members of private company and they have died being drowned in the sea. The existence of a company is independent of the lives of its members. It has a perpetual succession. In this problem, the company will continue as a legal entity. The company's existence is in no way affected by the death of all its members.

- (b) **The statement given is 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.

PAPER 2: SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING

ANSWERS

1. (a) (a) (1) The trend has been towards an increased spending on apparel and footwear in rural households.
(2) Higher social sector spending by the government will boost sustainable economic growth by reducing the burden of social expenditure on rural populace.
(3) Option e
(4) The moot points made by the Prime Minister and the Finance Minister are about increasing the government's spending on social schemes and targeted subsidies for the poor.
(5) Option c
- (b) (i) The Tests of Life- the Plus Factors
 1. Importance of tests of life
 - 1.1. Illness & Suffering build Char.
 - 1.2. View disability +vely.
 - 1.2.1 Eg: boy with hunch-backed companion.
 2. Change of focus required:
 - 2.1 Sayings in hospital
 - 2.1.1 awaken one to universe amidst pain;
 - 2.1.2 prsnc. of God
 - 2.2. prsnc. of nether springs
 - 2.2.1 flow in ppl's hearts when
 - 2.2.1.1 reach rock bottom
 - 2.2.1.2 are guilt ridden
 - 2.2.2 make recovery possible
 - 2.2.3 Bring Peace &Patience
 3. Frs. of Destn.
 - 3.1. are Psychic &psychl.
 - 3.2. Cses : malice, hatred &hard headedness
 4. Frs. of Life
 - 4.1. Cses: Openness, peace& good heartedness
 - 4.2. rgnr. hope & joy
 - 4.3 triumphs when love overcomes fear
 5. Love: the plus factor
 - 5.1 builds char.
 - 5.2 creates bonds

- 5.3 has inf. Reach
- 6. Love & life
 - 6.1 signs everywhere
 - 6.2 help overcome setbacks
- 7. As a true seeker
 - 7.1 dft. Destv.ele.
 - 7.2 do not look at doom & gloom
 - 7.3 seek positivity &happ.

Key:

Char.: character

Ppl: people

+ly: positively

Frcs.: forces

cses.: causes

Destn.: destruction

Psychl.: psychological

Rgnr: regenerate

Inf.: infinite

Dft.: defeat

Destv.: destructive

Ele.: elements

Happ.: happiness

(ii) Summary

The tests of life like illness, suffering, pain and disability build character. The simple hearted have the ability to view them as signs of hope and the presence of God. Even in the midst of suffering there is God. The belief that amongst pain and suffering the universe is still beautiful and God present gives strength to overcome obstacles. One must realize there is an underlying human strength that emerges during troubles. This brings peace and patience. The forces of destruction can be overcome by the power of love.

2. (a) Chain network is the pattern of communication that follows the chain of command from the senior to junior. Communication starts from the top, like from the CEO, and works its way down to the different levels of employees.

Wheel and spoke network is the pattern of communication where in an organization there is single controlling authority who gives instructions directly from the leader and report back to him/her only.

Wheel and spoke network is only effective in small businesses and chain network is effective in large organization where there are many people who have different roles and responsibilities.

- (b) (i) Option d
- (ii) Option d
- (iii) The plants were being watered by me.
- (iv) He told me to call him back later.

- (c) Human liberty defines liberalism. The concept of “free will” is exclusive to humans and gives us moral and political authority.

During the 1960s, liberalism was undergoing a crisis in the West. Contrasted with the chaos in liberalism, the illiberal system in the Soviet Union seemed to be flourishing. However, in a matter of two decades, it was the Soviet system that collapsed, while liberal democracy strengthened by adapting itself.

- 3. (a) 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/herself. The key to coherence is sequentially organised 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) Option a
- (ii) Option c
- (iii) She is going to be loved by everyone.
- (iv) My mother told me that she had had a headache the day before.

- (c) Oct 12, 20XX

The Manager (Purchase)
ABC Enterprises Pvt. Ltd.
G-70 Bharat Enclave
New Delhi- 1100xx

Dear Ms.KC,

Subject: Fee Proposal

It was a pleasure speaking to you earlier today. We are grateful to you for reaching out to us.

XYZ Legal is a boutique law firm set up by me back in 2019. As required, I have attached a short profile of our Firm for your reference.

Further, based on our discussion I understand that you require our support in vetting a master services agreement proposed to be entered with one of your customer support service providers.

For this, we propose to charge a consolidated professional fee of INR 40,000 which includes vetting the Terms of Agreement and attending any calls/negotiations with the service providers. I hope that the above suits you.

Kindly contact in case of any further requirements/ clarifications.

Regards,

JM

Senior Associate

XYZ Legal

Xxxxxxxxxxxx

4. (a) **Non-verbal Communication** is the process of communicating by sending and receiving wordless messages. These messages can aid verbal communication, convey thoughts and feelings contrary to the spoken words or express ideas and emotions on their own.

Physical non-verbal communication: An individual's body language that is, facial expressions, stances, gestures, , touches, and other physical signals constitute this type of communication.

- **Paralanguage:** The way you say something, more than the actual words used, reveal the intent of the message. The voice quality, intonation, pitch, stress, tone, and style of speaking, communicates approval, interest or the lack of it.
- **Aesthetic communication: Art forms** such as dancing, painting, sculptor, music are also means of communication. They distinctly convey the ideas and thoughts of the artist.
- **Appearance:** A well dressed and groomed person is presumed to be organised and methodical, whereas a sloppy or shabby person fails to make a favourable impression.
- **Symbols** such as religious or status symbols.

(b) (i) Option a

(ii) The mistake has been made .

(iii) Ria said that she was seeing her brother the following day.

(c) (i) Answer Hints:

1. Briefly discuss what people enjoy vis a vis challenges they face (especially women) about working from home.
2. No limit on work assignments/ no timings
3. Health issues due to lack of movement/confinement such as cervical pain, backache etc.
4. Struggle with social isolation and its impact
5. Cases of depression and anxiety across country
6. Professional relationship with colleagues/networking is effected
7. Chances of learning are reduced
8. Chance to be able to maintain work-life balance is zero
9. Out of sight, out of mind issues! – you might miss the opportunity because your senior doesn't remember you.
10. End with working in office is not easy but neither is working from home.

(ii) Answer Hints:

1. Follow newspaper report writing format
2. Discuss the announcement by government about reopening of schools
3. Discuss about briefing to teachers about handling students
4. Name the schools who are starting:
 - a. Classes that are starting officially
 - b. Dates/Schedules
 - c. Safety measure taken by them

- d. The action plan of students
5. What school authorities have to say to parents
6. What are parents concern.
7. Commuting Problems
8. Restricted Activities/Sports
9. Hazards faced by board classes
 - Practicals sessions being conducted hurriedly
 - No extra classes
5. (a) Understanding *cultural aspects of communication* refers to having knowledge of different cultures in order to communicate effectively with cross culture people. Understanding various cultures in this era of globalisation is an absolute necessity as the existence of cultural differences between people from various countries, regions tribes and, religions, where words and symbols may be interpreted differently can result in communication barriers and miscommunications. Multinational companies offer special courses and documents to familiarise their staff with the culture of the country where they are based for work.

In addition, every organisation too has its own work culture. In fact, departments within the same company may also differ in their expectations, norms and ideologies. This can impact intra and inter organisational communication.

- (b) (i) Option b
- (ii) Option c
- (ii) She is helping my sister.
- (c) (i) Objective: 1st meeting of the HR Group on assessment of productivity in the 'work from home' model

Date: Oct xx, 20xx

Time: 11 AM

Location: Conference Room, 3rd Floor Main Building

Participants: Manager HR Ms. RK, Senior Executive HR Mr. MP, Manager Sales & Marketing Mr. PK, Senior Executive Sales & Marketing Ms. BM, Executive Sales and Marketing Mr. GS, Head Accounts CA. AD, Senior Executive Accounts Mr. SK.

Agenda

Items	Presenter
1. Assessment of the weekly report from the Sales &Marketing Department on Digital Marketing targets in view of the staff of 3 Content Designers working from home. Annexure-I	Ms. BM
2. Discussion on the application from Ms. ASD Executive, Accounts to continue to work from home for the next 3 months due to exigencies at home. Annexure-II	Mr. MP
3. Reopening the Noida Branch Office with flexible timings between 9AM to 7 PM subject to staff following staggered timings.	Ms. RK

Annexure-III	
4. Recruitment of staff in the Digital Marketing Team. Annexure-IV	Mr. PK
5. Salary overdue for staff due to non approval for 'work from home' Annexure-V	CA. AD

(ii) Cover Letter

To

Date: Oct 18, 20XX

Manager(HR)

ABC Consultants

3/6 Archana Arcade,

Tri Nagar

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.

I qualified CA Intermediate both groups in the first attempt in July 2021. Thereafter, it took me some time to complete the mandatory ITT and Orientation programme.

I am 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 towards your firm.

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

Best Regards, Rohit Varma

F-24, G Park

New Delhi 1100xx

Resume

Name: Rohit Varma

Address: F-24, G park

NewDelhi-1100XX

Email id: youremail@gmail.com

Mobile No.- +91 XXXXXXXX

Objective

I seek to join a firm where I can learn various aspects of the 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	2021	72%
CA Foundation	ICAI	2019	79%
XII	CBSE	2017-18	94%
X	CBSE	2015-16	92%

Skills

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

Good analytical and decision making skills

Achievements

- As captain of the school Basket-Ball team won 3 consecutive zonal inter- school championship matches
- Stood first in school in Maths Olympiad in class X.
- 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:

Rohit Varma

Signature

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 3: BUSINESS MATHEMATICS, LOGICAL REASONING AND STATISTICS

Time: 2 Hours

Marks: 100

Part A: Business Mathematics and Logical Reasoning

1. If $x:y = 3:5$, then find $\left(\frac{1}{x} + \frac{1}{y}\right) : \left(\frac{1}{x} - \frac{1}{y}\right)$
 - (a) 2
 - (b) 4
 - (c) 6
 - (d) 8
2. If $A:B = 3:5$ and $B:C = 5:4$, $C:D = 2:3$ and D is 50% more than E, find the ratio between A and E
 - (a) 2:3
 - (b) 3:4
 - (c) 3:5
 - (d) 4:5
3. Find the value of $\sqrt{6561} + \sqrt[4]{6561} + \sqrt[8]{6561}$
 - (a) 81
 - (b) 93
 - (c) 121
 - (d) 243
4. Find the value of $\log \frac{x^n}{y^n} + \log \frac{y^n}{z^n} + \log \frac{z^n}{x^n}$
 - (a) -1
 - (b) 0
 - (c) 1
 - (d) 2
5. If $\frac{8^n \times 2^3 \times 16^{-1}}{2^n \times 4^2} = \frac{1}{4}$ then the value of n
 - (a) 1
 - (b) 3
 - (c) $\frac{3}{2}$

(d) $\frac{2}{3}$

6. Given the Quadratic Equation $\frac{x+1}{x} - \frac{x}{x+1} = \frac{3}{2}$
- (a) 1 and -2/3
(b) -1 and 2/3
(c) -1 and -2/3
(d) 1 and 2/3
7. A dealer has only ₹ 5760 to invest in fans (x) and sewing machines (y). The cost per unit of fan and sewing machine is ₹360 and ₹ 240 respectively. This can be shown by:
- (a) $360x + 240y \geq 5760$
(b) $360x + 240y \leq 5760$
(c) $360x + 240y = 5760$
(d) none of these
8. The point of intersection between the lines $3x + 4y = 7$ and $4x - y = 3$ lie in the
- (a) 1st quadrant.
(b) 2nd quadrant.
(c) 3rd quadrant
(d) 4th quadrant.
9. The roots of equation $9^{x+2} - 6 \cdot 3^{x+1} + 1 = 0$ are
- (a) -2
(b) 2
(c) $\sqrt{2}$
(d) 0
10. The roots of the equation $x^2 - x + 1 = 0$ are
- (a) Imaginary and unequal
(b) Real and unequal
(c) Real and equal
(d) Imaginary and equal
11. If one root of the quadratic equation is $2 + \sqrt{3}$, the equation is _____
- (a) $x^2 - 4x + 1 = 0$
(b) $x^2 + 4x + 1 = 0$
(c) $x^2 - 4x - 1 = 0$
(d) none of these

12. If $\sqrt{1 + \frac{25}{144}} = 1 + \frac{x}{12}$, then x is
- (a) 1
 - (b) 2
 - (c) 3
 - (d) 0
13. A sum of ₹46,875 was lent out at simple interest and at the end of 1 year 8 months, the total amount was ₹ 50,000. Find the rate of interest per annum.
- (a) 8%
 - (b) 4%
 - (c) 12%
 - (d) None
14. A sum of money amount to ₹ 6,200 in 2 years and ₹ 7,400 in 3 years. The principal and rate of interest are
- (a) ₹ 3,800, 31.57%
 - (b) ₹ 3,000, 20%
 - (c) ₹ 3,500, 15%
 - (d) none of these
15. The effective rate of interest corresponding to a nominal rate 3% p.a payable half yearly is
- (a) 3.2% p.a
 - (b) 3.25% p.a
 - (c) 3.0225% p.a
 - (d) none of these
16. A sum of money gets doubled in 5 years at X% simple interest. If the interest was Y%, the sum of money would have become ten-fold in thirty years. What is Y – X (in %)
- (a) 10
 - (b) 5
 - (c) 8
 - (d) None of the above
17. The nominal rate of growth is 17% and inflation is 9% for the five years. Let P be the Gross Domestic Product (GDP) amount at the present year then the projected real GDP after 6 years is
- (a) 1.587P
 - (b) 1.921 P
 - (c) 1.403 P
 - (d) 2.51 P
18. The difference between Compound Interest and Simple Interest on a certain sum for 2 years at 6% p.a. is ₹ 13.50. Find the sum

- (a) 3750
 - (b) 2750
 - (c) 4750
 - (d) none
19. The sum required to earn a monthly interest of Rs 1200 at 18% per annum Simple Interest is
- (a) ₹ 50,000
 - (b) ₹ 60,000
 - (c) ₹ 80,000
 - (d) none of these
20. The compound interest earned by a money lender on ₹ 7,000 for 3 years if the rate of interest for 3 years are 7%, 8% and 8.5% respectively is
- (a) ₹ 1750
 - (b) ₹ 1800
 - (c) ₹ 1776
 - (d) none of these
21. Find the present value of an annuity of ₹ 1,000 payable at the end of each year for 10 years, if the money is worth 5% effective.
- (a) ₹ 7,724
 - (b) ₹ 7000
 - (c) ₹ 8000
 - (d) none of these
22. The present value of annuity of ₹3,000 per annum for 15 years at 4.5% p.a C.I. annually is
- (a) ₹ 23,809.41
 - (b) ₹ 32,214.60
 - (c) ₹ 32,908.41
 - (d) none of these
23. A person desires to create a fund to be invested at 10% CI per annum to provide for a prize of ₹ 300 every year. Using $V = a/i$ find V and V will be
- (a) ₹ 2,000
 - (b) ₹ 2,500
 - (c) ₹ 3,000
 - (d) none of these
24. The future value of annuity of ₹2000 for 5 years at 5 % compounded annually is given (in nearest ₹) as
- (a) ₹ 11, 051
 - (b) ₹ 21,021
 - (c) ₹ 1,56,24
 - (d) ₹ 61254

25. A Maruti Zen cost ₹ 3,60,000. Its price depreciates at the rate of 10% of a year during the first two years and at the rate of 20% in third year. Find the total depreciation.
- ₹ 1,26,720
 - ₹ 1,15,620
 - ₹ 1,25,000
 - ₹ 1,10,520
26. Find the value of n if $(n+1)! = 42 (n-1)!$
- 6
 - 7
 - 7
 - 6
27. If ${}^nP_{13} : {}^{n+1}P_{12} = 3 : 4$ then value of n is
- 15
 - 14
 - 13
 - 12
28. A question paper contains 6 questions, each having an alternative. The number of ways an examiner can answer one or more questions is
- 720
 - 728
 - 729
 - none of these
29. ${}^5C_1 + {}^5C_2 + {}^5C_3 + {}^5C_4 + {}^5C_5$ is equal to _____
- 30
 - 31
 - 32
 - 35
30. The second term of a G P is 24 and the fifth term is 81. The series is
- 16, 36, 24, 54.....
 - 24, 36, 53... ..
 - 16, 24, 36, 54,.....
 - none of these
31. The sum of progression $(a+b)$, a , $(a-b)$ n term is
- $\frac{n}{2} [2a+(n-1)b]$
 - $\frac{n}{2} [2a+(3-n)b]$

- (c) $\frac{n}{2} [2a + (3-n)]$
- (d) $\frac{n}{2} [2a + (n-1)]$
32. The series $1 + 10^{-1} + 10^{-2} + 10^{-3} \dots$ to ∞ is
- (a) $9/10$
- (b) $1/10$
- (c) $10/9$
- (d) none of these
33. Find the sum of first twenty-five terms of A.P. series whose n^{th} term is $\left(\frac{n}{5} + 2\right)$.
- (a) 105
- (b) 115
- (c) 125
- (d) 135
34. Find $g \circ f$ for the functions $f(x) = \sqrt{x}$, $g(x) = 2x^2 + 1$
- (a) $2x^2 + 1$
- (b) $2x + 1$
- (c) $2x^2 + 1)(\sqrt{x})$
- (d) \sqrt{x}
35. If $f(x) = x^2 - 1$ and $g(x) = \frac{x+1}{2}$, then $\frac{f(3)}{f(3) + g(3)}$ is
- (a) $5/4$
- (b) $4/5$
- (c) $3/5$
- (d) $5/3$
36. If $A = \{2, 3\}$, $B = \{4, 5\}$, $C = \{5, 6\}$ then $A \times (B \cap C)$ is
- (a) $\{(2, 5), (3, 5)\}$
- (b) $\{(4, 2), (4, 6)\}$
- (c) $\{(4, 3), (4, 2)\}$
- (d) none of these
37. If $f(x) = x^2/e^x$, then $f'(-1)$ is equal to
- (a) $-3e$
- (b) $1/e$
- (c) e
- (d) none of these

38. If $y = e^{\sqrt{2x}}$, $\frac{dy}{dx}$ is calculated as
- $\frac{e^{\sqrt{2x}}}{\sqrt{2x}}$
 - $e^{\sqrt{2x}}$
 - $\frac{e^{\sqrt{2x}}}{\sqrt{2}}$
 - none of these
39. Evaluate: $\int_0^5 \frac{x^2}{x^2 + (5-x)^2} dx$
- 2.5
 - 0
 - 1
 - 2
40. Evaluate: $\int \left\{ \frac{1}{\log x} - \frac{1}{(\log x)^2} \right\} dx$
- $\frac{1}{\log x} + c$
 - $\frac{x}{\log x} + c$
 - $-\frac{x}{\log x} + c$
 - None of these
41. Find next term of the series 3, 10, 29, 66, 127, ?
- 164
 - 187
 - 216
 - 218
42. Which number should come next 7, 26, 63, 124, 215, 342, ?
- 391
 - 421
 - 481
 - 511
43. Find out the wrong number. 10, 14, 28, 32, 64, 68, 132

- (a) 28
(b) 32
(c) 64
(d) 132
44. In a certain code 'SOUTHERN' is written as 'UVPTMQDG'. How is 'MARIGOLD' written in that code?
(a) JSBCNFKS
(b) JSBNHPME
(c) JSBNCKNF
(d) NBSKCJNF
45. In a certain code 'PRISM' is written as 'OSHTL' and 'RUBLE' is written as 'QVAMD'. How will 'WHORL' be written in that code?
(a) XISPM
(b) VINSK
(c) UINSK
(d) XGPQM
46. A is the son of C; C and Q are the sisters; Z is the mother of Q and P is the son of Z. Which of the following statements is true?
(a) A and P are cousins
(b) C and P are sisters
(c) P is the maternal uncle of A
(d) A is the maternal uncle of P
47. 'X @ Y' means 'X is the mother of Y';
'X \$ Y' means 'X is the husband of Y';
'X # Y' means 'X is the sister of Y'.
'X * Y' means 'X is the son of Y'.
Which of the following indicates the relationship 'A is daughter of P'?
- (a) P @ B # F * A
(b) P @ B # A * F
(c) A # F * B @ P
(d) A # F * B \$ P
- (From Q.48 to Q.49) Read the following information carefully and answer the questions given below?
There are six children playing football, namely P, Q, R, S, T and U. P and T are brothers, U is sister of T, R is the only son of P's uncle, Q and S are the daughters of the only brother of R's father
48. How many female players are there?
(a) one
(b) two
(c) three
(d) Four

49. How is S is related to P
- (a) Uncle
 - (b) Sister
 - (c) Niece
 - (d) Cousin
50. Pointing towards photograph. Vinod said, "she is the daughter of my wife's mother's only daughter". How is Vinod is related to the girl in the Photograph?
- (a) Cousin
 - (b) Uncle
 - (c) Father
 - (d) None
51. Raju walks northwards. After a while, he turns to his right and a little further to his left. Finally, after walking a distance of one kilometre, he turns to his left again. In which direction is he moving now?
- (a) North
 - (b) South
 - (c) East
 - (d) West
52. Ravi wants to go to the College. He starts from his home, which is in the East and comes to a crossing. The road to the left ends in a theatre, straight ahead is the hospital. In which direction is the College?
- (a) North
 - (b) South
 - (c) East
 - (d) West
53. A man is facing south. He turns 135° in the anticlockwise direction and then 180° in the clockwise direction. Which direction is he facing now?
- (a) North-East
 - (b) North-West
 - (c) South-East
 - (d) South-West
54. Rakesh moves towards South-East a distance of 7 m, then he moves towards West and travels a distance of 14 m. From here he moves towards North-West a distance of 7 m and finally he moves a distance of 4 m towards East and stood at that point. How far is the starting point from where he stood?
- (a) 3 m
 - (b) 4 m
 - (c) 10 m
 - (d) 11 m

55. A and B start moving towards each other from two places 200 m apart. After walked 60 m, B turns left and goes 20 m, then he turns right and goes 40 m. He then turns right again and comes back to the road on which he had started walking. If A and B walk with the same speed, what is the distance between them now?

(a) 20 m
(b) 30 m
(c) 40 m
(d) 50 m

(56-58) Study the following information carefully to answer the questions given below. P, T, V, R, M, D, K and W are sitting around a circle table facing the centre. V is second to the left of T. T is fourth to the right of M. D and P are not immediate neighbours of T. D is third to the right of P. W is not an immediate neighbour of P. P is to the immediate left of K.

56. Who is Second to the left of K?

(a) P
(b) R
(c) M
(d) W

57. Who is the immediate left of V?

(a) D
(b) M
(c) W
(d) None of these

58. What is R's Position with respect to V?

(a) Third to the right
(b) Fifth to the right
(c) Third to the left
(d) Second to the left

59. 8 Persons A, B, C, D, E, F, G and H are sitting in two rows opposite to each other. Each row has four persons. B and C are sitting in front of each other. C is between D and E. H is sitting immediate left of E. H and F are diagonally opposite. G and B are not near to each other. Who is in front of A?

(a) E
(b) D
(c) C
(d) B

60. A group of seven singers, facing the audience, are standing in a line on the stage as follow.

(i) D is the right of C.
(ii) F is stand beside G.
(iii) B is to the left of F.
(iv) C and B are one person between them.
(vi) A and D have one person between them.

Who is sitting on the second from extreme right?

- (a) D
- (b) F
- (c) G
- (d) E

Part B: Statistics

61. Statistics is concerned with

- (a) Qualitative information
- (b) Quantitative information
- (c) (a) or (b)
- (d) Both (a) and (b).

62. The primary data are collected by

- (a) Interview method
- (b) Observation method
- (c) Questionnaire method
- (d) All these.

63. The following data relate to the incomes of 86 persons:

Income in ₹	:	500–999	1000–1499	1500–1999	2000–2499
No. of persons	:	15	28	36	7

What is the percentage of persons earning more than Rs? 1500?

- (a) 50
- (b) 45
- (c) 40
- (d) 60

64. The following data relate to the marks of a group of students:

Marks:	Below 10	Below 20	Below 30	Below 40	Below 50
No. of students:	15	38	65	84	100

How many students got marks more than 30?

- (a) 65
- (b) 50
- (c) 35
- (d) 43

65. The curve obtained by joining the points, whose x- coordinates are the upper limits of the class-intervals and y coordinates are corresponding cumulative frequencies is called

- (a) Ogive
- (b) Histogram
- (c) Frequency Polygon

- (d) Frequency Curve
66. If x and y are related by $x - y - 10 = 0$ and mode of x is known to be 23, then the mode of y is
- (a) 20
 - (b) 13
 - (c) 3
 - (d) 23
67. If there are two groups with 75 and 65 as harmonic means and containing 15 and 13 observations then the combined HM is given by
- (a) 65
 - (b) 70.36
 - (c) 70
 - (d) 71
68. If the quartile deviation of x is 6 and $3x + 6y = 20$, what is the quartile deviation of y ?
- (a) 3
 - (b) 4
 - (c) 5
 - (d) 6
69. Which one is an absolute measure of dispersion?
- (a) Range
 - (b) Mean Deviation
 - (c) Standard Deviation
 - (d) All these measures
70. The median of 27, 30, 26, 44, 42, 51, 37 is
- (a) 30
 - (b) 42
 - (c) 44
 - (d) 37
71. Mean of 25, 32, 43, 53, 62, 59, 48, 31, 24, 33 is
- (a) 44
 - (b) 43
 - (c) 42
 - (d) 41
72. If the A.M of any distribution be 25 & one term is 18. Then the deviation of 18 from A.M is
- (a) 7
 - (b) -7
 - (c) 43
 - (d) none
73. The algebraic sum of the deviations of a frequency distribution from its mean is always,

- (a) greater than zero
 - (b) less than zero
 - (c) zero
 - (d) a non-zero number
74. Pooled Mean is also called
- (a) Mean
 - (b) Geometric Mean
 - (c) Grouped Mean
 - (d) none
75. If x and y are related by $y = 2x + 5$ and the SD and AM of x are known to be 5 and 10 respectively, then the coefficient of variation of y is
- (a) 25
 - (b) 30
 - (c) 40
 - (d) 20
76. Following are the wages of 8 workers in rupees: 50, 62, 40, 70, 45, 56, 32, 45. If one of the workers is selected at random, what is the probability that his wage would be lower than the average wage?
- (a) 0.625
 - (b) 0.500
 - (c) 0.375
 - (d) 0.450
77. Given that for two events A and B , $P(A) = 3/5$, $P(B) = 2/3$ and $P(A \cup B) = 3/4$, what is $P(A/B)$?
- (a) 0.655
 - (b) 13/60
 - (c) 31/60
 - (d) 0.775
78. A problem in probability was given to three CA students A , B and C whose chances of solving it are $1/3$, $1/5$ and $1/2$ respectively. What is the probability that the problem would be solved?
- (a) $4/15$
 - (b) $7/8$
 - (c) $8/15$
 - (d) $11/15$
79. A packet of 10 electronic components is known to include 2 defectives. If a sample of 4 components is selected at random from the packet, what is the probability that the sample does not contain more than 1 defective?
- (a) $1/3$
 - (b) $2/3$
 - (c) $13/15$

- (d) $3/15$
80. The probability that there is at least one error in an account statement prepared by 3 persons A, B and C are 0.2, 0.3 and 0.1 respectively. If A, B and C prepare 60, 70 and 90 such statements, then the expected number of correct statements
- (a) 170
(b) 176
(c) 178
(d) 180
81. A bag contains 6 white and 4 red balls. If a person draws 2 balls and receives ₹ 10 and ₹ 20 for a white and red balls respectively, then his expected amount is
- (a) ₹ 25
(b) ₹ 26
(c) ₹ 29
(d) ₹ 28
82. What is the first quartile of X having the following probability density function?
- $$f(x) = \frac{1}{\sqrt{72\pi}} e^{\frac{-(x-10)^2}{72}} \quad \text{for } -\infty < x < \infty$$
- (a) 4
(b) 5
(c) 5.95
(d) 6.75
83. If the points of inflexion of a normal curve are 40 and 60 respectively, then its mean deviation is
- (a) 40
(b) 45
(c) 50
(d) 60
84. If X follows normal distribution with $\mu = 50$ and $\sigma = 10$, what is the value of $P(x \leq 60 / x > 50)$?
- (a) 0.8413
(b) 0.6828
(c) 0.1587
(d) 0.7256
85. For a normal distribution with mean as 500 and SD as 120, what is the value of k so that the interval $[500, k]$ covers 40.32 per cent area of the normal curve? [Given $\phi(1.30) = 0.9032$.]
- (a) 740
(b) 750
(c) 656
(d) 800

86. If the mean deviation of a normal variable is 16, what is its quartile deviation?
- 10.00.
 - 13.50.
 - 15.00.
 - 12.05.
87. For a Poisson variate X , $P(X = 1) = P(X = 2)$. What is the mean of X ?
- 1.00.
 - 1.50.
 - 2.00.
 - 2.50.
88. For a Poisson distribution,
- mean and standard deviation are equal.
 - mean and variance are equal.
 - standard deviation and variance are equal.
 - both (a) and (b).
89. The variance of a binomial distribution with parameters n and p is
- $np^2(1 - p)$.
 - $\sqrt{np(1 - p)}$
 - $nq(1 - q)$
 - $n^2p^2(1 - p)^2$
90. For a $p \times q$ classification of bivariate data, the maximum number of conditional distributions is
- p
 - $p + q$
 - pq
 - p or q
91. For a $p \times q$ bivariate frequency table, the maximum number of marginal distributions is
- p
 - $p + q$
 - 1
 - 2
92. If the coefficient of correlation between two variables is 0.7 then the percentage of variation unaccounted for is
- 70%
 - 30%
 - 51%
 - 49%

93. If the covariance between two variables is 20 and the variance of one of the variables is 16, what would be the variance of the other variable?
- $S^2_y \geq 25$
 - More than 10
 - Less than 10
 - More than 1.25
94. If the regression line of y on x and of x on y are given by $2x + 3y = -1$ and $5x + 6y = -1$ then the arithmetic means of x and y are given by
- (1, -1)
 - (-1, 1)
 - (-1, -1)
 - (2, 3)
95. _____ satisfies circular test
- G.M. of price relatives or the weighted aggregate with fixed weights
 - A.M. of price relatives or the weighted aggregate with fixed weights
 - H.M. of price relatives or the weighted aggregate with fixed weights
 - none
96. From the following data for the 5 groups combined
- | Group | Weight | Index Number |
|---------------|--------|--------------|
| Food | 35 | 425 |
| Cloth | 15 | 235 |
| Power & Fuel | 20 | 215 |
| Rent & Rates | 8 | 115 |
| Miscellaneous | 22 | 150 |
- The general Index number is
- 270
 - 269.2
 - 268.5
 - 272.5
97. Laspyres formula does not satisfy
- Factor Reversal Test
 - Time Reversal Test
 - Circular Test
 - All the above
98. If $\sum P_0 Q_0 = 1360$, $\sum P_n Q_0 = 1900$, $\sum P_n Q_n = 1880$ then the Laspeyre's Index number is
- 71
 - 139.71
 - 175

- (d) None of these.
99. The consumer price Index for April 1985 was 125. The food price index was 120 and other items index was 135. The percentage of the total weight of the index is
- (a) 66.67
(b) 68.28
(c) 90.25
(d) None of these.
100. Net monthly salary of an employee was ₹ 3000 in 1980. The consumer price index number in 1985 is 250 with 1980 as base year. If the has to be rightly compensated then, 7th dearness allowances to be paid to the employee is :
- (a) ₹ 4,800
(b) ₹ 4,700
(c) ₹ 4,500
(d) None of these.

MOCK TEST PAPER SERIES –I**Paper 3: Business Mathematics, Logical Reasoning and Statistics****Key Part A: Business Mathematics and Logical Reasoning**

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

Key Part B: Statistics

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

MOCK TEST PAPER 1
FOUNDATION COURSE
PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE
PART- I: BUSINESS ECONOMICS
QUESTIONS

Max. Marks: 60 Marks

1. In mixed economy the feature include existence of
 - (a) Private Sector
 - (b) Public Sector
 - (c) Combined Sector
 - (d) All of these
2. Which of the following is demerit of Capitalism:
 - (a) There is precedence of property rights over human right
 - (b) It functions in a domestic framework
 - (c) High degree of operative efficiency
 - (d) None of these
3. Which of the following is included in study of Micro economics:
 - (a) Product Pricing
 - (b) Factor Pricing
 - (c) Both (a) and (b)
 - (d) None of these
4. Scarcity definition is economics is given by
 - (a) Lipsey
 - (b) Adam Smith
 - (c) J B Say
 - (d) Robinson
5. Snob effect is explained as _____
 - (a) It is a function of consumption of others
 - (b) It is a function of price
 - (c) Both (a) and (b)
 - (d) None of these

6. Which of the following are the determinant of price elasticity of demand:
- (a) Availability of substitutes
 - (b) Time period
 - (c) Tied demand
 - (d) All of these
7. If the cross elasticity is only- slightly below zero which of the following is correct?
- (a) They are weak complements
 - (b) Negative and very high they are strong complements
 - (c) Both (a) and (b)
 - (d) None of these
8. Indifference Curve Analysis was proposed by _____
- (a) J. R Hicks and R.G.D Allen
 - (b) Alfred Marshall
 - (c) Jeremy Bentham
 - (d) None of these
9. The rate at which the consumer is prepared to exchange-good x and y is :
- (a) Marginal rate of substitution
 - (b) Elasticity of Substitution
 - (c) Diminishing Marginal Utility
 - (d) None of these
10. Contraction of demand is the result of
- (a) Decrease in the number of Consumers
 - (b) Increase in the price of the good concerned
 - (c) Price of related products
 - (d) None of these
11. Business Economics in its approach is
- (a) Pragmatic
 - (b) Idealistic
 - (c) Normative
 - (d) None of these
12. After identifying the markets the enterprise has to make decision regarding 4Ps which one of the following is not one of those 4Ps :
- (a) Promotion

- (b) Population
 - (c) Place
 - (d) Produce
13. The kinked demand curve of Oligopoly is useful in explaining
- (a) The process by which oligopolistic merge
 - (b) How the collusion work
 - (c) Price and output are sensitive to change in marginal cost.
 - (d) Why oligopolistic price might change only infrequently
14. Cost of living increase when business cycle is operating at its
- (a) Lowest point
 - (b) Peak
 - (c) Contracting
 - (d) Expanding
15. Which is more prone to the adverse effects of the business cycle _____
- (a) Services
 - (b) Industries
 - (c) Agriculture
 - (d) None of these
16. To influence spending the monetary policy is directed at directly influencing in the short run :
- (a) Interest Rate
 - (b) Unemployment
 - (c) Inflation Rate
 - (d) Growth Rate
17. Long Run Period normal price for a competitive firm will be :
- (a) Equal MC of Production only
 - (b) Equal TC of Production only
 - (c) Equal AC and MC of Production
 - (d) None of these
18. Monopolistic Competition has features of
- (a) Monopoly and competition with features of monopoly predominating
 - (b) Monopoly and competition with feature of Competition predominating
 - (c) Monopoly but not competition

- (d) None of these
19. Increasing return of scale is applied in
- (a) Long Run
 - (b) Short Run
 - (c) Both (a) and (b)
 - (d) None of these
20. If regardless of change in the price the quantity demanded of a good remains unchanged then the demand curve for the good will be –
- (a) Vertical
 - (b) Horizontal
 - (c) Negatively sloped
 - (d) None of these
21. The industrialization and economic development of the USA Great Britain and other Western European Countries here taken place under the condition of _____
- (a) Capitalism and Laissez Faire
 - (b) Mixed Economic Structure
 - (c) Socialism and Planned Structure
 - (d) None of these
22. In the beginning economics was named as
- (a) Political Economy
 - (b) Welfare Economics
 - (c) Economics of Wealth
 - (d) None of these
23. If the price of a commodity raised by 12% and E_d is $(-)$ 0.63 the expenditure made on the commodity by the consumer will _____
- (a) Remain the same
 - (b) Decrease
 - (c) Increase
 - (d) Can't say
24. During lockdown due to Covid19 a consumer finds the vegetable vendors selling vegetables in the streets have raised the prices of vegetable than usual prices. She will buy _____ vegetable than/as her usual demand showing the demand of vegetable is _____
- (a) Same; Elastic Demand
 - (b) Same; Inelastic Demand

- (c) Less; Elastic Demand
 - (d) More; Inelastic Demand
25. Supply and Stock are _____
- (a) Different
 - (b) Same thing
 - (c) Having no comparison
 - (d) Both (a) and (c)
26. Marginal Cost can be directly derived from
- (a) Total Variable Cost
 - (b) Total Fixed Cost
 - (c) Average Cost
 - (d) Average Fixed Cost
27. A firm normal profit earned are included in ____
- (a) Explicit Cost
 - (b) Implicit Cost
 - (c) Variable Cost
 - (d) Fixed Cost
28. Curve which are intersected by marginal cost curve at their minimum points is
- (a) AVC and AFC
 - (b) AC and AVC
 - (c) AC and AFC
 - (d) AC and TVC
29. In case of Perfect Competition how much selling cost are incurred:
- (a) Negligible
 - (b) Zero
 - (c) Very high
 - (d) Very less
30. Marginal revenue is equal to price in which form of market:
- (a) Perfect competition
 - (b) Monopoly
 - (c) Oligopoly
 - (d) Monopolistic Competition

31. In Oligopoly the demand curve is :
- (a) Indeterminate
 - (b) Highly Elastic
 - (c) Less Elastic
 - (d) Perfectly Elastic
32. Price elasticity of demand under monopoly is _____
- (a) Infinity
 - (b) Equal to one
 - (c) Less than one
 - (d) None of these
33. There is an inverse relation between price and demand for the products of a firm under:
- (a) Monopoly only
 - (b) Monopolistic Competition only
 - (c) Both Monopoly and Monopolistic Competition
 - (d) Perfect competition
34. The market price cannot be influenced by a seller under :
- (a) Monopolistic Competition
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) All the above
35. Entry of new firm in monopoly is :
- (a) Possible only in the long run
 - (b) Possible only in the Short run
 - (c) Restricted at all times
 - (d) Both (a) and (b)
36. The law of demand is :
- (a) Irreversible in nature
 - (b) Reversible in nature
 - (c) Both (a) and (b)
 - (d) None of these
37. During recession what will be the market demand for new cars?
- (a) Demand Curve will shift to the right

- (b) Demand curve will shift to the left
 - (c) Demand will not shift but the quantity of cars sold per month will decrease
 - (d) Demand will not shift but the quantity of cars sold per month will increase
38. Economic indicator required to predict the turning point of business cycle is :
- (a) Leading indicator
 - (b) Lagging indicator
 - (c) Coincident
 - (d) All of the above
39. Nuclear Power represents which type of market structure :
- (a) Government Monopoly
 - (b) Perfect Competition
 - (c) Monopolistic Competition
 - (d) Oligopoly
40. Monopoly Market and Monopsony market combination is called :
- (a) Duopoly Market
 - (b) Oligopoly Market
 - (c) Bilateral Monopoly Market
 - (d) Monopolistic Market
41. Price discrimination cannot persist under which of the market form:
- (a) Monopolistic
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) Oligopoly
42. Time elements was conceived by :
- (a) Paul Sweezy
 - (b) Hicks
 - (c) Marshall
 - (d) Simon Kuznets
43. A decrease in the demand for mobile phone other things remaining the same will _____
- (a) Increase purchase the number of mobile phone bought
 - (b) Decrease the price but increase the number of mobile phone
 - (c) Decrease in quantity of mobile phone demanded

- (d) Decrease the price and decrease in the number of Mobile Phone bought
44. Will there be any change in price charged by the monopolistic if elasticity of demand – 2 :
- (a) Yes
 - (b) No
 - (c) Neutral
 - (d) None of these
45. Price discrimination is desirable as :
- (a) It promotes equity
 - (b) It makes production feasible
 - (c) Both (a) and (b)
 - (d) None of these
46. Reason for operating the law of diminishing returns is _____
- (a) Imperfect Substitution between factors
 - (b) Scarcity of factors
 - (c) Both (a) and (b)
 - (d) None of these
47. A Rational Producer operates in short run production in which stage?
- (a) First Stage
 - (b) Second Stage
 - (c) Third Stage
 - (d) None of these
48. Law of variable proportion is related to :
- (a) Long Run
 - (b) Short Run
 - (c) Both (a) and (b)
 - (d) None of these
49. Which of the following can be classified as Oligopoly Market :
- (a) Wheat Farming
 - (b) Clothing Industry
 - (c) Restaurant Industry
 - (d) Long distance Telephone Service

50. Marginal Revenue Curve lies _____ its demand curve in monopolistic competition due to _____
- (a) Below ; Product differentiation
 - (b) Above - ; Barriers to entry
 - (c) Above ; Product – differentiation
 - (d) None of these
51. A firm maximizes profit in the short run in Perfect Competition by deciding :
- (a) What Price to charge
 - (b) How much output to produce
 - (c) To enter a market or not
 - (d) None of these
52. Normative economics can be explained through :
- (a) Fairness to tax
 - (b) Incidence to tax
 - (c) Effect of tax on incentives to work
 - (d) None of these
53. Demand for a commodity with negative income elasticity indicate that as income falls the amount of the commodity purchased
- (a) falls
 - (b) rises
 - (c) remain unchanged
 - (d) None of these
54. For Giffen good the angle Curve is :
- (a) Vertical
 - (b) Horizontal
 - (c) Negatively Sloped
 - (d) Positively Sloped
55. Isoquant in the relevant range are:
- (a) Convex to the Origin
 - (b) Negatively Sloped
 - (c) Cannot cross
 - (d) All of the Above
56. If the Long Run Average Cost Curve falls as output expands is due to :
- (a) The law of diminishing return

- (b) Diseconomies of scale
 - (c) Economies of scale
 - (d) None of these
57. What will be the situation if factor prices and factor quantities move in the same direction
- (a) A decreasing Cost Industry
 - (b) Increasing Cost Industry
 - (c) Constants Cost Industry
 - (d) All of these
58. The Pure monopolist in the long run can make pure profit due to :
- (a) High Selling Price
 - (b) Advertising
 - (c) Low LAC Cost
 - (d) Blocked entry
59. In kinked demand curve model the Oligopolist :
- (a) Do not collude
 - (b) Recognise their independence
 - (c) Tend to keep price constant
 - (d) All the above
60. Comforts lies between
- (a) Luxuries and Inferior goods
 - (b) Interior goods and necessities
 - (c) Necessaries and Luxuries
 - (d) None of these

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

1. Marketing, Finance, Operations, Human Behaviour, Law and Policy, Economics, all together derive BCK. What does it tell us about BCK's domains?
 - (a) BCK is Vast
 - (b) BCK is Expanding
 - (c) BCK is Eclectic
 - (d) BCK is Vague
2. Gain for one is a loss for someone else - this concept can be understood by which of the characteristics of Business Environment?
 - (a) It is Dynamic
 - (b) It has far reaching impact
 - (c) It is multi-faceted
 - (d) It is complex
3. Bank of Madura was acquired by which of these?
 - (a) ICICI Bank Ltd
 - (b) State Bank of India
 - (c) Life Insurance Corporation of India (LIC)
 - (d) HDFC Bank Ltd
4. Policy Context has a core motive behind it, which is?
 - (a) Economic Welfare
 - (b) GDP Growth
 - (c) Holistic Development
 - (d) Social Welfare
5. Which of the following is not a function of RBI?
 - (a) Promotion of Banking
 - (b) Collection of Foreign Institutional Data
 - (c) Banker to Government
 - (d) Funding NABARD
6. Highest Price the buyer is willing to pay is called?
 - (a) Bid
 - (b) Ask
 - (c) Badla
 - (d) Beta
7. The structure in which there is a separation of ownership and management is called
 - (a) Sole proprietorship
 - (b) Partnership

- (c) Company
 - (d) All business organisations
8. Which of the following is not an example of socio-cultural environment?
- (a) Role of women in society
 - (b) Rising income
 - (c) Family structure
 - (d) Educational levels
9. Which of the following is founded by two Danish Engineers taking refuge in India?
- (a) Cipla Ltd
 - (b) L&T Ltd
 - (c) Flipkart
 - (d) NTPC Ltd
10. Policy Formulation process is?
- (a) Uni-Directional
 - (b) Bi-Directional
 - (c) Multi-Directional
 - (d) Single Point of Contact Oriented
11. Free and fair competition ensures all, except?
- (a) Punishing the laggards
 - (b) Boosts fixed choice preferences of customers
 - (c) Increases Efficiency
 - (d) Encourages Innovation
12. Security whose price is derived from another underlying asset is called?
- (a) Derivative
 - (b) Options
 - (c) Forwards
 - (d) Futures
13. Maximum number of members in a Private limited company are:
- (a) 50
 - (b) 200
 - (c) 20
 - (d) 500
14. Environmental analysis helps in:
- (a) Providing input for strategic decision making
 - (b) Turning threats to firm's advantage
 - (c) Anticipate opportunities and to take optimal responses
 - (d) All of the above

15. Which one of the following is not a foreign company?
- (a) Dr. Reddy's Laboratories Ltd.
 - (b) Walmart
 - (c) Nestle
 - (d) HP
16. Privatization may not be conceptualized in form of:
- (a) Divestment
 - (b) Disinvestment
 - (c) Dedication
 - (d) Displacement
17. Which one of the following is not a SEBI function as one body?
- (a) Quasi-legislative
 - (b) Quasi-judicial
 - (c) Quasi-fiscal
 - (d) Quasi-executive
18. ADR stands for:
- (a) American Deficit Record
 - (b) American Depository Receipt
 - (c) Asset Depreciation Record
 - (d) Asset Depository Receipt
19. A HUF cannot comprise members of a:
- (a) Hindu & Sikh family
 - (b) Jain family
 - (c) Buddhist family
 - (d) Muslim family
20. The term PESTLE analysis is used to describe a framework for analyzing:
- (a) Macro Environment
 - (b) Micro Environment
 - (c) Both Macro and Micro Environment
 - (d) None of above
21. Indane LPG is the product of which corporation in India?
- (a) IOCL
 - (b) NTPC
 - (c) ONGC
 - (d) PGCIL
22. Simplification of trade restrictions related to import is an example of:
- (a) Globalization
 - (b) Privatization

- (c) Disinvestment
 - (d) Aggregation
23. The RBI has been vested with extensive power to control and supervise commercial banking system under the-
- (a) Reserve Bank of India Act, 1934
 - (b) The Banking Regulation Act, 1949
 - (c) Both (a) and (b)
 - (d) The Companies Act, 2013
24. _____ is a strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment.
- (a) Cap
 - (b) Encryption
 - (c) Hedge
 - (d) Term insurance
25. Which of the following is not an economic objective of the firm?
- (a) Sales growth
 - (b) Improvement in market share
 - (c) Profits and return on investment
 - (d) Conservation of natural resources
26. Mark incorrect: Partnership implies
- (a) Contractual ownership of business
 - (b) Liability of partner is limited to the extent of one's share capital
 - (c) The contract is an agreement enforceable at law is called deed
 - (d) Deed may be registered in India under the Partnership Act, 1932
27. Who is the present CEO and MD of Larsen & Toubro Ltd.?
- (a) Keshab Pandey
 - (b) K R Krishanmurthy
 - (c) S N Subrahmanyam
 - (d) None of these
28. Which of the following statements about RBI is incorrect?
- (a) It deals largely with Governments, Central and State Banks.
 - (b) Its role is to ensure monetary stability, including stability of domestic price levels.
 - (c) One of its missions is to protect the interest of policyholders.
 - (d) The RBI is the sole authority for the issue of currency in India.
29. Economic Reforms introduced in India in 1992 are called LPG that refers to
- (a) Liquidation of loss-making units
 - (b) Popularise Public private partnership
 - (c) Good governance
 - (d) None of the above

30. Setting low prices in order to discourage or deter potential new entrants to the suppliers market:
- (a) Pre-Emptive Pricing
 - (b) Price Sensitivity
 - (c) Price Discrimination
 - (d) Price Elasticity
31. Mark the Correct:
- (a) Hindu Succession Act, 1956 is applicable in HUF.
 - (b) LLP firm may be constituted on basis of LLP Act 2009.
 - (c) A dormant company registered under Companies Act, 2013.
 - (d) All are correct.
32. PESTLE refers to:
- (a) Political, Economic, Social, Technological, Legal & Environmental factors affecting business.
 - (b) All these are external factors.
 - (c) All these constitute macro environment.
 - (d) All of the above.
33. Which limited company has businesses in Hotels, FMCG and Information Technology?
- (a) Wipro Ltd.
 - (b) HUL Ltd.
 - (c) Infosys Ltd.
 - (d) ITC Ltd.
34. Identify the one which may be considered as a public policy:
- (a) A decision by a central government to purchase a fleet of cars.
 - (b) An old building to be demolished by a municipal corporation.
 - (c) All citizens are to be provided with biometric Aadhar card.
 - (d) Government passes a special resolution to change the name of a park.
35. Who was the regulatory body for controlling financial affairs in India before SEBI?
- (a) Controller of Capital Issues
 - (b) Reserve Bank of India
 - (c) Insurance Regulatory and Development Authority of India
 - (d) Government of India
36. What is consolidation?
- (a) It is an expense that is supposed to reflect the loss in value of a fixed asset.
 - (b) Combination of two or more entities that occurs when the entities transfer all their net assets to a new entity created for that purpose.
 - (c) Potential liability arising from a past transaction or a subsequent event.
 - (d) Costs that can be attributed clearly to the activity you are considering.
37. Who is the present chairman of Wipro Limited?
- (a) Azim Premji

- (b) Rishad Premji
 - (c) Thierry Delaporte
 - (d) (a) and (b)
38. Business and technology are:
- (a) Interrelated
 - (b) Interdependent
 - (c) Interrelated & Interdependent
 - (d) None of the above
39. Self Help Groups are catered specifically by?
- (a) All development banks
 - (b) SIDBI
 - (c) RBI
 - (d) NABARD
40. Government decides to spend 400 crores in the next 5 years for the benefit of women entrepreneurs in India. This is an example of?
- (a) Fiscal Policy
 - (b) Monetary Policy
 - (c) FDI Policy
 - (d) Industrial Policy

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

ANSWER

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

PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

ANSWERS

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