

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

*Question No. 1 is compulsory.*

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

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

*Working Notes should form part of the answer.*

**(Time allowed: 3 Hours)**

**(100 Marks)**

1. (a) State with reasons whether the following statements are True or False:
  - (i) Amount spent for the construction of temporary huts, which were necessary for construction of the Cinema House and were demolished when the Cinema House was ready, is capital expenditure.
  - (ii) Finished goods are normally valued at cost or market price whichever is higher.
  - (iii) The additional commission to the consignee who agrees to bear the loss on account of bad debts is called overriding commission.
  - (iv) The firm will receive surrender value of the joint life policy on the death of the partner.
  - (v) Where a non profit organisation separate trading activity, the profit/loss from the trading account shall be transferred to Income Expenditure Account at the time of consolidation.
  - (vi)  $\text{Capital} + \text{Long Term Liabilities} = \text{Fixed Assets} + \text{Current Assets} + \text{Cash} - \text{Current Liabilities}$ .

**(6 statements x 2 Marks= 12 Marks)**
- (b) Differentiate between provision and contingent liability. **(4 Marks)**
- (c) From the following particulars, prepare a Bank Reconciliation Statement for Ayodhya Ltd. as on 31.3.2021
  - (1) Balance as per cash book is Rs. 3,60,000.
  - (2) Cheques issued but not presented in the bank amounts to Rs. 2,04,000.
  - (3) Bank charges amounts to Rs. 900.
  - (4) Interest credited by bank amounts to Rs. 4,500.

**(4 Marks)**
2. (a) The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed:
  - (i) Sales Day Book was overcast by Rs. 5,000.
  - (ii) A sale of Rs. 25,000 to Ram was wrongly debited to the Account of Shyam.
  - (iii) General expenses Rs. 360 was posted in the General Ledger as Rs. 630.
  - (iv) A Bill Receivable for Rs. 1,550 was passed through Bills Payable Book. The Bill was given by Hari.
  - (v) Legal Expenses Rs. 2,910 paid to Mrs. Neetu was debited to her personal account.

- (vi) Cash received from Aman was debited to Vimal Rs. 3,200.
- (vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of Rs. 1,235 was written as Rs. 1,325.

Find out the nature and amount of the Suspense Account and Pass entries for the rectification of the above errors in the subsequent year's books.

- (b) Anirudh and Associates purchased an old Machinery for Rs. 74,000 on 1<sup>st</sup> January, 2017 and spent Rs. 6,000 on its overhauling. On 1<sup>st</sup> July 2018, another machine was purchased for Rs. 20,000. On 1<sup>st</sup> July 2019, the machinery which was purchased on 1<sup>st</sup> January 2017, was sold for Rs. 56,000 and the same day a new machinery costing Rs. 50,000 was purchased. On 1<sup>st</sup> July, 2020, the machine which was purchased on 1<sup>st</sup> July, 2018 was sold for Rs. 4,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1<sup>st</sup> January, 2018 and the rate was increased to 15% per annum. The books are closed on 31<sup>st</sup> December every year.

Prepare Machinery account for four years from 1<sup>st</sup> January, 2017. **(10 Marks +10 Marks= 20 Marks)**

- 3 (a) Deepankar of Vijay Nagar consigns 500 cases of goods costing Rs. 3,000 each to Sandeep of Udaipur. Deepankar pays the following expenses in connection with the consignment:

Particulars	Rs.
Carriage	30,000
Freight	90,000
Loading Charges	30,000

Sandeep sells 350 cases at Rs. 4,200 per case and incurs the following expenses:

Clearing charges	36,000
Warehousing and Storage charges	50,000
Packing and selling expenses	14,000

It is found that 50 cases were lost in transit and another 50 cases were in transit. Sandeep is entitled to a commission of 10% on gross sales. Draw up the Consignment Account and Sandeep's Account in the books of Deepankar. **(10 Marks)**

- (b) On 31<sup>st</sup> December, 2020 goods sold at a sale price of Rs. 18,000 were lying with customer, Mansi to whom these goods were sold on 'sale or return basis' were recorded as actual sales. Since no consent has been received from Mansi, you are required to pass adjustment entries presuming goods were sent on approval at a profit of cost plus 20%. Present market price is 10% less than the cost price.

**(5 Marks)**

- (c) Attempt any ONE of the following two sub-parts i.e. **either (i) or (ii)**.

- (i) Amar accepted the following bills drawn by Pawan.

On 8th March, 2021 Rs. 16,000 for 4 months.

On 16th March, 2021 Rs. 20,000 for 3 months.

On 7th April, 2021 Rs. 24,000 for 5 months.

On 17th May, 2021 Rs. 20,000 for 3 months.

He wants to pay all the bills on a single day. Find out this date. Interest is charged @ 18% p.a. and Amar wants to save Rs. 628 by way of interest. Calculate the date on which he has to effect the payment to save interest of Rs. 628.

- (ii) The following are the transactions that took place between A and B during the period from 1st October, 2020 to 31st March, 2021:

2020		Rs.
Oct.1	Balance due to A by B	3,000
Oct 18	Goods sold by A to B	2,500
Nov. 16	Goods sold by B to A (invoice dated November, 26)	4,000
Dec.7	Goods sold by B to A (invoice dated December, 17)	3,500
2021		Rs.
Jan. 3	Promissory note given by A to B, at three months	5,000
Feb. 4	Cash paid by A to B	1,000
Mar. 21	Goods sold by A to B	4,300
Mar.28	Goods sold by B to A (invoice dated April, 8)	2,700

Draw up an Account Current up to March 31st, 2021 to be rendered by A to B, charging interest at 10% per annum. Interest is to be calculated to the nearest rupee.

**(5 Marks)**

4. Moscow and Danial are partners of the firm MD & Co., from 1.4.2017. Initially both of them contributed Rs. 1,00,000 each as capital. They did not contribute any capital thereafter. They maintain accounts of the firm on mercantile basis. They were sharing profits and losses in the ratio of 5:4. After the accounts for the year ended 31.3.2021 were finalized, the partners decided to share profits and losses equally with effect from 1.4.2017.

It was also discovered that in ascertaining the results in the earlier years certain adjustments, details of which are given below, had not been noted.

Year ended 31 <sup>st</sup> March	2018	2019	2020	2021
	Rs.	Rs.	Rs.	Rs.
Profit as per accounts prepared and finalized	70,000	1,30,000	1,60,000	1,80,000
Expenses not provided for (as at 31 <sup>st</sup> March)	15,000	10,000	18,000	12,000
Incomes not taken into account (as at 31 <sup>st</sup> March)	9,000	7,500	6,000	10,500

The partners decided to admit Spinny as a partner with effect from 1.4.2021. It was decided that Spinny would be allotted 20% share in the firm and he must bring 20% of the combined capital of Moscow and Danial.

Following is the Balance sheet of the firm as on 31.3.2021 before admission of Spinny and before adjustment of revised profits between Moscow and Danial.

Balance Sheet of MD & Co. as at 31.3.2021

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Plant and machinery	30,000
Moscow	1,05,750	Cash on hand	5,000
Danial	75,750	Cash at bank	2,500
Trade Payables	1,13,500	Stock in trade	1,55,000
		Trade Receivables	1,02,500
	2,95,000		2,95,000

You are required to prepare:

- (i) Profit and Loss Adjustment account;
- (ii) Capital accounts of the partners; and
- (iii) Balance Sheet of the firm after the admission of Spinny. **(20 Marks)**

5 (a) The following information of M/s. Missionary Club are related for the year ended 31<sup>st</sup> March, 2021:

(1)

Balances	As on 01-04-2020 (Rs. )	As on 31-3-2021 (Rs. )
Stock of Sports Material	2,25,000	3,37,500
Amount due for Sports Material	2,02,500	2,92,500
Subscription due	33,750	49,500
Subscription received in advance	27,000	15,750

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

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

You are required to:

(A) Ascertain the amount of Subscription and Sports Material that will appear in Income & Expenditure Account for the year ended 31.03.2021 and

(B) Also show how these items would appear in the Balance Sheet as on 31.03.2021.

**(10 Marks)**

(b) Following particulars are extracted from the books of Mr. Vaid for the year ended 31<sup>st</sup> March, 2021.

Particulars	Amount	Particulars	Amount
Debit Balances:	Rs.	Credit Balances:	Rs.
Cash in hand	3,000	Capital	32,000
Purchase	24,000	Bank overdraft	4,000
Sales return	2,000	Sales	18,000
Salaries	5,000	Purchase return	4,000
Tax and Insurance	1,000	Provision for Bad debts	2,000
Bad debts	1,000	Creditors	4,000
Debtors	10,000	Commission	1,000
Investments	8,000	Bills payable	5,000
Opening stock	2,800		
Drawings	4,000		
Furniture	3,200		
Bills receivables	6,000		
	70,000		70,000

Other information :

- (i) Closing stock was valued at Rs. 9,000.

- (ii) Goods withdrawn by Mr. Vaid for own consumption Rs. 4000 included in purchases.
- (ii) Salary of Rs. 200 and Tax of Rs. 400 are outstanding whereas insurance Rs. 100 is prepaid.
- (iii) Commission received in advance is Rs. 200.
- (iv) Interest accrued on investment is Rs. 420.
- (v) Interest on overdraft is unpaid Rs. 600.
- (vi) Provision for bad debts is to be kept at Rs. 2,000.
- (vii) Depreciation on furniture is to be charged @ 10%.

You are required to prepare the final accounts after making above adjustments. **(10 Marks)**

6. (a) Hament applies for 2,000 shares of Rs. 10 each at a premium of Rs. 2.50 per share. He was allotted 1,000 shares. After having paid Rs. 3 per share on application, he did not pay the allotment money of Rs. 4.50 per share (including premium) and on his subsequent failure to pay the first call of Rs. 2 per share, his share were forfeited. These share were reissued at Rs. 8 per share, his shares were forfeited.

At the time of re-issue of forfeited shares of Mr. Hament, final call money amount all other shareholders were duly called up.

You are required to pass journal entries to record forfeiture and reissue of shares.

**(10 Marks)**

- (b) On 1<sup>st</sup> January, 2020 Simon Ltd. issued 10% debentures of the face value of Rs. 10,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on 30th June and 31st December every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the year ending December, 2020.

**(10 Marks)**

## FOUNDATION COURSE

## MOCK TEST PAPER

## PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

## ANSWERS

1. (i) True: Since the temporary huts were necessary for the construction, their cost should be added to the cost of the cinema hall and thus capitalised.
- (ii) False: Finished goods are normally valued at cost or net realizable value whichever is lower.
- (iii) False: The additional commission to the consignee who agrees to bear the loss on account of bad debts is called del credere commission.
- (iv) False: The firm will receive full value of sum assured of the joint life policy on the death of the partner.
- (v) True: When in case of trading activities for a Non- Profit -Organisation, the profit/loss from such activity is to be transferred to the Income Expenditure Account at the time of consolidation.
- (vi) False: The right hand side of the equation includes cash twice- once as a part of current assets and another separately. The basic accounting equation is  

$$\text{Equity} + \text{Long Term Liabilities} = \text{Fixed Assets} + \text{Current Assets} - \text{Current Liabilities}$$
- (b) Difference between Provision and Contingent liability

	<b>Provision</b>	<b>Contingent liability</b>
(1)	Provision is a present liability of uncertain amount, which can be measured reliably by using a substantial degree of estimation.	A Contingent liability is a possible obligation that may or may not crystallise depending on the occurrence or non-occurrence of one or more uncertain future events.
(2)	A provision meets the recognition criteria.	A contingent liability fails to meet the same.
(3)	Provision is recognized when (a) an enterprise has a present obligation arising from past events; an outflow of resources embodying economic benefits is probable, and (b) a reliable estimate can be made of the amount of the obligation.	Contingent liability includes present obligations that do not meet the recognition criteria because either it is not probable that settlement of those obligations will require outflow of economic benefits, or the amount cannot be reliably estimated.
(4)	If the management estimates that it is probable that the settlement of an obligation will result in outflow of economic benefits, it recognises a provision in the balance sheet.	If the management estimates, that it is less likely that any economic benefit will outflow from the firm to settle the obligation, it discloses the obligation as a contingent liability.

(c)

Ayodhya Ltd.

## Bank Reconciliation Statement as on 31.3.2021

Particulars	Rs.
Balance as per cash book	3,60,000
Add : Cheque issued but not presented	2,04,000
Interest credited	<u>4,500</u>
	5,68,500
Less : Bank charges	<u>(900)</u>
Balance as per pass book	<u>5,67,600</u>

2. (a)

	Particulars		Dr. Rs.	Cr. Rs.
(i)	P & L Adjustment A/c To Suspense A/c (Correction of error by which sales account was overcast last year)	Dr.	5,000	5,000
(ii)	Ram A/c To Shyam A/c (Correction of error by which sale of Rs. 25,000 to Ram was wrongly debited to Shyam's account)	Dr.	25,000	25,000
(iii)	Suspense A/c To P & L Adjustment A/c (Correct of error by which general expenses of Rs. 360 was wrongly posted as Rs. 630)	Dr.	270	270
(iv)	Bills Receivable A/c Bills Payable A/c To Hari (Correction of error by which bill receivable of Rs. 1,550 was wrongly passed through Bills Payable book)	Dr. Dr.	1,550 1,550	3,100
(v)	P & L Adjustment A/c To Mrs. Neetu (Correction of error by which legal expenses paid to Mrs. Neetu was wrongly debited to her personal account)	Dr.	2,910	2,910
(vi)	Suspense A/c To Aman A/c To Vimal A/c (Removal of wrong debit to Vimal and giving credit to Aman from whom cash was received)	Dr.	6,400	3,200 3,200
(vii)	Suspense A/c To P&L Adjustment A/c (Correction of error by which Purchase A/c was excess debited by Rs.90/-, i.e.: Rs.1,325 – Rs.1,235)	Dr.	90	90

**Suspense A/c**

	Rs.		Rs.
To P & L Adjustment A/c	270	By P & L Adjustment A/c	5,000
To Ram A/c	3,200	By Difference in Trial Balance (Balancing figure)	1,760
To Shyam A/c	3,200		
To P&L Adjustment A/c	90		
	6,760		6,760

(b)

**In the books of Anirudh and Associates**

**Machinery Account**

		Rs.			Rs.
1.1.2017	To Bank A/c	74,000	31.12.2017	By Depreciation A/c	8,000
	To Bank A/c (overhauling charges)	6,000	31.12.2017	By Balance c/d	72,000
		80,000			80,000
1.1.2018	To Balance b/d	72,000	31.12.2018	By Depreciation A/c (Rs. 10,800 + Rs. 1,500)	12,300
1.7.2018	To Bank A/c	20,000	31.12.2018	By Balance c/d (Rs. 61,200 + Rs. 18,500)	79,700
		92,000			92,000
1.1.2019	To Balance b/d	79,700	1.7.2019	By Bank A/c(sale)	56,000
1.7.2019	To Bank A/c	50,000	1.7.2019	By Profit and Loss A/c- (Loss on Sale – W.N. 1)	610
			31.12.2019	By Depreciation A/c (Rs. 4,590 + Rs.2,775 + Rs. 3,750)	11,115
				By Balance c/d (Rs. 15,725 + Rs. 46,250)	61,975
		1,29,700			1,29,700
1.1.2020	To Balance b/d	61,975	1.7.2020	By Bank A/c (sale)	4,000
			1.7.2020	By Profit and Loss A/c (Loss on Sale – W.N. 1)	10,545



		31.12.2020	By Depreciation A/c (Rs. 1,180 + Rs. 6,938)	8,118
		31.12.2020	By Balance c/d	39,312
	61,975			61,975

**Working Note:**

**Book Value of machines**

	<i>Machine I Rs.</i>	<i>Machine II Rs.</i>	<i>Machine III Rs.</i>
Cost of all machinery (Machinery cost for 2017)	80,000	20,000	50,000
Depreciation for 2017	<u>8,000</u>	-	
Written down value as on 31.12.2017	72,000		
Purchase 1.7.2018 (6 months)		20,000	
Depreciation for 2018	<u>10,800</u>	<u>1500</u>	-
Written down value as on 31.12.2018	61,200	18,500	
Depreciation for 6 months (2019)	<u>4,590</u>	-	
Written down value as on 1.7.2019	56,610		
Sale proceeds	<u>56,000</u>	-	
Loss on sale	<u>610</u>	-	
Purchase 1.7.2019			50,000
Depreciation for 2019 (6 months)		<u>2,775</u>	<u>3,750</u>
Written down value as on 31.12.2019		15,725	46,250
Depreciation for 6 months in 2020		<u>1180</u>	-
Written down value as on 1.7.2020		14,545	
Sale proceeds		<u>4,000</u>	-
Loss on sale		<u>10,545</u>	-
Depreciation for 2020			<u>6,938</u>
Written down value as on 31.12.2020			<u>39,312</u>

**3. (a)**

**In the books of Deepankar**

**Consignment to Sandeep of Udaipur Account**

<b>Particulars</b>	<b>Rs.</b>	<b>Particulars</b>	<b>Rs.</b>
To Goods sent on Consignment	15,00,000	By Sandeep (Sales)	14,70,000
To Bank (Expenses: 30,000+90,000+30,000)	1,50,000	By Goods lost in Transit 50 cases @ Rs. 3,300 each (WN1)	1,65,000
To Sandeep (Expenses:	1,00,000	By Consignment Inventories:	

36,000+Rs.50,000+14,000 )		In hand 50 @ Rs. 3,390 each (WN2)	1,69,500
To Sandeep (Commission)	1,47,000	By Consignment Inventories:	
To Profit on Consignment transferred to Profit & Loss A/c	72,500	In transit 50 @ Rs. 3,300 each (WN3)	1,65,000
	19,69,500		19,69,500

#### Sandeep's Account

Particulars	Rs.	Particulars	Rs.
To Consignment to Udaipur A/c	14,70,000	By Consignment A/c (Expenses)	1,00,000
		By Consignment A/c(Commission)	1,47,000
		By Balance c/d	12,23,000
	14,70,000		14,70,000

#### Working Notes:

1. Consignor's expenses on 500 cases amounts to Rs.1,50,000; it comes to Rs. 300 per case. The cost of cases lost will be computed at Rs. 3,300 per case i.e. 3,000+300.
2. Sandeep has incurred Rs. 36,000 on clearing 400 cases, i.e., Rs. 90 per case; while valuing closing inventories with the agent Rs. 90 per case has been added to cases in hand with the agent i.e. 3,000+300+90.
3. The goods in transit (50 cases) have not yet been cleared. Hence the proportionate clearing charges on those goods have not been included in their value i.e. 3,000+300 =3,300.
4. It has been assumed that balance of Rs. 12,23,000 is not yet paid.

(b)

#### Journal Entries

Date	Particulars		Dr. Rs.	Cr. Rs.
2020				
31 <sup>st</sup> Dec.	Sales A/c To Mansi's A/c (Being cancellation of entry for sale of goods, not yet approved)	Dr.	18,000	18,000
	Inventories with customers A/c (Refer W.N.) To Trading A/c (Being Inventories with customers recorded at market price)	Dr.	13,500	13,500

#### Working Note:

Calculation of cost and market price of Inventories with customer

Sale price of goods sent on approval	Rs.18,000
Less: Profit (3,000 x 20/120)	<u>Rs. 3000</u>

Cost of goods

Rs.15,000

Market price = 15,000 - (15,000 x 10%) = Rs. 13,500.

(c) (i) Taking 19.6.2021 as a Base date

Transaction Date	Due Date	Amount	No of days	Amount
8.3.2021	11.7.2021	16,000	22	3,52,000
16.3.2021	19.6.2021	20,000	0	0
7.4.2021	10.9.2018	24,000	83	19,92,000
17.5.2021	20.8.2018	20,000	62	12,40,000
		80,000		35,84,000

$$\begin{aligned}
 \text{Average Due Date} &= \text{Base date} + \frac{\text{Total of Product}}{\text{Total of Amount}} \\
 &= 19.6.2021 + \text{Rs. } 35,84,000 / \text{Rs. } 80,000 \\
 &= 19.6.2021 + 44.8 \text{ days (or 45 days approximately)} \\
 &= 3.8.2021
 \end{aligned}$$

Amar wants to save interest of Rs. 628. The yearly interest is Rs. 80,000 × 18%  
= Rs. 14,400.

Assume that days corresponding to interest of Rs. 628 are Y.

Then, 14,400 × Y/365 = Rs. 628

or Y = 628 × 365/14,400 = 15.9 days or 16 days (Approx.)

Hence, if Amar wants to save Rs. 628 by way of interest, she should prepone the payment of amount involved by 16 days from the Average Due Date. Hence, she should make the payment on 18.7.2021 (3.8.2021 – 16 days)

(ii) In the books of A

**B in Account Current with A**  
(interest to 31<sup>st</sup> March, 2021 @ 10% p.a.)

Date	Due date	Particulars	No. of days till 31.3.21	Amt.	Product	Date	Due date	Particulars	No. of days till 31.3.21	Amt.	Product
2020	2020			Rs.	Rs.	2020	2020			Rs.	Rs.
Oct 1,	Oct 1,	To Balance b/d	182	3,000	5,46,000	Nov 16	Nov 26	By Purchases	125	4,000	5,00,000
Oct 18, 2021	Oct 18, 2021	To Sales	164	2,500	4,10,000	Dec 7, 2021	Dec. 17, 2021	By Purchases	104	3,500	3,64,000
Jan 3	Apr 6	To Bills payable	(6)	5,000	(30,000)	Mar 28	Apr 8	By Purchases	(8)	2,700	(21,600)

Feb 4	Feb 4	To Cash	55	1,000	55,000	Mar 31	Mar 31	By Balance of product			1,81,600
Mar 21	Mar. 21	To Sales	10	4,300	43,000			By Balance c/d		5,650	
Mar 31	Mar 31	To Interest		50	-						
				15,850	10,24,000					15,850	10,24,000

$$\text{Interest for the period} = \frac{1,81,600 \times 10 \times 1}{100 \times 365} = \text{Rs. 50 (approx.)}$$

#### 4. Profit and Loss Adjustment Account\*

	Rs.		Rs.
To Expenses not provided for (years 2018-2021)	55,000	By Income not considered (for years 2018-2021)	33,000
		By Partners' capital accounts (loss)	
		Moscow	11,000
		Danial	<u>11,000</u>
	<u>55,000</u>		<u>55,000</u>

#### (ii) Partners' Capital Accounts

	Moscow Rs.	Danial Rs.	Spinny Rs.		Moscow Rs.	Danial Rs.	Spinny Rs.
To P & L Adjustment A/c	11,000	11,000	-	By Balance b/d	1,05,750	75,750	-
To Danial	30,000			By Moscow	-	30,000	-
To Balance c/d	<u>64,750</u>	<u>94,750</u>	<u>31,900</u>	By Cash	-	-	31,900
	<u>1,05,750</u>	<u>1,05,750</u>	<u>31,900</u>		<u>1,05,750</u>	<u>1,05,750</u>	<u>31,900</u>
				By Balance b/d	64,750	94,750	31,900

#### (iii) Balance Sheet of MD & Co. as on 1.4.2021

##### (After admission of Spinny)

Liabilities	Rs.	Assets	Rs.
Capital accounts:		Plant and machinery	30,000
Moscow	64,750	Trade receivables	1,02,500
Danial	94,750	Stock in trade	1,55,000
Spinny	31,900	Accrued income	33,000
Trade payables	1,13,500	Cash on hand (5,000 + 31,900)	36,900
Outstanding expenses	<u>55,000</u>	Cash at bank	<u>2,500</u>
	<u>3,59,900</u>		<u>3,59,900</u>

\* It is assumed that expenses and incomes not taken into account in earlier years were fully ignored.

**Working Notes:**

**1. Computation of Profit and Loss distributed among partners**

		Rs.	
Profit for the year ended	31.3.2018	70,000	
	31.3.2019	1,30,000	
	31.3.2020	1,60,000	
	31.3.2021	<u>1,80,000</u>	
Total Profit		<u>5,40,000</u>	
	Moscow	Danial	Total
	Rs.	Rs.	Rs.
Profit shared in old ratio i.e 5:4	3,00,000	2,40,000	5,40,000
Profit to be shared as per new ratio i.e. 1:1	<u>2,70,000</u>	<u>2,70,000</u>	<u>5,40,000</u>
Excess share	<u>30,000</u>		
Deficit share		(30,000)	

Moscow to be debited by Rs. 30,000 and Danial to be credited by Rs.30,000.

**2. Capital brought in by Spinny**

	Rs.
Capital to be brought in by Spinny must be equal to 20% of the combined capital of Moscow and Danial	
Capital of Moscow (1,05,750 – 11,000 – 30,000)	64,750
Capital of Danial (75,750 – 11,000 + 30,000)	<u>94,750</u>
Combined Capital	<u>1,59,500</u>
20% of the combined capital brought in by Spinny (20% of Rs. 1,59,500)	<u>31,900</u>

**5. (a) Subscription for the year ended 31.3.2021**

		Rs.
Subscription received during the year		11,25,000
Less: Subscription receivable on 1.4.2020	33,750	
Less: Subscription received in advance on 31.3.2021	<u>15,750</u>	<u>(49,500)</u>
		10,75,500
Add: Subscription receivable on 31.3.2021	49,500	
Add: Subscription received in advance on 1.4.2020	<u>27,000</u>	<u>76,500</u>
Amount of Subscription appearing in Income & Expenditure Account		<u>11,52,000</u>

**Sports material consumed during the year end 31.3.2021**

	Rs.
Payment for Sports material	6,75,000
Less: Amounts due for sports material on 1.4.2020	<u>(2,02,500)</u>
	4,72,500
Add: Amounts due for sports material on 31.3.2021	<u>2,92,500</u>
Purchase of sports material	<u>7,65,000</u>
Sports material consumed:	
Stock of sports material on 1.4.2020	2,25,000
Add: Purchase of sports material during the year	<u>7,65,000</u>
	9,90,000
Less: Stock of sports material on 31.3.2021	<u>(3,37,500)</u>
Amount of Sports Material appearing in Income & Expenditure Account	<u>6,52,500</u>

**Balance Sheet of M/s Missionary Club For the year ended 31<sup>st</sup> March, 2021 (An extract)**

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Unearned Subscription	15,750	Subscription receivable	49,500
Amount due for sports material	2,92,500	Stock of sports material	3,37,500

(b)

**Trading & Profit and Loss Account of**

**Mr. Vaid for the year ended 31<sup>st</sup> March, 2021**

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Opening Stock		2,800	By Sales	18,000	
To Purchase	20,000		Less: Sales return	<u>(2,000)</u>	16,000
Less: Purchase return	<u>(4,000)</u>	16,000	By Closing stock		9,000
To Gross Profit		6,200			
		25,000			25,000
To Salary	5,000		By Gross Profit		6,200
Add: Outstanding salary	<u>200</u>	5,200	By Commission	1,000	
To Tax & Insurance	1000		Less: Advance	<u>(200)</u>	800
Add: Outstanding	400		By Accrued interest		420
Prepaid insurance	<u>(100)</u>	1,300	By Net Loss		1,000
To Bad debt	1000				
Opening provision	<u>(2,000)</u>				
Closing provision	<u>2,000</u>	1,000			
To Interest on overdraft		600			
To Depreciation on furniture		320			
		8,420			8,420

**Balance Sheet of Mr. Vaid as on 31.3.2021**

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
Capital	32,000		By Furniture	3,200	
Less: drawing	(8,000)		Less: Depreciation	(320)	2,880
Net loss	(1,000)	23,000	Bill receivable		6,000
Bank overdraft	4,000		Investment	8,000	
Add: interest	600	4,600	Add: accrued interest	420	8,420
Creditors		4,000	Debtors	10,000	
Bills payable Outstanding expenses:		5,000	Less: Provision on bad debts	(2,000)	8,000
Salary	200		Closing stock		9,000
Tax	400	600	Cash in hand		3,000
Commission received in advance		200	Prepaid insurance		100
		37,400			37,400

**6. (a) Journal**

		Dr.	Cr.
Share Capital A/c	Dr.	7,000	
Securities Premium Reserve A/c	Dr.	1,500	
To Forfeited Share A/c			5,000
To Share Allotment A/c			1,500
To Share First Call A/c			2,000
(Being 1000 shares forfeited for non-payment of allotment money and first call)			
Bank A/c	Dr.	8,000	
Forfeited Shares A/c	Dr.	2,000	
To Share Capital A/c			10,000
(Being 1000 forfeited shares reissued as fully paid up for Rs 8 per share)			
Forfeited Shares A/c	Dr.	3,000	
To Capital Reserve A/c			3,000
(Being the transfer of gain on reissue)			

**Working Note:**

Calculation of the amount due but not paid on allotment	Rs.
(a) Total No. of Shares applied	2,000
(b) Total money paid of application (2,000x 3)	6,000
(c) Excess application money (Rs. 6000-(1,000x3))	3,000
(d) Total amount due on allotment (1,000x 4.50)	4,500
(e) Amount due but not paid (Rs.4,500- Rs.3,000)	1,500
Out of Rs. 4,500, Rs. 2,000 are for Share Capital and Rs. 2,500 are for Securities Premium Reserve. Out of excess application money of Rs.3,000 , Rs.2000 are	

adjusted towards allotment as share capital and Rs.. 1,000 are adjusted towards allotment as securities premium reserve. Therefore, Securities Premium Reserve of Rs. 1,500 (i.e. Rs. 2,500- 1,000) is not received. Hence securities Premium Reserve is debited by Rs. 1,500.	
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(b)

### Journal Entries

			Dr. (Rs.)	Cr. (Rs.)
1-1-2020	Bank A/c	Dr.	9,00,000	
	Discount/Loss on Issue of Debentures A/c	Dr.	1,50,000	
	To 10% Debentures A/c			10,00,000
	To Premium on Redemption of Debentures A/c			50,000
	(For issue of debentures at discount redeemable at premium)			
30-6-2020	Debenture Interest A/c	Dr.	50,000	
	To Debenture holders A/c			45,000
	To Tax Deducted at Source A/c			5,000
	(For interest payable)			
	Debenture holders A/c	Dr.	45,000	
	Tax Deducted at Source A/c	Dr.	5,000	
	To Bank A/c			50,000
	(For payment of interest and TDS)			
31-12-2020	Debenture Interest A/c	Dr.	50,000	
	To Debenture holders A/c			45,000
	To Tax Deducted at Source A/c			5,000
	(For interest payable)			
	Debenture holders A/c	Dr.	45,000	
	Tax Deducted at Source A/c	Dr.	5,000	
	To Bank A/c			50,000
	(For payment of interest and tax)			
	Profit and Loss A/c	Dr.	1,00,000	
	To Debenture Interest A/c			1,00,000
	(For transfer of debenture interest to profit and loss account at the end of the year)			
	Profit and Loss A/c	Dr.	30,000	
	To Discount/Loss on issue of debenture A/c			30,000
	(For proportionate debenture discount and premium on redemption written off, i.e., 50,000 x 1/5)			



**MOCK TEST PAPER 2**

**FOUNDATION COURSE**

**PAPER 2: BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING**

**SECTION A: BUSINESS LAWS ( 60 Marks)**

*Question No. 1 is compulsory.*

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

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**QUESTIONS**

- 1 (a) Mr. Shekhar wants to sell his car. For this purpose, he appoints Mr. Nadan, a minor as his agent. Mr. Shekhar instructs Mr. Nadan that car should not be sold at price less than Rs. 1,00,000. Mr. Nadan ignores the instruction of Mr. Shekhar and sells the car to Mr. Masoom for Rs. 80,000. Explain the legal position of contract under the Indian Contract Act, 1872 whether:
  - (i) Mr. Shekhar can recover the loss of Rs. 20,000 from Mr. Nadan?
  - (ii) Mr. Shekhar can recover his car from Mr. Masoom? **(4 Marks)**
- (b) Jagannath Oils Limited is a public company and having 220 members of which 25 members were employee in the company during the period 1<sup>st</sup> April, 2006 to 28<sup>th</sup> June 2016. They were allotted shares in Jagannath Oils Limited first time on 1<sup>st</sup> July, 2007 which were sold by them 1<sup>st</sup> August, 2016. After some time, on 1<sup>st</sup> December, 2016, each of those 25 members acquired shares in Jagannath Oils Limited which they are holding till date. Now company wants to convert itself into a private company. State with reasons:
  - (I) Whether Jagannath Oils Limited is required to reduce the number of members.
  - (II) Would your answer be different if above 25 members were the employee in Jagannath Oils Limited for the period from 1<sup>st</sup> April, 2006 to 28<sup>th</sup> June, 2017? **(4 Marks)**
- (c) “*Nemo Dat Quod Non Habet*” – “None can give or transfer goods what he does not himself own.” State the cases in which the rule does not apply under the provisions of the Sale of Goods Act, 1930. **(4 Marks)**
- 2 (a) (i) “All contracts are agreements, but all agreements are not contracts”. Comment. **(4 Marks)**
  - (ii) Shambhu Dayal started “self service” system in his shop. Smt. Prakash entered the shop, took a basket and after taking articles of her choice into the basket reached the cashier for payments. The cashier refuses to accept the price. Can Shambhu Dayal be compelled to sell the said articles to Smt. Prakash? Decide as per the provisions of the Indian Contract Act, 1872. **(3 Marks)**
- (b) What do you mean by Designated Partner? Whether it is mandatory to appoint Designated partner in a LLP? **(5 Marks)**
- 3 (a) Ms. Lucy while drafting partnership deed taken care of few important points. What are those points? She wants to know the list of information which must be part of partnership deed drafted by her. Also, give list of information to be included in partnership deed? **(6 Marks)**
- (b) Mr. Murari owes payment of 3 bills to Mr. Girdhari as on 31<sup>st</sup> March, 2020. (i) ₹ 12,120 which was due in May 2016. (ii) ₹ 5,650 which was due in August 2018 (iii) ₹ 9,680 which was due in

May 2019. Mr. Murari made payment on 1<sup>st</sup> April 2020 as below without any notice of how to appropriate them:

- (i) A cheque of ₹ 9,680
- (ii) A cheque of ₹ 15,000

Advice under the provisions of the Indian Contract Act, 1872.

**(6 Marks)**

- 4 (a) When can an unpaid seller of goods exercise his right of lien over the goods under the Sale of Goods Act? Can he exercise his right of lien even if the property in goods has passed to the buyer? When such a right is terminated? Can he exercise his right even after he has obtained a decree for the price of goods from the court? **(6 Marks)**

- (b) X, Y and Z are partners in a Partnership Firm. They were carrying their business successfully for the past several years. Due to expansion of business, they planned to hire another partner Mr A. Now the firm has 4 partners X, Y, Z and A. The business was continuing at normal pace. In one of formal business meeting, it was observed that Mr. Y misbehaved with Mrs. A (wife of Mr. A). Mr. Y was badly drunk and also spoke rudely with Mrs. A.

Mrs. A felt very embarrassed and told her husband Mr. A about the entire incident. Mr. A got angry on the incident and started arguing and fighting with Mr. Y in the meeting place itself. Next day, in the office Mr. A convinced X and Z that they should expel Y from their partnership firm. Y was expelled from partnership without any notice from X, A and Z.

Considering the provisions of the Indian Partnership Act, 1932, state whether they can expel a partner from the firm. What are the criteria for test of good faith in such circumstances?

**(6 Marks)**

- 5 (a) Avyukt purchased 100 Kgs of wheat from Bhaskar at Rs. 30 per kg. Bhaskar says that wheat is in his warehouse in the custody of Kishore, the warehouse keeper. Kishore confirmed Avyukt that he can take the delivery of wheat from him and till then he is holding wheat on Avyukt's behalf. Before Avyukt picks the goods from warehouse, the whole wheat in the warehouse has flowed in flood. Now Avyukt wants his price on the contention that no delivery has been done by seller. Whether Avyukt is right with his views under the Sale of Goods Act, 1930. **(6 Marks)**

- (b) Briefly explain the doctrine of "ultravires" under the Companies Act, 2013. What are the consequences of ultravires acts of the company? **(6 Marks)**

- 6 (a) Explain the-term 'Quasi Contracts' and state their characteristics. **(5 Marks)**

- (b) "Indian Partnership Act does not make the registration of firms compulsory nor does it impose any penalty for non-registration." In light of the given statement, discuss the consequences of non-registration of the partnership firms In India? **(4 Marks)**

- (c) Manicar Limited has allotted equity shares with voting rights to Nanicar Limited worth ₹ 10 Crores and issued Non-Convertible Debentures worth ₹ 30 Crores during the Financial Year 2017-18. After that total Paid-up Equity Share Capital of the company is ₹ 100 Crores and Non-Convertible Debentures stands at ₹ 150 Crores.

Define the Meaning of Associate Company and comment on whether Manicar Limited and Nanicar Limited would be called Associate Company as per the provisions of the Companies Act, 2013? **(3 Marks)**

## SECTION B: BUSINESS CORRESPONDENCE AND REPORTING (40 Marks)

*Question No. 1 is compulsory.*

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

### QUESTIONS

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

In the United States the per capita costs of schooling have risen almost as fast as the cost of medical treatment. But increased treatment by both doctors and teachers has shown steadily declining results. Medical expenses concentrated on those above forty-five have doubled several times over a period of forty years with a resulting 3 percent increase in the life expectancy of men. The increase in educational expenditures has produced even stranger results; otherwise President Nixon could not have been moved this spring to promise that every child shall soon have the "Right to Read" before leaving school.

In the United States it would take eighty billion dollars per year to provide what educators regard as equal treatment for all in grammar and high school. This is well over twice the \$36 billion now being spent. Independent cost projections prepared at HEW and at the University of Florida indicate that by 1974 the comparable figures will be \$107 billion as against the \$45 billion now projected, and these figures wholly omit the enormous costs of what is called "higher education," for which demand is growing even faster. The United States, which spent nearly eighty billion dollars in 1969 for "defense," including its deployment in Vietnam, is obviously too poor to provide equal schooling. The President's committee for the study of school finance should ask not how to support or how to trim such increasing costs, but how they can be avoided.

Equal obligatory schooling must be recognized as at least economically unfeasible. In Latin America the amount of public money spent on each graduate student is between 350 and 1,500 times the amount spent on the median citizen (that is, the citizen who holds the middle ground between the poorest and the richest). In the United States, the discrepancy is smaller, but the discrimination is keener. The richest parents, some 10 percent, can afford private education for their children and help them to benefit from foundation grants. In addition, they obtain ten times the per capita amount of public funds if this is compared with the per capita expenditure made on the children of the 10 percent who are poorest. The principal reasons for this are that rich children stay longer in school, that a year in a university is disproportionately more expensive than a year in high school, and that most private universities depend—at least indirectly—on tax-derived finances.

Obligatory schooling inevitably polarizes a society; it also grades the nations of the world according to an international caste system. Countries are rated like castes whose educational dignity is determined by the average years of schooling of its citizens, a rating which is closely related to per capita gross national product, and much more painful.

(a) What is the main idea of the passage? (1 Marks)

(b) How many years would it take to provide what educators regard as equal treatment in high school in US? (1 Marks)

(c) According to the passage, education is like health care in all of the following ways

EXCEPT: (1 Marks)

(A) It has reached a point of diminishing returns, increased spending no longer results in significant improvement.

- (B) It has an inappropriate “more is better” philosophy.
  - (C) It is unfairly distributed between rich and poor.
  - (D) The amount of money being spent on older students is increasing.
  - (E) Its cost has increased nearly as fast.
- d) Why does the author consider the results from increased educational expenditures to be “even stranger” than those from increased medical expenditures? **(1 Marks)**
- (A) The aging of the population should have had an impact only on medical care, not on education.
  - (B) The “Right to Read” should be a bare minimum, not a Presidential ideal.
  - (C) Educational spending has shown even poorer results than spending on health care, despite greater increases.
  - (D) Education has become even more discriminatory than health care.
  - (E) It inevitably polarizes society.
- (e) How much is spent on each graduate in Latin America from the public money? **(1 Marks)**
- (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. A good business letter is one that gets results. The best way to get results is to develop a letter that, in its appearance, style and content, conveys information efficiently. To perform this function, a business letter should be concise, clear and courteous.
  2. The business letter must be concise: don’t waste words. Little introduction or preliminary chat is necessary. Get to the point, make the point, and leave it. It is safe to assume that your letter is being read by a very busy person with all kinds of papers to deal with. Re-read and revise your message until the words and sentences you have used are precise. This takes time, but is a necessary part of a good business letter. A short business letter that makes its point quickly has much more impact on a reader than a long-winded, rambling exercise in creative writing. This does not mean that there is no place for style and even, on occasion, humour in the business letter. While it conveys a message in its contents, the letter also provides the reader with an impression of you, its author: the medium is part of the message.
  3. The business letter must be clear. You should have a very firm idea of what you want to say, and you should let the reader know it. Use the structure of the letter—the paragraphs, topic sentences, introduction and conclusion—to guide the reader point by point from your thesis, through your reasoning, to your conclusion. Paragraph often, to break up the page and to lend an air of organisation to the letter. Use an accepted business-letter format. Re-read what you have written from the point of view of someone who is seeing it for the first time, and be sure that all explanations are adequate, all information provided (including reference numbers, dates, and other identification). A clear message, clearly delivered, is the essence of business communication.
  4. The business letter must be courteous. Sarcasm and insults are ineffective and can often work against you. If you are sure you are right, point that out as politely as possible, explain why you are right, and outline what the reader is expected to do about it. Another form of

courtesy is taking care in your writing and typing of the business letter. Grammatical and spelling errors (even if you call them typing errors) tell a reader that you don't think enough of him or can lower the reader's opinion of your personality faster than anything you say, no matter how idiotic. There are excuses for ignorance; there are no excuses for sloppiness.

5. The business letter is your custom-made representative. It speaks for you and is a permanent record of your message. It can pay big dividends on the time you invest in giving it a concise message, a clear structure, and a courteous tone.

2 (a) What is Visual Communication?

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

Perspicacious

- (a) Bad (b) Clear (c) Hazy (d) Shrewd **(1 Marks)**

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

Malevolence

- (a) Benefitting (b) Tenderness (c) Indulgence (d) Kindness

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

Has she phoned him?

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

She said to me, "What can I do for you?"

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

English education and English language have done immense goods to India, in spite of their glaring drawbacks. The notions of democracy and self-government are the born of English education. Those who fought and died for Mother India's freedom were nursed in the cradle of English thought and culture. The West has made contribution to the East. The history of Europe has fired the hearts of our leaders. Our struggle for freedom has been inspired by the struggles for freedom in England, America and France. If our leaders were ignorant of English and if they had not studied this language, how could they have been inspired by these heroic struggles for freedom in other lands? English, therefore, did us great good in the past and if properly studied will do immense good in future.

English is spoken throughout the world. For international contact our commerce and trade, for the development of our practical ideas, for the scientific studies, English-is indispensable "English is very rich in literature," our own literature has been made richer by this foreign language. It will really be a fatal day if we altogether forget Shakespeare, Milton, Keats and Shaw.

3 (a) What do you understand by completeness in communication? **(1 Marks)**

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

Mercenary

- (a) luring by false charms (b) poisonous (c) serving only for pay (d) unworthy **(1 Marks)**

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

Boisterous

- (a) calm (b) courageous (c) serenity (d) cheerful

- (iii) Change the following sentences into passive voice: **(1 Marks)**  
They don't help you.
- (iv) Change the following sentence to indirect speech. **(1 Marks)**  
Everybody said, "How well she sings."
- (c) You are SD, Senior Manager of BNM International and you want to host Diwali Party in your organization. Write a letter to FGH caterers to enquire about the services.
4. (a) Briefly discuss any 4 barriers of communications. **(2 Marks)**
- (b) (i) Select the suitable antonym for the given word: **(1 Marks)**  
Indict  
(a) reprimand                      (b) allege                      (c) condemn                      (d) acquit
- (ii) Rewrite the following sentence in active voice: **(1 Marks)**  
Are you picked up by your mom?
- (iii) Change the following sentence into Indirect speech. **(1 Marks)**  
Ria said to Siya, "Who were you speaking to over the phone?"
- (c) Write an Article of about 250-300 words on the topic '**Sports in India in present times**' **(5 Marks)**

**Or**

- Write a report on '**Indian unicorn start-ups IPO launch**' in 250-300 words.
5. (a) What is the difference between Vertical and Horizontal Communication? **(2 Marks)**
- (b) (i) Select the correct meaning of the idioms/phrases used in sentences given below. **(2 Marks)**
1. The elephant in the room
    - (a) A slow person
    - (b) A fat person
    - (c) The useless person in the group
    - (d) The main issue
  - 2 A man of straw
    - (a) A man of no substance
    - (b) A man without wife
    - (c) A man in the village
    - (d) None of the above
- (ii) Change the following sentence into Active Voice. **(1 Marks)**  
The prize wasn't won by Sheena.

- (c) Prepare minutes of the meetings of a meeting with company heads and project members. The agenda of the meeting to discuss the progress of the project and discuss the hurdles. **(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 Gomati Nagar in New Delhi.

Name: Jagjeet Singh  
Qualifications: CA Intermediate

**MOCK TEST PAPER 2**

**FOUNDATION COURSE**

**PAPER 2: BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING**

**SECTION A: BUSINESS LAWS**

**ANSWERS**

- 1 (a) According to the provisions of Section 11 of the Indian Contract Act, 1872, a minor is disqualified from contracting. A contract with minor is *void-ab-initio* but minor can act as an agent. But he will not be liable to his principal for his acts.

In the instant case, Mr. Shekhar appoints Mr. Nadan, a minor as his agent to sale his car. Mr. Shekhar clearly instructed to Mr. Nadan that the minimum sale price of the car should be Rs. 1,00,000 yet Mr. Nadan sold the car to Mr. Masoom for Rs. 80,000.

- (i) Considering the facts, although the contract between Mr. Shekhar and Mr. Nadan is valid, Mr. Nadan will not be liable to his principal for his acts. Hence, Mr. Shekhar cannot recover the loss of Rs. 20,000.
- (ii) Further, Mr. Masoom purchased the car from agent of Mr. Shekhar, he got good title. Hence, Mr. Shekhar cannot recover his car from Mr. Masoom.

- (b) According to Section 2(68) of Companies Act, 2013, "Private company" means a company having a minimum paid-up share capital as may be prescribed, and which by its articles,—

- (i) restricts the right to transfer its shares;
- (ii) except in case of One Person Company, limits the number of its members to two hundred:

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

Provided further that—

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

shall not be included in the number of members; and

- (iii) prohibits any invitation to the public to subscribe for any securities of the company.
  - (I) Following the provisions of Section 2(68), 25 members were employees of the company but not during present membership which was started from 1<sup>st</sup> December 2016 i.e. after the date on which these 25 members were ceased to the employee in Jagannath Oils Limited. Hence, they will be considered as members for the purpose of the limit of 200 members. The company is required to reduce the number of members before converting it into a private company.
  - (II) On the other hand, if those 25 members were ceased to be employee on 28<sup>th</sup> June 2017, they were employee at the time of getting present membership. Hence, they will not be counted as members for the purpose of the limit of 200 members and the total number of members for the purpose of this sub-section will be 195. Therefore,



Jagannath Oils Limited is not required to reduce the number of members before converting it into a private company.

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

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

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

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

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

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

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

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

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

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

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

- 2 (a) (i) An agreement comes into existence when one party makes a proposal or offer to the other party and that other party gives his acceptance to it. A contract is an agreement enforceable by law. It means that to become a contract an agreement must give rise to a legal obligation i.e. duly enforceable by law. If an agreement is incapable of creating a duly enforceable by law, it is not a contract. There can be agreements which are not enforceable by law, such as social, moral or religious agreements. The agreement is a wider term than the contract. All agreements need not necessarily become contracts but all contracts shall always be agreements.

*All agreements are not contracts:* When there is an agreement between the parties and they do not intend to create a legal relationship, it is not a contract.

*All contracts are agreements:* For a contract there must be two things (a) an agreement and (b) enforceability by law. Thus, existence of an agreement is a pre-requisite existence of a contract. Therefore, it is true to say that all contracts are agreements.

Thus, we can say that there can be an agreement without it becoming a contract, but we can't have a contract without an agreement.

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

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

- (b) **Designated Partner [Section 2(j)]:** "Designated partner" means any partner designated as such pursuant to section 7.

According to section 7 of the LLP Act, 2008:

- (i) Every LLP shall have at least two designated partners who are individuals and at least one of them shall be a resident in India.
- (ii) If in LLP, all the partners are bodies corporate or in which one or more partners are individuals and bodies corporate, at least two individuals who are partners of such LLP or nominees of such bodies corporate shall act as designated partners.

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

- No particular formalities are required for an agreement of partnership.
- Partnership deed may be in writing or formed verbally. The document in writing containing the various terms and conditions as to the relationship of the partners to each other is called the 'partnership deed'.
- Partnership deed should be drafted with care and be stamped according to the provisions of the Stamp Act, 1899.
- If partnership comprises immovable property, the instrument of partnership must be in writing, stamped and registered under the Registration Act.

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

- Name of the partnership firm.
- Names of all the partners.
- Nature and place of the business of the firm.
- Date of commencement of partnership.
- Duration of the partnership firm.
- Capital contribution of each partner.
- Profit Sharing ratio of the partners.
- Admission and Retirement of a partner.
- Rates of interest on Capital, Drawings and loans.
- Provisions for settlement of accounts in the case of dissolution of the firm.
- Provisions for Salaries or commissions, payable to the partners, if any.
- Provisions for expulsion of a partner in case of gross breach of duty or fraud.

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

- (b)** If the performance consists of payment of money and there are several debts to be paid, the payment shall be appropriated as per provisions of Sections 59, 60 and 61 of the Indian Contract Act, 1872. The debtor has, at the time of payment, the right of appropriating the payment. In default of debtor, the creditor has option of election and in default of either the law will allow appropriation of debts in order of time.

In the present case, Mr. Murari had made two payments by way of two cheques. One cheque was exactly the amount of the bill drawn. It would be understood even though not specifically appropriated by Mr. Murari that it will be against the bill of exact amount. Hence cheque of Rs. 9,680 will be appropriated against the bill of ` 9,680 which was due in May 2019.

Cheque of Rs. 15000 can be appropriated against any lawful debt which is due even though the same is time-barred.

Hence, Mr. Girdhari can appropriate the same against the debt of Rs. 12,120 which was due in 2016 and balance against Rs. 5650 which was due in August 2018.

- 4 (a)** A lien is a right to retain possession of goods until the payment of the price. It is available to the unpaid seller of the goods who is in possession of them where-

- (i) the goods have been sold without any stipulation as to credit;
- (ii) the goods have been sold on credit, but the term of credit has expired;
- (iii) the buyer becomes insolvent.

The unpaid seller can exercise 'his right of lien even if the property in goods has passed on to the buyer. He can exercise his right even if he is in possession of the goods as agent or bailee for the buyer.

**Termination of lien:** An unpaid seller loses his right of lien thereon-

- (i) When he delivers the goods to a carrier or other bailee for the purpose of transmission to the buyer without reserving the right of disposal of the goods;
- (ii) When the buyer or his agent lawfully obtains possession of the goods;

Yes, he can exercise his right of lien even after he has obtained a decree for the price of goods from the court.

- (b) According to Section 33 of Indian Partnership Act, 1932, a partner may not be expelled from a firm by a majority of partners except in exercise, in good faith, of powers conferred by contract between the partners. It is, thus, essential that:

- (i) the power of expulsion must have existed in a contract between the partners;
- (ii) the power has been exercised by a majority of the partners; and
- (iii) it has been exercised in good faith.

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

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

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

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

According to the test of good faith as required under Section 33(1), expulsion of Partner Y is not valid as he was not served any notice and also he was not given an opportunity of being heard. Also the matter of fight between A and Y was on personal reasons, hence not satisfying the test of good faith in the interest of partnership. Since the conditions given under above provisions are not satisfied, the expulsion stands null and void.

- 5 (a) As per the provisions of the Sale of Goods Act, 1930 there are three modes of delivery, i) Actual delivery, ii) Constructive delivery and iii) Symbolic delivery. When delivery is affected without any change in the custody or actual possession of the things, it is called constructive delivery or delivery by acknowledgement. Constructive delivery takes place when a person in possession of goods belonging to seller acknowledges to the buyer that he is holding the goods on buyer's behalf.

In the instant case, Kishore acknowledges Avyukt that he is holding wheat on Avyukt's behalf. Before picking the wheat from warehouse by Avyukt, whole wheat was flooded in flood.

On the basis of above provisions and facts, it is clear that possession of the wheat has been transferred through constructive delivery. Hence, Avyukt is not right. He cannot claim the price back.

- (b) **Doctrine of ultra vires:** The meaning of the term ultra vires is simply “beyond (their) powers”. The legal phrase “ultra vires” is applicable only to acts done in excess of the legal powers of the doers. This presupposes that the powers are in their nature limited. To an ordinary citizen, the law permits whatever does the law not expressly forbid.

It is a fundamental rule of Company Law that the objects of a company as stated in its memorandum can be departed from only to the extent permitted by the Act - thus far and no further **[Ashbury Railway Company Ltd. vs. Riche]**. In consequence, any act done or a contract made by the company which travels beyond the powers not only of the directors but also of the company is wholly void and inoperative in law and is therefore not binding on the company. On this account, a company can be restrained from employing its fund for purposes other than those sanctioned by the memorandum. Likewise, it can be restrained from carrying on a trade different from the one it is authorised to carry on.

The impact of the doctrine of ultra vires is that a company can neither be sued on an ultra vires transaction, nor can it sue on it. Since the memorandum is a “public document”, it is open to public inspection. Therefore, when one deals with a company one is deemed to know about the powers of the company. If in spite of this you enter into a transaction which is ultra vires the company, you cannot enforce it against the company. For example, if you have supplied goods or performed service on such a contract or lent money, you cannot obtain payment or recover the money lent. But if the money advanced to the company has not been expended, the lender may stop the company from parting with it by means of an injunction; this is because the company does not become the owner of the money, which is ultra vires the company. As the lender remains the owner, he can take back the property in specie. If the ultra vires loan has been utilised in meeting lawful debt of the company then the lender steps into the shoes of the debtor paid off and consequently he would be entitled to recover his loan to that extent from the company.

An act which is ultra vires the company being void, cannot be ratified by the shareholders of the company. Sometimes, act which is ultra vires can be regularised by ratifying it subsequently. For instance, if the act is ultra vires the power of the directors, the shareholders can ratify it; if it is ultra vires the articles of the company, the company can alter the articles; if the act is within the power of the company but is done irregularly, shareholder can validate it.

- 6 (a) **Quasi Contracts:** Under certain special circumstances, obligation resembling those created by a contract are imposed by law although the parties have never entered into a contract. Such obligations imposed by law are referred to as ‘Quasi-contracts’. Such a contract resembles with a contract so far as result or effect is concerned but it has little or no affinity with a contract in respect of mode of creation. These contracts are based on the doctrine that a person shall not be allowed to enrich himself unjustly at the expense of another. The salient features of a quasi-contract are:
1. It does not arise from any agreement of the parties concerned but is imposed by law.
  2. Duty and not promise is the basis of such contract.
  3. The right under it is always a right to money and generally though not always to a liquidated sum of money.
  4. Such a right is available against specific person(s) and not against the whole world.

5. A suit for its breach may be filed in the same way as in case of a complete contract.
- (b) It is true to say that Indian Partnership Act, 1932 does not make the registration of firms compulsory nor does it impose any penalty for non-registration.

**Following are consequences of Non-registration of Partnership Firms in India:**

The Indian Partnership Act, 1932 does not make the registration of firms compulsory nor does it impose any penalty for non-registration. However, under Section 69, non-registration of partnership gives rise to a number of disabilities which we shall presently discuss. Although registration of firms is not compulsory, yet the consequences or disabilities of non-registration have a persuasive pressure for their registration. These disabilities briefly are as follows:

- (i) **No suit in a civil court by firm or other co-partners against third party:** The firm or any other person on its behalf cannot bring an action against the third party for breach of contract entered into by the firm, unless the firm is registered and the persons suing are or have been shown in the register of firms as partners in the firm. In other words, a registered firm can only file a suit against a third party and the persons suing have been in the register of firms as partners in the firm
  - (ii) **No relief to partners for set-off of claim:** If an action is brought against the firm by a third party, then neither the firm nor the partner can claim any set-off, if the suit be valued for more than Rs. 100 or pursue other proceedings to enforce the rights arising from any contract.
  - (iii) **Aggrieved partner cannot bring legal action against other partner or the firm:** A partner of an unregistered firm (or any other person on his behalf) is precluded from bringing legal action against the firm or any person alleged to be or to have been a partner in the firm. But, such a person may sue for dissolution of the firm or for accounts and realization of his share in the firm's property where the firm is dissolved.
  - (iv) **Third party can sue the firm:** In case of an unregistered firm, an action can be brought against the firm by a third party.
- (c) As per Section 2(6) of the Companies Act, 2013, an Associate Company in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. The term "significant influence" means control of at least 20% of total share capital, or control of business decisions under an agreement.

The term "Total Share Capital", means the aggregate of the -

- (a) Paid-up equity share capital; and
- (b) Convertible preference share capital.

In the given case, as Manicar Ltd. has allotted equity shares with voting rights to Nanicar Limited of Rs. 10 crores, which is less than requisite control of 20% of total share capital (i.e. 100 crore) to have a significant influence of Nanicar Ltd. Since the said requirement is not complied, therefore Manicar Ltd. and Nanicar Ltd. are not associate companies as per the Companies Act, 2013.

Further holding/allotment of non-convertible debentures has no relevance for ascertaining significant influence. Hence the issue of non-convertible debentures will not make both the companies Associate Company.

## PAPER 2B: BUSINESS CORRESPONDENCE AND REPORTING

### ANSWERS

1. (a) (a) The main idea of passage is that obligatory education does not and cannot provide equal education.
- (b) In the United States it would take eighty billion dollars per year to provide what educators regard as equal treatment for all in grammar and high school.
- (c) Option c
- (d) Option b
- (e) In Latin America, the amount spent on each graduate is between 350 and 1500 times the amount spent on the median citizen.

(b) (i) Title: Writing a Business Letter

#### 1. Features of a gd. busns ltr

- 1.1 conveys info efficiently to get results
- 1.2 is concise
- 1.3 is clear
- 1.4 is courteous

#### 2. How to write a gd. busns. ltr

##### 2.1 Making ltr concise

- 2.1.1 Intro. should be brief
- 2.1.2 use precise words and snts.

##### 2.2 Style imp.

- 2.2.1 short ltr more effective
- 2.2.2 may ocasnly have humour

##### 2.3 Achieving clarity

- 2.3.1 Have a clear idea of what you wish to say
- 2.3.2 str. the ltr—intro & cnclsn.
- 2.3.3 use accepted format; para, topic, snts.
- 2.3.4 check facts, explns, refs.

##### 2.4 Being courteous

- 2.4.1 Exp. your pt. politely
  - 2.4.1.2 avoid sarcasm & insults
- 2.4.2 careful wrtg & typg.
- 2.4.3 gram. & splg. errors to be avoided

#### 3. Impc. of busns. ltr

3.1 is a rep.

3.2 permnt. rec. message.

Key

Gd.-good

Busns- business

Ltr.- letter

Intro. –introduction

Snts.-sentences

Imp.-important

Ocsnly.-occasionally

Pt. – point

Str.- structure

Expln.- explanation

Exp.-explain

Refs.-references

Cnclsn.- conclusion

Para.-paragraph

Wrtg.- writing

Typg.-typing

Gram.-grammar

Splg- spelling

Impc.-importance

Rep.- Representative

Prmnt.-permanent

Rec. recorded

## **SUMMARY**

A good business letter is that lends you positive and quality results. To get such results, a business letter should be effective in appearance, style and content. Apart from this a letter should be concise, clear and courteous. The business letter should be to the point, the message should be clear to the reader and bear your impression. The structure of letter should have topic sentence, introduction, paragraphs to conclusion. Be polite, avoid sarcasm and insults that can work against your motive. Ensure there are no grammar and spelling errors.

2. (a) Visual Communication is an impactful medium for communicating data using visual aids such as signs, typography, drawing, graphic design, illustration, colour and other electronic resources. It



is used to represent facts and figures effectively while making presentations. Sometimes, it may replace written communication altogether.

- (b) (i) Option d  
(ii) Option d  
(iii) Has he been phoned by her?  
(iv) She asked me what she could do for me.

- (c) Title: The Goodness of English

Notwithstanding its various defects English education has done great good to India. The ideas of democracy and self-government are its gifts. Nursed on English education the Indian leaders were inspired by the Western thought, culture and freedom struggles. They fought for and won their motherland's freedom. Being spoken the world over, English is necessary for international contact, trade, commerce and science. English is rich in literature and has enriched our literature as well.

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

- (b) (i) Option c  
(ii) Option a  
(iii) You are not helped by them.  
(iv) Everybody exclaimed that she sang very well.

- (c) BNM International

C-21, T. Nagar,

New Delhi 1100xx

Nov XX, 20XX

FGH Caterers,

F 3/30, Naya Bazar,

Gandhi Nagar,

New Delhi 1100xx

Subject: Enquiry about Catering Services

We are organizing Diwali Party in the back lawns of our head office. We wish to enquire about your catering services. Around 200 guests and employees are expected for the Buffet Dinner that would include starters/snacks and desserts. We also require five waiters to serve. Kindly provide us complete details as under:

- Whether tables with linen and decoratives are provided, additional charge
- Whether waiters are provided
- The menu options and charges per plate
- Offers and discounts available

We shall be grateful if you could provide the details mentioned above along with a rough estimate as soon as possible.

Thanks and Regards,

SD

Senior Manager

BNM International

4. (a) The process of communication can be impeded/thwarted by multiple barriers. These barriers result in distortion and misunderstanding of the intended meaning/communication. The barriers can be physical, psychological, emotional, cultural, linguistic etc.
- (1) **Physical barriers:** These are a result of our surroundings. Noise, technical disturbances, outdated equipment, distant locations, office doors, separate areas for people, large office spaces, old technologies and lack of appropriate infrastructure can lead to problems in transmission of message.
  - (2) **Organisational structure barriers:** Communication problems occur when the systems, structures and processes in the organisation are not clear or have gaps in them. If the chain of command is unclear, a person may not know whom to contact for a particular issue. Inappropriate information transmission systems, lack of supervision, and unclear role and responsibility demarcations lead to confusion and inefficiency.
  - (3) **Language barriers:** Lack of knowledge of the language can create many obstacles in communication. Literally, people from different regions and countries may interpret the same words differently. Difficult words, subject specific terminologies, unfamiliar expressions and ambiguous words, create hurdles in communication.
  - (4) **Cultural barriers:** 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.
- (b) (i) Option d
- (ii) Does your mom pick you up?
- (iii) Ria asked Siya who she had been speaking to over the phone.
- (c) (i) Answer Hints:
- 1. Sports being now considered as a career option
  - 2. Government spending on sports has increased considerably
  - 3. Promising youngsters are being sponsored by the centre/state government for specialized training programmes.
  - 4. Sports related infrastructure, academies and coaching facilities being provided at the school /college level
  - 5. International exposure being provided to young achievers to nurture their talent and enhance their capabilities.
  - 6. Special quota for sportspersons in academics and jobs
  - 7. Sportspersons considered as role models, social change makers, influencers
  - 8. Sportspersons bag plum advertising assignments
  - 9. They are respected by all in the civic society as achievers.

10. Achievements of our sportsmen in the recent Olympics and Paralympics

(ii) Answer Hints:

1. Follow newspaper report writing format
2. Discuss how fast fintech industry is growing
3. Discuss the companies launching their IPOS
4. Valuation of the companies
5. Discuss the reaction of investors
6. Talk about the market scenario
7. Discuss the value of shares
8. Attract FDI,
9. Promising future, creating wealth, employment opportunities

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

**Horizontal Communication:** Horizontal communication involves two employees of the organisation at the same level. For example, the managers of a project in a company may hold a regular daily, weekly or monthly meeting to discuss the progress of a project.

- (b) (i) 1. Option d  
2. Option a

(ii) Sheena did not win the prize.

- (c) (i) Participants in attendance: CEO, Mr. M, Vice President, Mr. S and project heads, Mr. A and Mr. B; team members: Mr. XY and Mr. XZ

Date: November 05, 2021

Meeting started at 11:00 AM

Mr. S commenced the meeting and specified the agenda of the meeting.

Mr. M took over and asked project heads to tell about the progress of the project.

Mr. A took the lead and showed the deliverables and documents prepared for approvals. He apprised the house about the positive response being received from the clients.

Mr. B discussed about the last meeting with the client and their concerns.

Mr. M the issued faced by Mr. A and Mr. B and their team members.

Mr. S appreciated the team's efforts and encouraged them to do better.

Mr. A and B directed Mr. XY and Mr. XZ about market surveys to be conducted in other regions to determine the demand.

ATR to be submitted by November 21, 20XX.

Mr. M delivered vote of thanks to the participants and announced the next meeting to be scheduled for November 25, 20XX

(ii) Cover Letter

To  
Manager(HR)  
SDF Consultants  
Q 27, SEZ,  
Gomati Nagar  
New Delhi 1100xx  
Sir,

Date: Nov10, 20XX

**Subject: Application for the post of Article Assistant**

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

I qualified CA Intermediate both groups in the second attempt in July 2021. I have recently completed the mandatory ITT and Orientation programmes.

Currently, 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,

Jagjeet Singh,  
C-30, Indra Nagar  
New Delhi 1100xx

Resume

Name: Jagjeet Singh,  
Address: C-30, Indra Nagar  
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	69%
CA Foundation	ICAI	2019	75%
XII	CBSE	2017-18	91%
X	CBSE	2015-16	90%

**Skills**

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

Good analytical and decision making skills

**Achievements**

- As Vice-Captain of the school Football team won 2 consecutive zonal inter- school championship matches
- Stood third in school in Maths Olympiad in class X.
- Stood second at the state level Dance Competition organized by the NGO Sankriti.

**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:

Jagjeet Singh  
Signature

MOCK TEST PAPER TEST SERIES -II

FOUNDATION COURSE

PAPER 3: BUSINESS MATHEMATICS, LOGICAL REASONING AND STATISTICS

Time: 2 Hours

Marks: 100

Part A: Business Mathematics and Logical Reasoning

1. If , then x is equal to:
  - (a) 1
  - (b) 3
  - (c) 5
  - (d) 10
2. If  $xy + yz + zx = -1$ , then the value of  $\left( \frac{x+y}{1+xy} + \frac{z+y}{1+zy} + \frac{x+z}{1+zx} \right)$  is
  - (a) xyz
  - (b)  $-\frac{1}{yz}$
  - (c)  $\frac{1}{xyz}$
  - (d)  $\frac{1}{x+y+z}$
3. The salaries of A, B and C are of ratio 2:3:5. if the increments of 15%, 10% and 20% are done their respective salaries, then find new salaries.
  - (a) 23: 33: 60
  - (b) 33:23:60
  - (c) 23: 60:33
  - (d) 33: 60: 23
4. If A: B = 5:3, B:C = 6:7 and C: D = 14:9 then the value of A: B:C:D
  - (a) 20:14:12:9
  - (b) 20:9:12:14
  - (c) 20:9:14:12
  - (d) 20:12:14:9
5. The salary of P is 25% lower than that of Q and the salary of R is 20% higher than Q , the ratio of salary of R and P will be :
  - (a) 5:8
  - (b) 8:5
  - (c) 5:3

- (d) 3:5
6. The cab bill is partly fixed and partly varies on the distance covered. For 456 km the bill is Rs.8252, for 484 km the bill is Rs. 8728. What will the bill be for 500km?
- (a) Rs. 8876  
(b) Rs.9156  
(c) Rs.9472  
(d) Rs.9000
7.  $(x + 4)$  is a factor of  $x^4 + 4x^3 - ax^2 - bx + 24$ . Also,  $a + b = 29$ . Find the value of  $b$ .
- (a) 7  
(b) 16  
(c) 22  
(d) 13
8. X and Y have their present ages in the ratio 6:7. 14 years ago, the ratio of the ages of the two was 4:5. What will be the ratio of their ages 21 years from now?
- (a) 7: 11  
(b) 9: 10  
(c) 8: 11  
(d) 11: 13
9. The equation  $3x^2 + mx + n = 0$  has roots that are double that of the equation  $x^2 + 10x + 12 = 0$ . What is the value of  $m + n$ ?
- (a) 104  
(b) 204  
(c) 102  
(d) 202
10. What is the smallest integral value of  $n$  for which  $n^3 + 7n^2 - 50n - 336 > 0$
- (a) 8  
(b) 6  
(c) 7  
(d) None of the above
11. If  $\alpha$  and  $\beta$  are the roots of the equation  $x^2 + 7x + 12 = 0$ , then the equation whose roots  $(\alpha + \beta)^2$  and  $(\alpha - \beta)^2$  will be
- (a)  $x^2 - 14x + 49 = 0$   
(b)  $x^2 - 24x + 144 = 0$   
(c)  $x^2 - 50x + 49 = 0$   
(d)  $x^2 - 19x + 49 = 0$
12. The value of 'k' for system of equations  $kx + 2y = 5$  and  $3x + y = 1$  has no solution is:
- (a) 5  
(b)  $\frac{2}{3}$   
(c) 6  
(d)  $\frac{3}{2}$

13. On the average, experienced person does 5 units of work while a fresh one 3 units of work daily, but the employer have to maintain the output at least 30 units of work per day. The situation can be expressed as
- $5x+3y \leq 30$
  - $5x+3y \geq 30$
  - $5x+3y = 30$
  - None of these
14. The sum of money doubles itself in 10 years. The number of years it would be treble itself is:
- 25 years
  - 15 years
  - 20 years
  - None
15. Arun purchased a vaccum cleaner by giving ₹1700 as cash down payment, which will be followed by five EMIs of ₹480 each. The vaccum cleaner can also be bought by paying ₹3900 cash. What is the approx. rate of interest p.a. (at simple interest) under this instalment plan?
- 18%
  - 19%
  - 22%
  - 20%
16. Present Value of a five year annuity is Rs. 2,000. If the rate of interest is 8% p.a., what is the amount of each annuity payment?
- Rs.500.9
  - Rs.463.8
  - Rs.363.1
  - Rs.486.4
17. Abdul has taken a loan from Bahadur at 7% p.a. The loan has to be repaid in three equal yearly instalments of Rs. 10,000 each. What is the amount of loan taken?
- Rs.25,467
  - Rs.26,897
  - Rs.26,243
  - None of the above
18. A took a loan from B. The loan is to be repaid in annual installments of Rs. 2,000 each. The first instalment is to be paid three years from today and the last one is to be paid 8 years from today? What is the value of loan today, using a discount rate of eight percent?
- Rs.9,246
  - Rs.7,927
  - Rs.8,567
  - None of the above
19. If the cost of capital be 12% per annum, then the Net Present Value (in nearest Rs.) from the given cash flow is given as

Year	0	1	2	3
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Operating Profit (in thousand Rs.)	(100)	60	40	50
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- (a) Rs.34048
- (b) Rs.34185
- (c) Rs.51048
- (d) Rs.21048

20. Let the operating profit of a manufacturer for five years is given as

Year	1	2	3	4	5	6
Operating Profit (in lakh Rs. )	90	100	106.4	107.14	120.24	157.35

Calculate Compound Annual Growth Rate (CAGR)

- (a) 9%
  - (b) 12%
  - (c) 11%
  - (d) 13%
21. If a sum triples itself in 15 years at simple rate of interest, the rate of interest per annum will be:
- (a) 13%
  - (b) 13.3%
  - (c) 13.5%
  - (d) 18.0%
22. What will be population after 3 years when present population is 25,000 and population increases at the rate of 3% in I year, at 4% in II year and 5% in III year?
- (a) Rs.28,119
  - (b) Rs.29,118
  - (c) Rs.27,000
  - (d) Rs.30,000
23. The future value of an annuity of Rs.1500 made annually for five years at interest of 10% compounded annually is (Given that  $(1.1)^5 = 1.61051$ )
- (a) Rs.9517.56
  - (b) Rs.9157.65
  - (c) Rs.9715.56
  - (d) Rs.9175.65
24. Find the effective rate of interest equivalent to the nominal rate of 7% converted monthly:
- (a) 7.26%
  - (b) 7.22%
  - (c) 7.02%
  - (d) 7.20%
25. How much will be Rs.25,000 to in 2 years at compound interest if the rates for the successive years are at 4% and 5% per year

- (a) Rs.27,300
  - (b) Rs.27,000
  - (c) Rs.27,500
  - (d) Rs.27,900
26. A box contains 3 pink caps, 2 purple caps and 4 orange caps. In how many ways they can be arranged so that the caps of the same colour come together. (Assume all caps of same colour are not identical)
- (a) 1724
  - (b) 1728
  - (c) 1732
  - (d) 1764
27.  ${}^{15}C_3 + {}^{15}C_{13}$  is equal to:
- (a)  ${}^{16}C_3$
  - (a)  ${}^{30}C_{16}$
  - (c)  ${}^{15}C_8$
  - (d)  ${}^{15}C_{15}$
28. There are 12 questions to be answered in Yes or No. How many ways can these be answered?
- (a) 1024
  - (b) 2048
  - (c) 4096
  - (d) None
29. In how many ways 3 Prizes can be distributed among 3 students equally
- (a) 10
  - (b) 45
  - (c) 60
  - (d) 120
30. The sum of the first 3 terms in an AP is 18 and that of the last 3 is 28. If the AP has 13 terms, what is the sum of the middle three terms?
- (a) 23
  - (b) 18
  - (c) 19
  - (d) None of the above
31. The ratio of sum of first n natural numbers to that of sum of cubes of first n natural numbers is
- (a) 3:16
  - (b)  $n(n+1) / 2$
  - (c)  $2 / n(n+1)$
  - (d) None of the above
32. If the sum of 'terms of an Arithmetic Progression is  $2n^2$ , the fifth term is.

- (a) 20  
(b) 50  
(c) 18  
(d) 25
33. The number of words that can be formed out of the letters of the word "ARTICLE" so that vowels occupy even places is  
(a) 36  
(b) 144  
(c) 574  
(d) 754
34. Let  $Z$  be the universal set for two sets –  $A$  and  $B$ . If  $n(A) = 300$ ,  $n(B) = 400$  and  $n(A \cap B) = 200$ , then  $n(A' \cap B')$  is equal to 400 provided  $n(Z)$  is equal to  
(a) 900  
(b) 800  
(c) 700  
(d) 600
35. In a group of students 80 can speak Hindi, 60 can speak English and 40 can speak Hindi and English both, then number of students is:  
(a) 100  
(b) 140  
(c) 180  
(d) 60
36. if  $f(x) = x^2 - 1$  and  $g(x) = 2x + 3$  then  $g \circ f(3)$   
(a) 71  
(b) 61  
(c) 41  
(d) 19
37.  $\int 2^{3x} \cdot 3^{2x} \cdot 5^x dx =$   
(a)  $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(270)} + C$   
(b)  $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(360)} + C$   
(c)  $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(180)} + C$   
(d)  $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(90)} + C$

38. Marginal cost and marginal revenue of a commodity is  $C'(x)=8+6x$  and  $R'(x)=30$ . Fixed cost is 0. Find the total profit.
- $22x + 3x^2$
  - $22x - 3x^2$
  - $22x - x^2$
  - $x + 3x^2$
39. Find the value of  $\int_0^3 x^2 dx$
- 3
  - 3
  - 0
  - 1
40. A total cost function of a company RXL Ltd is  $C(x) = 10+50x-30x^2+x^3/3$  Where  $x$  denotes the output. Find the output level at which the profit is maximum if price function is given by  $450-30x$
- 30
  - 40
  - 50
  - 20
41. Find out the next term of the series 4, 25, 121, 289, \_\_\_\_\_
- 529
  - 441
  - 625
  - None of the above
42. Which number should come next → 7, 13, 13, 14, 19, 15 ?
- 15
  - 25
  - 19
  - None of the above
43. Find out the wrong number. 2,10,18,54,162,486,1458
- 18
  - 10
  - 54
  - 162
44. In a certain code, "Delhi is capital" is coded as "7 5 9", "capital are beautiful" is coded as "3 6 9", "Delhi is beautiful" is coded as "6 7 5", "Patna also capital" is coded as "9 2 4". What is code for "beautiful" ?
- 2
  - 4
  - 6
  - 9
45. If 'SYSTEM' is coded as 131625 then 'TERMS' will be coded as ?

- (a) 62251
  - (b) 62451
  - (c) 64251
  - (d) 62415
46. Pointing to a photograph Lalita says, "He is the son of the only son of my grandfather." How is the man in the photograph related to Lalita?
- (a) Brother
  - (b) Uncle
  - (c) Cousin
  - (d) Data is inadequate
47. Pointing to a photograph. Ram said, "He is the son of the only daughter of the father of my brother." How is Ram related to the man in the photograph?
- (a) Nephew
  - (b) Brother
  - (c) Father
  - (d) Maternal Uncle
- (48-49) 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 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 related to the girl in the Photograph?
- (a) Cousin
  - (b) Uncle
  - (c) Father
  - (d) None
51. Kamal starts from point 'O' and moved towards North 2 km, then he turns right and moved 4 km again he turned towards North and walked up to 1 km reached at A. Find the distance between OA.
- (a) 6
  - (b) 7
  - (c) 4

- (d) 5
52. When a person faces north and walks 25 m right, and he turns left and walks 20 m and again he turns right 25 m and turns right and walks 40 m in which direction is he now from his starting point.
- (a) North-West
  - (b) North –East
  - (c) South- East
  - (d) South-West
53. Sanjay started from his house towards west. After a walking a distance 15 km he turned to the right and walked 10 km, he again turned to the right and walked 5 km. After this he turns left at  $135^\circ$  and covered 10 km in which direction should he is going?
- (a) South
  - (b) South-West
  - (c) South-East
  - (d) North –West
54. Raju Walked from A to B in the east 10 m, then he turns towards right and walked 3 m. Again, he turned to the right and walked 14 m. how far is from is she from point A?
- (a) 4 feet
  - (b) 5 feet
  - (c) 12 feet
  - (d) 13 feet
55. Mamtha moved a distance of 75 m towards north, then she turns to the left and walked to about 25 m, turned left again and walks 80 m. Finally, she turns to the right at angle of  $45^\circ$ . In which direction was she is moving finally?
- (a) South-East
  - (b) South-West
  - (c) North-West
  - (d) North-East
56. Five students A, B, C, D, and E are standing in a row. D is right on the E; B is on the left of E but on the right of A. D is next to C on his left. The student in middle is
- (a) B
  - (b) E
  - (c) C
  - (d) A
57. Five children are sitting in row. S is sitting next to P but not T. K is sitting next to R, who is sitting on the extreme left and T is not sitting next to K . Who are adjacent to S.
- (a) K+P
  - (b) R+P
  - (c) Only P
  - (d) P and T

**(58-60) Directions to solve**

- (a) p, Q, R, S, T, U, V and W are sitting round the circle and facing the centre.  
(b) P is second to the right of T who is neighbour of R and V.  
(c) S is not the neighbour of U.  
(d) V is neighbour of U.  
(e) Q is not between S and W. W is not between u and S
58. Who is immediate left of V?  
(a) P  
(b) U  
(c) R  
(d) T
59. What is the position of R  
(a) Between P and T  
(b) Second to the right of S  
(c) to the immediate right of W  
(d) inadequate data
60. Which are not following are not neighbour  
(a) UV  
(b) VT  
(c) RV  
(d) PQ

**Part B: Statistics**

61. Salaries of employees working in ABC limited is as follows:

Salaries (In thousands)	below 10	below 20	below 50	below 100	below 1000
Number of employees	28	34	65	84	123

Find the number of employees with salaries more than 50k?

- (a) 65  
(b) 84  
(c) 39  
(d) 58
62. Which of the following is not a criteria for ideal measure of central tendency?  
(a) It should be ambiguously defined  
(b) It should be simple to compute  
(c) It should be based on all the observations  
(d) None of these
63. Which of the following is not an example of continuous variable?  
(a) Temperature in India  
(b) Profit of Company X

- (c) Number of road accidents
  - (d) A person's height
64. At ABC Ltd, the average age of employees is 36. Average age of male employees is 38 and that of females is 32. Find the ratio of female to male in the company.
- (a) 1:3
  - (b) 2:1
  - (c) 1:2
  - (d) 3:1
65. The mean height of girls in class is 162cm while for boys is 182cm. The ratio of number of girls: boys is 1:2. Find the mean height of the whole class
- (a) 170 cm
  - (b) 180 cm
  - (c) 154 cm
  - (d) None of these
66. In the equation  $4x+2y = 3$ , quartile deviation for y is 3. Find the quartile deviation for x.
- (a) 4.5
  - (b) 6
  - (c) 1.5
  - (d) None of these
67. The Standard deviation is independent of change of
- (a) Scale
  - (b) Origin
  - (c) Both (a) and (b)
  - (d) None of these
68. Find D6 for the following observations. 7, 9, 5, 4, 10, 15, 14, 18, 6, 20
- (a) 11.40
  - (b) 12.40
  - (c) 13.40
  - (d) 13.80
69. If all the observations are decreased by 4, find the relation between new SD and old SD.
- (a) New SD = Old SD/2
  - (b) New SD = Old SD - 2
  - (c) New SD = Old SD - 4
  - (d) Remains unchanged
70. Standard deviation of first n natural number is 2. What is the value of n?
- (a) 7
  - (b) 6
  - (c) 5
  - (d) 8



71. Find the variance of  $3x+2$  if standard deviation of  $x$  is 4
- (a) 9
  - (b) 160
  - (c) 16
  - (d) 144
72. if the variance of  $x = 148.6$  and mean of  $x = 40$ , then the coefficient of variation is
- (a) 37.15
  - (b) 30.48
  - (c) 33.75
  - (d) None of these
73. The average of 10 observations is 14.4. If the average of first four observations is 16.5. The average of remaining 6 observations is :
- (a) 13.6
  - (b) 13.0
  - (c) 13.2
  - (d) 12.5
74. If the rates return from three different shares are 100%, 200% and 400% respectively. The average rate of return will be.
- (a) 350%
  - (b) 233.33%
  - (c) 200%
  - (d) 300%
75. For a  $4 \times 7$  classification of bivariate data, the maximum number of conditional distributions is :
- (a) 11
  - (b) 28
  - (c) 35
  - (d) None
76. The coefficients of correlation between two variables  $x$  and  $y$  is the simple \_\_\_\_\_ of two regression coefficients.
- (a) Harmonic Mean
  - (b) Arithmetic Mean
  - (c) Geometric Mean
  - (d) None of the above
77. There are two equations:  $m + 3p = 2$  and  $6n + 2q = 1$ . Correlation coefficients for  $p$  and  $q$  is 0.5. Find the correlation coefficients of  $m$  and  $n$
- (a) 0.6
  - (b) 0.5
  - (c) -0.5
  - (d) None of these

78. If  $r=0$ , regression lines are:
- (a) Perpendicular
  - (b) Parallel
  - (c) They coincide
  - (d) Cannot be determined
79. Below scatter diagram shows what type of correlation
- (a) Perfect negative correlation
  - (b) Negative correlation
  - (c) Positive correlation
  - (d) Perfect positive correlation
80. Number of defects in clothes a garments showroom will form a
- (a) Poisson distribution
  - (b) Normal distribution
  - (c) Binomial distribution
  - (d) Cannot be determined
81. If  $X$  and  $Y$  are two random variables and if  $E(X) = 3$  and  $E(Y) = 6$ , then  $E(XY) = ?$
- (a) 3
  - (b) 6
  - (c) 18
  - (d) 24
82. An unbiased coin is tossed 6 times. Find the probability that the tosses result in heads only,
- (a)  $1/64$
  - (b)  $5/64$
  - (c)  $10/64$
  - (d) None of these
83. Find the two numbers if AM and GM is 10 and 6 respectively
- (a) 6, 6
  - (b) 12, 8
  - (c) 9, 4
  - (d) 18, 2
84. Probability distribution may be
- (a) Discrete
  - (b) Continuous
  - (c) Infinite
  - (d) (a) or (b)
85. In a certain Poisson frequency distribution, the probability corresponding to two success is half the probability corresponding to three successes. The mean of the distribution is
- (a) 6

- (b) 12
  - (c) 3
  - (d) 2.45
86. The normal curve is
- (a) Positively skewed
  - (b) Negatively skewed
  - (c) Symmetrical
  - (d) All these
87. An example of a bi-parametric discrete Probability distribution is
- (a) Binomial distribution
  - (b) Poisson Distribution
  - (c) Normal Distribution
  - (d) Both (a) and (b)
88. For a normal distribution  $Q1 = 54.32$  and  $Q3 = 78.86$ , then the median of the distribution is
- (a) 12.17
  - (b) 39.43
  - (c) 66.69
  - (d) None of these
89. What is the mean of  $X$  having the following density function  $f(x) = \frac{1}{4\sqrt{2\pi}} e^{-\frac{(x-10)^2}{32}}$  for  $-\infty < x < \infty$
- (a) 10
  - (b) 4
  - (c) 40
  - (d) None of these
90. In a Binomial Distribution  $B(n, p)$ ,  $n = 4$ , then  $P(x=2) = 3 P(x=3)$  find  $P$
- (a)  $1/3$
  - (b)  $2/3$
  - (c)  $6/4$
  - (d)  $4/3$
90. One card is drawn from a pack of 52, what is the probability that is a king or queen ?
- (a)  $11/13$
  - (b)  $2/13$
  - (c)  $1/13$
  - (d) None of these
91. The probability that a leap year has 53 Wednesday is
- (a)  $2/7$
  - (b)  $5/3$
  - (c)  $2/3$

- (d)  $1/7$
92. A coin is tossed six times, then the probability of obtaining heads and tails alternatively is
- (a)  $\frac{1}{2}$
- (b)  $1/64$
- (c)  $1/32$
- (c)  $1/16$
93. Two different dice are thrown simultaneously, then the probability, that the sum of two numbers appearing on the top of dice 9 is
- (a)  $8/9$
- (b)  $1/9$
- (c)  $7/9$
- (d) None of these
94. The probability distribution of the demand for a commodity is given below

Demand (x)	5	6	7	8	9	10
Probability: P(x)	0.05	0.10	0.30	0.40	0.10	0.05

The expected value of demand will be :

- (a) 7.55
- (b) 7.85
- (c) 1.25
- (d) 8.35
95. A bag contains 4 Red and 5 Black balls. Another bag contains 5 Red and 3 Black balls. If one ball is drawn at random each bag. Then the probability that one Red and One Balck is
- (a)  $12/72$
- (b)  $25/72$
- (c)  $37/72$
- (d)  $13/72$
96. If Laspyres index number is 250 and Paschees index number is 160, them Fishers Index number is
- (a) 200
- (b) 120
- (c) 150
- (d) 170
97. Which is called an ideal index number
- (a) Laspyres Index number
- (b) Pasches Index number
- (c) Fishers Index number
- (d) Marshall- Edgeworth Index number
98. The circular test is an extension of
- (a) The time reversal test

- (b) The factor reversal test
  - (c) The Unit test
  - (d) None of these
99. Circular test is satisfied by
- (a) Laspyres Index number
  - (b) Paschhes index number
  - (c) The simple geometric mean of price geometric mean of price relatives and price relatives and weighted aggregative with fixed weights.
  - (d) None of these
100. If the price of a commodity in a place have decreased by 30% over the based period places, then the index number of that place is
- (a) 30
  - (b) 60
  - (c) 70
  - (d) 80

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

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

**Key Part B: Statistics**

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

**MOCK TEST PAPER 2**

**FOUNDATION COURSE**

**PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE**

**PART- I: BUSINESS ECONOMICS (60 Marks)**

**QUESTIONS**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

1. Which of the following is not a characteristics of capitalist economy:
  - (a) Right to Private Property
  - (b) Freedom of Enterprise
  - (c) Consumer Sovereignty
  - (d) Combined Sector
2. Which are the areas that come under Macro economics \_\_\_\_
  - (a) External Value of currency
  - (b) The general price level and interest rate
  - (c) Location of the industry
  - (d) National Income and National Output
3. Business Economics is a :
  - (a) Normative Science
  - (b) Interdisciplinary
  - (c) Pragmatic
  - (d) All of these
4. Scarcity of resource has to be dealt in:
  - (a) Capitalist Economy
  - (b) Socialist Economy
  - (c) Mixed Economy
  - (d) All of these
5. Large number of \_\_\_\_\_ goods would lead to higher production in future:
  - (a) Capital Goods
  - (b) Public Goods
  - (c) Consumer Goods
  - (d) None of these

6. In case of Interior goods:
- (a) Income effect and substitution effect work in same direction.
  - (b) Income effect are substitution effect work in opposite direction
  - (c) Either (a) or (b)
  - (d) None of these
7. Rationale of the law of demand is:
- (a) Price effect of a fall in price
  - (b) Different uses
  - (c) Arrival of new consumers
  - (d) All of these
8. The cross elasticity between two goods will be:
- (a) Positive
  - (b) Negative
  - (c) Either (a) or (b)
  - (d) None of these
9. Demand for complementary goods are:
- (a) Derived Demand
  - (b) Autonomous demand
  - (c) Aggregate Demand
  - (d) None of these
10. Methods of demand forecasting are:
- (a) Survey of Buyer's intension
  - (b) Collective opinion Method
  - (c) Both (a) and (b)
  - (d) None of these
11. A Vertical supply curve parallel to Y axis implies that the elasticity of supply is:
- (a) Infinity
  - (b) Equal to One
  - (c) Zero
  - (d) Greater than one but less than Infinity
12. When total demand for a commodity whose price has fallen increases it is due to:
- (a) Price effect
  - (b) Income effect



- (c) Substitution effect
  - (d) Complementary effect
13. In the quality supplied is exactly equal to the relative change in price then the elasticity of supply is:
- (a) Greater than one
  - (b) Less than one
  - (c) One
  - (d) None of these
14. Production is the organized activity of transforming resource into finished products in the form of goods and services and the objective of production is to satisfy the demand of such transformed resources:
- (a) Jamed Bates and J.R Parteinson
  - (b) Malthus
  - (c) Walras
  - (d) Lipsey
15. What are the assumptions of Production Function:
- (a) Relationship between inputs and output exists for a specific period of time.
  - (b) There is a given 'state of the art' in the production technology.
  - (c) Both (a) and (b)
  - (d) None of these
16. Envelope curve is also called:
- (a) Long Run Average Cost curve
  - (b) Short Run Average Cost curve
  - (c) Average Fixed Cost
  - (d) None of these
17. Diminishing marginal returns inputs:
- (a) Increasing Marginal Costs
  - (b) Decreasing Marginal Costs
  - (c) Decreasing Average Variable Costs
  - (d) None of these
18. Entrepreneur has its most important function as \_\_\_\_\_
- (a) Bear the sense of responsibility
  - (b) Earn profit
  - (c) Innovate
  - (d) None of these

19. Elasticity of substitution in Cobb-Douglas Function is:
- (a) Less than 1
  - (b) Equal to 1
  - (c) More than 1
  - (d) Infinity
20. Perfect Competition is closely represented by:
- (a) Stock Market
  - (b) Wheat Market
  - (c) Soft Drinks Market
  - (d) None of these
21. The budget line is also known as:
- (a) Production Possibility Curve
  - (b) Consumption Possibility Curve
  - (c) Iso Utility Curve
  - (d) None of these
22. When will a firm decide to exit the industry:
- (a) Total cost curve starts rising
  - (b) Marginal cost starts rising
  - (c) Average cost starts rising
  - (d) Price is less than LAC
23. The Average Product of labour is maximized when marginal product of labour:
- (a) Equals Zero
  - (b) Is maximized
  - (c) Equal the average product of labour
  - (d) None of those
24. If  $e < 1$  the marginal revenue will be:
- (a) Positive
  - (b) Negative
  - (c) Zero
  - (d) None of these
25. If  $ATC > AR$  the monopolist will be incurring \_\_\_\_
- (a) Losses
  - (b) Profit

- (c) Neutral
  - (d) None of these
26. Electricity Companies sells electricity at a cheaper rate in rural areas than for industrial use due to :
- (a) Price Discrimination
  - (b) Perfect Competition
  - (c) Monopolistic Competition
  - (d) None of these
27. Pears, Liril & Dove are example of
- (a) Perfect Competition
  - (b) Monopoly
  - (c) Monopolistic Competition
  - (d) None of these
28. Which of the following is not the characteristic of Oligopoly market:
- (a) Strategic Independence
  - (b) Importance of advertising and selling cost
  - (c) Group behaviour
  - (d) Regional Market
29. The element of market are:
- (a) Buyers and Sellers
  - (b) A Product or Service
  - (c) Geographical Area
  - (d) Bargaining for a price
30. U Shaped Cost Curve is never represented as:
- (a) Average Fixed Cost Curve
  - (b) Marginal Cost Curve
  - (c) Average Cost Curve
  - (d) Average Variable Cost Curve
31. For a Price taking firm:
- (a) Marginal revenue is less than Price
  - (b) Marginal revenue is equal to Price
  - (c) The relationship between behavior marginal revenue and Price is indeterminate
  - (d) Marginal revenue is greater than price
32. Monopolist Charges different price for his commodity in discriminating monopoly implies:
- (a) At different places

- (b) For different uses
  - (c) From different group of consumers
  - (d) Any of the above
33. Full capacity is utilized only when there is:
- (a) Perfect Competition
  - (b) Monopoly
  - (c) Monopolistic Competition
  - (d) Price discrimination
34. Coincident indicator is not indicated as:
- (a) Inflation
  - (b) Industrial Production
  - (c) Retail Sales
  - (d) New order for Plant and equipment
35. Which of the following is not an external causes of Business Cycle:
- (a) Technology Shock
  - (b) Fluctuations in Investment
  - (c) Natural Factors
  - (d) Population Growth
36. According to whom fluctuations in economic activities are due to fluctuations in aggregate effective demand:
- (a) Scumpeter
  - (b) Pigou
  - (c) Keynes
  - (d) Hawtrey
37. Collectively peaks and troughs together is known as:
- (a) Turning Points
  - (b) Contraction
  - (c) Expansion
  - (d) A trough
38. Variables that change before the real output changes are called:
- (a) Lagging indicator
  - (b) Leading Indicator
  - (c) Concurrent Indicator
  - (d) None of these

39. 'Competition among the few' is also referred as:
- (a) Oligopoly
  - (b) Monopoly
  - (c) Monopolistic Competition
  - (d) None of these
40. The slope of budget line is:
- (a)  $P_x/P_y$
  - (b)  $P_y/P_x$
  - (c)  $P_x.P_y$
  - (d) None of these
41. Indifference Curve analysis is superior to utility analysis:
- (a) It dispenses with the assumption of measurability
  - (b) It segregates income effect and substitution effect
  - (c) It does not assume constancy of marginal utility of money
  - (d) All of the above
42. The shape of the Cost curve depends upon:
- (a) Cost function
  - (b) Factor of Production
  - (c) Outlay
  - (d) None of these
43. Allocation of resources is dealt in:
- (a) Macro Economic
  - (b) Micro Economics
  - (c) Public Finance
  - (d) None of these
44. All Giffen goods are:
- (a) Inferior goods
  - (b) Non Inferior goods
  - (c) Normal Goods
  - (d) None of these
45. For Substitute products the demand is:
- (a) Downward sloping
  - (b) Horizontal

- (c) Upward Sloping
  - (d) None of these
46. Delphi technique was developed by:
- (a) Robinson
  - (b) Olaf Helmer
  - (c) Amartya Sen
  - (d) None of these
47. Indifference Curve analysis of demand is based on:
- (a) Cardinal Utility approach
  - (b) Marginal Utility approach
  - (c) Ordinal Utility approach
  - (d) None of these
48. The Product under Pure Monopoly Is:
- (a) Homogenous
  - (b) Differentiated
  - (c) Unrelated
  - (d) None of these
49. Perfectly Competitive firm and industry are both in long run equilibrium when:
- (a)  $P = MR = SMC = LMC$
  - (b)  $P = MR =$  Lowest point on the LAC
  - (c)  $P = MR = SAC = LAC$
  - (d) All of the above
50. When  $\alpha = 3/5$  and  $\beta = 2/5$  the return to scale for Cobb Douglas Production function are:
- (a) Increasing
  - (b) Decreasing
  - (c) Constant
  - (d) First decreasing and then increasing
51. A market refers to \_\_\_\_\_
- (a) Meeting place of buyer and seller
  - (b) Does not necessarily refer to meeting place between buyer and seller
  - (c) Extends over a city
  - (d) Extends over the entire nation.
52. An economic profit is earned by a perfectly competitive firm when:
- (a)  $MR < MC$

- (b)  $P < ATC$
  - (c)  $P > AVC$
  - (d)  $P > ATC$
53. When the output increased by more than double if firm doubles its input is known as:
- (a) Constant return to scale
  - (b) Economies to scale
  - (c) Diseconomies of scale
  - (d) Violation of the law of diminishing return
54. In Oligopoly the firms may collude in order to:
- (a) Increase Competition
  - (b) Prisoner dilemma for buyers
  - (c) To raise the price of the good they offer
  - (d) None of these
55. In which of the market forms price discrimination cannot persist:
- (a) Monopoly
  - (b) Oligopoly
  - (c) Monopolistic Competition
  - (d) Perfect Competition
56. Short run production function is explained by:
- (a) Returns to scale
  - (b) Law of variable proportion
  - (c) Law of demand
  - (d) None of these
57. In monopoly and monopolistic Competition:
- (a) Average Revenue  $>$  Marginal Revenue
  - (b) Average Revenue  $<$  Marginal Revenue
  - (c) Average Revenue = Marginal Revenue
  - (d) None of these
58. Factor of Production which is active:
- (a) Labour
  - (b) Land
  - (c) Capital
  - (d) None of these

59. How to Produce is related to:
- (a) Product's Choice
  - (b) Choice of technique
  - (c) Either (a) or (b)
  - (d) None of these
60. Economy's historical performance was reflected by:
- (a) Lagging indicating
  - (b) Leading indicating
  - (c) Either (a) or (b)
  - (d) None of these



**PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE**

**QUESTIONS**

**Max. Marks: 40**

1. Which of the following is not a feature of Private company?
  - (a) There are no restrictions on transfer of shares
  - (b) Minimum number of directors are 2
  - (c) Private companies are exempted from deputing various committees of Board of Directors
  - (d) It can start business upon incorporation.
2. A strategic response where businesses are very passive in their behaviour is called as-
  - (a) Least resistance
  - (b) Proceed with caution
  - (c) Dynamic response
  - (d) Strategic action
3. Where is the India's only port-led multi-product SEZ?
  - (a) Kochi
  - (b) Mumbai
  - (c) Surat
  - (d) Mundra
4. Which of the following is one of the most significant macro policy indicators that impact business?
  - (a) Trade policy
  - (b) International trade
  - (c) Tax rates
  - (d) Rural policy
5. RBI's role does not include-
  - (a) Friend, Philosopher and Guide to Government
  - (b) Maintain legal stability
  - (c) Regulate inflation
  - (d) Guide all commercial banks
6. Dividing consumer into groups based on different consumer characteristics, to deliver specially designed advertisements that meet these characteristics as closely as possible, is known as-
  - (a) Mass marketing
  - (b) Market targeting
  - (c) Market segmentation
  - (d) Marketing plan
7. Which of the following is not a stakeholder for a business?
  - (a) Customer
  - (b) Promoter
  - (c) Competitor
  - (d) Government

8. Atmanirbhar Bharat is a competition for Global companies in India, this defines which characteristic of the business environment?
- (a) Far-reaching impact
  - (b) Complex
  - (c) Multi-faceted
  - (d) Dynamic
9. 'Hunger to win customers for life' is the mission of which of the following company?
- (a) Adani Ports and Special Economic Zones Limited
  - (b) Asian Paints
  - (c) Bharti Airtel Limited
  - (d) Cipla Limited
10. FDI is prohibited in which of the following sectors?
- (a) Retail
  - (b) E-Commerce
  - (c) Education
  - (d) Chit Fund
11. Who from the following helps a budding business to quickly launch a product and put it in the first lane of commercial success?
- (a) Business incubator
  - (b) Freight forward
  - (c) Business accelerator
  - (d) Merchandiser
12. Rates of interest that can be changed contractually by the lender are called-
- (a) Spot rates
  - (b) Administered rates
  - (c) Swap rates
  - (d) Repo rates
13. Human activities distinguishable by presence of the livelihood motives are known as:
- (a) Economic activities
  - (b) Non-economic activities
  - (c) Emotional activities
  - (d) Sentimental activities
14. Insufficient capital for Research and Development is?
- (a) Strength
  - (b) Threat
  - (c) Weakness
  - (d) Opportunity

15. Financial analysts are also called among which of the following?
- (a) Management consultants
  - (b) Mutual fund analysts
  - (c) Financial guru
  - (d) Security analysts
16. Prohibition of crackers in Delhi by the state government is a type of?
- (a) Protective
  - (b) Regulatory
  - (c) Restrictive
  - (d) Facilitating
17. MRTP Act, 1969 stands repealed with the repealed with the enforcement of the following Act:
- (a) Foreign Exchange Regulation Act, 1973
  - (b) Foreign Exchange Management Act, 1999
  - (c) Competition Act, 2002
  - (d) IRDAI Act, 1999
18. Process of evaluating each market segment and selective the most attractive one to enter into is called?
- (a) Marketing
  - (b) Marketing mix
  - (c) Mass marketing
  - (d) Market targeting
19. Nomadic humans bringing their hunt and getting rice in return can be called as?
- (a) Non-economic activity
  - (b) Sustainable practice of trade
  - (c) Social entrepreneurship
  - (d) Economic activity
20. The event of conducting commonwealth games in India is an example of the following element of macro environment:
- (a) Political-legal environment
  - (b) Socio-cultural environment
  - (c) Technological environment
  - (d) Global environment
21. Flipkart has its registered office at-
- (a) New Delhi
  - (b) Hyderabad
  - (c) Singapore
  - (d) Mauritius

22. Which of the following is an example of facilitating policy?
- (a) Companies act 2013
  - (b) Income tax policy
  - (c) Monetary policy
  - (d) Micro-small-medium enterprises
23. Monetary policy of the government is affected with support from?
- (a) RBI
  - (b) IRDAI
  - (c) SEBI
  - (d) NABARD
24. The price of security at the beginning of the trading days is called-
- (a) Basket trading
  - (b) Base price
  - (c) Bid
  - (d) Book value
25. Which of the following is a discipline of medicine and also of BCK?
- (a) Economics
  - (b) Laws
  - (c) Sociology
  - (d) Psychology
26. An effective organizational strategy includes which of the following activities?
- (a) Capitalizes on the opportunities through the use of threats
  - (b) Neutralizes the threats by minimizing the impact of weaknesses
  - (c) Neutralizes the opportunities by minimizing the impact of weaknesses
  - (d) Capitalizes on the weaknesses through the use of threats
27. Which of the company in India to have equity stake in 1st Greenfield Airport at Cochi, India?
- (a) Adani Ports SEZ Ltd.
  - (b) Bharat Petroleum Corporation Ltd.
  - (c) Tata Sons Pvt. Ltd.
  - (d) Larsen & Toubro Ltd.
28. Type of privatization, where Government keeps hold of responsibility and private enterprise handles fully or partly the delivery of product and services through contract franchise, grant, etc., is known as:
- (a) Investment
  - (b) Disinvestment
  - (c) Displacement
  - (d) Delegation

29. Tariff Advisory Committee is a part of?
- (a) RBI
  - (b) IRDAI
  - (c) SEBI
  - (d) CCI
30. What is Hedge?
- (a) It is a statistical measurement of change in the economy.
  - (b) It is strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment.
  - (c) It is trading platform.
  - (d) It is a security which has a solid record of dividend payments.
31. A company created for a future project and has no significant accounting transaction is called-
- (a) Shell company
  - (b) Commercial company
  - (c) One Person company
  - (d) Dormant company
32. "Once a company knows what is happening around it, it can plan and strategies accordingly", this is part of which of the following importance's of business environment?
- (a) Giving direction for growth
  - (b) Determining opportunities and threat
  - (c) Image building
  - (d) Continuous learning
33. Which of the following is not a subsidiary of NTPC Limited?
- (a) Kanti Bijlee Utpadan Nigam Ltd
  - (b) Bharatiya Rail Bijlee Company Limited
  - (c) Patratu Vidyut Utpadan Nigam Limited
  - (d) Powerlink Transmission Limited
34. Singapore government gave the business option to either take cheap loans or to take subsidies on exporting. What kind of public policy is this?
- (a) Protective
  - (b) Facilitating
  - (c) Regulatory
  - (d) Restrictive
35. Which authority regulates and develops the Indian capital market and protects the interest of investors in the capital market?
- (a) National stock exchange (NSE)
  - (b) SEBI

- (c) RBI
  - (d) Bombay stock exchange
36. A token money given to establish an acceptance of buying especially in real estate deals is called-
- (a) E-Cash
  - (b) Earnest money deposit
  - (c) Fixed deposit
  - (d) Concurrent depository receipt
37. Which of the following is incorrect?
- (a) Events lead to trends
  - (b) Trends lead to events
  - (c) Issues raise expectations
  - (d) Expectations are opportunities
38. Which of the following elected by shareholders in organization?
- (a) Owners
  - (b) Board of Directors
  - (c) Employees
  - (d) Directors
39. Which of the following is not a source of infusion of foreign funds in India?
- (a) Listing of a company in NSE through IPO
  - (b) Non-Resident Indians
  - (c) Foreign Institutional Investors
  - (d) Overseas Citizens of India
40. Amount which are owned to a company that need not to be paid back is called-
- (a) Assets
  - (b) Bad debts
  - (c) Bears
  - (d) Current assets

**MOCK TEST PAPER 2**

**FOUNDATION COURSE**

**PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE**

**PART- I: BUSINESS ECONOMICS**

**Answer Key**

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

**PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE**

**ANSWERS**

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