

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

Question No. 1 is compulsory.

*Attempt 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

Maximum Marks: 100

1. (a) State with reasons, whether the following statements are true or false:
- (i) The concepts of conservatism when applied to the Balance Sheet results in understatement of assets.
 - (ii) 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.
 - (iii) Current Account and Account Current are one and the same.
 - (iv) In case the due date of a bill falls after the date of closing the account, the interest from the date of closing to such due date is known as Red-Ink interest.
 - (v) On death of a partner, the firm gets surrender value of the joint life policy .
 - (vi) Company A is incurring huge losses, the Board of Directors are of the opinion that in case of losses, there is no need to pay interest on debenture holders.

(6 Statements x 2 Marks = 12 Marks)

- (b) Explain the objective of "Accounting Standards" in brief. **(4 Marks)**
- (c) From the following transactions, prepare the Purchases Returns Book of Sampat & Co., a furniture dealer and post them to ledger :

Date	Debit Note No.	Particulars
04.01.2023	501	Returned to Duggal Furniture's, Jaipur – 5 Tables @ ₹ 5,000.
09.01.2023		Chopra Furniture's, Kota – accepted the return of Centre Tables (which were purchased for cash) – 5 Centre Tables @ ₹ 4,400.
16.01.2023	502	Returned to Khanna Furniture's, Bangalore –5 Dining Table @ ₹ 4,500.
30.01.2023		Returned one Printer (being defective) @ ₹ 10,000 to B & Co.

(4 Marks)

2. (a) Mangalam group had Property, Plant and Machinery with a book value of ₹ 1,00,00,000/- on 31st December, 2022. The balance in Revaluation Surplus on that date was ₹ 10,00,000/-. As part of regular practice of revaluing the assets on yearly basis, another valuation was carried out on 31st December, 2022. Evaluate the impact of Revaluation, if the fair market value as a result of Revaluation done on 31st December, 2022 was (a) ₹ 1,05,00,000/- and (b) 85,00,000/-. You are required to explain with reason the accounting treatment with Journal Entries.

- (b) Prepare a Bank Reconciliation statement for Krishna Traders as on 31st March, 2023.

The cash book of Krishna Traders shows a debit balance of ₹ 8,24,400 at bank as on 31st March, 2023, but you find that it does not agree with the balance as per Pass Book. After checking you find the following:

1. On 12th March, 2023 the payment side of the Cash Book was under cast by ₹ 24,000/-
2. A cheque of ₹ 1,70,000 issued on 20th March, 2023 was not taken in the bank column.
3. On 22nd March, 2023 the debit balance of ₹ 37,000 as on the previous day, was brought forwards as credit balance.
4. Out of the total cheques amounting to ₹ 84,000 issued in, the last week of March, 2023, cheques aggregating ₹ 57,000 were encashed in March, 2023.
5. Dividends of ₹ 70,000 collected by the Bank and Fire insurance premium of ₹ 40,000 paid by it were not recorded in the cash book.
6. One cheque issued to a Creditor of ₹ 2,58,000 was recorded twice in the Cash book.
7. A debtor Mr. A has deposited the Cheque for ₹ 64,000 into the bank directly in the month of March, 2023 without intimating to Krishna Traders and the same cheque was dishonored by the bank due to insufficient funds in the month of March itself.
8. A cheque from customer for ₹ 10,000 was deposited in bank on 28th March, 2023 but was dishonored and advice received from bank on 3rd April, 2023.
9. Bank paid credit card bill of ₹ 5,000 which is not recorded in cash book.
10. Bank wrongly credited cheque of ₹ 50,000 of other customer in our account.
11. Bank credited cheque of ₹ 4,000 in savings account of proprietor of Krishna Traders instead of crediting cheque in current account of Krishna Traders.
12. ₹ 1,000 discount received wrongly entered in bank column in cash book.
13. Bank debited charges ₹ 400 on 25th March for which no intimation received till 31st March.

(5 + 15 = 20 Marks)

3. (a) Kamal of Gwalior consigned 15,000 kgs of Sugar at ₹ 30 per kg to his agent Vimal at Delhi. He spent ₹ 5 per kg as freight and insurance for sending the Sugar at Delhi. On the way 100 kgs. of sugar was lost due to the leakage (which is to be treated as normal loss) and 400 kgs. of sugar was destroyed in transit. ₹ 9,000 was paid to consignor directly by the Insurance company as Insurance claim. Vimal sold 7,500 kgs. at ₹ 60 per kg. He spent ₹ 33,000 on advertisement and recurring expenses.

You are required to calculate:

- (i) The amount of abnormal loss
 - (ii) Value of stock at the end and
 - (iii) Prepare Consignment account showing profit or loss on consignment, if Vimal is entitled to 5% commission on sales.
- (b) Mr. Aryan owed ₹ 4,000 on 1st January, 2023 to Mr. Abram. The following transactions took place between them. It is agreed between the parties that interest @ 10% p.a. is to be calculated on all transactions.

	₹
15 January, 2023 Mr. Abram sold goods to Mr. Aryan	2,230
29 January, 2023 Mr. Abram bought goods from Mr. Aryan	1,200

10 February, 2023 Mr. Aryan paid cash to Mr. Abram	1,000
13 March, 2023 Mr. Aryan accepted a bill drawn by Mr. Abram for one month	2,000

They agree to settle their complete accounts by one single payment on 15th March, 2023.

Prepare Mr. Aryan in Account Current with Mr. Abram and ascertain the amount to be paid. Ignore days of grace.

- (c) Mr. Gupta sends goods to his customers on Sale or Return. The following transactions took place during the month of December 2022.

December 2nd - Sent goods to customers on sale or return basis at cost plus 25% - ₹ 2,40,000

December 10th - Goods returned by customers ₹ 1,05,000

December 17th - Received letters from customers for approval ₹ 1,05,000

December 23rd - Goods with customers awaiting approval ₹ 45,000

Mr. Gupta records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of Mr. Gupta assuming that the accounting year closes on 31st Dec. 2022. Considered that the transaction values are at involve price (including profit margin).

(10 + 5 + 5 = 20 Marks)

4. (a) Planting & Associates. is a partnership firm with partners Seed, Plant and Flower, sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2023 is as under:

Liabilities		₹	Assets	₹
Capitals:			Land	30,000
Seed	2,40,000		Buildings	6,00,000
Plant	60,000		Machinery	3,90,000
Flower	90,000	3,90,000	Furniture	1,29,000
Reserves			Investments	36,000
(un-appropriated profit)		60,000	Inventories	3,90,000
Long Term Debt		9,00,000	Trade receivables	4,17,000
Bank Overdraft		1,32,000		
Trade payables		5,10,000		
		19,92,000		19,92,000

It was mutually agreed that Plant will retire from partnership and in his place Leaf will be admitted as a partner with effect from 1st April, 2023. For this purpose, the following adjustments are to be made:

- Goodwill is to be valued at ₹3 lakh but the same will not appear as an asset in the books of the reconstituted firm.
- Buildings and Machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at ₹45,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.
- In the reconstituted firm, the total capital will be ₹ 6 lakhs which will be contributed by Seed Flower and Leaf in their new profit sharing ratio, which is 2:2:1.
 - The surplus funds, if any, will be used for repaying bank overdraft.
 - The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare

- (a) Revaluation account;
 - (b) Partners' capital accounts; and
 - (c) Bank account;
- (b) The following are the balances as at 31st March, 2023 extracted from the books of Mr. Shyam.

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

Additional Information:

1. Purchases include sales return of ₹5,150 and sales include purchases return of ₹ 3,450.
2. Goods withdrawn by Mr. Shyam for own consumption ₹ 7,000 included in purchases.
3. Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
4. Free samples distributed for publicity costing ₹ 1,650.
5. Wages paid in the month of April for installation of plant and machinery amounting to ₹ 900 were included in wages account.
6. Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2023 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.
7. Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2023 and a Balance Sheet as on that date. Also show the rectification entries. **(8 + 12 = 20 Marks)**

5. (a) Roxy Library Society showed the following position on 31st March, 2022:

Balance Sheet as on 31st March, 2022

Liabilities	₹	Assets	₹
Capital fund	31,72,000	Electrical fittings	6,00,000
Expenses payable	28,000	Furniture	2,00,000

		Books	16,00,000
		Investment in securities	6,00,000
		Cash at bank	1,00,000
		Cash in hand	<u>1,00,000</u>
	<u>32,00,000</u>		<u>32,00,000</u>

The receipts and payment account for the year ended on 31st March, 2023 is given below:

	₹		₹
To Balance b/d		By Electric charges	28,800
Cash at bank 1,00,000		By Postage and stationary	20,000
Cash in hand <u>1,00,000</u>	2,00,000	By Telephone charges	20,000
To Entrance fee	1,20,000	By Books purchased	2,40,000
To Membership subscription	8,00,000	By Outstanding expenses paid	28,000
To Sale proceeds of old papers	6,000	By Rent	3,52,000
To Hire of lecture hall	80,000	By Investment in securities	1,60,000
To Interest on securities	32,000	By Salaries	2,64,000
		By Balance c/d	
		Cash at bank	80,000
		Cash in hand	<u>45,200</u>
	<u>12,38,000</u>		<u>12,38,000</u>

You are required to prepare Income and Expenditure account for the year ended 31st March, 2023 after making the following adjustments:

Membership subscription included ₹ 40,000 received in advance.

Provide for outstanding rent ₹ 16,000 and salaries ₹ 12,000.

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

75% of the entrance fees is to be capitalized.

Interest on securities is to be calculated @ 5% p.a. including purchases made on 1.10.2022 for ₹ 1,60,000.

- (b) A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15th April, 2023 on which date the total cost of goods in his godown came to ₹ 50,000. The following facts were established between 31st March and 15th April, 2023.
- Sales ₹ 41,000 (including cash sales ₹ 10,000)
 - Purchases ₹ 5,034 (including cash purchases ₹ 1,990)
 - Sales Return ₹ 1,000.

- (iv) On 15th March, goods of the sale value of ₹ 10,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April.
- (v) The trader had also received goods costing ₹ 8,000 in March, for sale on consignment basis; 20% of the goods had been sold by 31st March, and another 50% by 15th April. These sales are not included in above sales.

Goods are sold by the trader at a profit of 20% on sales.

You are required to ascertain the value of Inventory as on 31st March, 2023. **(15 + 5 = 20 Marks)**

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

At the time of re-issue of forfeited shares of Mr. Ashish, 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.

- (b) Perfect Ltd. issues 3,00,000 12% Debentures of ₹ 10 each at ₹ 9.40 on 1st January, 2023. Under the terms of issue, the Debentures are redeemable at the end of 5 years from the date of issue.

Calculate the amount of discount to be written-off in each of the 5 years.

- (c) Explain in brief objectives of preparing Trial Balance.

Or

What are the rules of posting of journal entries into the Ledger? Explain in brief.

(10 + 5 + 5 = 20 Marks)

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SUGGESTED ANSWERS/HINTS

1. (a) (i) **True:** Conservatism states that the accountant / entity should not anticipate any future income. However, they should provide for all possible / probable losses. Imprudent use of concept of conservatism may lead to understatement of Income and Assets.
- (ii) **True:** Since the temporary huts were necessary for the construction, their cost should be added to the cost of the cinema hall and thus capitalised.
- (iii) **False:** Account current statement is running transaction between two parties to ascertain the amount payable along with interest. A Current Account is an account type to be maintained with the bank. In both the cases interest is calculated, with the help of different methods.
- (iv) **True:** In case the due date of a bill falls after the date of closing the account, then no interest is allowed for that. However, interest from the date of closing to such due date is written in "Red-Ink" in the appropriate side of the 'Account current'. This interest is called Red-Ink interest.
- (v) **False:** On the death of a partner, the firm receives full value of the sum assured of the joint life policy.
- (vi) **False:** Even if the company incurs losses, it has to pay interest on debentures. Debentures being debts on the company & debenture holders are not concerned with the profit or loss of the company, the interest is to be paid at the rate fixed on it at the time of issue of debenture.
- (b) Accounting Standards are selected set of accounting policies or broad guidelines regarding the principles and methods to be chosen out of several alternatives. The Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI) formulates Accounting Standards to be established by the Council of the ICAI. The main objective of Accounting Standards is to establish standards which have to be complied with, to ensure that financial statements are prepared in accordance with generally accepted accounting principles. Accounting Standards seek to suggest rules and criteria of accounting measurements. These standards harmonize the diverse accounting policies and practices at present in use in India.

(c) **Purchase Returns Book**

Date	Debit Note No.	Name of supplier	L.F.	Amount (₹)
2023				
Jan. 4	501	Duggal Furniture's, Jaipur		25,000
Jan. 16	502	Khanna Furniture's, Bangalore		<u>22,500</u>
Jan. 31		Purchases Returns Account (Cr.)		<u>47,500</u>

2. (a) (a) Fair Value : ₹ 1,05,00,000/-

Since this is an upward revaluation and group had a balance in revaluation surplus (i.e. there was an upward movement earlier), hence this will result in additional credit of ₹ 5,00,000/- to Revaluation Surplus and hence total Revaluation Surplus Balance (part of other comprehensive income in Equity) shall increase to ₹ 15,00,000/-

The journal entry shall be:

Property, Plant and Machinery A/c	Dr.	5,00,000	
To Revaluation Surplus A/c			5,00,000

(b) Fair Value : ₹ 85,00,000/-

Since this is a downward revaluation and group had a balance in revaluation surplus (i.e., there was an upward movement earlier), hence this will result in a reduction or a debt to Revaluation Surplus to the extent of balance therein and any excess shall be debited to Profit & Loss A/c. In this case, there is a reduction in fair value of ₹ 15,00,000 (₹ 1,00,00,000 – ₹ 85,00,000). Hence, the Revaluation Surplus A/c shall be debited by ₹ 10,00,000 and the balance ₹5,00,000 shall be debited to Profit & Loss A/c. Hence total Revaluation surplus balance (part of other comprehensive income in Equity) shall become NIL.

The journal entry shall be :

Revaluation Surplus A/c	Dr.	10,00,000	
Profit & Loss A/c	Dr.	5,00,000	
To Property, Plant and Machinery A/c			15,00,000

(b)

Bank Reconciliation Statement of Krishna Traders as on 31 st March, 2023		
Particulars	Amount (₹)	Amount (₹)
Balance as per Cash Book		8,24,400
Add:		
Mistake in bringing forward ₹37,000/- debit balance as credit balance on 22nd March	74,000	
Cheques issued but not presented		
Issued = ₹84,000 less cashed ₹ 57,000 = ₹27,000/-	27,000	
Dividend directly collected but not entered in cash book	70,000	
Cheques recorded twice in the cash book	2,58,000	
Wrongly credited cheque by bank	50,000	
Discount amount wrongly entered in bank column	1,000	
TOTAL		4,80,000
Less:		
Wrong casting in cash book on 12th March, 2023	24,000	
Cheque issued and not entered in the Bank Column	1,70,000	
Fire Insurance premium paid directly by bank	40,000	
Cheque dishonored not recorded in books	10,000	
Credit card payment not recorded in cash book	5,000	
Cheque wrongly deposited by bank in savings account	4,000	
Bank charges debited not recorded in cash book	400	
TOTAL		2,53,400
Balance as per the Passbook		10,51,000

Note : No effects of cheque deposit directly and dishonored in the same Month. Alternatively amount of ₹ 64,000/- can be added as well as deducted from balance as per cash book.

3. (a) **Consignment Account**

	₹			₹
To Goods sent on consignment A/c (15,000 kg x ₹ 30)	4,50,000	By Consignee's A/c-Sales (7,500 kg x ₹ 60)		4,50,000
To Cash A/c (Expenses 15,000 kg x ₹ 5)	75,000	By Abnormal Loss A/c (Insurance claim – WN-1)	9,000	
To Consignee's A/c: Advertisement & Recurring expenses	33,000	Add: Abnormal Loss (WN-1) (Profit and Loss Account)	<u>5,000</u>	14,000
Commission @ 5% on ₹4,50,000	22,500	By Consignment Stock A/c (WN-2)		2,46,690
To Profit and loss A/c (Profit on Consignment)	1,30,190			
	<u>7,10,690</u>			<u>7,10,690</u>

Working Notes:

1. Abnormal Loss:

Cost of goods lost: 400 kg

Total cost (400 x ₹ 30) 12,000

Add: expenses incurred by the consignor @ ₹5 per kg 2,000

Gross Amount of abnormal loss 14,000

Less: Insurance claim (9,000)

Net abnormal loss 5,000

2. Valuation of Inventories

	Quantity (Kgs)	Amount (₹)
Total Cost (15,000 kg x ₹30)	15,000	4,50,000
Add: Expenses incurred by the consignor		75,000
Less: Value of Abnormal Loss – 400 kgs (WN 1)	<u>(400)</u>	<u>(14,000)</u>
	14,600	5,11,000
Less: Normal Loss	<u>(100)</u>	
	14,500	5,11,000
Less: Quantity of Sugar sold	<u>(7,500)</u>	
Quantity of Closing Stock	7,000	
Value of 7,000 kgs – (5,11,000/14,500) x 7,000		<u>2,46,690</u>

(b) **Mr. Aryan in Account Current with Mr. Abram**

(Interest upto 15th March, 2023 @ 10% p.a.)

Dr.											Cr.
Date		Particulars	Amount	Days	Product	Date		Particulars	Amount	Days	Product
2023						2023					
Jan. 01	To	Balance b/d	4,000	75	3,00,000	Jan. 29	By	Purchase A/c	1,200	46	55,200
Jan. 15	To	Sales A/c	2,230	60	1,33,800	Feb. 10	By	Cash A/c	1,000	34	34,000

Mar. 13	To	Red Ink product (₹ 2,000 × 29)		58,000	Mar. 13	By	Bills Receivable A/c	2,000	
Mar. 15	To	Interest A/c $\left(\frac{₹ 4,02,600 \times 10 \times 1}{100 \times 365} \right)$	110.30		Mar. 15	By	Balance of product		4,02,600
						By	Balance c/d (amount to be paid)	2,140.30	
			<u>6,340.30</u>	<u>4,91,800</u>				<u>6,340.30</u>	<u>4,91,800</u>

(c)

In the books of Mr. Gupta

Journal Entries

Date	Particulars		L.F.	Dr. (in ₹)	Cr. (in ₹)
2022 Dec. 2	Trade receivables A/c To Sales A/c (Being the goods sent to customers on sale or return basis)	Dr.		2,40,000	2,40,000
Dec. 10	Return Inward A/c To Trade receivables A/c (Being the goods returned by customers to whom goods were sent on sale or return basis)	Dr.		1,05,000	1,05,000
Dec. 23	Sales A/c To Trade receivables A/c (Being the cancellation of original entry of sale in respect of goods on sale or return basis)	Dr.		45,000	45,000
Dec. 31	Inventories with customers on Sale or Return A/c To Trading A/c (Note 2) (Being the adjustment for cost of goods lying with customers awaiting approval)	Dr.		36,000	36,000

Working Note:

- (1) No entry is required for receiving letter of approval from customer.
- (2) Cost of goods with customers = ₹ 45,000 × 100/125 = ₹ 36,000

4 (a)

Revaluation Account

	₹		₹
To Buildings A/c	30,000	By Investments A/c	9,000
To Machinery A/c	78,000	By Loss to Partners:	
To Provision for Doubtful Debts A/c	83,400	Seed	91,200
		Plant	54,720
		Flower	<u>36,480</u>
	<u>1,91,400</u>		1,82,400
			<u>1,91,400</u>

Partners' Capital Account

Particulars	Seed	Plant	Flower	Leaf	Particulars	Seed	Plant	Flower	Leaf
	₹	₹	₹	₹		₹	₹	₹	₹
To Revaluation A/c	91,200	54,720	36,480	-	By Balance b/d	2,40,000	60,000	90,000	-
To Investments A/c	-	45,000	-	-	By Reserves A/c	30,000	18,000	12,000	-
To Plant Loan A/c	-	68,280	-	-	By Flower and Leaf Capital A/c	30,000	90,000	-	-
To Seed and Plant's Capital A/c	-	-	60,000	60,000	By Bank A/c (balancing figure)	31,200	-	2,34,480	1,80,000
To Balance c/d	2,40,000	-	2,40,000	1,20,000		-	-	-	-
	<u>3,31,200</u>	<u>1,68,000</u>	<u>3,36,480</u>	<u>1,80,000</u>		<u>3,31,200</u>	<u>1,68,000</u>	<u>3,36,480</u>	<u>1,80,000</u>

Bank Account

	₹		₹
To Seed's capital A/c	31,200	By Bank Overdraft A/c	1,32,000
To Flower's capital A/c	2,34,480	By Balance c/d	3,13,680
To Leaf's capital A/c	1,80,000		
	<u>4,45,680</u>		<u>4,45,680</u>

(b)

Rectification Entries

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

Trading and Profit and Loss Account of Mr. Shyam
for the year ended 31st March, 2023

Dr.

Cr.

		Amount			Amount
	₹	₹		₹	₹
To Opening stock		64,500	By Sales	4,27,150	
To Purchases	3,06,200		Less: Sales return	<u>5,150</u>	4,22,000
Less: Purchases return	<u>3,450</u>	3,02,750	By Closing stock		
To Carriage inward		2,250	(₹ 1,60,000 × $\frac{100}{80}$ × $\frac{100}{80}$)		2,50,000
To Wages		23,430			
To Gross profit c/d		2,79,070			
		<u>6,72,000</u>			<u>6,72,000</u>
To Salaries		45,100	By Gross profit b/d		2,79,070
To Rent		8,600	By Bad debts recovered		900
To Advertisement expenses		8,350			
To Printing and stationery		2,500			
To Bad debts		2,200			
To Carriage outward		2,700			
To Provision for doubtful debts					
5% of ₹ 2,40,000	12,000				
Less: Existing provision	<u>6,400</u>	5,600			
To Provision for discount on debtors					
2.5% of ₹ 2,28,000	5,700				
Less: Existing provision	<u>2,750</u>	2,950			
To Depreciation:					
Plant and machinery	6,000				
Furniture and fittings	<u>2,050</u>	8,050			
To Office expenses		20,320			
To Interest on loan		6,000			
To Net profit					
(Transferred to capital account)		<u>1,67,600</u>			
		<u>2,79,970</u>			<u>2,79,970</u>

Balance Sheet of Mr. Shyam as on 31st March, 2023

	Amount		Amount
	₹	₹	₹
Liabilities		Assets	
Capital account	1,30,000	Plant and machinery	40,000
Add: Net profit	<u>1,67,600</u>	Less: Depreciation	<u>6,000</u>
	2,97,600	Furniture and fittings	20,500
Less: Drawings	<u>23,000</u>	Less: Depreciation	<u>2,050</u>
	2,74,600	Closing stock	2,50,000
Bank overdraft	1,60,000	Sundry debtors	2,40,000
Sundry creditors	95,000	Less: Provision for doubtful debts	12,000
Payable salaries	4,900		

		Provision for bad debts	<u>5,700</u>	2,22,300
		Prepaid rent		600
		Cash in hand		2,900
		Cash at bank		<u>6,250</u>
	<u>5,34,500</u>			<u>5,34,500</u>

5. (a)

Roxy Library Society

Income and Expenditure Account

for the year ended 31st March, 2023

Dr.					Cr.
Expenditure	₹	₹	Income		₹
To Electric charges		28,800	By Entrance fee (25% of ₹ 1,20,000)		30,000
To Postage and stationary		20,000			
To Telephone charges		20,000	By Membership subscription	8,00,000	
To Rent	3,52,000		Less: Received in advance	<u>40,000</u>	7,60,000
Add: Outstanding	<u>16,000</u>	3,68,000			
To Salaries	2,64,000		By Sale proceeds of old papers		6,000
Add: Outstanding	<u>12,000</u>	2,76,000			
To Depreciation (W.N.1)			By Hire of lecture hall		80,000
Electrical fittings	60,000		By Interest on securities (W.N.2)	32,000	
Furniture	20,000		Add: Receivable	<u>2,000</u>	34,000
Books	<u>1,84,000</u>	2,64,000	By Deficit- excess of expenditure over income		66,800
		<u>9,76,800</u>			<u>9,76,800</u>

Working Notes:

- Depreciation ₹

Electrical fittings 10% of ₹ 6,00,000	60,000
Furniture 10% of ₹ 2,00,000	20,000
Books 10% of ₹ 18,40,000	1,84,000
- Interest on Securities

Interest @ 5% p.a. on ₹ 6,00,000 for full year	30,000
Interest @ 5% p.a. on ₹ 1,60,000 for half year	<u>4,000</u>
Less: Received	<u>(32,000)</u>
Receivable	<u>2,000</u>

(b)

Statement of Valuation of Stock on 31st March, 2023

	₹	₹
Value of stock as on 15th April, 2023		50,000

Add:	Cost of sales during the period from 31 st March, 2023 to 15 th April, 2023		
	Sales (₹ 41,000 – ₹ 1,000)	40,000	
	Less: Gross Profit (20% of ₹ 40,000)	<u>8,000</u>	32,000
	Cost of goods sent on approval basis (80% of ₹ 6,000)		<u>4,800</u>
			86,800
Less:	Purchases during the period from 31 st March, 2023 to 15 th April, 2023	5,034	
	Unsold stock out of goods received on consignment basis (30% of ₹ 8,000)	<u>2,400</u>	<u>7,434</u>
			<u>79,366</u>

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	₹
(a) Total No. of Shares applied	2,000
(b) Total money paid of application (2,000x 3)	6,000
(c) Excess application money (₹ 6000-(1,000x3))	3,000
(d) Total amount due on allotment (1,000x 4.50)	4,500
(e) Amount due but not paid (₹4,500- ₹3,000)	1,500
Out of the allotment amount of ₹ 4,500, ₹ 2,000 are for Share Capital and ₹ 2,500 are for Securities Premium Reserve. Out of excess application money of ₹3,000, ₹2000 are adjusted towards allotment as share capital and ₹ 1,000 are adjusted towards allotment as securities premium reserve. Therefore, Securities Premium Reserve of ₹ 1,500 (i.e. ₹ 2,500- 1,000) is not received. Hence securities Premium Reserve is debited by ₹ 1,500.	

- (b) Total amount of discount comes to ₹ 1,80,000 ($₹ 0.6 \times 3,00,000$). The amount of discount to be written-off in each year is calculated as under:

Year end	Debentures Outstanding	Ratio in which discount to be written-off	Amount of discount to be written-off
1st	₹ 30,00,000	1/5	1/5th of ₹ 1,80,000 = ₹ 36,000
2nd	₹ 30,00,000	1/5	1/5th of ₹ 1,80,000 = ₹ 36,000
3rd	₹ 30,00,000	1/5	1/5th of ₹ 1,80,000 = ₹ 36,000
4th	₹ 30,00,000	1/5	1/5th of ₹ 1,80,000 = ₹ 36,000
5th	₹ 30,00,000	1/5	1/5th of ₹ 1,80,000 = ₹ 36,000

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

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

Or

Rules regarding posting of entries in the ledger

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

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

- 1 Business Economics is a :
 - (a) Normative Science
 - (b) Interdisciplinary
 - (c) Pragmatic
 - (d) All of these
- 2 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
3. Methods of demand forecasting are:
 - (a) Survey of Buyer's intension
 - (b) Collective opinion Method
 - (c) Both (a) and (b)
 - (d) None of these
4. Entrepreneur has its most important function as _____
 - (a) Bear the sense of responsibility
 - (b) Earn profit
 - (c) Innovate
 - (d) None of these
5. Pears, Liril & Dove are example of
 - (a) Perfect Competition
 - (b) Monopoly
 - (c) Monopolistic Competition
 - (d) None of these
6. 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
7. Variables that change before the real output changes are called:
 - (a) Lagging indicator

- (b) Leading Indicator
 - (c) Concurrent Indicator
 - (d) None of these
8. Supply is the -
- (a) Limited resources-that are available within the seller
 - (b) Cost of Producing a good
 - (c) Entire-relationship between the quantity supplied and the price of good.
 - (d) Willingness to produce a good if the technology to produce it becomes available
9. Economy's historical performance was reflected by:
- (a) Lagging indicating
 - (b) Leading indicating
 - (c) Either (a) or (b)
 - (d) None of these
10. Contraction of demand is the result of
- (a) Decrease in the number of Consumers
 - (b) Increase in the price of the good concerned
 - (c) Price of related products
 - (d) None of these
11. Cost of living increase when business cycle is operating at its
- (a) Lowest point
 - (b) Peak
 - (c) Contracting
 - (d) Expanding
12. In the beginning economics was named as:
- (a) Political Economy
 - (b) Welfare Economics
 - (c) Economies of Wealth
 - (d) None of these
13. The market price cannot be influenced by a seller under:
- (a) Monopolistic Competition
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) All the above
14. Time elements was conceived by :
- (a) Paul Sweezy
 - (b) Hicks
 - (c) Marshall
 - (d) Simon Kuznets

15. The Pure monopolist in the long run can make pure profit due to :
- (a) High Selling Price
 - (b) Advertising
 - (c) Low LAC Cost
 - (d) Blocked entry
16. Law of variable proportion is related to :
- (a) Long Run
 - (b) Short Run
 - (c) Both (a) and (b)
 - (d) None of these
17. What are the Central Problem of an economy:
- (a) What to Produce
 - (b) What provisions are to be made for economic growth?
 - (c) How to Produce
 - (d) All the above
18. Which of the following is not the demerit of Capitalism:
- (a) There is usually high degree of operative efficiency under the capitalist system
 - (b) Under Capitalism there is precedence of property right over human rights
 - (c) Due to income inequality the pattern of demand does not represent the real needs of the society.
 - (d) Capitalism leads to the formation of monopolies
19. Macroeconomics is also called_____economics.
- (a) experimental
 - (b) aggregate
 - (c) applied.
 - (d) none of these
20. The Substitution effect will be stronger when:
- (a) there is lower inconvenience while switching to the Substitute good
 - (b) the goods are closer substitute.
 - (c) there is lower cost of switching to the substitute good
 - (d) All of the above
21. Which of the following is the exception to the law of demand:
- (a) Speculative goods
 - (b) Conspicuous necessities
 - (c) Future expectation about prices
 - (d) Income effect
22. If the price of A rises by 10% and the demand for B increases by 15% then the Cross elasticity will be:
- (a) 1.5
 - (b) 1.5
 - (c) 2

- (d) None of these
23. What are the limitation of Consumer Surplus:
- (a) Consumer surplus cannot be measured precisely
 - (b) The Consumer surplus derived from a commodity is affected by availability of substitute
 - (c) Both (a) & (b)
 - (d) None of these
24. Which of the following is not the characteristic of land:
- (a) It is a passive factor
 - (b) It has multiple uses
 - (c) It's supply is fixed
 - (d) It is a active factor
25. Accounting costs are also called:
- (a) Explicit cost
 - (b) Implicit Cost
 - (c) Either a or b
 - (d) None of these
26. The Vertical difference between TVC and TC is equal to :
- (a) Marginal Cost
 - (b) Average variable cost
 - (c) Total fixed Cost
 - (d) None of these.
27. The classification of market is made on the basis of :
- (a) Geographical Area
 - (b) Time
 - (c) Volume of business
 - (d) All the above
28. How do monopoly arises:
- (a) Strategic Control over scarce resources
 - (b) Governments granting exclusive rights to produce and sell a good or a service
 - (c) Stringent legal and regulatory requirements effectively discourages entry of new firms without being specifically prohibited
 - (d) All of the above
29. Which of the following involve a trade-off ?
- (a) Taking a nap
 - (b) Going to University
 - (c) Watching a football game on Saturday afternoon
 - (d) All of these
30. The indifference curve of two substitute will be:
- (a) Straight line

- (b) U- Shaped
 - (c) C Shaped
 - (d) L shaped
31. Sweezy's Model is related to which market form :
- (a) Oligopoly market
 - (b) Perfect Competition market
 - (c) Monopoly market
 - (d) None of these
32. Price discrimination cannot persist Under which market form –
- (a) Perfect competition
 - (b) Monopolistic Competition
 - (c) Monopoly
 - (d) None of these
33. In law of variable proportion how many stages are there:
- (a) 1
 - (b) 3
 - (c) 5
 - (d) None of these
34. At the stage when Negative Return sets in :
- (a) MP is negative
 - (b) MP is diminishing
 - (c) Either a or b
 - (d) none of these
35. Minimum assured price to the farmers to purchase their output by the government is called:
- (a) Market Price
 - (b) Equilibrium Price
 - (c) Support Price
 - (d) Ceiling Price
36. The income elasticity For Luxuries goods is:
- (a) $E > 1$
 - (b) $E < 1$
 - (c) $E = 0$
 - (d) None of these
37. Unique supply curve is monopoly is not due to _____
- (a) $P > MC$
 - (b) $P < MC$
 - (c) $P = MC$
 - (d) None of these

38. AR is different from MR under which form of market :
- (a) Monopoly
 - (b) Monopolistic competition
 - (c) Perfect Competition
 - (d) Both a and b
39. In Monopoly Cross elasticity of Product is :
- (a) Zero
 - (b) High
 - (c) Infinity
 - (d) None of these
40. Innovation theory is propounded by :
- (a) Schumpeter
 - (b) Nicholas Kaldor
 - (c) Keynes
 - (d) None of these
41. Information Technology bubble burst of 2000 is an example of :
- (a) Business Cycle
 - (b) Consumer Sovereignty
 - (c) Freedom of choice
 - (d) None of these
42. In which form of market Cartels can be formed:
- (a) Perfect competition
 - (b) Monopoly
 - (c) Oligopoly
 - (d) None of these
43. Monopolistic Competition theory architect was
- (a) Roden
 - (b) Marx
 - (c) J R Hicks
 - (d) Chamberlin
44. Snob effect is explained as _____
- (a) It is a function of consumption of others
 - (b) It is a function of price
 - (c) Both (a) and (b)
 - (d) None of these
45. The rate at which the consumer is prepared to exchange-good x and y is :
- (a) Marginal rate of substitution
 - (b) Elasticity of Substitution
 - (c) Diminishing Marginal Utility

- (d) None of these
46. Cost of living increase when business cycle is operating at :
- (a) Lowest point
 - (b) Peak
 - (c) Contracting
 - (d) Expanding
47. Supply and Stock are _____
- (a) Same thing
 - (b) Different
 - (c) Having no comparison
 - (d) Both (a) and (c)
48. Economic indicator required to predict the turning point of business cycle is :
- (a) Leading indicator
 - (b) Lagging indicator
 - (c) Coincident
 - (d) All of the above
49. Normative economics can be best explained through:
- (a) Fairness to tax
 - (b) Incidence to tax
 - (c) Effect of tax on incentives to work
 - (d) None of these
50. For Giffen good the Engel curve is:
- (a) Positive sloped
 - (b) Vertical
 - (c) horizontal
 - (d) Negative sloped
51. If the monopolist incurs losses in the short run then in the long run:
- (a) It will stay in the business
 - (b) Go out of business
 - (c) Will break even
 - (d) Any of the above is possible
52. Globalization indicate rapid ____ between Countries :
- (a) Competition
 - (b) Investment
 - (c) Integration
 - (d) None of these
53. Elasticity of supply to the degree of responsiveness of supply of a good to changes in its;
- (a) Demand
 - (b) Price

- (c) Cost of production
 - (d) State of technology
54. Monopsony market and monopoly market when combined is called:
- (a) Oligopoly market
 - (b) Monopolistic market
 - (c) Duopoly market
 - (d) Bilateral Money Market
55. Consumer under Income effect:
- (a) Always purchase higher quantities of both the commodities
 - (b) moves to higher or lower indifference curve
 - (c) moves along the original indifference Curve.
 - (d) None of these
56. Which is not the External Causes of business cycle:
- (a) Technology shock
 - (b) Population Growth
 - (c) Money Supply
 - (d) Technology Shock
57. Which is the feature of monopolistic Competition:
- (a) Large number of sellers
 - (b) Product differentiation
 - (c) Freedom of entry and exit
 - (d) All of the above
58. Total Utility is maximum when:
- (a) Marginal Utility is negative
 - (b) Marginal Utility is zero
 - (c) Marginal Utility is at its highest point.
 - (d) None of these
59. Stock Exchange is an example of ____
- (a) Forward market
 - (b) Regulated market
 - (c) Spot market
 - (d) None of these
60. Which of the following is not a characteristic of monopolistic competition?
- (a) Ease of entry into the industry
 - (b) Product differentiation
 - (c) A homogeneous Product
 - (d) A relatively large number of sellers

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

61. A company which may be created for a future project or to hold an asset or intellectual property and has no significant accounting transaction called--
- (a) One Person Company (OPC)
 - (b) Small company
 - (c) Dormant company
 - (d) Banking company
62. Which of the following is NOT a correct statement?
- (a) 'Make in India' campaign is an example of political- legal environment.
 - (b) Changes in corporate tax is an example of political — legal environment.
 - (c) Increase in GDP is an example of economic environment.
 - (d) Reliance Jio as a competitor of BSNL is an example of internal environment.
63. Which one of the following is NOT related to funds transfer in banks?
- (a) RTGS
 - (b) NEFT
 - (c) IFSC
 - (d) CRR and SLR
64. Which of the following is NOT meant by liberalization?
- (a) Decontrol
 - (b) Disinvestment of PSU
 - (c) Freedom to do business
 - (d) Deregulation
65. High beta value stocks are-
- (a) Less volatile
 - (b) Defensive
 - (c) Less defensive
 - (d) More volatile
66. The vision "Be a model corporate entity with social responsibility committed to energizing lives through sustainable development" belongs to-
- (a) ONGC
 - (b) IOC
 - (c) BPCL
 - (d) HPCL
67. Which of the following is NOT correct?
- (a) In Bullish market prices of security increase
 - (b) In Bearish market prices of security fall
 - (c) In Bearish market the investors are optimist

- (d) In Bullish market the investors are optimist.
68. Which one the following is NOT the strategic response to the environment?
- (a) Administrative response
 - (b) Competitive response
 - (c) Collective response
 - (d) Political response
69. Which of the following is NOT a regulatory institution?
- (a) ARC
 - (b) RBI
 - (c) IRDA
 - (d) SEBI
70. Which of the following sectors prohibited under FDI?
- (a) Textiles
 - (b) Atomic energy
 - (c) Automobiles
 - (d) Insurance
71. Maximum number of members in a Private limited company are:
- (a) 50
 - (b) 200
 - (c) 20
 - (d) 500
72. Which bank provides the digital service Payzapp?
- (a) Axis Bank Limited
 - (b) HDFC Bank Limited
 - (c) ICICI Bank Limited
 - (d) SBI
73. ----- implies contractual co-ownership of a business.
- (a) HUF
 - (b) Sole proprietorship
 - (c) Partnership
 - (d) Private Limited Company
74. Emergence of a strong new competitors in the industry is an example of-
- (a) Strength
 - (b) Weakness
 - (c) Opportunity
 - (d) Threat
75. Regulation of forex transactions is done by the_____
- (a) RBI

- (b) Ministry of Finance
 - (c) SEBI
 - (d) World Bank
76. Monetary policy does NOT concentrate upon-
- (a) Interest rate
 - (b) Credit control
 - (c) Liquidity adjustment
 - (d) Disposable income
77. Which of the following is the correct statement?
- (a) FDI has strong speculative effect in stock market.
 - (b) FII have strong speculative effect in stock market.
 - (c) FDI is also called portfolio investment.
 - (d) FDI is short term investment.
78. What is consolidation?
- (a) It is an expense that is supposed to reflect the loss in value of a fixed asset.
 - (b) Combination of two or more entities that occurs when the entities transfer all their net assets to a new entity create for that purpose.
 - (c) Potential liability arising from a past transaction or a subsequent event.
 - (d) Cost that can be attributed clearly to the activity you are considering.
79. Which of the following is NOT true about a Limited Liability Partnership (LLP)?
- (a) Separate legal entity
 - (b) Incorporation not mandatory like normal partnership
 - (c) Designated Partners
 - (d) Hybrid Form of Business Organisation
80. Which of the following is NOT part of internal environment of a business organisation?
- (a) Labor Unions
 - (b) Corporate Culture
 - (c) Customers
 - (d) Organisational Structure
81. To be the leading provider of financial services in India and a major global bank is in the vision of which Indian Commercial Bank?
- (a) ICICI Bank
 - (b) HDFC Bank
 - (c) State Bank of India
 - (d) Axis Bank Limited
82. Economic Activities are based on the concept of?
- (a) Altruism
 - (b) Rationality

- (c) Sentimental value creation
 - (d) Emotional Reasons
83. Amazon in India has its registered office at?
- (a) Bengaluru
 - (b) Hyderabad
 - (c) Singapore
 - (d) Mauritius
84. A company is said to undergo _____ when its assets are sold off piecemeal rather than one single operating entity?
- (a) Acquisition
 - (b) Merger
 - (c) Liquidation
 - (d) Sale off
85. Marketing, Finance, Operations, Human Behaviour, Law and Policy, Economics, all together derive BCK. What does it tell us about BCK's domains?
- (a) BCK is Vast
 - (b) BCK is Expanding
 - (c) BCK is Eclectic
 - (d) BCK is Vague
86. Gain for one is a loss for someone else - this concept can be understood by which of the characteristics of Business Environment?
- (a) It is dynamic
 - (b) It has far reaching impact
 - (c) It is multi-faceted
 - (d) It is complex
87. Indian LPG is the product of which enterprises in India?
- (a) IOCL
 - (b) NTPC
 - (c) ONGC
 - (d) PGCIL
88. For a business, Inflation as an indicator of policy shall be most detrimental if?
- (a) It is Extremely Low
 - (b) It is Extremely High
 - (c) It is Moderate
 - (d) It is Rising
89. Which of the following is NOT a function of RBI?
- (a) Promotion of Banking
 - (b) Collection of Foreign Institutional Data
 - (c) Banker to Government

- (d) Funding NABARD
90. The exchange rate of a country is-
- (a) No. of units of a given currency that can be purchased for one unit of another currency.
 - (b) Equity shares exchanged for number of bonus shares.
 - (c) Dividend paid out of profits.
 - (d) Current ratio
91. 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.
92. 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
93. Where is the India's only port-led multi-product SEZ?
- (a) Kochi
 - (b) Mumbai
 - (c) Surat
 - (d) Mundra
94. 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
95. 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
96. 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

97. Which of the following is NOT an economic activity?
- (a) Eating food at a restaurant
 - (b) Selling food at subsidised prices
 - (c) Making cloth material for retail
 - (d) Cleaning the road in front of your house yourself
98. External factors affecting a business environment is also referred to as factors?
- (a) Controllable
 - (b) Relevant
 - (c) Global
 - (d) Uncontrollable
99. Spreading fixed costs over large number of units to reduce the per unit cost is called?
- (a) Diversification
 - (b) Forecasting
 - (c) Budgeting
 - (d) Economies of Scale
100. SEBI is the apex authority for setting rules for-
- (a) Money market
 - (b) Capital market
 - (c) Non-Financial markets
 - (d) Market for insurance products

PAPER – 4A PART I: BUSINESS ECONOMICS

ANSWERS

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

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE
ANSWERS

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

MOCK TEST PAPER - 1

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING

SECTION A: BUSINESS LAWS

Question No. 1 is compulsory.

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

QUESTIONS

1. (i) Ashwin goes to super market to buy a Air Conditioner. He selects a branded Air Conditioner having a price tag of ₹ 40,000 after a discount of ₹ 3000. Ashwin reaches at cash counter for making the payment, but cashier says, "Sorry sir, the discount was upto yesterday. There is no discount from today. Hence you have to pay ₹ 43,000." Ashwin got angry and insists for ₹ 40,000. State with reasons whether under Indian Contract Act, 1872, Ashwin can enforce the cashier to sell at discounted price i.e. ₹ 40,000. **(4 Marks)**
 - (ii) Mr. Mohan had purchased some goods from Sunflower Limited on credit. A credit period of one month was allowed to Mr. Mohan. Before the due date, Mr. Mohan went to the company and wanted to repay the amount due from him. He found only Mr. Ramesh there, who was the factory supervisor of the company. Mr. Ramesh told Mr. Mohan that the Accountant and the cashier are on leave, he is in-charge of receiving money and he may pay the amount to him. Mr. Ramesh issued a money receipt under his signature. After two months, Sunflower limited issued a notice to Mr. Mohan for non-payment of the dues within the stipulated period. Mr. Mohan informed the company that he had already cleared the dues and he is no more responsible for the same. He also contended that Mr. Ramesh is an employee of the company whom he had made the payment and being an outsider, he trusted the words of Mr. Ramesh as duty distribution is a job of the internal management of the company. Analyse the situation and decide whether Mr. Mohan is free from his liability. **(4 Marks)**
 - (iii) Classify the following transactions according to the types of goods they are:
 - (a) A wholesaler of cotton has 100 bales in his godown. He agrees to sell 50 bales and these bales were selected and set aside.
 - (b) A agrees to sell to B one packet of sugar out of the lot of one hundred packets lying in his shop.
 - (c) T agrees to sell to S all the apples which will be produced in his garden in the year 2023.**(4 Marks)**
2. (i) "An anticipatory breach of contract is a breach of contract occurring before the time fixed for performance has arrived". Also, discuss the effect of anticipatory breach of contracts under the Indian Contract Act, 1872. **(7 Marks)**
 - (ii) "LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership". Explain. **(5 Marks)**
3. (i) Whether a minor may be admitted in the business of a partnership firm? Explain the rights of a minor in the partnership firm. **(6 Marks)**

- (ii) Mr. Gaurav and Mr. Vikas entered into a contract on 1st July, 2022, according to which Mr. Gaurav had to supply 100 tons of sugar to Mr. Vikas at a certain price strictly within a period of 10 days of the contract. Mr. Vikas also paid an amount of ₹ 70,000 towards advance as per the terms of the above contract. The mode of transportation available between their places is roadway only. Severe flood came on 2nd July, 2022 and the only road connecting their places was damaged and could not be repaired within fifteen days. Mr. Gaurav offered to supply sugar on 20th July, 2022 for which Mr. Vikas did not agree. On 1st August, 2022, Mr. Gaurav claimed compensation of ₹ 20,000 from Mr. Vikas for refusing to accept the supply of sugar, which was not there within the purview of the contract. On the other hand, Mr. Vikas claimed for refund of ₹ 70,000, which he had paid as advance in terms of the contract. Analyse the above situation in terms of the provisions of the Indian Contract Act, 1872 and decide on Mr. Vikas contention.

(6 Marks)

4. (i) Explain any six circumstances in detail in which a non-owner can convey better title to the bona fide purchaser of goods for value under the Sale of Goods Act, 1930. **(6 Marks)**
- (ii) M/s ABC & Associates, a partnership firm with A, B and C as senior partners engaged in the business of curtain manufacturing and exporting to foreign countries. On 25th August, 2020, they inducted Mr. P, an expert in the field of curtain manufacturing as their partner. On 10th January 2022, Mr. P was blamed for unauthorized activities and thus expelled from the partnership by approval of all of the remaining partners.
- (i) Examine whether action by the partners was justified or not?
- (ii) What should have the factors to be kept in mind prior expelling a partner from the firm by other partners according to the provisions of the Indian Partnership Act, 1932? **(6 Marks)**
5. (i) Mr. Dheeraj was running a shop selling good quality washing machines. Mr. Vishal came to his shop and asked for washing machine which is suitable for washing woollen clothes. Mr. Dheeraj showed him a particular machine which Mr. Vishal liked and paid for it. Later on, when the machine was delivered at Mr. Vishal's house, it was found that it was wrong machine and also unfit for washing woollen clothes. He immediately informed Mr. Dheeraj about the delivery of wrong machine. Mr. Dheeraj refused to exchange the same, saying that the contract was complete after the delivery of washing machine and payment of price. With reference to the provisions of Sale of Goods Act, 1930, discuss whether Mr. Dheeraj is right in refusing to exchange the washing machine? **(6 Marks)**
- (ii) Mr. Rajeev, an assessee, was a wealthy man earning huge income by way of dividend and interest. He formed three Private Companies and agreed with each to hold a bloc of investment as an agent for them. The dividend and interest income received by the companies was handed back to Mr. Rajeev as a pretended loan. This way, Mr. Rajeev divided his income into three parts in a bid to reduce his tax liability.
- Decide, for what purpose the three companies were established? Whether the legal personality of all the three companies may be disregarded. **(6 Marks)**
6. (i) Define consideration. State the characteristics of a valid consideration under the Indian Contract Act, 1872. **(5 Marks)**

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

(iii) Aqua Limited was registered as a public company. There are 230 members in the company as noted below:

(a) Directors and their relatives	190
(b) Employees	15
(c) Ex-Employees (Shares were allotted when they were employees)	10
(d) 5 couples holding shares jointly in the name of husband and wife (5*2)	10
(e) Others	5

The Board of Directors of the company proposes to convert it into a private company. Also advise whether reduction in the number of members is necessary. **(3 Marks)**

SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING

Max Marks: 40 Marks

Instructions

The Question paper comprises of 5 questions of 10 Marks each. Question 1 is compulsory. Out of 2 to 5, attempt any three.

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

There are primarily three choices available to you when trying to influence people. The first is to ignore people and simply hope they will act in your best interest. You probably will agree that this is not a very practical option, as the results can neither be effective nor predictable. By ignoring other people, you are giving up any hope of influencing them and thus are surrendering yourself to the whims of fate. In effect you are saying to the world, 'I will leave you alone and, in return, I want you to do what I want', a naïve and unrealistic expectation.

The second opinion is to use coercion and force to compel others to act in the specific way you desire. The use of threats and intimidation may produce results, atleast in the short term. Fear inducing tactics however, never bring out the best in people, since people themselves, must be the driving force behind their motivation if they are to put their hearts and souls into what they are doing. Fear forces people to operate in a survival mode. They may follow your instructions and orders to the letter but seldom will they contribute any real energy or enthusiasm to their efforts.

The third option is to persuade people to do what you want them to do simply because they really want to. People will do what you want them to do willingly in direct proportion to how they see their self interest being served. So you must convince that they will receive the real benefits and rewards if they follow the path suggested by you. However, these benefits must be those that the other party wants and understands. In effect, you are offering a reward that is valued by others in exchange for a reward that is valued by you. The highest reward you can offer people is to provide them opportunities to maximize their full potential. At the end, that is what matters!

Now come ideas outside the standard defined three discussed above. The first one is this idea of 'reciprocity'. Sometimes, you want to do something for the others because they once did something special or out of the way for you. So, you intend to influence them by matching their deeds and equating the favour done. Well, this is definitely not to be taken in bad light. It's just about ensuring you give back what you receive from the others, in form of a help. Adding to this, comes the idea of 'commitment'. If you can convince someone to commit a deed and perform it consistently you are ensuring good results. The commitment made leads to a long way, of better results and productivity. Influencing the others about this aspect is not only difficult but requires self assurance and belief in the other person.

The list goes on to 'Scarcity'. The idea of an urgency to commit, perform, choose and decide as shown in advertisements is another way of influencing. You may emphasise on the shortage of time and hence the compulsion to take the next step soon. This is more done in Marketing where one needs to lure the customer into buying certain products.

Theories galore about influencing people. Management theories go deep into the psychology of the influencer and the one getting influenced. Physical attributes, environment, social conditions and the power to communicate, all play an immense role in this herculean task of influencing others!

1. Why is the first choice not a practical option? (1 Mark)

2. Which of the following the meaning of the word 'coercion'?
 - (a) Likeable
 - (b) Enforcement
 - (c) Legal
 - (d) Coexist (1 Mark)
3. What is the third way of influencing people, according to the author? (1 Mark)
4. Why does fear not bring out the best in people? (1 Mark)
5. The phrase 'to the letter' in the passage means: (1 Mark)
 - (a) Effortlessly
 - (b) Meaninglessly
 - (c) Accurately
 - (d) Blatantly

(b) Read the following passage

The hopping kangaroo is a familiar sight in every snapshot relating to Australia. Members of the kangaroo family can be as small as a rat or as big as a man. Kangaroos are found mainly in Australia, Tasmania and New Guinea. Kangaroos which are big footed marsupials that evolved in Australia use their short front legs like arms. The man sized kangaroos of Australia are capable of speeding up to 88 km/hr for short distances, their means of locomotion being their powerful hind legs, which carry them over the ground in jumps of 9 metres or more at a time.

Weighing around 70 kg, they have an average life span of around 6 to 8 years and a maximum life time of 20 years. When bothered by predators, kangaroos often head for the water, standing submerged to the chest, and attempting to drown the attacker by holding him under water. Another defensive technique is to get their back to a tree and kick at their adversary with their clawed hind feet; sometimes with sufficient force to kill a man. Normally shy animals, they alert other kangaroos to danger by beating on the ground with their hind feet. This loud alarm signal carries over a long distance.

The tail is important for kangaroo. It holds them in balance and supports them when they sit or fight against other kangaroos. The kangaroo uses its short legs as arms. With them it scratches itself, cleans its furs and holds branches when it eats leaves. Kangaroos are marsupials and the females carry new borns in a pouch in front of their abdomens. The babies are born small and climb up into the safety of the pouch. There for the next 225 days or so they eat, sleep and grow. Once they reach full development, they leave the pouch. A young kangaroo that leaves the pouch is called a 'joey'. To keep from getting too hot, the kangaroos take naps in the afternoons and do most of their grazing at night but the best stay- cool secret of these creatures is the 'spit bath'! Kangaroos drool and lick saliva all over their faces and bodies to cool down.

(i) Make notes, sub-headings, abbreviations, wherever necessary giving a suitable title.

(3 Marks)

(ii) Write a summary.

(2 Marks)

2. (a) What role does 'Appearance' play in non- verbal communication? (2 Marks)
- (b) (i) Choose the suitable synonym for the word: (1 Mark)

Adroit

- (a) Attain

- (b) Refuse
- (c) Erupt
- (d) Skilled

(ii) Choose the most suitable antonym for the given word: (1 Mark)

Refute

- (a) Confirm
- (b) Disprove
- (c) Attribute
- (d) Shelter

(iii) Change the following sentence into direct speech:

Reema urged to call the ambulance. (1 Mark)

(c) Write a Précis and also give an appropriate title for the passage given below. (5 Marks)

Technology is making advancements at a rapid rate but at the cost of a valued tradition—the crafts industry. The traditional crafts industry is losing a lot of its trained and skilled craftsmen. With that, the art of embellishing brass and copper utensils with fine engravings is also disappearing. The government has identified around 35 crafts as languishing crafts.

The specialty of hand crafted items is its design, an association with long traditions belonging to a specific region. The word 'handcrafted' does not imply the involvement of dexterous human fingers or an agile mind with a moving spirit anymore. Lessening drudgery, increasing production and promoting efficiency have taken precedence. The labour saving devices are taking the place of handcrafted tools and this has jeopardized the skills of these artisans. Mechanisation has made its way into everything—cutting, polishing, edging, designing etc. Ideally the use of machinery should be negligible and the handicrafts should be made purely by hand with a distinguishable artistic appeal. However, with the exception of small scale industries, the export units are mostly operated by machines. The heavily computerized designs contribute to a faster production at lower costs.

A need to highlight the importance of the handmade aspect is required by both the government and private sectors, in order to amplify awareness and also support the culture of making handicrafts. A few artisans are still trying to rejuvenate and revive their culture and heritage but it's an uphill task competing with the machine made goods. Nearly two decades ago, there were around 65 lakh artisans in the country. These artisans losing their profession is definitely a matter of concern. We as citizens of the country must stand up for them and act accordingly to promote handicrafts and offer these highly skilled artisans a means of survival.

3. (a) How does 'Perception' act as a barrier in communication? (1 Marks)

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

Ipso facto

- (a) Not real
- (b) By the fact of it
- (c) Difficult to be proven
- (d) Cognitive ability

- (ii) Choose the word which best expresses the opposite of the given word **(1 Mark)**
 Remorse
 (a) Urban
 (b) Surround
 (c) Regret
 (d) Happiness
- (iii) Change the following sentences into passive voice:
 One should not give unsolicited advice. **(1 Mark)**
- (iii) Change the following into indirect speech
 'I will do it tomorrow', Suraj said. **(1 Mark)**
- (c) You are Mr. Kamal Bhatia, Operations Manager in ABC PVT Ltd. Write an order letter to M/S Vijay Enterprises placing an order for new stationery items for your office. (You may include pens, pencils, staplers, glue bottles, A 4 white paper rims etc). Discuss the date of delivery and pricing module. **(5 Marks)**
4. (a) Differentiate between star network & wheel and spoke network in communication **(2 Marks)**
- (b) (i) Change the following sentence into indirect speech
 The Commander said, 'Get ready soldiers, it's time for war'. **(1 Mark)**
- (ii) Change the following sentence into active voice.
 The wooden box was made by students of class 10. **(1 Mark)**
- (iii) Change the following sentence into passive voice.
 The teacher is teaching an important topic of Algebra. **(1 Mark)**
- (c) Write an article in about 250 words article on the topic 'Sports should be made compulsory in all schools of India'.
- Or
- Write an article in about 250 words article on the topic 'The role of students in removing illiteracy in India' **(5 Marks)**
5. (a) what is the diagonal form of communication? **(2 Marks)**
- (b) Select the correct meaning of idioms/phrases given below:
- (i) Sat on the fence **(1 Mark)**
 (1) To be good at jumping
 (2) To enjoy free time
 (3) To take a decision fast
 (4) To be undecided
- (ii) Miss the boat **(1 Mark)**
 (1) To be too late
 (2) To be too early
 (3) Only a boat ride possible

- (4) Forget the point
- (iii) Change the sentence into passive voice: **(1 Mark)**
The librarian stocked all the English literature books.
- (iv) Choose the word that best expresses the meaning of the given word: **(1 Mark)**
Solitude
- (a) Loneliness
 - (b) Solo trip
 - (c) Simple
 - (d) Cunning
- (c) You are a senior correspondent of Tele today newspaper. Write a report using the newspaper format on landslide that recently occurred in the Tehri Garhwal region. Include details of the destruction, date, place etc.

OR

The Marketing Head of Aztech Technologies has decided to hold a meeting to announce a big number of lay-offs in the company in lieu of cost cutting. The meeting will include the presence of all Vertical and Department Heads.

Prepare minutes of a meeting. (Suggestions, freezing the recruitment, number of employees to be laid off, compensation plans etc). Also submit an ATR to the management committee.

(4 Marks)

MOCK TEST PAPER - 1

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING

SECTION A: BUSINESS LAWS

ANSWERS

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

In the instant case, Ashwin reaches to super market and selects a Air Conditioner with a discounted price tag of ₹ 40,000 but cashier denied to sell at discounted price by saying that discount is closed from today and request to make full payment. But Ashwin insists to purchase at discounted price.

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

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

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

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

- (iii) (a) A wholesaler of cotton has 100 bales in his godown. So, the goods are existing goods. He agrees to sell 50 bales and these bales were selected and set aside. On selection, the goods becomes ascertained. In this case, the contract is for the sale of ascertained goods, as the cotton bales to be sold are identified and agreed after the formation of the contract.
- (b) If A agrees to sell to B one packet of sugar out of the lot of one hundred packets lying in his shop, it is a sale of existing but unascertained goods because it is not known which packet is to be delivered.
- (c) T agrees to sell to S all the apples which will be produced in his garden in the year 2023. It is contract of sale of future goods, amounting to 'an agreement to sell.'

2. (i) An anticipatory breach of contract is a breach of contract occurring before the time fixed for performance has arrived. When the promisor refuses altogether to perform his promise and signifies his unwillingness even before the time for performance has arrived, it is called Anticipatory Breach.

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

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

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

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

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

3. (i) A minor cannot be bound by a contract because a minor's contract is void and not merely voidable. Therefore, a minor cannot become a partner in a firm because partnership is founded on a contract. Though a minor cannot be a partner in a firm, he can nonetheless be admitted to the benefits of partnership under Section 30 of the Indian Partnership Act, 1932. In other words, he can be validly given a share in the partnership profits. When this has been done and it can be done with the consent of all the partners then the rights of such a partner will be governed under Section 30 as follows:

Rights:

- (i) A minor partner has a right to his agreed share of the profits and of the firm.
- (ii) He can have access to, inspect and copy the accounts of the firm.
- (iii) He can sue the partners for accounts or for payment of his share but only when severing his connection with the firm, and not otherwise.
- (iv) On attaining majority he may within 6 months elect to become a partner or not to become a partner. If he elects to become a partner, then he is entitled to the share to which he was entitled as a minor. If he does not, then his share is not liable for any acts of the firm after the date of the public notice served to that effect.

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

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

In the given question, after Mr. Gaurav and Mr. Vikas have entered into the contract to supply 100 tons of sugar, the event of flood occurred which made it impossible to deliver the sugar within the stipulated time. Thus, the promise in question became void. Further, Mr. Gaurav has to pay back the amount of ₹ 70,000 that he received from Mr. Vikas as an advance for the supply of sugar within the stipulated time. Hence, the contention of Mr. Vikas is correct.

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

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

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

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

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

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

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

(5) **Sale by buyer obtaining possession before the property in the goods has vested in him:** Where a buyer with the consent of the seller obtains possession of the goods before the property in them has passed to him, he may sell, pledge or otherwise dispose of the goods to a third person, and if such person obtains delivery of the goods in good faith and

without notice of the lien or other right of the original seller in respect of the goods, he would get a good title to them **[Section 30(2)]**.

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

- (6) **Effect of Estoppel:** Where the owner is estopped by the conduct from denying the seller's authority to sell, the transferee will get a good title as against the true owner. But before a good title by estoppel can be made, it must be shown that the true owner had actively suffered or held out the other person in question as the true owner or as a person authorized to sell the goods.
- (7) **Sale by an unpaid seller:** Where an unpaid seller who had exercised his right of lien or stoppage in transit resells the goods, the buyer acquires a good title to the goods as against the original buyer **[Section 54 (3)]**.
- (8) **Sale under the provisions of other Acts:**
- (i) Sale by an Official Receiver or Liquidator of the Company will give the purchaser a valid title.
 - (ii) Purchase of goods from a finder of goods will get a valid title under circumstances **[Section 169 of the Indian Contract Act, 1872]**
 - (iii) A sale by pawnee can convey a good title to the buyer **[Section 176 of the Indian Contract Act, 1872]**

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

A partner may not be expelled from a firm by a majority of partners except in exercise, in good faith, of powers conferred by contract between the partners.

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

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

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

- (a) Action by the partners of M/s ABC & Associates, a partnership firm to expel Mr. P from the partnership was justified as he was expelled by approval of the other partners exercised in good faith to protect the interest of the partnership against the unauthorized activities charged against Mr. P. A proper notice and opportunity of being heard has to be given to Mr. P.
- (b) The following are the factors to be kept in mind prior expelling a partner from the firm by other partners:
- the power of expulsion must have existed in a contract between the partners;
 - the power has been exercised by a majority of the partners; and
 - it has been exercised in good faith.

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

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

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

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

- (ii) The House of Lords in *Salomon Vs. Salomon & Co. Ltd.* laid down that a company is a person distinct and separate from its members, and therefore, has an independent separate legal existence from its members who have constituted the company. But under certain circumstances the separate entity of the company may be ignored by the courts. When that happens, the courts ignore the corporate entity of the company and look behind the corporate facade and hold the persons in control of the management of its affairs liable for the acts of the company. Where a company is incorporated and formed by certain persons only for the purpose of evading taxes, the courts have discretion to disregard the corporate entity and tax the income in the hands of the appropriate assessee.

1. The problem asked in the question is based upon the aforesaid facts. The three companies were formed by the assessee purely and simply as a means of avoiding tax and the companies were nothing more than the facade of the assessee himself. Therefore, the whole idea of Mr. Rajeev was simply to split his income into three parts with a view to evade tax. No other business was done by the company.
2. The legal personality of the three private companies may be disregarded because the companies were formed only to avoid tax liability. It carried on no other business, but was created simply as a legal entity to ostensibly receive the dividend and interest and to hand them over to the assessee as pretended loans. The same was upheld in *Re Sir Dinshaw Maneckjee Petit and Juggilal vs. Commissioner of Income Tax*.

6. (i) **Consideration** [Section 2(d) of the Indian Contract Act, 1872]

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

The essential characteristics of a valid consideration are as follows:

- (1) Consideration must move at the desire of the promisor.
- (2) It may proceed from the promisee or any other person on his behalf.
- (3) It may be executed or executory. It may be past, present or future.
- (4) It must be real and have some value in the eyes of law.
- (5) It must not be something which the promisor is already legally bound to do.
- (6) It must not be unlawful, immoral or opposed to public policy.

- (7) Inadequacy of consideration does not invalidate the contract. Thus, it need not be proportionate to the value of the promise of the other.
 - (8) It may comprise of some benefit, profit, right or interest accruing to one or some loss, detriment, obligation or responsibility undertaken by the other.
- (ii) **Dissolution of Firm:** The Dissolution of Firm means the discontinuation of the jural relation existing between all the partners of the Firm. But when only one of the partners retires or becomes incapacitated from acting as a partner due to death, insolvency or insanity, the partnership, i.e., the relationship between such a partner and other is dissolved, but the rest may decide to continue. In such cases, there is in practice, no dissolution of the firm. The particular partner goes out, but the remaining partners carry on the business of the Firm. In the case of dissolution of the firm, on the other hand, the whole firm is dissolved. The partnership terminates as between each and every partner of the firm.

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

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

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

It is further provided that -

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

shall not be included in the number of members.

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

Total Number of members

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

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

PAPER 2: SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING

ANSWERS

1. (a)
 1. The first choice of ignoring people is not effective as it is neither effective nor predictable. We give up on hope of influencing people and thus surrender ourselves to the whims of fate.
 2. Option b
 3. The third way of influencing people is to persuade them to do what you want them to do simply because they really want to.
 4. Fear forces people to operate in a survival mode, and thus brings short terms results. Hence it does not bring the best out of people
 5. Option c
- (b) All About Kangaroos
 1. Whr are kngrs fnd?
 - 1.1 Australia
 - 1.2 Tasmania
 - 1.3 New Guinea
 2. Phycl ftres of kngrs
 - 2.1 Man sized kngrs
 - 2.1.1 High speed 88 km/hr
 - 2.1.2 Cn jump upto 9 metres
 - 2.1.3 Hind legs hpfl for locmtn
 - 2.2 Weight and life span
 - 2.2.1 70 kgs
 - 2.2.2 Avg life spn of 6 to 8 yrs
 - 2.2.3 Max lngvty 20 yrs
 3. Bhvrl patterns
 - 3.1 Intelligent while fcng their prdtrs
 - 3.1.1 Head twds wtr
 - 3.1.2 Sbmrg thmslvs to chest
 - 3.1.3 Try to drown the atckr
 - 3.2 Play defensive
 - 3.2.1 Get to a tree
 - 3.2.2 Atck their prdtr with shrp claws
 - 3.2.3 Sometimes sfnt force to kill man

- 3.3 Normally shy animals
 - 3.3.1 Make a loud stamp snd
 - 3.3.2 Alert thr grp membris
- 4. Physiology
 - 4.1 Tail is imp as helps in
 - 4.1.1 Balance whl sitting
 - 4.1.2 Fighting fellw kangaroos
 - 4.2 Short legs used for:
 - 4.2.1 Fnctn of arm
 - 4.2.1.1 scratching,
 - 4.2.1.2 cleaning fur
 - 4.2.1.3 holding branches
- 5. Gwth and dvlpmnt
 - 5.1 Marsupial category
 - 5.2 Females hv pouches to carry babies
 - 5.3 Stay in pouch for 225 days to eat, sleep and grow
- 6. Attributes
 - 6.1 Young kngrs is a 'joey'
 - 6.2 Take naps in afrn
 - 6.3 Graze at night
 - 6.4 Drool and lick saliva over faces to stay cool!

Key

- 1. Kngrs= Kangaroos
- 2. Whr= where
- 3. Fnd= found
- 4. Phycl= physical
- 5. Ftres= features
- 6. Hr= hour
- 7. Cn= can
- 8. Hpfl= helpful
- 9. Locmtn= locomotion
- 10. Avg= average
- 11. Spn= span

12. Max= Maximum
13. Longvty= longevity
14. Bhvrl= behavioral
15. Fcng= facing
16. Prdtrs= predators
17. Twds= towards
18. Wtr= water
19. Sbmrg= submerge
20. Thmslvs= themselves
21. Atckr= attacker
22. Sfnt=Sufficient
23. Shrp= sharp
24. Thr= their
25. Grp= group
26. Membrs= members
27. Imp= important
28. Whl= while
29. Fllw= fellow
30. Fnctn= function
31. Gwth= growth
32. Dvlpmnt= development
33. Hv= have
34. Afrn= afternoon

Summary

Kangaroos are marsupials that run fast and have a life span of about 6 to 8 years. They are defensive with their predators and have the ability to attack when in danger. Their tail and short legs help them perform various functions. A baby kangaroo known as 'joey' stays in its mothers pouch for about 225 days before it comes out. They are usually active at night and sleep in the afternoon. Kangaroos are known to stay cool by a unique habit of licking their faces and bodies with saliva.

2. (a) Appearance is usually the first thing noticed about a person. A well dressed and groomed person is presumed to be organised and methodical, whereas a sloppy or shabby person fails to make a favourable impression through non- verbal communication. Therefore, dressing appropriately in all formal interactions is emphasised.
- (b) (i) Option d
- (ii) Option a

(iii) Reema prompted, 'Call the ambulance'.

(c) Handicrafts: the dying art form

Technology has its own repercussions when we become highly dependent on its usage. One such example is the handicraft industry losing its importance and significance. With about 35 languishing crafts, the need has shifted to the reducing the effort of making goods, increasing production and of course promoting efficiency. While devices have taken over common tools, machinery has intruded into all stages of production from cutting, polishing to edging and designing. However, the fact remains that around 65 lakh artisans depend on handicrafts for their bread and butter. The government and private sectors should take appropriate steps to save this dying form of art and help the artisan revive their skills and expertise. This will ensure a stronger presence not only of the artisans but also of the culture of handicrafts.

3. (a) Perception is the way one sees the world and things around. Each one of us perceives the world differently and this causes problems in communicating. The same content is seen and interpreted differently by two people and therein lies the root cause of miscommunications and misunderstandings which act as a barrier to communication.

- (b) (i) Option b
(ii) Option d
(iii) Unsolicited advice should not be given.
(iv) Suraj exclaimed that he would do it the next day.

(c)

ABC Pvt Ltd,
Ashok Nagar,
New Delhi

18th April, 2023

M/S Vijay Enterprises,
Nehru Place,
New Delhi

Subject: Placing an order for stationery supplies

Dear Sir,

This is with respect to placing an order for stationery items needed in our office. Please find the detailed list below:

Name of the product	Quantity required
Ball point pens (Black and blue ink)	20 each
Glue sticks/Fevicol	15 each
Staplers and pins	15 each
Pencil packs of 12	10 each

Rim of A 4 white paper	30 sets
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Kindly ensure all items are in good condition and nothing is broken or defective. We request you to expedite the delivery of our order since the above items are in short supply in our stationary stock.

We also request you to offer a reasonable discount for the order, since we are an old and regular customer. We will make sure that your invoice for the above items is processed on time, once received.

Thanking You!

Yours Sincerely,

Kamal Bhatia

Operations Manager

ABC Pvt. Ltd

4. (a)

Wheel & Spoke Network	Star Network
This network has a single controlling authority.	This network allows multiple controls.
It allows linear flow of orders and instructions.	It allows group communication and team work.
All employees get instructions directly from the leader and report back to him/her.	The members communicate and exchange information with each other freely, and without hindrance or hesitation

- (b) (i) The commander ordered the soldiers to get ready as it was time for war.
(ii) The students of class 10 made the wooden box.
(iii) An important topic of algebra is being taught by the teacher.

(c) A healthy mind and a healthy body (Title)

Hints

- Healthy mind healthy body.
- Need to decrease screen time.
- Need to tackle health problems like obesity!
- Regular habit of exercise to be inculcated in the youth
- Easy way is to start from schools.
- Motivation from school teachers
- Other options can include, yoga, aerobics, gymnastics
- Health awareness camps, with parents and children
- Towards a fit society

OR

Hints

- Illiteracy is a sin
 - The educated/literate child/student can help
 - Spread awareness in the rural side
 - Talk to new parents in rural areas
 - Organize literacy camps
 - Inculcate civic sense
 - Discuss the need to educate girl child
 - Share your thoughts, values as learnt in school
 - Aspire for a better future
5. (a) Diagonal communication is the cross functional communication between employees at different levels of the organizational hierarchy. It is common in large organizations. It reduces the chances of distortion or misinterpretation by encouraging direct communication between the relevant parties. For example, a Junior Engineer reports directly to the General Manager regarding the progress on a project.
- (b) (i) Option 4
(ii) Option 1
(iii) All the English literature books were stocked by the librarian.
(iv) Option a
- (c) Newspaper Report format

Landslide causes havoc in Tehri Garhwal

By Senior Correspondent

A severe and sudden landslide has caused havoc in the Tehri district on 9th April. While life was running smoothly, a big boulder was seen rolling down on a narrow internal road of the city. Gradually, one after the other boulders came tumbling causing obstacle to the movement of people and traffic.

Soon, there was thunder, lightning and a break in the land. This landslide was so intense that it led to the complete blockage of the narrow road. About 10 people got injured during the landslide. Fortunately, no casualties have been recorded. The state government has asked for help from paramilitary forces, that are on their way. A call to the local disaster management team has also been made by the state CM to start the rescue process. The CM has addressed the locals requesting them to stay strong in this time of trouble and pray for improvement in the situation. Markets, shops and kiosks have been shut down due to the landslide and unfavourable weather. Many two wheelers were seen falling and getting damaged, when parked near the location of the slide. Schools, colleges and government offices have announced a full 5 day leave to allow the city to get back to normal. The injured were rushed to the municipal hospital for first aid.

The Central government has also released funds for rescue and repair work in the terror stricken state.

OR

Minutes of Meeting

Participants in the meeting: Mr. ABC, Marketing Head; Mr. A, Sales Director; Mr. B. HR Head and Chairman; Mr. C, Operations Manager and other senior managers across verticals.

Date: April 18, 2023

Meeting started at 11.00 am

Mr. B started the meeting and discussed the agenda announcing the need for a lay offs in lieu of cost cutting

Mr. ABC agrees and adds his points supporting the lay- offs.

Mr. C presents the falling revenue chart and shares the news of loss of many projects in hand.

Mr. B gives the ideas of putting a few people on bench and waiting for at least next three months before laying off.

Mr. A gave his valuable inputs on how the modus operandi, as sales in the last quarters have dwindled.

Mr. XY a senior team member proposes to freeze the new recruitment process to reduce the increasing fixed cost.

All senior personnel agree to the points put forward and decide to implement the latest policies regards lay- offs and recruitment as discussed.

Action Taken Report

As per the meeting held on 18th April at the Head office of Aztech Technologies, following actions have been reported:

- The decision to lay off selected employees has been put on hold
- Recruitment process has been put on hold for the next few months.
- New policies to be implemented vis-à-vis employees for the next three months

Undersigned

Marketing Head

HR Head

Operations Head

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 3: BUSINESS MATHEMATICS, LOGICAL REASONING AND STATISTICS

Time: 2 Hours

Marks: 100

Part A: Business Mathematics and Logical Reasoning

1. The value of $\frac{64(b^4a^3)^6}{4(a^3b)^2 \times (ab)^2}$
 - (a) $16 a^{10}b^{20}$
 - (b) $4 a^{20}b^{10}$
 - (c) $8 a^{10}b^{20}$
 - (d) $4 a^{10}b^{20}$
2. Four persons A, B, C, D wish to share a sum in the ratio of 5:4:2:3. If D gets ₹1000 less than C, then the share of B ?
 - (a) 2000
 - (b) 1200
 - (c) 2400
 - (d) 3000
3. The mean proportional between $12x^2$ and $27y^2$
 - (a) $18 xy$
 - (b) $81 xy$
 - (c) $8xy$
 - (d) $9xy$
4. If thrice of A's age 6 years ago be subtracted from twice his present age, the result would be equal to his present age. Find A's present age.
 - (a) 7
 - (b) 8
 - (c) 9
 - (d) 6
5. If one root of the quadratic equation is $2-\sqrt{3}$ from the equation given that the roots are irrational. Then find the Quadratic equation.
 - (a) $x^2-4x+1=0$
 - (b) $x^2+4x-1=0$
 - (c) $x^2-4x-1=0$
 - (d) $x^2+4x+1=0$

6. If $\log_3 4 \cdot \log_4 5 \cdot \log_5 6 \cdot \log_6 7 \cdot \log_7 8 \cdot \log_8 9 = x$, then find the value of x
- 4
 - 2
 - 3
 - 1
7. If $\frac{1}{2} \log_{10} 4 = y$ and if $\frac{1}{2} \log_{10} 9 = x$, then the value of $\log_{10} 15$
- $x-y+1$
 - $x+y-1$
 - $x+y+1$
 - $y-x+1$
8. If the roots of $(k-4)x^2 - 2kx + (k+5) = 0$ are coincident. Then the value of k ?
- 14
 - 20
 - 18
 - 22
9. If $3x+2 < 2x+5$ and $4x-5 \geq 2x-3$, then x can take from the following values
- 3
 - 1
 - 2
 - 3
10. The cost prices of 3 pens and 4 bags is ₹324. and 4 pens and 3 bags is ₹257, then cost price of 1 pen is equal to
- ₹16
 - ₹18
 - ₹50
 - ₹75
11. In a hostel ration stocked for 400 students upto 31 days. After 28 days 280 students were vacated the hostel. Find the number of days for which the remaining ratio will be sufficient for the remaining students.
- 5
 - 4
 - 7
 - 10
12. The sum of the two numbers is 8 and the sum of their squares is 34. Taking one number as x form an equation in x and hence find the numbers. The numbers are
- (7,10)
 - (4,4)

- (c) (3,5)
(d) (2,6)
13. ₹80,000 is invested to earn a monthly interest of ₹1200 at the rate of _____ p.a. Simple interest.
(a) 12%
(b) 14%
(c) 16%
(d) 18%
14. Find the present value of an ordinary annuity of 8 quarterly payments of ₹500 each, the rate of interest being 8% p.a. compound quarterly
(a) 4275.00
(b) 4725.00
(c) 3662.50
(d) 3266.50
15. The effective annual rate of interest corresponding to a normal rate of 6% per annum payable half yearly is:
(a) 6.06 %
(b) 6.07 %
(c) 6.08 %
(d) 6.09 %
16. A trust fund has invested ₹ 27000 money in two schemes 'A' and 'B' offering compound interest at the rate of 8% and 9% per annum respectively. If the total amount of interest accrued through these two schemes together in two years was ₹ 4818.30. What was the amount invested in schemes 'A'?
(a) ₹12,000
(b) ₹12,500
(c) ₹13,000
(d) ₹12,500
17. A sum of money invested of compound interest double itself in four years. In how many years it become 32 times of itself at the same rate of compound interest.
(a) 12 years
(b) 16 years
(c) 20 years
(d) 18 years
18. The difference between compound interest and simple interest on an amount of ₹15,000 for 2 years is ₹96. What is the rate of interest per annum?
(a) 9%
(b) 8%

- (c) 11%
- (d) 10%
19. A machine with useful life of 7 years costs ₹ 10,000 while another machine with useful life of 5 years costs ₹8000. The first machine saves labour expenses of ₹ 1900 annually and the second one saves labour expenses of ₹ 2200 annually.
- Determine the preferred course of action. Assume cost of borrowing as 10% compounded per annum.
- (a) 1st Machine should be purchased
- (b) 2nd Machine should be purchased
- (c) Information is not sufficient
- (d) None of these
20. How much amount is required to be invested every year so as to accumulate ₹5,00,000 at the end of 12 years if interest is compounded annually at 10% {Where $A(12,0.1) = 3.1384284$ }
- (a) ₹23381.65
- (b) ₹ 24385.85
- (c) ₹26381.65
- (d) ₹28362.75
21. Raju invests ₹20,000 every year in a deposit scheme starting from today for next 12 years. Assuming that interest rate on this deposit is 7% per annum compounded annually. What will be the future value of this annuity? Given that $(1+0.07)^{12} = 2.25219150$
- (a) ₹540,576
- (b) ₹382,813
- (c) ₹643,483
- (d) ₹357,769
22. Mr. A invested ₹20,000 every year for next 3 years at the interest rate of 8 percent per annum compounded annually. What is future value of the annuity? $(1.08)^3 = 1.2597$
- (a) 62644
- (b) 62464
- (c) 64928
- (d) 63442
23. ₹10,000 is invested every month and in an account paying interest @ 12% per annum compounded monthly. What is the future value of this annuity just after making 11th payment" (Given that $(1.01)^{11} = 1.1156$)
- (a) ₹115,600
- (b) ₹156100
- (c) ₹156,800
- (d) ₹157,100

24. Sinking fund factor is the reciprocal of :
- (a) Present value interest factor of a single cash flow
 - (b) Present value interest factor of an annuity
 - (c) Future value interest factor of an annuity
 - (d) Future value interest factor of a single cash flow.
25. 10 years ago the earning per share (EPS) of ABC Ltd. was ₹5 share its EPS for this year is ₹22. Compute at what rate, EPS of the company grow annually?
- (a) 15.97%
 - (b) 16.77%
 - (c) 18.64%
 - (d) 14.79%
26. The number of ways of 4 boys and 3 girls are to be seated for a photograph in a row alternatively.
- (a) 24
 - (b) 164
 - (c) 144
 - (d) 336
27. if there are 30 points in a plane of which 5 points are lies on the same line. Then the number of triangles can be formed ?
- (a) 650
 - (b) 580
 - (c) 4050
 - (d) 4060
28. The value n, r If ${}^n P_r = 3024$ and ${}^n C_r = 126$
- (a) 9,4
 - (b) 10, 7
 - (c) 12, 5
 - (d) 11, 6
29. The number of 3-digit odd numbers can be formed using the digits 5,6,7, 8, 9. If repetition is allowed?
- (a) 56
 - (b) 75
 - (c) 95
 - (d) 45
30. If $f(x) = x^2 - 5$, evaluate $f(3)$, $f(-4)$, $f(5)$ and $f(1)$.
- (a) 0, 11, 20, 4
 - (b) -4, 11, -2, 4

- (c) 4, 11, 20, -4
(d) -2, 0, 20, 5
31. The 5th and 8th terms of a GP series is 27 and 729. Then find the 10th term.
(a) 729
(b) 243
(c) 81683
(d) 6561
32. In AP $T_p = q$ and $T_q = P$ then $T_{p+q} = \dots\dots\dots$
(a) 0
(b) $-(p+q)$
(c) $\frac{p+q}{2}$
(d) 1
33. Four Geometric Means between 4 and 972 are
(a) 12, 30, 100; 324
(b) 12, 24, 108, 320
(c) 10, 36, 108, 320
(d) 12, 36, 108, 324
34. if $A = \{0, 1, 2, 3, 4, 5\}$ then the number of subsets of A is
(a) 64
(b) 63
(c) 61
(d) 60
35. The number of proper subsets of $A \cap B$, $A = \{1, 2, 3, 4, 5, 7, 8, 9, 10\}$ and $B = \{2, 4, 6, 7, 9\}$
(a) 8
(b) 15
(c) 16
(d) 64
36. If $y = x(x-1)(x-2)$ then $\frac{dy}{dx}$ is
(a) $3x^2 - 6x + 2$
(b) $-6x^2 + 2$
(c) $3x^2 + 2$
(d) $3x^3 + 5$

37. If $\int_0^1 (3x^2 + 2x + k)dx = 0$, find k.
- 0
 - 1
 - 2
 - 1
38. if $f(x) = 2x^3 - 15x^2 + 36x + 10$ at which $f(x)$ is minimum and at which $f(x)$ is maximum.
- at $x = 3$ and $x = 2$
 - at $x = 3$ and $x = 2$
 - at $x = 3$ and $x = 2$
 - at $x = 3$ and $x = 2$
39. $\int_0^2 3x^2 dx$ is
- 7
 - 8
 - 8
 - 7
40. $\int (2x+3)^5 dx$ is
- $\frac{(2x-3)^6}{6} + c$
 - $\frac{(2x-3)^6}{2} + c$
 - $\frac{(2x+3)^6}{12} + c$
 - $\frac{(2x-3)^6}{5} + c$
41. If GOODNESS is coded as HNPCODTR, then how GREATNESS can be written in that code?
- HQZSMFRT
 - HQFZUFRTM
 - HQFZUODTR
 - HQFZUMFRT
42. In certain code language, if TOUR, is written as 1234, CLEAR is written 5678 and SPARE is written as 90847, Find the code for TEARS?
- 17847
 - 14847

- (c) 15247
(d) 17849
43. If ROSE is coded as 6821, CHAIR is coded as 73456 and PREACH is coded as 961473, what will be the code for RESEARCH?
- (a) 61246173
(b) 61214673
(c) 61216473
(d) 61214743
44. Find the next alphabet series in the given sequence? ALN, DNR, GPR?
- (a) KLN
(b) JRT
(c) RNU
(d) RNV
45. Find the missing number in the following series? 2, 15, 10, 17, 26?
- (a) 49
(b) 47
(b) 37
(d) 36
46. Find the odd man out: 34, 105, 424, 2125, 12755.
- (a) 12755
(b) 2125
(c) 424
(d) 34
47. Ram moves towards South-East a distance of 7 km, then he moves towards West and travels a distance of 14 km. from there he moves towards North–West a distance of 7 km and finally he moves a distance of 4 km towards east. How far is he now from the starting point?
- (a) 3 km
(b) 4 km
(c) 10 km
(d) 11 km
48. P, Q, R and S are playing a game of carom P, R and S, Q are partners, 'S' is to the right of 'R'. If 'R' is facing West, then 'Q' is facing which direction?
- (a) South
(b) North
(c) East
(d) West

49. One morning a boy starts walking in a particular direction for 5 Km and then takes a left turn and walks another 5 Km. thereafter he again takes left turn and walks another 5 Km and at last he takes right turn and walks 5 Km. Now he sees his shadow in front of him. What direction he did start initially?
- (a) South
 - (b) North
 - (c) West
 - (d) East
50. It is 3'o clock in a watch. If the minute hand points towards the North-East then the hour hand will point towards the
- (a) South
 - (b) South – West
 - (c) North– West
 - (d) South – East
51. A man is facing west. He turns 45° in the clockwise direction and then another 180° in the same direction and then 270° in the anticlockwise direction. Find which direction he is facing now?
- (a) South-East
 - (b) West
 - (c) South
 - (d) South-West
52. Six persons A, B, C, D, E and F are sitting in two rows with three persons in each row. Both rows are in front of each other. E is not at the end of the any row and D is second left to the F, C is neighbour of E and diagonally opposite to D. If B is neighbour F who is in front of C then who is sitting diagonally to F?
- (a) C
 - (b) E
 - (c) A
 - (d) D
53. Five students are standing in a circle. Abhinav is between Alok and Ankur. Apurva is on the left of Abhishek. Alok is on the left of Apurva. Who is sitting next to Abhinav on his right?
- (a) Apurva
 - (b) Ankur
 - (c) Abhishek
 - (d) Alok
54. P, Q, R S and T are seated in a line facing west. R is sitting at north end and S is sitting at south end. T is neighbor of R and Q. P and Q are seated together, then who is sitting the middle?
- (a) P
 - (b) Q
 - (c) R

- (d) S
55. Suresh's sister is the wife of Ram, Ram is Rani's brother. Ram's father is Madhur, Sheetal is Ram's grandmother, Rema is sheetal's daughter –in-law. Rohit is Rani's brother's son. Who is Rohit to Suresh?
- (a) Brother-in-law
 - (b) Son
 - (c) Brother
 - (d) Nephew
56. Pointing to a man, a lady said "His mother is the only daughter of my mother". How is the lady related of the man?
- (a) Mother
 - (b) Daughter
 - (c) Sister
 - (d) Aunt
57. In a joint family, there are father, mother, 3 married sons and one unmarried daughter. Out of the sons, two have 2 daughters each and one has a son only. How many female members are there in the family?
- (a) 3
 - (b) 6
 - (c) 9
 - (d) 8
58. When Rani saw Vinit, she recollected that "He is the brother of my grandfather's son". How is Rani related to Vinit?
- (a) Aunt
 - (b) Daughter
 - (c) Sister
 - (d) Niece
59. Annanya is mother of Satya and Shyam is the son of Bhima, Shiva is brother of Annanya. If Satya is sister of Shyam, How Bhima is related to Shiva?
- (a) Son
 - (b) Cousin
 - (c) Brother-in-law
 - (d) Son-in-law
60. Suman is daughter-in-law of Rakesh and sister-in-law of Rajesh, Ramesh is the son of Rakesh and only brother of Rajesh. Find the relation of Suman with Ramesh.
- (a) Sister-in-law
 - (b) Cousin
 - (c) Aunt
 - (d) Wife

Part B: Statistics

61. The most accurate mode of data presentation is :
- (a) Diagrammatic
 - (b) Tabulation
 - (c) Textual presentation
 - (d) None of these.
62. Which is the left part of the table providing the description of the rows?
- (a) Captain
 - (b) Box head
 - (c) Stub
 - (d) Body
63. The mean of 100 observations is 50. If one of the observations which was 50 is replaced by 40, the resulting mean will be:
- (a) 40
 - (b) 49.90
 - (c) 50
 - (d) none of these
64. Ogive for more than type and less than type distributions intersect at
- (a) Means
 - (b) Median
 - (c) Mode
 - (d) Origin
65. If mean (\bar{x}) is = 10 and mode (Z) is = 7, then find out the value of median (M)
- (a) 9
 - (b) 17
 - (c) 3
 - (d) 4.33
66. If the coefficient of variation and standard deviation are 60 and 12 respectively, then the arithmetic mean of the distribution is
- (a) 40
 - (b) 36
 - (c) 20
 - (d) 19

67. _____ is based on all the observations and _____ is based on the central fifty percent of the observations.
- (a) Mean deviation, Range
 - (b) Mean deviation, quartile deviation
 - (c) Range, standard deviation
 - (d) Quartile deviation, standard deviation
68. The relationship between two variable x and y is given by $4x - 10y = 20$. If the median value of the variable x is 20 then what is median value of variable y ?
- (a) 1.0
 - (b) 2.0
 - (c) 3.0
 - (d) 6.0
69. Which one of the following is not a method of measures of dispersion?
- (a) Standard deviation
 - (b) Mean deviation
 - (c) Range
 - (d) Concurrent deviation method
70. Mode is:
- (a) Least frequent value
 - (b) Middle Most Value
 - (c) Most frequent Value
 - (d) None of these
71. The median of the observations 42, 72, 35, 92, 67, 85, 72, 81, 51, 56 is
- (a) 69.5
 - (b) 72
 - (c) 64
 - (d) 61.5
72. If the sum of square of the value equals to 3390, Number of observation are 30 and Standard deviation is 7, what is the mean value of the above observation?
- (a) 14
 - (b) 11
 - (c) 8
 - (d) 5

73. The mean annual salary of all employees in a company is ₹25,000. The mean salary of male and female employees is ₹27,000 and ₹17,000 respectively. Find the percentage of males and females employed by the company.
- (a) 60% and 40%
 - (b) 70% and 25%
 - (c) 70% and 30%
 - (d) 80% and 20%
74. If the variance of random variable 'x' is 18, then what is variance of $y=2x+5$?
- (a) 34
 - (b) 39
 - (c) 68
 - (d) 72
75. If the variance of given data is 12, and their mean value is 40, what is coefficient of variation (CV)?
- (a) 5.66%
 - (b) 6.66%
 - (c) 7.50%
 - (d) 8.65%
76. In a given set if all data are of same value then variance would be:
- (a) 0
 - (b) 1
 - (c) -1
 - (d) 0.5
77. If Arithmetic mean between two numbers is 5 and Geometric mean is 4 then what is the value of Harmonic mean?
- (a) 3.2
 - (b) 3.4
 - (c) 3.5
 - (d) 3.6
78. The average age of 15 students in a class is 9 years. Out of them, the average age of 5 students is 13 years and that 8 students is 5 years. What is the average of remaining 2 students?
- (a) 5 years
 - (b) 9 years
 - (c) 10 years
 - (d) 15 years

79. Ticket numbered 1 to 20 are mixed up and then a ticket is drawn at random. What is the probability that the ticket drawn bears a number which is multiple of 3 or 7?
- $\frac{1}{5}$
 - $\frac{2}{5}$
 - $\frac{3}{5}$
 - None of these
80. The probability that a leap year has 53 Sundays is:
- $\frac{1}{7}$
 - $\frac{2}{3}$
 - $\frac{2}{7}$
 - $\frac{3}{5}$
81. If three coins are tossed simultaneously, what is the probability of getting two heads together?
- $\frac{1}{4}$
 - $\frac{1}{8}$
 - $\frac{5}{8}$
 - $\frac{3}{8}$
82. A class consists of 10 boys and 20 girls of which half the boys and half the girls have blue eyes. Find the probability that a student chosen random is a boy and has blue eyes.
- $\frac{1}{6}$
 - $\frac{3}{5}$
 - $\frac{1}{2}$
 - None of these
83. A machine is made of two parts A and B. The manufacturing process of each part is such that probability of defective in part A is 0.08 and that B is 0.05. What is the probability that the assembled part will not have any defect?
- 0.934
 - 0.864
 - 0.85
 - 0.874
84. If $P(A)=\frac{1}{3}$, $P(B)=\frac{3}{4}$ and $P(A \cap B) = \frac{1}{6}$ then $P(A/B)$ is:
- $\frac{1}{6}$
 - $\frac{2}{9}$
 - $\frac{1}{2}$
 - $\frac{1}{8}$

85. If a number is selected at random from the first 50 natural numbers, what will be the probability that the selected number is a multiple of 3 and 4?
- (a) $5/50$
 - (b) $2/25$
 - (c) $3/50$
 - (d) $4/25$
86. If the first quartile is 56 and the third quartile is 77, then the coefficient of quartile deviation is
- (a) 18.09
 - (b) 15.79
 - (c) 63.80
 - (d) 56.71
87. Skewness of Normal Distribution is –
- (a) Negative
 - (b) Positive
 - (c) Zero
 - (d) Undefined
88. If Poisson distribution is such that $P(X = 2) = P(X = 3)$ then the Standard Deviation of the distribution is
- (a) $\sqrt{3}$
 - (b) 3
 - (c) 6
 - (d) 9
89. The Standard Deviation of Binomial distribution is:
- (a) npq
 - (b) \sqrt{npq}
 - (c) np
 - (d) \sqrt{np}
90. The speeds of bikes follow a normal distribution model with a mean of 80 km/hr and a standard deviation of 9.4 km. /hr. Find the probability that a bike picked at random is travelling at more than 95 km/hr.? $[P(z) = P(1.60)=0.4452]$
- (a) 0.0548
 - (b) 0.38
 - (c) 0.49
 - (d) 0.278
91. The equations of the two lines of regression are $4x + 3y + 7 = 0$ and $3x + 4y + 8 = 0$. Find the correlation coefficient between x and y.
- (a) -0.75

- (b) 0.25
(c) -0.92
(d) 1.25
92. The regression equation are $2x + 3y + 1 = 0$ and $5x + 6y + 1 = 0$, then Mean of x and y respectively are
(a) -1,-1
(b) -1,1
(c) 1, -1
(d) 2,3
93. If $b_{yx} = 0.5$, $b_{xy} = 0.45$ then the value of correlation coefficient is:
(a) 0.23
(b) 0.25
(c) 0.39
(d) 0.47
94. The coefficient of rank correlation between the ranking of following 6 students in two subjects Mathematics and Statistics is:
- | | | | | | | |
|-------------|---|---|---|---|---|----|
| Mathematics | 3 | 5 | 8 | 4 | 7 | 10 |
| Statistics | 6 | 4 | 9 | 8 | 1 | 2 |
- (a) - 0.26
(b) 0.35
(c) 0.38
(d) 0.20
95. If Y is dependent variable and X is Independent variable and the S.D. of X and Y are 5 and 8 respectively and Co-efficient of co-relation between X and Y is 0.8. Find the Regression coefficient of Y on X:
(a) 0.78
(b) 1.28
(c) 6.8
(d) 0.32
96. Fisher's index number is called as ideal index number because it satisfies.
(a) Factor reversal test
(b) Time reversal test
(c) Both factor and time reversal test
(d) Circular test
97. From the following data constructed the index number by Laspeyres's method
 $\sum P_1 Q_1 = 100, \sum P_0 Q_1 = 86, \sum P_0 Q_0 = 83, \sum P_1 Q_0 = 106$
 (a) 130.36

- (b) 131.51
 - (c) 130.59
 - (d) 127.71
98. Which index measures the change from month to month in the cost of a representative basket of goods and services of the type bought by a typical household?
- (a) Retail Price Index
 - (b) Laspeyre's Index
 - (c) Fisher's index
 - (d) Paasche's Index
99. If Fisher's index = 150 and Paasche's Index = 144, then Laspeyre's index is _____
- (a) 147
 - (b) 156.25
 - (c) 104.17
 - (d) 138
100. In price index, when a new commodity is required to be added, which of the following index is used?
- (a) Shifted price index
 - (b) Splicing price index
 - (c) Deflating price index
 - (d) Value price index

MOCK TEST PAPER I**FOUNDATION COURSE****PAPER 3: BUSINESS MATHEMATICS, LOGICAL REASONING AND STATISTICS****Key Part A: Business Mathematics and Logical Reasoning**

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

Key Part B: Statistics

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