

**MOCK TEST PAPER II**

**FOUNDATION COURSE**

**PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING**

*Question No. 1 is compulsory.*

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

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

*Working Notes should form part of the answer.*

**(Time allowed: 3 Hours)**

**(100 Marks)**

1. (a) State with reasons whether the following statements are True or False:
  - i. Overhauling expenses of the engine of a truck to get better fuel efficiency is revenue expenditure.
  - ii. Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.
  - iii. The sale value of by-product is credited to Trading Account.
  - iv. When there is no agreement among the partners, the profit or loss of the firm will be shared in their capital ratio.
  - v. Debenture interest is payable after the payment of preference dividend but before the payment of equity dividend.
  - vi. In Not for Profit (NPO) organizations, the excess of total assets over total outside liabilities is known as Capital Fund.

**(6 Statements x 2 Marks = 12 Marks)**
- (b) "Change in accounting policy may have a material effect on the items of financial statements." Explain the statement with the help of an example. **(4 Marks)**
- (c) From the following particulars, prepare a Bank Reconciliation Statement for Vinayak Ltd. as on 31.3.2023
  - (1) Balance as per cash book is ₹ 4,80,000.
  - (2) Cheques issued but not presented in the bank amounts to ₹ 2,72,000.
  - (3) Bank charges amounts to ₹ 1,200.
  - (4) Interest credited by bank amounts to ₹ 6,000.

**(4 Marks)**
2. (a) The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed:
  - (i) A Bill Receivable for ₹ 4,650 was passed through Bills Payable Book. The Bill was given by Krishan.
  - (ii) Cash received from Manan was debited to Suman ₹ 16,000.
  - (iii) General expenses ₹ 3,900 was posted in the General Ledger as ₹ 9,300.
  - (iv) Sales Day Book was overcast by ₹ 15,000.

- (v) Legal Expenses ₹ 23,010 paid to Mr. Badri was debited to her personal account.
- (vi) A sale of ₹ 75,000 to Neha was wrongly debited to the Account of Megha.
- (vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹ 1,690 was written as ₹ 1,960.
- (viii) ₹ 21,000 due to Mr. Madan was omitted to be taken to trial balance.

Find out the nature and amount of the Suspense Account and Pass entries (including narration) for the rectification of the above errors in the subsequent year's books. **(10 Marks)**

- (b) The M/s PT Transport purchased 10 trucks at ₹ 45,00,000 each on 1st April 2019. On October 1st, 2021, one of the trucks is involved in an accident and is completely destroyed and ₹ 27,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of ₹ 50,00,000. The company write off 20% on the original cost per annum. The company observe the calendar year as its financial year.

You are required to prepare the Truck account for two year ending 31 Dec, 2022. **(10 Marks)**

3. (a) Mr. Y accepted a bill for ₹ 50,000 drawn on him by Mr. X on 1<sup>st</sup> August, 2022 for 3 months. This was for the amount which Y owed to X. On the same date Mr. X got the bill discounted at his bank for ₹ 49,000.

On the due date, Y approached X for renewal of the bill. Mr. X agreed on condition that ₹ 10,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Y should accept a new bill for 3 months. These arrangements were carried through. On 31<sup>st</sup> December, 2022, Y became insolvent and his estate paid 40%.

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

- (b) Satyam accepted the following bills drawn by Shivam:

On 8th March, 2022 ₹ 12,000 for 4 months.

On 16th March, 2022 ₹ 15,000 for 3 months.

On 7th April, 2022 ₹ 18,000 for 5 months.

On 17th May, 2022 ₹ 15,000 for 3 months.

He wants to pay all the bills on a single day. Find out this date. Interest is charged @ 9 % p.a. and Satyam wants to save ₹ 471 by way of interest. Calculate the date on which he has to effect the payment to save interest of ₹ 471. **(5 Marks)**

- (c) On 1<sup>st</sup> January, 2023, X's account in Y's ledger showed a debit balance of ₹ 5,000. The following transactions took place between Y and X during the quarter ended 31<sup>st</sup> March, 2023:

2023			₹
Jan.	11	Y sold goods to X	6,000
Jan.	24	Y received a promissory note from X due after 3 months	5,000
Feb.	01	X sold goods to Y	10,000
Feb.	04	Y sold goods to X	8,200
Feb.	07	X returned goods to Y	1,000
March	01	X sold goods to Y	5,600

March	18	Y sold goods to X	9,200
March	23	X sold goods to Y	4,000

Accounts were settled on 31<sup>st</sup> March, 2023 by means of a cheque. Prepare an Account Current to be submitted by Y to X as on 31<sup>st</sup> March, 2023, taking interest into account @ 10% per annum. Calculate interest to the nearest multiple of a rupee. **(5 Marks)**

4. (a) Atul and Aman are partners in a firm, sharing Profits and Losses in the ratio of 3 : 2. The Balance Sheet of Atul and Aman as on 1.1.2023 was as follows:

Liabilities	Amount ₹	Assets		Amount ₹
Sundry Creditors	51,600	Building		1,04,000
Bill Payable	16,400	Furniture		23,200
Bank Overdraft	36,000	Stock-in-Trade		85,600
Capital Account:		Debtors	1,40,000	
Atul 1,76,000		Less: Provision	<u>800</u>	1,39,200
Aman <u>1,44,000</u>	3,20,000	Investment		10,000
	<u>4,24,000</u>	Cash		<u>62,000</u>
				<u>4,24,000</u>

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

- He is admitted for 1/6th share in future profits and to introduce a Capital of ₹ 1,00,000.
- The new profit sharing ratio of Atul, Aman and Atif will be 3 : 2 : 1 respectively.
- 'Atif' is unable to bring in cash for his share of goodwill, partners therefore, decide to raise goodwill account in the books of the firm. They further decide to calculate goodwill on the basis of 'Atif's share in the profits and the capital contribution made by him to the firm. Later, the goodwill was written off among all the partners in the new profit sharing ratio.
- Furniture is to be written down by ₹ 3,480 and Stock to be depreciated by 10%. A provision is required for Debtors @ 5% for Bad Debts. A provision would also be made for outstanding wages for ₹ 6,240. The value of Buildings having appreciated be brought upto ₹ 1,16,800. The value of investment is increased by ₹ 1,800.
- It is found that the creditors included a sum of ₹ 5,600, which is not to be paid off.

Prepare the following:

- Revaluation Account.
- Partners' Capital Accounts.
- Balance Sheet of New Partnership firm after admission of 'Atif'. **(15 Marks)**

- (b) Mr. Zen runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2023.

Opening work-in-progress (81,000 units)	2,34,000
Closing work-in-progress (1,26,000 units)	4,32,000
Opening inventory of Raw Materials	23,40,000

Closing inventory of Raw Materials	28,80,000
Purchases	73,80,000
Hire charges of Machinery @ ₹ 0.70 per unit manufactured	
Hire charges of factory	23,40,000
Direct wages-contracted @ ₹ 0.80 per unit manufactured and @ ₹ 0.40 per unit of closing W.I.P.	
Repairs and maintenance	16,20,000
Units produced - 45,00,000 units	

You are required to prepare a Manufacturing Account of Mr. Zen for the year ended 31-03-2023.

**(5 Marks)**

5. (a) From the following information supplied by The new Hockey club, prepare Receipts and Payments Account and Income and Expenditure Account for the year ended 31<sup>st</sup> March 2023.

	01.04.2022 ₹	31.03.2023 ₹
Outstanding subscription	70,000	1,00,000
Advance subscription	12,500	15,000
Outstanding salaries	7,500	9,000
Cash in Hand and at Bank	55,000	?
10% Investment	70,000	35,000
Furniture	14,000	7,000
Machinery	5,000	10,000
Sports goods	7,500	12,500

Subscription for the year amount to ₹ 1,50,000/-. Salaries paid ₹ 30,000. Face value of the Investment was ₹ 87,500, 50% of the Investment was sold at 80% of Face Value. Interest on investments was received ₹ 7,000. Furniture was sold for ₹ 4000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports goods and @10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses:	₹ 25,000	
Rent:	₹ 12,000 out of which ₹ 1,000 outstanding	
Misc. Expenses:	₹ 2,500	<b>(15 Marks)</b>

- (b) Mr. Magan is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March 2022 has been given below:

On 1.4.2022 he had a balance of ₹6,00,000 advance from customers of which ₹4,50,000 is related to year 2022-23 while remaining pertains to year 2023-24. During the year 2022-23 he made cash sales of ₹ 15,00,000. You are required to compute:

- (i) Total income for the year 2022-23.
- (ii) Total money received during the year if the closing balance in Advance from customers Account is ₹ 5,10,000. **(5 Marks)**

6. (a) FCI Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 20 each.

The amounts were payable as follows:

On application	- ₹ 6 per share
On allotment	- ₹ 10 per share
On first and final call	- ₹ 4 per share

Applications were received for 3,00,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment money. Ajeet, who was allotted 6,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 5,000 shares were reissued as fully paid-up @ ₹ 16 per share.

Pass necessary Journal entries to record the above transactions in the books of FCI Ltd.

**(10 Marks)**

- (b) On 1<sup>st</sup> April, 2022, Alpha Ltd. took over assets of ₹ 4,50,000 and liabilities of ₹ 60,000 of Beta Ltd. for the purchase consideration of ₹ 4,40,000. It paid the purchase consideration by issuing 8% debentures of ₹ 100 each at 10% premium. On the same date it issued another 3,000, 8% debentures of ₹ 100 at discount of 10% redeemable at the premium of 5% after 5 years. According to the terms of the issue ₹ 30 is payable on application and the balance on the allotment of debenture.

You are required to pass journal entries in the books of Alpha Ltd. for financial year 2022-23.

**(5 Marks)**

- (c) Write short notes on any two of the following:

- (i) Double entry system.
- (ii) Importance of bank reconciliation to an industrial unit.
- (iii) Del-credere commission.
- (iv) LIFO and FIFO basis of costing of stock.

**(5 Marks)**

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ANSWERS

1. (a) (i) **False:** Overhauling expenses incurred for the engine of a truck to derive better fuel efficiency reduces the running cost in future and thus the benefit is in form of enduring long-term advantage. So this expenditure should be capitalised.
- (ii) **True:** In the early periods of useful life of a fixed assets, repairs and maintenance expenses are relatively low because the asset is new. Whereas in later periods, as the asset become old, repairs and maintenance expenses increase continuously. Under written down value method, depreciation charged is high in the initial period and reduces continuously in the later periods. Thus, depreciation and repair and maintenance expenses become more or less uniform throughout the useful life of the asset.
- (iii) **False:** The sale value of the by product is credited to Manufacturing Account so as to reduce to that extent, the cost of manufacture of main product.
- (iv) **False:** According to the Indian Partnership Act, in the absence of any agreement to the contrary, profits and losses of the firm are shared equally among partners.
- (v) **False:** Debenture interest is payable before the payment of any dividend on shares.
- (vi) **True:** The capital fund represents the amount contributed by members through legacies, special donations entrance fee and accumulated surplus over the years.
- (b) Change in accounting policy may have a material effect on the items of financial statements. For example, cost formula used for inventory valuation is changed from weighted average to FIFO. Unless the effect of such change in accounting policy is quantified, the financial statements may not help the users of accounts. Therefore, it is necessary to quantify the effect of change on financial statement items like assets, liabilities, profit/loss.

For Example, Omega Enterprises revised its accounting policy relating to valuation of inventories to include applicable production overheads.

- (c) **Vinayak Ltd.**

**Bank Reconciliation Statement as on 31.3.2023**

Particulars	₹
Balance as per cash book	4,80,000
Add : Cheque issued but not presented	2,72,000
Interest credited	<u>6,000</u>
	7,58,000
Less : Bank charges	<u>(1,200)</u>
Balance as per pass book	<u>7,56,800</u>

2. (a)

(i)	Bills Receivables A/c	Dr.	4,650	
	Bills Payable A/c	Dr.	4,650	

	To Krishan A/c (Correction of error by which Bills Receivable account of ₹ 4,650 was wrongly posted through Bills Payable book)			9,300
(ii)	Suspense A/c To Manan A/c To Suman A/c (Removal of wrong debit to Suman and giving credit to Manan from whom cash was received)	Dr.	32,000	16,000 16,000
(iii)	Suspense A/c To P & L Adjustment A/c (Correct of error by which general expenses of ₹ 3,900 was wrongly posted as ₹ 9,300)	Dr.	5,400	5,400
(iv)	P&L Adjustment A/c To Suspense A/c (Correction of error by which Sales account was overcast last year)	Dr.	15,000	15,000
(v)	P & L Adjustment A/c To Mr. Badri (Correction of error by which legal expenses paid to Mr. Badri was wrongly debited to his personal account)	Dr.	23,010	23,010
(vi)	Neha A/c To Megha A/c (Correction of error by which sale of ₹ 75,000 to Neha was wrongly debited to Megha's account)	Dr.	75,000	75,000
(vii)	Suspense A/c To P&L Adjustment A/c (Correction of error by which Purchase A/c was excess debited by ₹270 i.e. ₹1,960 – ₹1,690)	Dr.	270	270
(vii)	Trade Receivable A/c To Suspense A/c (₹ 21,000 due by Mr. Madan not taken into trial balance now rectified)	Dr.	21,000	21,000

**Suspense A/c**

Particulars	₹	Particulars	₹
To P & L Adjustment A/c	5,400	By P & L Adjustment A/c	15,000
To Manan	16,000	By Trade Receivable (Mr. Madan)	21,000
To Suman	16,000	By Difference in Trial Balance (Balancing figure)	1,670
To P&L Adjustment A/c	270		
	37,670		37,670

(b)

**Truck A/c**

Date	Particulars	Amount	Date	Particulars	Amount
<b>2021</b>			<b>2021</b>		
Jan-01	To balance b/d	2,92,50,000	Oct-01	By Bank A/c	27,00,000
Oct-01	To Profit & Loss A/c (Profit on settlement of Truck)	4,50,000	Oct-01	By Depreciation on lost assets	6,75,000
Oct-01	To Bank A/c	50,00,000	Dec-31	By Depreciation A/c	83,50,000
		<u>                    </u>	Dec-31	By balance c/d	<u>2,29,75,000</u>
		<b>3,47,00,000</b>			<b>3,47,00,000</b>
<b>2022</b>			<b>2022</b>		
Jan-01	To balance b/d	2,29,75,000	Dec-31	By Depreciation A/c	91,00,000
		<u>                    </u>	Dec-31	By balance c/d	<u>1,38,75,000</u>
		<b>2,29,75,000</b>			<b>2,29,75,000</b>

**Working Note:**

1. To find out loss or Profit on settlement of truck	₹
Original cost as on 1.4.2019	45,00,000
Less: Depreciation for 2019	<u>6,75,000</u>
	38,25,000
Less: Depreciation for 2020	<u>9,00,000</u>
	29,25,000
Less: Depreciation for 2021 (9 months)	<u>6,75,000</u>
	22,50,000
Less: Amount received from Insurance company	<u>27,00,000</u>
Profit on Settlement of Truck	<u>4,50,000</u>

3. (a)

**Journal Entries in the Books of Mr. X**

Date		Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
2022 August	1	Bills Receivable A/c To Y (Being the acceptance received from Y to settle his account)	Dr.	50,000	50,000
August	1	Bank A/c Discount A/c To Bills Receivable (Being the bill discounted for ₹ 49,000 from bank)	Dr. Dr.	49,000 1,000	50,000



November	4	Y A/c Dr To Bank Account (Being the Y's acceptance is to be renewed)	50,000	50,000
November	4	Y A/c Dr. To Interest Account (Being the interest due from Y for 3 months i.e., 40,000x3/12x 12%=1,200)	1,200	1,200
November	4	Cash A/c Dr. Bills Receivable A/c Dr. To Y A/c (Being amount and acceptance of new bill received from Y)	11,200 40,000	51,200
December	31	Y A/c Dr. To Bills Receivable A/c (Being Y became insolvent)	40,000	40,000
December	31	Cash A/c Dr. Bad debts A/c Dr. To Y A/c (Being the amount received and written off on Y's insolvency)	16,000 24,000	40,000

(b)

**Taking 19.6.2022 as a Base date**

Transaction Date	Due Date	Amount	Days	Amount
8.3.2022	11.7.2022	12,000	22	2,64,000
16.3.2022	19.6.2022	15,000	0	0
7.4.2022	10.9.2022	18,000	83	14,94,000
17.5.2022	20.8.2022	<u>15,000</u>	62	<u>9,30,000</u>
		<u>60,000</u>		<u>26,88,000</u>

$$\text{Average Due Date} = \text{Base date} + \frac{\text{Total of Product}}{\text{Total of Amount}}$$

$$= 19.6.2022 + ₹ 26,88,000/₹60,000$$

$$= 19.6.2022 + 44.8 \text{ days (or 45 days approximately)}$$

$$= 3.8.2022$$

Satyam wants to save interest of ₹ 471. The yearly interest is ₹ 60,000 × 9% = ₹ 5,400.

Assume that days corresponding to interest of ₹ 471 are Y.

$$\text{Then, } 5,400 \times Y/365 = ₹ 471 \text{ or } Y = 471 \times 365/5,400 = 31.8 \text{ days or 32 days (Approx.)}$$

Hence, if Satyam wants to save ₹ 471 by way of interest, he should prepone the payment of amount involved by 32 days from the Average Due Date. Hence, he should make the payment on 2.7.2022 (3.8.2022 – 32 days).

(c)

In the books of Y

X in Account Current with Y

(Interest to 31<sup>st</sup> March, 2023 @ 10% p.a)

Date	Particulars	Amount	Days	Product	Date	Particulars	Amount	Days	Product
2023		₹		₹	2023		₹		₹
Jan.1	To Balance b/d	5,000	90	4,50,000	Jan.24	By Promissory Note (due date 27 <sup>th</sup> April)	5,000	(27)	(1,35,000)
Jan. 11	To Sales	6,000	79	4,74,000	Feb. 1	By Purchases	10,000	58	5,80,000
Feb. 4	To Sales	8,200	55	4,51,000	Feb. 7	By Sales Return	1,000	52	52,000
Mar. 18	To Sales	9,200	13	1,19,600	Mar. 1	By Purchases	5,600	30	1,68,000
Mar. 31	To Interest	219			Mar. 23	By Purchases	4,000	8	32,000
					Mar. 31	By Balance of Products			7,97,600
					Mar. 31	By Bank	3,019		
		28,619		14,94,600			28,619		14,94,600

**Working Note:**

**Calculation of interest:**

$$\text{Interest} = \frac{7,97,600}{365} \times \frac{10}{100} = ₹ 219 \text{ (approx.)}$$

4. (i)

**Revaluation Account**

		₹			₹
To	Furniture	3,480	By	Building	12,800
To	Stock	8,560	By	Sundry creditors	5,600
To	Provision of doubtful debts (₹ 7,000 – ₹ 800)	6,200	By	Investment	1,800
To	Outstanding wages	6,240	By	Revaluation Loss	4,280
		<u>24,480</u>			<u>24,480</u>

(ii)

**Partners' Capital Accounts**

		Atul	Aman	Atif		Atul	Aman	Atif
		₹	₹	₹		₹	₹	₹
To	Revaluation Loss	2,568	1,712		By	Balance b/d	1,76,000	1,44,000
To	Goodwill	90,000	60,000	30,000	By	Cash A/c	–	–
To	Balance c/d	1,91,432	1,54,288	70,000	By	Goodwill A/c (Working Note)	1,08,000	72,000
		<u>2,84,000</u>	<u>2,16,000</u>	<u>1,00,000</u>		<u>2,84,000</u>	<u>2,16,000</u>	<u>1,00,000</u>

(iii)

**Balance Sheet of New Partnership Firm**

(after admission of Atif) as on 1.1.23

Liabilities	₹	Assets	₹
Capital Accounts:			
Atul	1,91,432	Building (1,04,000 + 12,800)	1,16,800

Aman	1,54,288		Furniture (23,200 – 3,480)	19,720
Atif	<u>70,000</u>	4,15,720	Stock-in-trade (85,600 – 8,560)	77,040
Bills Payable		16,400	Debtors	1,40,000
Bank Overdraft		36,000	Less: Provision for bad debts ( <u>7,000</u> )	1,33,000
Sundry creditors (51,600-5,600)		46,000	Investment (10,000 + 1,800)	11,800
Outstanding wages		<u>6,240</u>	Cash (62,000 + 1,00,000)	<u>1,62,000</u>
		<u>5,20,360</u>		<u>5,20,360</u>

**Working Note:**

**Calculation of goodwill**

Atif's contribution of ₹ 1,00,000 consists only 1/6th of capital.

Therefore, total capital of firm should be ₹ 1,00,000 × 6 = ₹ 6,00,000.

But combined capital of Atul, Aman and Atif amounts ₹ 1,76,000 + 1,44,000 + 1,00,000 = ₹ 4,20,000.

Thus Hidden goodwill is ₹ 1,80,000 (₹ 6,00,000 – ₹ 4,20,000).

(b)

**In the Books of Mr. Zen**

**Manufacturing Account for the Year ended 31.03.2023**

Particulars		Units	Amount ₹	Particulars	Units	Amount ₹
To Opening Work-in-Process		81,000	2,34,000	By Closing Work-in-Process	1,26,000	4,32,000
To Raw Materials Consumed:				By Trading A/c – Cost of finished goods transferred	45,00,000	17,40,2400
Opening Inventory	23,40,000					
Add: Purchases	73,80,000					
	<u>97,20,000</u>					
Closing Inventory	(28,80,000)		68,40,000			
To Direct Wages – W.N. (1)			36,50,400			
To Direct expenses:						
Hire charges on Machinery – W.N. (2)			31,50,000			
To Indirect expenses:						
Hire charges of Factory			23,40,000			
Repairs & Maintenance			<u>16,20,000</u>			
			1,78,34,400			<u>1,78,34,400</u>

**Working Notes:**

- (1) Direct Wages – 45,00,000 units @ ₹0.80 = ₹36,00,000  
 1,26,000 units @ ₹0.40 = ₹ 50,400  
 ₹ 36,50,400
- (2) Hire charges on Machinery – 45,00,000 units @ ₹0.70 = ₹31,50,000

**5. (a) Receipts and Payments Account for the year ended 31-03-2023**

Receipts	₹	Payments	₹
To balance b/d		By Salaries	30,000
Cash and bank	55,000	By Purchase of sports goods	5,000
To Subscription received (W.N.1)	1,22,500	₹ (12,500-7,500)	
To Sale of investments (W.N.2)	35,000	By Purchase of machinery	5,000
To Interest received on investment	7,000	₹ (10,000-5,000)	
To Sale of furniture	4,000	By Sports expenses	25,000
		By Rent paid	11,000
		₹ (12,000 -1,000)	
		By Miscellaneous expenses	2,500
		By Balance c/d	
		Cash and bank	<u>1,45,000</u>
	<u>2,23,500</u>		2,23,500

**Income and Expenditure account for the year ended 31-03-2023**

Expenditure	₹	₹	Income	₹	₹
To Salaries	30,000		By Subscription		1,50,000
Add: Outstanding for 2023	<u>9,000</u>		By Interest on Investment		
	39,000		Received	7,000	
Less: Outstanding for 2022	<u>(7,500)</u>	31,500	Accrued (W.N.5)	<u>1,750</u>	8,750
To Sports expenses		25,000			
To Rent		12,000			
To Miscellaneous exp.		2,500			
To Loss on sale of furniture (W.N.3)		3,000			
To Depreciation (W.N.4)					
Furniture	700				

Machinery	750			
Sports goods	<u>1,125</u>	2,575		
To Surplus		<u>82,175</u>		
		<u>1,58,750</u>		<u>1,58,750</u>

**Working Notes:**

**1. Calculation of Subscription received during the year 2022-23**

	₹
Subscription due for 2022-23	1,50,000
Add: Outstanding of 2022	70,000
Less: Outstanding of 2023	(1,00,000)
Add: Subscription of 2023 received in advance	15,000
Less: Subscription of 2022 received in advance	<u>(12,500)</u>
	<u>1,22,500</u>

**2. Calculation of Sale price and profit on sale of investment**

Face value of investment sold: ₹ 87,500 × 50% = ₹ 43,750

Sales price: ₹ 43,750 × 80% = ₹ 35,000

Cost price of investment sold: ₹ 70,000 × 50% = ₹ 35,000

Profit/loss on sale of investment: ₹ 35,000 - ₹ 35,000 = NIL

**3. Loss on sale of furniture**

	₹
Value of furniture as on 01-04-2022	14,000
Value of furniture as on 31-03-2023	<u>7,000</u>
Value of furniture sold at the beginning of the year	7,000
Less: Sales price of furniture	<u>(4,000)</u>
Loss on sale of furniture	<u>3,000</u>

**4. Depreciation**

Furniture - ₹7,000 × 10%	=	700
Machinery - ₹5,000 × 15%	=	750
Sports goods - ₹7,500 × 15%	=	1,125

**5. Interest accrued on investment**

	₹
Face value of investment on 01-04-2022 (87,500)	
Interest @ 10%	8,750
Less: Interest received during the year	<u>(7,000)</u>
Interest accrued during the year	<u>1,750</u>

**Note:** It is assumed that the sale of investment has taken place at the end of the year.

**(b) (i) Computation of Income for the year 2022-23:**

	₹
Money received during the year related to 2022-23	15,00,000
Add: Money received in advance during previous years	4,50,000
<b>Total income of the year 2022-23</b>	<b>19,50,000</b>

**(ii) Advance from Customers A/c**

Date	Particulars	₹	Date	Particulars	₹
	To Sales A/c (Advance related to current year transferred to sales)	4,50,000	1.4.2022	By Balance b/d	6,00,000
31.3.23	To Balance c/d	5,10,000		By Bank A/c (Balancing Figure)	3,60,000
		9,60,000			9,60,000

So, total money received during the year is:

	₹
Cash Sales during the year	15,00,000
Add: Advance received during the year	3,60,000
<b>Total money received during the year</b>	<b>18,60,000</b>

**6. (a) In the books of FCI Ltd.**

**Journal Entries**

	Dr. ₹	Cr. ₹
Bank A/c Dr. To Equity Share Application A/c (Being the application money received for 3,00,000 shares at ₹ 6 per share)	18,00,000	18,00,000
Equity Share Application A/c Dr. To Equity Share Capital A/c (2,00,000 x ₹ 6) To Share allotment A/c (Being share allotment made for 2,00,000 shares and excess adjusted towards allotment)	18,00,000	12,00,000 6,00,000
Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment amount due on 2,00,000 equity shares at ₹ 10 per share as per Directors' resolution no... dated...)	20,00,000	20,00,000
Bank A/c Dr.	14,00,000	

To Equity Share Allotment A/c (Being balance allotment money received for 2,00,000 shares)			14,00,000
Equity Share first and final call A/c To Equity Share Capital A/c (Being first and final call amount due on 2,00,000 equity shares at ₹ 4 per share as per Directors' resolution no... dated...)	Dr.	8,00,000	8,00,000
Bank A/c Calls in arrears A/c To Equity Share first and final call A/c (Being final call received on 1,94,000 shares)	Dr.	7,76,000 24,000	8,00,000
Share capital A/c (6,000 x ₹ 20) To Forfeited shares A/c (6,000 x ₹ 16) To Calls in arrears A/c (6,000 x ₹ 4) (Being forfeiture of 6,000 shares of ₹ 20 each fully called-up for non payment of first and final call @ ₹ 4 as per Directors' resolution no... dated..)	Dr.	1,20,000	96,000 24,000
Bank A/c (5,000 x ₹16) Forfeited shares A/c (5,000 x ₹4) To Equity Share Capital A/c (5,000 x ₹ 20) (Being re-issue of 2,500 shares @ ₹ 16)	Dr.	80,000 20,000	1,00,000
Forfeited share A/c (5,000 x ₹ 12) To capital reserve A/c (5,000 x ₹ 12) (Being profit on re-issue transferred to capital reserve)		60,000	60,000

**Working Note:**

<b>Calculation of amount to be transferred to Capital reserve A/c</b>	₹
Forfeited amount per share = 96,000/6,000 =	16
Loss on re issue (20-16)	<u>4</u>
Surplus per share	<u>12</u>
Transfer to capital reserve ₹ 12 x 5,000	₹ 60,000

**(b) Journal of Alpha Ltd.**

Date	Particulars	Dr.	Cr.
2022 April, 1	Sundry Assets A/c Dr. Goodwill A/c (Bal. fig) Dr. To Beta Ltd. A/c To Sundry Liabilities A/c (Being Asset and liabilities taken over for a net Consideration of ₹ 4,40,000)	4,50,000 50,000	4,40,000 60,000
	Beta Ltd. A/c Dr. To 8% Debentures A/c	4,40,000	4,00,000

2023 March, 31	To Securities Premium Reserve A/c (Being 4,000; 8% Debenture of ₹ 100 each Issued at a premium of 10%)	Dr.	40,000	
	Bank A/c To Debenture Application A/c (Being the application money receive for 3000, 8% Debenture)	Dr.	90,000	90,000
	Debenture Application A/c To 8% Debenture A/c (Being 3,000; 8% Debenture allotted)	Dr.	90,000	90,000
	Debentures allotment A/c Loss on issue of debenture A/c To 8% Debentures A/c To Premium on redemption of debentures A/c (Being allotment money due on 3000; 8% Debentures at 10% discount and redeemable at 5% premium)	Dr. Dr.	1,80,000 45,000	2,10,000 15,000
	Bank A/c To Debentures Allotment A/c (Being the allotment money received)	Dr.	1,80,000	1,80,000
	Securities Premium Reserve A/c Profit and Loss A/c To Loss on issue of Debenture A/c (Being the Loss on issue of debenture written off)	Dr. Dr.	40,000 5,000	45,000

- (c) (i) Double entry system may be defined as that system which recognizes and records both the aspects of a transaction.

Every transaction has two aspects and according to this system, both the aspects are recorded. This system was developed in the 15<sup>th</sup> century in Italy by Luca Pacioli. It has proved to be systematic and has been found of great use for recording the financial affairs for all institutions requiring use of money.

- (ii) Banks are essential to modern society, but for an industrial unit, it serves as a necessary instrument in the commercial world. Most of the transactions of the business are done through bank whether it is a receipt or payment. Rather, it is legally necessary to operate the transactions through bank after a certain limit. All the transactions, which have been operated through bank, if not verified properly, the industrial unit may not be sure about its liquidity position in the bank on a particular date. There may be some cheques which have been issued, but not presented for payment, as well as there may be some deposits which has been deposited in the bank, but not collected or credited so far. Some expenses might have been debited or bills might have been dishonoured. It is not known to the industrial unit in time, it may lead to wrong conclusions. The errors committed by bank may not be known without preparing bank reconciliation statement. Preparation of bank reconciliation statement prevents the chances of embezzlement. Hence, bank reconciliation statement is very important and is a necessity of an industrial unit as it plays a key role in the liquidity control of the industry.



- (iii) Del-credere commission is an additional commission paid by the consignor to the consignee for undertaking responsibility of collection of debts. Generally, the consignee gets ordinary commission for sales made by him as a percentage of gross sales, over and above, he may get del-credere commission for the additional responsibility of debt collection. Sometimes it is agreed that del-credere commission shall be allowed on credit sales only. However, in the absence of any such agreement the consignor allows del-credere commission on total sales and not merely on credit sales. If the consignee is entitled to del-credere commission, he has to bear the bad debts; if any, arising, out of credit sale of consignment goods
- (iv) Under FIFO method of inventory valuation, inventories purchased first are issued first. The closing inventories are valued at latest purchase prices and inventory issues are valued at corresponding old purchase prices. In other words, under FIFO method, costs are assigned to the units issued in the same order as the costs entered in the inventory. During periods of rising prices, cost of goods sold are valued at older and lower prices if FIFO is followed and consequently reported profits rise due to lower cost of goods sold.

On the other hand, under LIFO method of inventory valuation, units of inventories issued should be valued at the prices paid for the latest purchases and closing inventories should be valued at the prices paid for earlier purchases. In other words, closing inventories are valued at old purchase prices and issues are valued at corresponding latest purchase prices.

**MOCK TEST PAPER 2**

**FOUNDATION COURSE**

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

**PART- I: BUSINESS ECONOMICS**

**QUESTIONS**

1. "The wealth of Nation" Considered as the first modern work of Economics was written by :
  - (a) Marx
  - (b) Adam-Smith
  - (c) Lipsey
  - (d) Allen
2. Business Economics is:
  - (a) Normative Science
  - (b) Interdisciplinary
  - (c) Pragmatic in approach
  - (d) All the above
3. The Central Economic Problem is:
  - (a) What to Produce?
  - (b) What Provision (if any) are to be made for economic growth?
  - (c) How to Produce?
  - (d) All the above
4. The 'communist Manifesto' was published in:
  - (a) 1848
  - (b) 1905
  - (c) 1952
  - (d) None of these.
5. Which of the following is not within the scope of Business Economies?
  - (a) Risk Analysis
  - (b) Accounting Standards
  - (c) Capital Budgeting
  - (d) All the Above
6. The allocation of resources in a free-market economy is determined by :
  - (a) Level of Profits of firms
  - (b) Consumer Preferences

- (c) Central Planning Authority
  - (d) None of these
7. Which of the following exhibit direct price demand relationship:
- (a) Substitute goods
  - (b) Complementary goods
  - (c) Giffen goods
  - (d) None of these.
8. Which of the following is a variable case for a firm?
- (a) Interest on Loan
  - (b) Monthly rent
  - (c) Insurance Premium
  - (d) Wages to Employees
9. A firm's average fixed cost (AFC) is Rs. 20 at Six Units of output. What will be AFC at four Units of Output?
- (a) Rs. 20
  - (b) Rs. 30
  - (c) Rs. 40
  - (d) Rs. 50
10. X,Y and Z are confused with the formula for defining TC
- (a) X Says :  $TC = TVC + TFC$
  - (b) Y Says:  $TC = AC \times \text{output}$
  - (c) Z Says:  $TC = ZMC + TFC$
- Identify who amongst them is correct
- (a) X
  - (b) Y
  - (c) Z
  - (d) All of them
11. Which two curves are intersected by MC Curve at their minimum points:
- (a) AC and AVC
  - (b) AC and AFC
  - (c) AC and TVE
  - (d) AVC and AFC
12. There will be ----- in the demand Curve of cars with an incase in the Price of Petrol
- (a) Leftward shift

- (b) Rightward Shift
  - (c) Upward Movement
  - (d) Downward Movement
13. The Consumer surplus is derived from:
- (a) Law of diminishing marginal utility
  - (b) Marginal rate of substitution.
  - (c) Budget line
  - (d) None of these
14. Income elasticity in the case of Inferior good will be :
- (a) Zero
  - (b) Positive
  - (c) Negative
  - (d) Infinite
15. What are the determinant of Price elasticity of demand?
- (a) Availability of Substitute
  - (b) Tied demand.
  - (c) Time period
  - (d) All of these
16. When the two goods are complementary to each other the cross elasticity between them is:
- (a) Negative
  - (b) Positive
  - (c) Either of these
  - (d) None of these
17. According to Hicks and Allen the demand curve slopes downwards due to :
- (a) Income and substitution effect
  - (b) Diminishing marginal utility
  - (c) Price elasticity
  - (d) None of these
18. The heavy advance order for Capital goods is an example of
- (a) Lagging Indicator
  - (b) Leading Indicator
  - (c) Coincidental Indicator
  - (d) None of these

19. The commonly available technique of demand forecasting are:
- (a) Survey of buyer's intention
  - (b) Expert opinion method
  - (c) Least Square method
  - (d) All of these
20. If the price of both goods fall how would that budget line, be affected?
- (a) The budget line will be shifting to the left.
  - (b) The budget line would not shift.
  - (c) So long as the prices of both goods change in the same proportion the new budget line will have same slope.
  - (d) None of these.
21. Two Suppliers and many buyers are in ----- market.
- (a) Duopoly
  - (b) Monopoly
  - (c) Perfect Competition
  - (d) Oligopoly
22. Interest on own capital is a ----
- (a) Explicit Cost
  - (b) Implicit Cost
  - (c) Future Cost
  - (d) None of these
23. The transformation of physical inputs into output is known as ----
- (a) Supply
  - (b) Demand
  - (c) Cost
  - (d) Production
24. When  $e = 0$  elasticity of demand is
- (a) Unitary
  - (b) Inelastic
  - (c) Perfectly inelastic demand
  - (d) None of these.
25. Which curve is not affected by fixed cost?
- (a) MC Curve
  - (b) TC Curve
  - (c) AC Curve

- (d) AFC Curve
26. Which two curves are intersected by MC curve at their minimum points:
- (a) AC and AVC
  - (b) AVC and AFC
  - (c) AC and AFC
  - (d) AC and TVC
27. Which of the following is an example of "Implicit cost"?
- (a) Interest that could have been earned on retained earnings used by the firm to finance expansion
  - (b) Payment of Rent by the Firm
  - (c) Interest Payment made by the Firm for funds borrowed from a Bank
  - (d) Payment of Wages by the Firm
28. Demand curve of perfectly competitive market form is a horizontal straight line parallel to X-axis. It happens because:
- (a) Selling costs are zero
  - (b) There is freedom of entry and exit
  - (c) Firm is a price-taker
  - (d) None of these
29. Under which market form, the demand curve is steeper as compared to monopolistic competition?
- (a) Monopoly
  - (b) Oligopoly
  - (c) Perfect Competition
  - (d) None of these
30. Firms cooperate with each other in determining price or output or both. It is a feature of:
- (a) Pure Oligopoly
  - (b) Non-Collusive Oligopoly
  - (c) Imperfect Oligopoly
  - (d) Collusive Oligopoly
31. Consumers get maximum variety of goods under:
- (a) Perfect Competition
  - (b) Monopolistic Competition
  - (c) Monopoly
  - (d) Pure Competition
32. 'A few big sellers' is a characteristics of:
- (a) Perfect Competition
  - (b) Monopolistic Competition
  - (c) Oligopoly
  - (d) None of the above

33. Ceteris paribus means:
- (a) Holding supply constant
  - (b) Holding demand constant
  - (c) Price being constant
  - (d) other factors being constant.
34. Who defined Business economics in terms of the use of economic analysis in the formulation of business policies?
- (a) Adam Smith
  - (b) Robbins
  - (c) Joel Dean
  - (d) Alfred Marshall
35. A rational person does not act unless\_\_\_\_
- (a) The action is ethical.
  - (b) The action produces marginal cost that exceeds marginal revenue.
  - (c) The action produces marginal benefits that exceed marginal costs.
  - (d) The action makes money for the person.
36. Which one of the following countries does not follow Capitalist economic system?
- (a) USA
  - (b) UK
  - (c) Germany
  - (d) India
37. "The increase in demand of a commodity due to the fact that others are also consuming the same commodity" is known as\_\_\_\_\_
- (a) Veblen effect
  - (b) Bandwagon effect
  - (c) Snob effect
  - (d) Demonstration effect
38. In the Cobb-Douglas production function given as:  $Q = A L^a K^{1-a}$  the share of labour in total production is
- (a) a
  - (b)  $1 - a$
  - (c) A
  - (d)  $a \cdot L$
39. Assertion (A): Investment has also a supply effect.  
Reason (R): Because it raises capacity to produce.
- (a) (A) is true and (R) is false
  - (b) Both (A) and (R) are true & (R) is the correct explanation of (A)
  - (c) Both (A) and (R) are true & (R) is not the correct explanation of (A)
  - (d) (A) is false and (R) is true

40. Which of the following statement is incorrect?
- (a) Kinked Demand Curve is related to Oligopolistic market
  - (b) Even a monopolistic firm can incur losses
  - (c) Firms are price takers in perfectly competitive market
  - (d) It is always beneficial for a firm in a perfectly competitive market to discriminate prices
41. In economics, generally the classification of the markets is made on the basis of
- (a) Time
  - (b) Geographic area
  - (c) Volume of business
  - (d) All of these
42. Peak is the \_\_\_\_\_ stage of expansion.
- (a) Later
  - (b) Earlier
  - (c) Either (A) or (B)
  - (d) None of the above
43. Coincident economic indicators are also called \_\_\_\_\_.
- (a) Concurrent indicators
  - (b) Compound indicators
  - (c) Coexist indicators
  - (d) Random indicators
44. Demand for complementary goods are:
- (a) Derived Demand
  - (b) Autonomous demand
  - (c) Aggregate Demand
  - (d) None of these
45. The budget line is also known as:
- (a) Production Possibility Curve
  - (b) Consumption Possibility Curve
  - (c) Iso Utility Curve
  - (d) None of these
46. Allocation of resources is dealt in:
- (a) Macro Economic
  - (b) Microeconomics
  - (c) Public Finance
  - (d) None of these
47. The Product under Pure Monopoly is:
- (a) Homogenous
  - (b) Differentiated



- (c) Unrelated
  - (d) None of these
48. Demand for Electricity is elastic because
- (a) it is very expensive
  - (b) it has alternative uses
  - (c) it has a number of close Substitute.
  - (d) None of these
49. Fluctuation in economic activities according to Keynes are due to :
- (a) Innovations
  - (b) changes in money supply
  - (c) Fluctuation in aggregate effective demand
  - (d) Fluctuation in government spending
50. In business cycle peaks and troughs are collectively known as:
- (a) Turning Points
  - (b) Equilibrium Points'
  - (c) Real business cycle events'
  - (d) None of these
51. Price Rigidity explained by Sweezy's model is related to which market form:
- (a) Monopoly
  - (b) Oligopoly
  - (c) Monopolistic competition
  - (d) None of these
52. Secular Period is also known as :
- (a) Short Period
  - (b) Very Long Period
  - (c) long Period
  - (d) Very short Period
53. Which of the following is correct about Cartel?
- (a) There are few firms
  - (b) All of which are similar in size
  - (c) Most Cartels have only a Subset of producers
  - (d) All of the above
54. Which of the following is not a determinant of the firm's cost function?
- (a) Taxes
  - (b) The Production Function
  - (c) The Price of the firm's output
  - (d) None of these

55. Comfort lie between:
- (a) inferior goods and necessities
  - (b) luxuries and inferior goods
  - (c) necessities and luxury
  - (d) None of these
56. Inequality and Exploitation is minimal under:
- (a) Mixed economy
  - (b) Capitalism
  - (c) Socialism
  - (d) None of these
57. A vertical supply curve parallel to Y axis implies that the elasticity of supply is :
- (a) Infinity
  - (b) Zero
  - (c) Greater than zero but less than infinity
  - (d) Equal to one
58. When the Output of the firm increases in the Short run , its average fixed cost :
- (a) Decreases
  - (b) Increases
  - (c) First decline and then rise
  - (d) remains constant
59. Price discrimination will be profitable only if the elasticity of demand in different sub market is :
- (a) different
  - (b) uniform
  - (c) zero
  - (d) less
60. When  $e > 1$  the MR is
- (a) One
  - (b) Negative
  - (c) Positive
  - (d) Zero

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

**QUESTIONS**

**Max. Marks: 40**

61. Find out the incorrect:
- (a) Economic activities are drive by rationality.
  - (b) Economic activities are guided by self-interest.
  - (c) Non-Economic activities are driven by emotional or sentimental force.
  - (d) Non-Economic activities are not at all important in life.
62. National Water Mission is related to -
- (a) Environmental aspect
  - (b) Legal cause
  - (c) Social welfare
  - (d) Economic planning
63. One of the leading companies in Paint Industry, Asian Paints, was incorporate is in the year-
- (a) 1962
  - (b) 1942
  - (c) 1868
  - (d) 1980
64. Mark incorrect as Globalization refers to:
- (a) Encouraging regional economic cooperation.
  - (b) Integrating the world into one economic global village.
  - (c) It pares the way for higher factor mobility.
  - (d) Drawing countries out of their insulation.
65. Which of the following is NOT a function of RBI?
- (a) Monopoly of Note issue
  - (b) Banker to the Government
  - (c) Advancing loan to large business houses
  - (d) Controller of Credit
66. Which of the following is incorrect?
- (a) Arbitrage is simultaneous purchase and sale of a commodity.
  - (b) Current assets are those which can be turned into cash within a year.
  - (c) Intangible assets are those which do not have physical form. They are in the form of rights.
  - (d) Break-even point is also called an optimum point of a firm.
67. The Karta in Joint Hindu Family Business has
- (a) Limited liability

- (b) Unlimited liability
  - (c) No liability for debts
  - (d) Joint liability
68. Environmental Analysis helps in:
- (a) Providing input for strategic decision making
  - (b) Turning threats to firm's advantage
  - (c) Anticipate opportunities and to take optimal responses
  - (d) All of the above
69. Which one of the following is NOT a Foreign Company?
- (a) Dr. Reddy's Laboratories Ltd.
  - (b) Walmart
  - (c) Nestle
  - (d) HP
70. Privatization may NOT be conceptualized in form of:
- (a) Divestment
  - (b) Disinvestment
  - (c) Dedication
  - (d) Displacement
71. Which one of the following is NOT a SEBI function as one body?
- (a) Quasi-legislative
  - (b) Quasi-judicial
  - (c) Quasi-fiscal
  - (d) Quasi-executive
72. ADR stands for:
- (a) American Deficit Record
  - (b) American Depository Receipt
  - (c) Asset Depreciation Record
  - (d) Asset Depository Receipt
73. Which of the following is NOT an economic objective of the firm?
- (a) Sales growth
  - (b) Improvement in market share
  - (c) Profits and return on investment
  - (d) Conservation of natural resources
74. In the PEST framework for environmental analysis, what does the letter 'E' stand for?
- (a) Ecological
  - (b) Economic

- (c) Ethical
  - (d) Educational
75. The mission of Bharti Airtel Ltd. is:
- (a) Hunger to win customers for life
  - (b) Focus on value-based marketing
  - (c) Continual improvement
  - (d) Serving for better
76. Which policies are meant for specific segments of society, it can be in the area of public distribution to people below poverty line, justice for women etc.?
- (a) Financial
  - (b) Distributive
  - (c) Facilitating
  - (d) Economic
77. Which of these was originally privately owned?
- (a) SEBI
  - (b) IRDAI
  - (c) RBI
  - (d) NABARD
78. Risk is a probable chance that investments' actual returns will be \_\_\_\_\_ than as calculated.
- (a) Increased
  - (b) Reduced
  - (c) Equal
  - (d) None of the above
79. Find out the incorrect:
- (a) Sole proprietor is a business unit having unlimited liability
  - (b) LLP firm may be constituted
  - (c) HUF business may be formed by a group of people who do not belong to family
  - (d) Hindu includes Buddha, Jain, Sikh, Parsi families
80. Mark incorrect: Partnership implies
- (a) Contractual ownership of business
  - (b) Liability of partner is limited to the extent of one's share capital
  - (c) The contract is an agreement enforceable at law is called deed
  - (d) Deed may be registered in India under the Partnership Act, 1932
81. Mark the correct:
- (a) Tata Sons is a holding company
  - (b) Infosys, Wipro and TCS are IT companies

- (c) Flipkart, Amazon, Myntra are online trading companies
  - (d) All of the above are correct
82. Find out the correct:
- (a) For sustainable economic development, FII is more preferable to FDI.
  - (b) FDI has strong speculative effect in equity market.
  - (c) In India, permission for FDI is not uniform for all sectors.
  - (d) FDI is usually done to reap short term gains.
83. Which of the following Institution has a portfolio of Natural Resource Management Programmes involving diverse fields like Watershed Development, Tribal Development etc., though dedicated funds set up for the purpose?
- (a) SEBI
  - (b) RBI
  - (c) SBI
  - (d) NABARD
84. Which of the following is not covered under four P's of Marketing?
- (a) Product
  - (b) Price
  - (c) Place
  - (d) Procedure
85. A partnership may NOT be formed to carry on:
- (a) Any trade
  - (b) Occupation
  - (c) Profession
  - (d) Social enterprise
86. Relationship between organisation and environment can be described through:
- (a) Exchange of information
  - (b) Exchange of resources
  - (c) Exchange of influence and power
  - (d) All of the above
87. Luca Maestri is the CFO of which company?
- (a) Walmart
  - (b) Nestle
  - (c) Apple
  - (d) Microsoft
88. The form of privatization, where government keeps hold of responsibility and private enterprise handles the management of it fully or partly is known as:
- (a) Disinvestment

- (b) Deregulation
  - (c) Delegation
  - (d) Decentralization
89. Where is the head office of NABARD?
- (a) Mumbai
  - (b) Delhi
  - (c) Gurugram
  - (d) Bengaluru
90. What is a bull market?
- (a) A market in which the stock prices are increasing consistently.
  - (b) A market in which the stock prices are decreasing consistently.
  - (c) A market in which the stock prices are stable over a long time.
  - (d) None of the above
91. A HUF cannot comprise members of a:
- (a) Hindu & Sikh family
  - (b) Parsi family
  - (c) Buddhist family
  - (d) Muslim family
92. The term PESTLE analysis is used to describe a framework for analyzing:
- (a) Macro Environment
  - (b) Micro Environment
  - (c) Both Macro and Micro Environment
  - (d) None of above
93. Indane LPG is the product of which corporation in India?
- (a) IOCL
  - (b) NTPC
  - (c) ONGC
  - (d) PGCIL
94. Simplification of trade restrictions related to import is an example of:
- (a) Globalization
  - (b) Privatization
  - (c) Disinvestment
  - (d) Aggregation
95. The RBI has been vested with extensive power to control and supervise commercial banking system under the-
- (a) Reserve Bank of India Act, 1934

- (b) The Banking Regulation Act, 1949
  - (c) Both (a) and (b)
  - (d) The Companies Act, 2013
96. \_\_\_\_\_ is a strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment.
- (a) Cap
  - (b) Encryption
  - (c) Hedge
  - (d) Term insurance
97. Which one is NOT a part of environmental scanning?
- (a) Identify opportunities & threats affecting business.
  - (b) It takes events, trends, issues and expectations in the consideration.
  - (c) It is done by government to know if the firm is engaged in any anti national activity.
  - (d) It helps in formulating future path of the firm.
98. Identify the sector where, FDI is NOT permitted:
- (a) Automobile
  - (b) Infrastructure
  - (c) Textile
  - (d) Atomic energy
99. How many members of SEBI should be from RBI?
- (a) 4
  - (b) 3
  - (c) 1
  - (d) 2
100. A portion of the after-tax profits paid out to the owners of a business as a return on their investment is:
- (a) Dividend
  - (b) Expense
  - (c) Expenditure
  - (d) Deferred income



**MOCK TEST PAPER 2**

**FOUNDATION COURSE**

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

**PAPER – 4A PART I: BUSINESS ECONOMICS**

**ANSWERS**

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

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

**ANSWERS**

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

**MOCK TEST PAPER 2**

**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. (a) Mr. Harish was travelling to Shimla with his wife by bus of Himalya Travels Pvt. Ltd. Due to some technical default in the bus, the driver has to stop the bus in a mid-way in cold night. The driver advised the passengers to get to the shelter in the nearest hotel which was at a distance of only one kilometer from that place. The wife of Mr. Harish caught cold and fell ill due to being asked to get down and she had to walk in cold night to reach hotel. Mr. Harish filed the suit against Himalya Travels Pvt. Ltd. for damages for the personal inconvenience, hotel charges and medical treatment for his wife. Explain, whether Mr. Harish would get compensation for which he filed the suit under the Indian Contract Act, 1872? **(4 Marks)**
- (b) A company registered under section 8 of the Companies Act, 2013, earned huge profit during the financial year ended on 31<sup>st</sup> March, 2023 due to some favorable policies declared by the Government of India and implemented by the company. Considering the development, some members of the company wanted the company to distribute dividends to the members of the company. They approached you to advise them about the maximum amount of dividend that can be declared by the company as per the provisions of the Companies Act, 2013. **(4 Marks)**
- (c) Distinguish between a 'Condition' and a 'Warranty' in a contract of sale. When shall a 'breach of condition' be treated as 'breach of warranty' under the provisions of the Sale of Goods Act, 1930? Explain. **(4 Marks)**
2. (a) Explain the term Contingent Contract with reference to the Indian Contract Act, 1872 with the help of an example. Also discuss the rules relating to enforcement of a contingent contract. **(7 Marks)**
- (b) Enumerate the circumstances in which Limited Liability Partnership (LLP) may be wound up by Tribunal under the LLP Act, 2008. **(5 Marks)**
3. (a) Define partnership and name the essential elements for the existence of a partnership as per the Indian Partnership Act, 1932. Explain any two such elements in detail. **(6 Marks)**
- (b) Pradeep sells by auction to Rakesh a horse which Pradeep knows to be unsound. The horse appears to be sound, but Pradeep knows about the unsoundness of the horse. Is this contract valid in the following circumstances:
  - (i) If Pradeep says nothing about the unsoundness of the horse to Rakesh.
  - (ii) If Pradeep says nothing about it to Rakesh who is Pradeep's son.
  - (iii) If Rakesh says to Pradeep "If you do not deny it, I shall assume that the horse is sound." Pradeep says nothing. **(3 Marks)**
- (c) Rahul induced Neeraj to buy his motorcycle saying that it was in a very good condition. After taking the motorcycle, Neeraj complained that there were many defects in the motorcycle. Rahul proposed to get it repaired and promised to pay 45% of the cost of repairs. After a few days, the motorcycle

did not work at all. Now Neeraj wants to rescind the contract. Decide giving reasons under the provisions of Indian Contract Act, 1872. **(3 Marks)**

4. (a) "*Nemo Dat Quod Non Habet*" – "None can give or transfer goods what he does not himself own." Explain the rule and state the cases in which the rule does not apply under the provisions of the Sale of Goods Act, 1930. **(6 Marks)**
- (b) Mr. Naresh is one of the four partners in M/s XY Enterprises. He owes a sum of ₹ 6 crore to his friend Mr. Akash which he is unable to pay on due time. So, he wants to sell his share in the firm to Mr. Akash for settling the amount.

In the light of the provisions of the Indian Partnership Act, 1932, discuss each of the following:

- (i) Can Mr. Naresh validly transfer his interest in the firm by way of sale?
- (ii) What would be the rights of the transferee (Mr. Akash) in case Mr. Naresh wants to retire from the firm after a period of 6 months from the date of transfer? **(6 Marks)**
5. (a) Mr. Shekharan sells 100 bags of cement to Mr. Raghwan for cash and consigns goods to him through railways. He also sends the railway receipt to Mr. Raghwan. When the goods were in transit, Mr. Raghwan becomes insolvent and Mr. Raghwan sells the said goods to Mr. Ravi by assigning the railway receipt to Mr. Ravi who has no idea about the insolvency of Mr. Raghwan. Mr. Shekharan who is being unpaid seller wants to exercise his right to stoppage in transit.
- (a) State with reason, can Mr. Shekharan do so under the Sale of Goods Act, 1930?
- (b) Whether your answer would be same if Mr. Ravi have knowledge of Mr. Raghwan's insolvency at the time of buying the goods? **(6 Marks)**
- (b) ABC Limited was into sale and purchase of iron rods. This was the main object of the company mentioned in the Memorandum of Association. The company entered into a contract with Mr. John for some finance related work. Later on, the company repudiated the contract as being ultra vires. With reference to the same, briefly explain the doctrine of "ultravires" under the Companies Act, 2013. What are the consequences of ultravires acts of the company? **(6 Marks)**
6. (a) Explain what is meant by 'Supervening Impossibility' as per the Indian Contract Act, 1872 with the help of an example. What is the effect of such impossibility? **(5 Marks)**
- (b) Subject to agreement by partners, state the rules that should be observed by the partners in settling the accounts of the firm after dissolution under the provisions of the Indian Partnership Act, 1932. **(4 Marks)**
- (c) Mr. Raj formed a company with a capital of ₹ 5,00,000. He sold his business to another company for ₹ 4,00,000. For the payment of sale, he accepted shares worth ₹ 3,00,000 (30,000 shares of ₹10 each). The balance 1,00,000 was considered as loan and Mr. Raj secured the amount by issue of debentures. His wife and three daughters took one share each. Owing to strike the company was wound up. The assets of the company were valued at ₹ 60,000. The debts due to unsecured creditors were ₹ 80,000.

Mr. Raj retained the entire sum of ₹ 60,000 as part payment of loan. To this, the other creditors objected. Their contention was that a man could not own any money to himself, and the entire sum of ₹ 60,000 should be paid to them.

Examine the rights of Mr. Raj and other creditors. Who will succeed? **(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 and answer the questions that follow

Time and again we see that not only does our mean life expectancy keep increasing, but also that this linear increase means that all predictions of our maximum life expectancy so far have turned out to be gross underestimates. Today, citizens in developed countries can easily expect to live beyond the age of 75 years, 81 for women but if we take this trend as an indication, they will probably reach an even higher age. This ongoing demographic trend is caused by an incremental decrease in the probability of disease, disability and death at old age. Because the number of births is decreasing, old people constitute the fastest growing segment of developed countries' populations. This trend not only has repercussions for individuals or families that today can easily span four generations, but also has serious implications for our affluent societies. Ever ageing populations are already creating concerns, and ongoing debates, about the future of retirement funds, health care and regulations of the labour market, such as age of retirement. To deal with these social problems and make predictions about the future of populations, it is necessary to understand the biological reasons behind this demographic trend towards higher life expectancy.

In most countries, the increase in the gross national product and increase in mean life expectancy are closely linked, illustrating that higher life expectancy is caused by an improvement of the environmental conditions in which we live. Starting at about the second half of the 11th century, although at different time points for various nations, child mortality decreased markedly as mortality from famine and disease decreased to a minimum. However, if improved environmental conditions affected only the young, we would expect the increase in life expectancy to level off at some point. This expectation clearly does not match the steady, linear increase in life expectancy that has been observed since 1840 and there is no sign that it will slow down soon. The abundant resources that have helped to overcome child mortality have also led to better survival at middle age and old age. This can be best illustrated with the impressive decrease in death from coronary heart disease, although again this has occurred at different pace in different countries.

But not only can we expect to live increasingly to the maximum of human lifespan, the maximum itself keeps increasing. In fact, this trend has accelerated over the past few decades, with the record set by a French woman who lived to the age of 122 year. The demographic data suggests that the limit of our biological design has not yet been reached. It is a tantalizing question, then, how our bodies manage to keep up as we continuously challenge the end of life - why is it that we still live longer?

- (1) According to the demographic data,

- (a) The segment of young people is continuously growing
  - (b) Governments now have to factor in the increasing percentage of old people while devising policies.
  - (c) French people are benchmarks for the whole world
  - (d) The ever increasing mean life expectancy shows that the human body is able to continuously defy the upper age limit.
- (1 Mark)**

- (2) What shows the higher life expectancy is caused by an improvement of the environmental conditions? **(1 Mark)**
- (3) Which of the following best describes the word 'tantalizing' as used in the 3<sup>rd</sup> paragraph:
- (a) Alluring
  - (b) Simple
  - (c) Monotonous
  - (d) Useless **(1 Mark)**
- (4) Why is it necessary to understand the biological reasons behind the demographic trend towards higher life expectancy? **(1 Mark)**
- (5) What does a decrease in death from coronary heart diseases suggest, according to the author? **(1 Mark)**

(b) Read the following passage

Bonsai is thought to be a certain type of tree that, through genetics, remained small while still resembling a larger mature tree. However, it is an art form that needs specialized skills and interest. The word bonsai is a Japanese expression that literally translates to "tray planting." The name may seem mundane, but the true beauty and joy behind the idea of bonsai is found in trying and attempting to perfect the craft. Bonsai is the art of growing certain trees and shrubs, of many varieties, in small, shallow containers. It is through careful and precise training and pruning, that the plant is slowly shaped and manipulated to give the appearance of an older, mature tree. The tree takes on a shape that is more in tune with how a tree would look growing out in nature. Training a growing tree or shrub into a desired shape over several years takes a calm patience, with every aspect being well thought out and every action precise and deliberate.

Several species of plants are suitable for growing in the bonsai fashion, including citrus trees, jade plants, many fig trees, some pine trees, juniper trees and even culinary herbs such as rosemary and basil, just to name a few. The plants can be obtained in several ways. Most can be started from seed or cloned by rooting cuttings from a growing plant (not the easiest routes). Experienced bonsai growers will often buy young plants from a nursery grower. These trees or shrubs will still have their young natural look, allowing the grower to take complete creative control over the subject and to train or prune it however they feel fit. However, for the beginner bonsai enthusiast, it may be easiest to purchase a "pre-started" plant from a reputable bonsai purveyor. These plants are usually moderately trained or trimmed and may come in a bonsai style pot, often adorned with rocks or little Japanese figurines that add to the overall aesthetic value of the bonsai tree. Pre-started bonsai plants are a great way to begin learning bonsai. Although the plants are already pruned and slightly trained, the grower can still create any unique shape desired as it grows. And the fact that the plant has already been introduced to its future bonsai destiny helps to serve as an excellent starting point for any aspiring bonsai grower.

- (i) Make notes, sub-heading, abbreviations, wherever necessary giving a suitable title. **(3 Marks)**
  - (ii) Write a summary **(2 Marks)**
2. (a) Why is 'listening' an essential part of oral communication? **(2 Marks)**
- (b) (i) Choose the suitable synonym for the word: **(1 Mark)**

**Veracity**

- a. Truthful

- b. Voluminous
- c. Arrogance
- d. Skilled

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

**Dwindle**

- a. Confused
- b. Remove
- c. Expand
- d. Forgive

(iii) Change the following sentence into direct speech (1 Mark)

Arun said that he had visited all the continents.

(c) Write a Précis and also give a suitable title to the passage given below (5 Marks)

During our growing up years we as children were taught both at home and school - to worship the photos and idols of the gods of our respective religions. When we grow a little older, we were to read holy books as there were a lot of life lessons to be learnt from them. We were introduced to stories from our mythologies which taught us about ethics and mortality—what is good and what is bad. We also learnt to be respectful towards parents, teachers and a responsible citizen.

Much later, it is realized that though we learn much from our respective holy books, there is a lot to learn from our surroundings. This realization dawns when one enquires and explores. Everything around us- the sun, the moon, the stars, the rain, stones, birds, rocks, plants and animals – all teach us many valuable life lessons.

No wonder that besides the scriptures in many cultures nature is also worshipped. The message that we get is to save our environment and maintain ecological balance. People are taught to live in harmony with nature and recognizes that there is God in all aspects of nature.

Nature is a great teacher. A river never stops flowing. If it finds an obstacle in its way in the form of a heavy rock, the river water fights to remove it from its path or finds an alternative path to move ahead. This teaches us to be progressive in life, and keep the fighting spirit alive.

Snakes are worshipped as they eat insects in the field that can hurt our crops, thus protecting the grains for us. In fact, whatever we worship is our helper and makes our lives easy for us. There are many such examples in nature, but we are not ready to learn a lesson. Overcome with greed, we are destroying nature. As a result we face natural disasters like drought, flood and landslides. We don't know that nature is angry.

However, it is never too late to learn. If we learn to respect nature the quality of our life will improve.

3. (a) What is attitude barrier and how to overcome it? (2 Marks)

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

**Per capita**

- (1) Capital income
- (2) As a rule
- (3) By head

- (4) State wise
- (ii) Choose the option which best expresses the opposite meaning of the word **Imminent** (1 Mark)
- (1) Old
- (2) Renowned
- (3) Far
- (4) Nearing
- (iii) Change the following into indirect speech (1 Mark)
- Mridula said to her mother, 'I want to become a doctor'.
- (c) You are Mr. Ajay Kumar, Founder and Head of Education Services coaching Institute based in Chennai. Write a Complaint letter to M/S Furniture World, T. Nagar, Chennai for the poor quality of furniture items sent to you against your order. You may include that pieces were defected and lacked quality. (5 Marks)
4. (a) Differentiate between formal and informal communication (2 Marks)
- (b) (i) Change the following sentence into indirect speech (3 Marks)
- Sumita said, 'Children, quickly make a queue'.
- (ii) Change the following sentence into active voice
- The research thesis was submitted by students of the final year.
- Change the following sentence into passive voice
- Students are requesting extra classes in Accounts subject.
- (c) Write a 250 words article on the topic 'The increasing dependency on Artificial Intelligence and its impact'.

OR

- Write a 250 words article on the topic 'The increasing number of juvenile crimes in India and how to control them'. (5 Marks)
5. (a) What is the vertical and horizontal form of communication? (2 Marks)
- (b) Select the correct meaning of the following idiom/phrase (2 Marks)
- (i) Bolt from the blue
- (1) Scolding from elders
- (2) Doing something unwanted
- (3) Something happens without warning
- (4) Replying without thinking
- (ii) A fish outside water
- (1) To avoid people
- (2) To be in an uncomfortable situation
- (3) Understand things easily
- (4) Stay active always



- (iii) Change the sentence into passive voice **(1 Mark)**

The watchman took five rounds of the museum at night.

- (iv) Choose the word that best expresses the meaning of the given word **(1 Mark)**

Quest

(1) Question

(2) Garden

(3) Hunt

(4) Riverside

- (c) You are a senior member of the sales team. Write a report using the official report format proposing to conduct cleanliness drives and health related campaigns in the office premises, references to cost can be made.

OR

Prepare a cover letter and detailed résumé in the functional format for a candidate applying for the post of Junior Translator in DFG Publishing Pvt. Ltd, Darya Ganj New Delhi.

Other inputs: Name:

Mohit Garg

Experience:

6 months as Trainee in ABC Publication

**(4 Marks)**

**MOCK TEST PAPER 2**

**FOUNDATION COURSE**

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

**SECTION A: BUSINESS LAWS**

**ANSWERS**

1. (a) Section 73 of Indian Contract Act, 1872 provides that when a contract has been broken, the party who suffers by such breach is entitled to receive, from the party who has broken the contract, compensation for any loss or damage caused to him thereby, which naturally arose in the usual course of things from such breach, or which the parties knew, when they made the contract, to be likely to result from the breach of it. But such compensation is not to be given for any remote and indirect loss or damage sustained by reason of the breach.

In the instant case, Mr. Harish filed the suit against Himalya Travels Pvt. Ltd. for damages for the personal inconvenience, hotel charges and medical treatment for his wife.

On the basis of above provisions and facts of the case, it can be said that Mr. Harish can claim damages for the personal inconvenience and hotel charges but not for medical treatment for his wife because it is a remote or indirect loss.

- (b) Section 8 of the Companies Act, 2013 deals with the formation of companies which are formed to promote the charitable objects of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment etc.

Such company intends to apply its profit in promoting its objects and prohibiting the payment of any dividend to its members.

Hence, a company that is registered under section 8 of the Companies Act, 2013, is prohibited from the payment of any dividend to its members.

In the present case, the company in question is a section 8 company and hence it cannot declare dividend. Thus, the contention of members is incorrect.

**(c) Difference between Condition and Warranty**

- (i) A condition is a stipulation essential to the main purpose of the contract whereas a warranty is a stipulation collateral to the main purpose of the contract.
- (ii) Breach of condition gives rise to a right to treat the contract as repudiated whereas in case of breach of warranty, the aggrieved party can claim damage only.
- (iii) Breach of condition may be treated as breach of warranty whereas a breach of warranty cannot be treated as breach of condition.

According to Section 13 of the Sale of Goods Act, 1930 a breach of condition may be treated as breach of warranty in following circumstances:

- (i) Where a contract of sale is subject to any condition to be fulfilled by the seller, the buyer may waive the condition,
- (ii) Where the buyer elects to treat the breach of condition as breach of a warranty.
- (iii) Where the contract of sale is non-severable and the buyer has accepted the whole goods or any part thereof.

- (iv) Where the fulfilment of any condition or warranty is excused by law by reason of impossibility or otherwise.

**2. (a) Definition of 'Contingent Contract' (Section 31 of the Indian Contract Act, 1872):** A contract to do or not to do something, if some event, collateral to such contract, does or does not happen.

**Example:** A contracts to pay B ₹ 1,00,000 if B's house is burnt. This is a contingent contract.

**Rules Relating to Enforcement:** The rules relating to enforcement of a contingent contract are laid down in sections 32, 33, 34, 35 and 36 of the Act.

- (i) **Enforcement of contracts contingent on an event happening:** Where a contract identifies happening of a future contingent event, the contract cannot be enforced until and unless the event 'happens'. If the happening of the event becomes impossible, then the contingent contract is void.
- (ii) **Enforcement of contracts contingent on an event not happening:** Where a contingent contract is made contingent on non-happening of an event, it can be enforced only when it's happening becomes impossible.
- (iii) **A contract would cease to be enforceable if it is contingent upon the conduct of a living person when that living person does something to make the 'event' or 'conduct' as impossible of happening.**
- (iv) **Contingent on happening of specified event within the fixed time:** Section 35 says that Contingent contracts to do or not to do anything, if a specified uncertain event happens within a fixed time, becomes void if, at the expiration of time fixed, such event has not happened, or if, before the time fixed, such event becomes impossible.
- (v) **Contingent on specified event not happening within fixed time:** Section 35 also says that "Contingent contracts to do or not to do anything, if a specified uncertain event does not happen within a fixed time, may be enforced by law when the time fixed has expired, and such event has not happened or before the time fixed has expired, if it becomes certain that such event will not happen".
- (vi) **Contingent on an impossible event (Section 36):** Contingent agreements to do or not to do anything, if an impossible event happens are void, whether the impossibility of the event is known or not to the parties to the agreement at the time when it is made.

**(b) Circumstances in which LLP may be wound up by Tribunal (Section 64 of the LLP Act, 2008):** A LLP may be wound up by the Tribunal:

- (a) if the LLP decides that LLP be wound up by the Tribunal;
- (b) if, for a period of more than six months, the number of partners of the LLP is reduced below two;
- (c) if the LLP is unable to pay its debts;
- (d) if the LLP has acted against the interests of the sovereignty and integrity of India, the security of the State or public order;
- (e) if the LLP has made a default in filing with the Registrar the Statement of Account and Solvency or annual return for any five consecutive financial years; or
- (f) if the Tribunal is of the opinion that it is just and equitable that the LLP be wound up.

**3. (a) Definition of Partnership:** 'Partnership' is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all. (Section 4 of the Indian Partnership Act, 1932)

The definition of the partnership contains the following five elements which must co-exist before a partnership can come into existence:

1. Association of two or more persons
2. Agreement
3. Business
4. Agreement to share Profits
5. Business carried on by all or any of them acting for all

#### **ELEMENTS OF PARTNERSHIP**

The definition of the partnership contains the following five elements which must co-exist before a partnership can come into existence:

1. **Association of two or more persons:** Partnership is an association of 2 or more persons. Again, only persons recognized by law can enter into an agreement of partnership. Therefore, a firm, since it is not a person recognized in the eyes of law cannot be a partner. Again, a minor cannot be a partner in a firm, but with the consent of all the partners, may be admitted to the benefits of partnership.

The Partnership Act is silent about the maximum number of partners but Section 464 of the Companies Act, 2013 read with the relevant Rules has now put a limit of 50 partners in any association / partnership firm.

2. **Agreement:** It may be observed that partnership must be the result of an agreement between two or more persons. There must be an agreement entered into by all the persons concerned. This element relates to voluntary contractual nature of partnership. Thus, the nature of the partnership is voluntary and contractual. An agreement from which relationship of Partnership arises may be express. It may also be implied from the act done by partners and from a consistent course of conduct being followed, showing mutual understanding between them. It may be oral or in writing.
3. **Business:** In this context, we will consider two propositions. First, there must exist a business. For the purpose, the term 'business' includes every trade, occupation and profession. The existence of business is essential. Secondly, the motive of the business is the "acquisition of gains" which leads to the formation of partnership. Therefore, there can be no partnership where there is no intention to carry on the business and to share the profit thereof.
4. **Agreement to share profits:** The sharing of profits is an essential feature of partnership. There can be no partnership where only one of the partners is entitled to the whole of the profits of the business. Partners must agree to share the profits in any manner they choose. But an agreement to share losses is not an essential element. It is open to one or more partners to agree to share all the losses. However, in the event of losses, unless agreed otherwise, these must be borne in the profit-sharing ratio.
5. **Business carried on by all or any of them acting for all:** The business must be carried on by all the partners or by anyone or more of the partners acting for all. This is the cardinal principle of the partnership Law. In other words, there should be a binding contract of mutual agency between the partners. An act of one partner in the course of the business of the firm is in fact an act of all partners. Each partner carrying on the business is the principal as well as the agent for all the other partners. He is an agent in so far as he can bind the other partners by his acts and he is a principal to the extent that he is bound by the act of other

partners. It may be noted that the true test of partnership is mutual agency rather than sharing of profits. If the element of mutual agency is absent, then there will be no partnership.

- (b) According to section 17 of the Indian Contract Act, 1872, mere silence as to facts likely to affect the willingness of a person to enter into a contract is not fraud, unless the circumstances of the case are such that, regard being had to them, it is the duty of the person keeping silence to speak, or unless his silence is, in itself, equivalent to speech. Hence, in the instant case,
- (i) This contract is valid since as per section 17, mere silence as to the facts likely to affect the willingness of a person to enter into a contract is not fraud. Here, it is not the duty of the seller to disclose defects.
  - (ii) This contract is not valid since as per section 17, it becomes Pradeep's duty to tell Rakesh about the unsoundness of the horse because a fiduciary relationship exists between Pradeep and his son Rakesh. Here, Pradeep's silence is equivalent to speech and hence amounts to fraud.
  - (iii) This contract is not valid since as per section 17, Pradeep's silence is equivalent to speech and hence amounts to fraud.
- (c) In the instant case, the aggrieved party, in case of misrepresentation by the other party, can avoid or rescind the contract [Section 19, Indian Contract Act, 1872]. The aggrieved party loses the right to rescind the contract if he, after becoming aware of the misrepresentation, takes a benefit under the contract or in some way affirms it.

Accordingly, in the given case, Neeraj could not rescind the contract, as his acceptance to the offer of Rahul to bear 45% of the cost of repairs impliedly amount to final acceptance of the sale.

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

- (i) **Sale by a Mercantile Agent:** A sale made by a mercantile agent of the goods or document of title to goods would pass a good title to the buyer in the following circumstances, namely;
  - (a) if he was in possession of the goods or documents with the consent of the owner;
  - (b) if the sale was made by him when acting in the ordinary course of business as a mercantile agent; and
  - (c) if the buyer had acted in good faith and has at the time of the contract of sale, no notice of the fact that the seller had no authority to sell. (Proviso to Section 27).

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

- (ii) **Sale by one of the joint owners:** If one of the several joint owners of goods has the sole possession of them with the permission of the others the property in the goods may be transferred to any person who buys them from such a joint owner in good faith and does not at the time of the contract of sale have notice that the seller has no authority to sell. (Section 28)
- (iii) **Sale by a person in possession under voidable contract:** A buyer would acquire a good title to the goods sold to him by seller who had obtained possession of the goods under a contract voidable on the ground of coercion, fraud, misrepresentation or undue influence provided that the contract had not been rescinded until the time of the sale (Section 29).

- (iv) **Sale by one who has already sold the goods but continues in possession thereof:** If a person has sold goods but continues to be in possession of them or of the documents of title to them, he may sell them to a third person, and if such person obtains the delivery thereof in good faith without notice of the previous sale, he would have good title to them, although the property in the goods had passed to the first buyer earlier. A pledge or other deposition of the goods or documents of title by the seller in possession are equally valid. [Section 30(1)]
  - (v) **Sale by buyer obtaining possession before the property in the goods has vested in him:** Where a buyer with the consent of seller obtains possession of the goods before the property in them has passed to him, he may sell, pledge or otherwise dispose of the goods to a third person, and if such person obtains delivery of the goods in good faith and without notice of the lien or other right of the original seller in respect of the goods in good faith and without notice of the lien or other right of the original seller in respect of the goods, he would get a good title to them. [Section 30(2)].
  - (vi) **Sale by an unpaid seller:** Where an unpaid seller who had exercised his right of lien or stoppage in transit resells the goods, the buyer acquires a good title to the goods as against the original buyer [Section 54(3)].
  - (vii) **Sale under the provisions of other Acts:**
    - (a) Sale by an official Receiver or liquidator of the company will give the purchaser a valid title.
    - (b) Purchase of goods from a finder of goods will get a valid title under circumstances.
    - (c) Sale by a pawnee under default of pawnor will give valid title to the purchaser.
- (b) According to Section 29 of the Indian Partnership Act, 1932,
- (1) A transfer by a partner of his interest in the firm, either absolute or by mortgage, or by the creation by him of a charge on such interest, does not entitle the transferee, during the continuance of the firm, to interfere in the conduct of business, or to require accounts, or to inspect the books of the firm, but entitles the transferee only to receive the share of profits of the transferring partner, and the transferee shall accept the account of profits agreed to by the partners.
  - (2) If the firm is dissolved or if the transferring partner ceases to be a partner, the transferee is entitled as against the remaining partners to receive the share of the assets of the firm to which the transferring partner is entitled, and, for the purpose of ascertaining that share, to an account as from the date of the dissolution.

In the light of facts of the question and provision of law:

- (i) Yes, Mr. *Naresh* can validly transfer his interest in the firm by way of sale.
- (ii) On the retirement of the transferring partner (Mr. *Naresh*), the transferee (Mr. *Akash*) will be entitled, against the remaining partners:
  - (a) to receive the share of the assets of the firm to which the transferring partner was entitled, and
  - (b) for the purpose of ascertaining the share,he is entitled to an account as from the date of the dissolution.

So, in this case on Mr. *Naresh*'s retirement, Mr. *Akash* would be entitled to receive the value of Mr. *Naresh*'s share to the extent of ₹ 6 crore in the firm's assets.

5. (a) According to Section 50 to 52 of the Sale of Goods Act, 1930, when the buyer of goods becomes insolvent, the unpaid seller who has parted with the possession of the goods has the right of stopping them in transit and he may resume possession of the goods as long as they are in the course of transit and may retain them until payment or tender of the price. However right of stoppage in transit is available only in the following conditions:

(i) The seller must be an unpaid seller.

(ii) When the buyer becomes insolvent; and

(iii) When the goods are in transit.

This right of stoppage in transit is lost if buyer makes sub – sale of such goods during in transit and that buyer purchased in good faith.

(a) On the basis of above provisions and facts, it can be said that even Mr. Shekharan is an unpaid seller, he cannot apply his right of stoppage in transit as goods has been taken by Mr. Ravi in good faith.

(b) Further, if Mr. Ravi has knowledge of Mr. Raghwan's insolvency at the time of buying the goods, Mr. Ravi has not bought the goods in good faith. Hence, Mr. Shekharan can exercise his right of stoppage in transit.

- (b) **Doctrine of ultra vires:** The meaning of the term ultra vires is simply "beyond (their) powers". The legal phrase "ultra vires" is applicable only to acts done in excess of the legal powers of the doers. This presupposes that the powers in their nature are limited. It is a fundamental rule of Company Law that the objects of a company as stated in its memorandum can be departed from only to the extent permitted by the Act, thus far and no further. In consequence, any act done or a contract made by the company which travels beyond the powers not only of the directors but also of the company is wholly void and inoperative in law and is therefore not binding on the company.

The impact of the doctrine of ultra vires is that a company can neither be sued on an ultra vires transaction, nor can it sue on it. Since the memorandum is a "public document", it is open to public inspection. Therefore, when one deals with a company one is deemed to know about the powers of the company. If in spite of this you enter into a transaction which is ultra vires the company, you cannot enforce it against the company.

An act which is ultra vires the company being void, cannot be ratified even by the unanimous consent of all the shareholders of the company.

Hence in the given case, ABC Limited cannot enter into a contract outside the purview of its object clause of Memorandum of Association as it becomes ultra vires and thus null and void.

6. (a) According to Section 56 of the Indian Contract Act, 1872, the impossibility of performance may be of the two types, namely (a) initial impossibility, and (b) subsequent impossibility.

**Subsequent impossibility is also known as Supervening impossibility i.e. becomes impossible after entering into contract.** When performance of promise becomes 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. In other words, sometimes, the performance of a contract is quite possible when it is made. But subsequently, some event happens which renders the performance impossible or unlawful. Such impossibility is called the subsequent or supervening. It is also called the post-contractual impossibility.



**Example:** 'A' and 'B' contracted to marry each other. Before the time fixed for the marriage, 'A' became mad. In this case, the contract becomes void due to subsequent impossibility, and thus discharged.

**Effect of impossibility:** The effect of such impossibility is that it makes the contract void, and the parties are discharged from further performance of the contract.

**(b) Mode of Settlement of partnership accounts:** As per Section 48 of the Indian Partnership Act, 1932, in settling the accounts of a firm after dissolution, the following rules shall, subject to agreement by the partners, be observed:-

- (i) Losses, including deficiencies of capital, shall be paid first out of profits, next out of capital, and, lastly, if necessary, by the partners individually in the proportions in which they were entitled to share profits;
- (ii) The assets of the firm, including any sums contributed by the partners to make up deficiencies of capital, must be applied in the following manner and order:
  - (a) in paying the debts of the firm to third parties;
  - (b) in paying to each partner rateably what is due to him from capital;
  - (c) in paying to each partner rateably what is due to him on account of capital; and
  - (d) the residue, if any, shall be divided among the partners in the proportions in which they were entitled to share profits.

**(c) Separate Legal Entity:** Corporate Veil refers to a legal concept whereby the company is identified separately from the members of the company.

The term Corporate Veil refers to the concept that members of a company are shielded from liability connected to the company's actions. If the company incurs any debts or contravenes any laws, the corporate veil concept implies that members should not be liable for those errors.

Thus, the shareholders are protected from the acts of the company. The leading case law of *Saloman Vs Saloman and Co. Limited*, laid the foundation of concept of corporate veil or independent corporate personality. A company is a person distinct and separate from its members.

Based on the above discussion and provisions, Mr. Raj was entitled to the assets of the company as he was a secured creditor of the company and the contention of the creditors that Mr. Raj and the company are one and same person is wrong.



**PAPER 2: SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING**

**ANSWERS**

1. (a) (1) Option d  
(2) The increase in the gross national product and the increase in mean life expectancy shows that higher life expectancy is caused by improved environmental conditions.  
(3) Option a  
(4) To deal with these social problems and make predictions about the future of populations, it is necessary to understand the biological reasons behind this demographic trend towards higher life expectancy.  
(5) The decrease in death due to coronary heart disease illustrates that the abundant resources that have helped to overcome child mortality have also led to better survival at middle age and old age.
- (b) "The Bonsai Culture"  
(1) Bonsai means 'Tray planting'
  - (a) These are small trees
  - (b) Generally small
  - (c) Resembles a large tree  
(2) Bonsai growing is an art form
  - (a) Needs care and precision
  - (b) Proper training and pruning
  - (c) Grown in shallow containers  
(3) Shaped like a mature tree
  - (a) The plant is given a specific shape
  - (b) Requires patience
  - (c) It takes years to grow a bonsai  
(4) Various species can be grown as Bonsai
  - (a) Citrus trees
  - (b) Jade plants
  - (c) Fig trees
  - (d) Pine trees
  - (e) Herbs like rosemary and basil  
(5) How to grow a bonsai?
  - (a) Can be started from a seed
  - (b) Root cloning can be done
  - (c) A pre-started bonsai can be used

- (6) Beauty of a Bonsai
  - (a) Dcrtd with rocks or Japanese figurines
  - (b) Pruned to form unq shapes
  - (c) Act as a strtng point for an aspiring bonsai grwr

**Key:**

- (1) Ths= these
- (2) Sml= small
- (3) Gntclly= genetically
- (4) Rsmbl= resemble
- (5) Lrg= large
- (6) Grng= growing
- (7) Prpr= proper
- (8) Grn= grown
- (9) Cntnrs= containers
- (10) Spcfc= specific
- (11) Rqrs= requires
- (12) Tks= takes
- (13) Yrs= years
- (14) Vrs= various
- (15) Hw= how
- (16) Strd= started
- (17) Dcrts= decorated
- (18) Unq= unique
- (19) Strtng= starting
- (20) Grwr= grower

**(b) Summary**

Bonsai means 'tray planting'. It is an art of growing small sized plants that remain short genetically. Bonsai can be grown by using a seed, a root clone or a pre started bonsai. It needs patience and years of hard work and skill to grow a new bonsai. Enthusiasts have to learn the art and often decorate it with rocks and Japanese figurines. Grown in containers, bonsai are pruned in unique shapes that add to their beauty.

- 2. (a) Listening is an important part of oral communication because as listening happens, the mind registers sub consciously the accent, vocabulary, grammar and voice modulation. So listening is an important segment of learning to speak just as a child would do. It is essential to listen to the best models of the language to improve it naturally. The more we listen, the better our conversation will get. Hence, listening is an important aspect to learn speaking.

- (b) (i) Option a  
(ii) Option c  
(iii) Arun said, 'I have visited all the continents'.

(c) **Nature is our teacher**

As children, we were taught to worship gods and read the holy books of our religion. Stories from mythology were told to inculcate morals values in us and to judge what is good and bad, besides learning how to respect parents and teachers. However, later we realize that even elements of nature can be our teachers, the sun, the moon, stars, birds and all the bio diversity around us.

Probably this, is the reason why many cultures worship nature; to teach man to save environment and maintain ecological balance. A good example is the river that keeps on moving and finds its own path. It teaches progression. Man should learn from its surroundings and accept its interference with nature that eventually causes natural disasters like floods and landslides. So, as they say, better late than never, let us start to respect nature and learn from it.

3. (a) Personal attitudes of employees can affect communication within the organisation. A proactive, motivated worker will facilitate the communication process, whereas a dissatisfied, disgruntled, shy, introvert or lazy employee can delay, hesitate in taking the initiative, or refuse to communicate. Good management and regular interaction with staff members can help overcome attitude as a barrier in communication.

- (b) (i) Option 3  
(ii) Option 3  
(iii) Mridula told her mother that she wanted to become a doctor.

(c) **Complaint Letter**

Education Services Coaching Institute

Chennai

5<sup>th</sup> May, 2023

M/s Furniture,

T. Nagar, Chennai

Dear Sir/Madam

Subject: Complaint against order number 4/2023/54

This is with reference to order number 4/2023/54, made on 20<sup>th</sup> April, 2023. The order included two wooden tables, eight chairs, one side stool and two long benches. The order was delivered within the timelines, as promised. However, some of the items delivered are of low quality and some are rather defective.

Firstly, the arm rest of two chairs have a big crack on it. Secondly, the leg of one table is shaky, it looks like it has not been designed properly. Lastly, the long bench was supposed to have a cushioned seat which is missing.

I request you to investigate the concerns and reply as soon as possible. Hope to hear from a representative from your office. I would appreciate it if you could pre-check the quality of orders before sending them to avoid any post- delivery hassles.

Waiting for a quick response!

Thanks and Regards

Ajay Kumar

Founder and Head,

Education Services Coaching Institute

4. (a)

Formal Communication	Informal Communication
Formal communication follows rules, principles and convention.	Informal communication is friendly, casual, and unofficial.
It is usually followed in offices, between employees, seniors, juniors, colleagues, clients	This communication is usually between family, friends, neighbours, members of the community and people working together in an organization
In formal communication, the hierarchy in the organisation has to be followed.	Informal communication is spontaneous conversation and exchange of information between two or more persons without conforming any chain of command.
The communication pattern can be vertical, horizontal or diagonal.	No communication pattern is followed in informal communication.

- (b) (i) Sumita asked the children to quickly make a queue.  
(ii) Students of the final year submitted the research thesis.  
(iii) Extra classes in Accounts subject are being requested by students.

(c) Hints: Artificial Intelligence and its impact:

- Age old saying 'Technology has its pros and cons'
- Discuss the importance of technology and its growing dependency.
- Give a few examples of how new technology has brought about landmark changes.
- Introduce the topic of Artificial intelligence (AI).
- Give examples where AI is being used.
- Justify your opinion by taking sides; how AI has entered into human lives.

OR

Hints: Increasing number of juvenile crimes in India

- Reasons for increasing juvenile crimes:
  - easy access of internet
  - Over exposure to content: crime, action etc.

- Adults unable to keep constant check.
- Teenagers accept fiction as reality.
- Accept challenges and in doing so end up committing a crime.
- Measures of control:
  - Constant checks.
  - Limited screen time
  - Spend more time with family and in outdoor activities

5. (a) **Vertical Communication** is a form of communication pattern where information flows upward or downward in the organisation. Data that is collected flows up to the top levels of management for review and decision making, while instructions and orders are passed down from the management/seniors to the subordinates for implementation.

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

- (b) (i) Option 3  
(ii) Option 2  
(iii) Five rounds of the museum were taken by the watchman at night.  
(iv) Option 3

(c) **Formal Report (Hints)**

**To:** Management panel

**From:** Operations Team

**Date:** 5<sup>th</sup> May 2023

**Subject:** Proposal for regular cleanliness drives

**Acknowledgements:**

**Contents:**

1. Need for cleanliness
2. Problems that can be resolved
3. Methodology and plan of action discussed
4. Cost, inventory and expenditure details

**Summary**

We propose to start cleanliness drives in the office premises as a regular practice. The intent is to spread the message of hygienic surroundings to ensure better productivity. After the pandemic, cleanliness in the surroundings has become an essential part of life. The cost details have been elaborated and a reasonable proposal has been made. Employees will not only benefit from this drive but also get to learn more about health and hygiene. The plan can be executed as soon as possible without further delays.

OR

**Cover Letter**

A-26 E, Sector-35

C-16/A, Tri Nagar

New Delhi -110006

[mohit.garg@gmail.com](mailto:mohit.garg@gmail.com)

April 16, 2023

The Manager HRD

DFG Publishing Pvt. Ltd.

Darya Ganj,

New Delhi 110002.

Dear Sir/Ma'am,

**Subject: Application for the Post of Junior Translator**

This is with reference to your advertisement in 'The Times of India' dated April 04, 2023, for the post of Junior Translator in your organization. I wish to apply for the same.

I am a post graduate in English from TD College, Delhi University. I am focused, punctual and open to learning. Currently, I am working as a trainee at ABC Publication for the past 6 months in the translation section. This position in your esteemed organization completely gels with my profile and career aspirations.

I can assure that if given an opportunity, I shall work with utmost allegiance and sincerity and prove to be an asset to your organization.

I am enclosing my résumé for your reference. I shall be available for an interview through online or in person on any day of your convenience.

Thank you for your consideration, looking forward to a positive response from you!

Yours Sincerely,

Mohit Garg

Enclosure:

1. Résumé

**Résumé**

**Mohit Garg**

A-26 E, Sector-35

C-16/A,

Tri Nagar,

New Delhi

Mob: +91-xxxxx xxxxx

Email: [mohit.garg@gmail.com](mailto:mohit.garg@gmail.com)

**Objective:** To work in an environment where I can hone my skills, enrich my knowledge, realize my true potential and grow as a professional.

**Experience:** More than 6 months at ABC Publications as a trainee (Translation section)

**Educational Qualifications:**

S. No.	Examination / Degree/ Course	Subject Stream	Name of the Institution / Institute / College	Board / University	Year of Passing	Percentage/ Division
1	MA	English	TD College	Delhi University	2019	69%
2	BA	English (Hons.)	ASD College	Delhi University	2017	76%
3	Higher Secondary	Humanities	St. George Public School, New Delhi	CBSE	2014	89%

**Skills:**

- Professional: Translation, Transcription, Transliteration
- Technical: MS Word, Excel, Photoshop
- Interpersonal :
  - Good Communication Skills
  - Highly organized and efficient
  - Ability to work independently
  - Ability to work in team

**Language Known:**

- English, Hindi

**Hobbies:**

- Reading, Travelling

**Personal Details:**

- Father's Name: XYZ
- Mother's Name: XYX
- DoB: xx/xx/xxxx
- Gender: Male
- Marital Status: Single

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

Date: April 16, 2023

Place: XYZ

(Mohit Garg)

**MOCK TEST PAPER II**

**FOUNDATION COURSE**

**PAPER 3: BUSINESS MATHEMATICS, LOGICAL REASONING AND STATISTICS**

**Time: 2 Hours**

**Marks: 100**

**Part A: Business Mathematics and Logical Reasoning**

1. The monthly incomes of A & B are in the ratio 4 : 5 and their monthly expenditures are in the ratio 5 : 7. If each saves ₹ 150 per month, find their monthly incomes.  
(a) (40; 50)  
(b) (50; 40)  
(c) (400; 500)  
(d) None of these
2. Two vessels containing water and milk in the ratio 2 : 3 and 4 : 5 are mixed in the ratio 1 : 2. The ratio of milk and water in the resulting mixture.  
(a) 58 : 77  
(b) 77 : 58  
(c) 68 : 77  
(d) None of these
3. If  $(x - 9) : (3x + 6)$  is the duplicate ratio of 4 : 9, find the value of x  
(a)  $x = 9$   
(b)  $x = 16$   
(c)  $x = 36$   
(d)  $x = 25$
4. Value of  $(a^{1/8} + a^{-1/8})(a^{1/8} - a^{-1/8})(a^{1/4} + a^{-1/4})(a^{1/2} + a^{-1/2})$  is :  
(a)  $a + \frac{1}{a}$   
(b)  $a - \frac{1}{a}$   
(c)  $a^2 + \frac{1}{a^2}$   
(d)  $a^2 - \frac{1}{a^2}$
5. If  $(25)^{150} = (25x)^{50}$  then the value of x will be  
(a)  $5^3$   
(b)  $5^4$   
(c)  $5^2$   
(d) 5
6.  $7\log\left(\frac{16}{15}\right) + 5\log\left(\frac{25}{24}\right) + 3\log\left(\frac{81}{80}\right)$  is equal to  
(a) 0



- (b) 1  
(c)  $\log 2$   
(d)  $\log 3$
7.  $\log_4(x^2+x) - \log_4(x+1) = 2$ . find x  
(a) 16  
(b) 0  
(c) -1  
(d) None of these
8. Given  $\log 2 = 0.3010$  and  $\log 3 = 0.4771$  then the value of  $\log 24$   
(a) 1.3081  
(b) 1.1038  
(c) 1.3801  
(d) 1.830
9. The value of y of fraction  $\frac{x}{y}$  exceeds with x by 5 and if 3 be added to both the fraction becomes  $\frac{3}{4}$ . Find the fraction,  
(a)  $\frac{12}{17}$   
(b)  $\frac{13}{17}$   
(c)  $-\frac{1}{3}$   
(d) None of these
10. Solve for x; y and z.  $\frac{xy}{y-x} = 210$ ,  $\frac{xz}{z-x} = 140$ ,  $\frac{yz}{y+z} = 140$   
(a) 105;210;420  
(b) 100; 205;400  
(c) 95;215; 395  
(d) None of these
11. If difference between a number and its positive square root is 12; the numbers are  
(a) 9  
(b) 16  
(c) 25  
(d) None of these
12. On solving the inequalities  $6x + y > 18$ ,  $x + 4y > 12$ ,  $2x + y > 10$ , we get the following situation :  
(a) (0, 18), (12, 0), (4, 2) & (7, 6)  
(b) (3, 0), (0, 3), (4, 2), & (7, 6)  
(c) (5, 0), (0, 10), (4, 2) & (7, 6)  
(d) (0, 18), (12, 0), (4, 2), (0, 0) and (7, 6)

13. Mr. A invested ₹ x in an organisation, it amounts to ₹ 150 at 5% p.a. S.I. and to ₹ 100 at 3% p.a. S.I. Then the value of x is
- (a) ₹ 70
  - (b) ₹ 40
  - (c) ₹ 25
  - (d) None of these
14. Mrs. Sudha lent ₹ 4,000 in such a way that some amount to Mr. A at 3% p.a. S.I. and rest amount to B at 5% p.a. S.I., the annual interest from both is ₹ 144, Find the amount lent to Mr. A
- (a) ₹ 2,800
  - (b) ₹ 1,200
  - (c) ₹ 2,500
  - (d) None of these
15. A certain sum of money becomes double at 5% rate of S.I. p.a. in a certain time, the time in years is
- (a) 10 years
  - (b) 20 years
  - (c) 25 years
  - (d) None of these
16. A certain sum of money amounts to ₹ 5,000 in 5 years at 10% p.a. In how many years will it amount to ₹ 6,000 at same rate of S.I p.a.
- (a) 10 years
  - (b) 8 years
  - (c) 6 years
  - (d) None of these
17. ₹ 1,25,000 is borrowed at compound interest at the rate of 2% for the 1<sup>st</sup> year, 3% for the second year and 4% for the 3<sup>rd</sup> year. Find the amount to be paid after 3 years.
- (a) ₹ 125678
  - (b) ₹ 136587
  - (c) ₹ 163578
  - (d) ₹ 136578
18. A certain sum of money amounts to double in 5 years placed at a compound interest. In how many years will it amount to 16 times at same rate of interest?
- (a) 12 years
  - (b) 20 years
  - (c) 24 years
  - (d) None of these
19. If the compound interest on a certain sum of money for 3 years at 5% p.a. be ₹50.44, then the Simple Interest (S.I) is
- (a) ₹ 50

- (b) ₹ 49  
(c) ₹ 48  
(d) None of these
20. If the difference between C.I and S.I on a certain sum of money at 5% p.a. for 2 years is ₹ 1.50. Find the sum of money.  
(a) ₹ 600  
(b) ₹ 500  
(c) ₹ 400  
(d) None of these
21. Find the present value of an annuity which pays ₹ 200 at the end of each 3 months for 10 years assuming money to be worth 5% converted quarterly?  
(a) ₹ 3473.86  
(b) ₹ 3108.60  
(c) ₹ 6265.38  
(d) None of these
22. The amount of an annuity due consisting of 15 annual payments invested at 8% effective is ₹ 10,000. Find the size of each payment.  
(a) ₹ 873.86  
(b) ₹ 108.60  
(c) ₹ 341.01  
(d) None of these
23. A company is considering proposal of purchasing a machine full payment of ₹4000 or by leasing it for 4 years at an annual rate of ₹1250. Which course of action is preferable if the company can borrow money at 14% compounded annually?  
(a) Purchasing  
(b) Leasing  
(c) Both are same  
(d) None of these
24. Find the purchase price of a ₹ 1000 bond redeemable at the paying annual dividends at 4% if the yield rate is to be 5% effective.  
(a) ₹ 884.16  
(b) ₹ 984.17  
(c) ₹ 1084.16  
(d) None of these
25. The future value of an annuity of ₹ 5,000 is made annually for 8 years at interest rate of 9% compounded annually. [Given that  $(1.09)^8 = 1.99256$ ]  
(a) ₹ 55,142.22  
(b) ₹ 65,142.22  
(c) ₹ 65,532.22

- (d) ₹ 57,425.22
26. Paul borrows ₹ 20,000 on condition to repay it with compound interest at 5% p.a. in annual instalment of ₹ 2,000 each. Find the number of years in which the debt would be paid off.
- (a) 10 years  
(b) 12 years  
(c) 14 years  
(d) 15 years
27. How many numbers of 3 digits can be made by using digits 3, 5, 6, 7 and 8. No. digit being repeated.
- (a) 120  
(b) 60  
(c) 100  
(d) None of these
28. In how many ways of the word "MATHEMATICS" be arranged so that the vowels always occur together?
- (a)  $11! (2!)^3$   
(b)  $(8! \times 4!) + (2!)^3$   
(c)  $12! + (2!)^3$   
(d) None of these
29. If  ${}^{20}C_r = {}^{20}C_{r+6}$ . Then the value of r is
- (a) 10  
(b) 7  
(c) 11  
(d) None of these
30. If 20 A.M.s. are inserted between 3 and 51 then sum of these 20 A.M.s is
- (a) 540  
(b) 1080  
(c) 270  
(d) None of these
31. The sum upto infinity of the series  $S = \frac{1}{2} + \frac{1}{6} + \frac{1}{18} + \dots$  is
- (a)  $\frac{5}{4}$   
(b)  $\frac{3}{4}$   
(c)  $\frac{7}{3}$   
(d) None of these
32. Find the sum to n terms of the series:  $7 + 77 + 777 + \dots$  to n terms:
- (a)  $\frac{7}{9} (10^{n+1} - 10) - \frac{7n}{9}$

- (b)  $\frac{7}{9}(10^{n+1}-10)+\frac{7n}{9}$
- (c)  $\frac{7}{9}\left[\frac{10(10^n-1)}{9}-n\right]$
- (d)  $\frac{7}{81}(10^{n+1}-10)+\frac{7n}{9}$
33. Out of 20 members in a family, 11 like to take tea and 14 like coffee. Assume that each one likes at least one of the two drinks. Find how many like both coffee and tea:
- (a) 2  
(b) 3  
(c) 4  
(d) 5
34. If  $f(x) = \frac{x}{\sqrt{1+x^2}}$  and  $g(x) = \frac{x}{\sqrt{1-x^2}}$  Find fog?
- (a)  $x$   
(b)  $\frac{1}{x}$   
(c)  $\frac{x}{\sqrt{1-x^2}}$   
(d)  $x\sqrt{1-x^2}$
35. The range of the relation  $\{(1,0)(2,0)(3,0)(4,0)(0,0)\}$  is
- (a)  $\{1,2,3,4,0\}$   
(b)  $\{0\}$   
(c)  $\{1,2,3,4\}$   
(d) None of these
36. The slope of the tangent at the point (2, -2) to the curve  $x^2 + xy + y^2 - 4 = 0$  is given by :
- (a) 0  
(b) 1  
(c) -1  
(d) None of these
37. If  $y = 2x + \frac{4}{x}$ , then  $x^2 \frac{d^2y}{dx^2} + x \frac{dy}{dx} - y$  then yields
- (a) 3  
(b) 1  
(c) 0  
(d) 4
38.  $\int (\sqrt{x} + \frac{1}{\sqrt{x}}) dx$
- (a)  $2x^{\frac{1}{2}} \left(\frac{1}{3}x - 1\right)$   
(b)  $2x^{\frac{1}{2}} \left(\frac{1}{3}x + 1\right)$

- (c)  $2\left(\frac{1}{3}x + x^{1/2}\right)$
- (d) None of these
39.  $\int \frac{6x+4}{(x-2)(x-3)} dx$  is equal to
- (a)  $22 \log (x-3) - 16(x-2)$
- (b)  $11 \log (x-3) - 8(x-2)$
- (c)  $22 \log (x-3) - 161 \log(x-2)$
- (d)  $232 \log (x-3) + 161 \log (x-2)$
40. The 4<sup>th</sup> term of an A.P. is three times the first and the 7<sup>th</sup> term exceeds the third term by 1. Find the first term 'a' and common difference 'd'.
- (a)  $a = 3, d=2$
- (b)  $a = 4, d=3$
- (c)  $a = 5, d=4$
- (d)  $a = 6, d=5$
41. Find next term of the series 10, 69, 236, 595, ?
- (a) 1254
- (b) 1020
- (c) 1320
- (d) 1200
42. In certain code language, BOARD is coded as CQDVI, what is the code for the word CONSULTING?
- (a) DQQWZRARNQ
- (b) DQQWZARQWQ
- (c) DQQWZRAQWQ
- (d) None of these
43. In a certain code language if CAMP is written as 9, then in the same code how will the word TEAM be written?
- (a) 14
- (b) 19
- (c) 27
- (d) 33
44. Which number will come next in the following series? 675, 623, 573, 525?
- (a) 491
- (b) 479
- (c) 423
- (d) 456

45. Identify the sequence of letters and find out the missing number. AGM, DJP, HNT, \_\_\_\_

- (a) MSY
- (b) NTZ
- (c) LRX
- (d) KQW

46. 105, 115.5, 150, 162.5, 203, ?

- (a) 217
- (b) 217.5
- (c) 210.5
- (d) None of these

Directions (47-48) Read the following information carefully and answer that questions that follow.

Eight friends A, B, C, D, E, F, G and H are sitting in a circle facing the Centre, B is sitting between G and D. H is third to the left of B and second to the right of A. C is sitting between A and G and B and E are not sitting opposite to each other.

47. Who is third to the left of D ?

- (a) F
- (b) E
- (c) A
- (d) Cannot be determined

48. Which of the following statement is not correct ?

- (a) D and A are sitting opposite to each other
- (b) C is third to the right of D
- (c) E is sitting F and D
- (d) A is sitting C and F

49. Six friends A, B, C, D, E and F are sitting in a row facing East. C is between A and E. B is just to the right of E but left of D. F is not at the right end. Who is at the right end?

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

50. Ram walks 30 km East then turns right and walks for another 16 km. He then again turns right and walks for another 16 km. He then turns left & walks for another 14 km. Then he turns right & walks for 14 km. How far is he from his initial point?

- (a) 26 km
- (b) 24 km
- (c) 22 km

- (d) None of these

**Directions (Illustrations 51-52)** Study the following information carefully and answer the questions given below.

Six friends A, B, C, D, E and F are sitting in a row facing towards North. C is sitting between A and E. D is not at the end. B is sitting at immediate right of E. F is not at the right end but D is sitting at 3<sup>rd</sup> left of E.

51. How many persons are there to the right of D?
- (a) One  
(b) Two  
(c) Three  
(d) Four
52. Which of the following is sitting to the left of D?
- (a) F  
(b) C  
(c) E  
(d) A
53. A man walks 5 km south and then turns to the right. After walking 3 km he turns to the left and walks 5 km. Now in which direction is he from the starting place?
- (a) East  
(b) South  
(c) North-East  
(d) South-West
54. If South-East becomes North, North-East becomes West and so on. What will West become?
- (a) North-East  
(b) North-West  
(c) South-East  
(d) North-East
55. One evening before sunset Rekha and Hema were talking to each other face to face. If Hema's shadow was exactly to the right of Hema, which direction was Rekha facing?
- (a) North  
(b) South  
(c) West  
(d) East
56. If A+B means, "A is the son of B"  
A-B means, "A is the daughter of B"  
A\*B means, "A is the wife of B"  
A\$B means, "A is the sister of B".  
If A\$B-C\*D is true, how is D related to B?



- (a) Wife  
(b) Father  
(c) Grandmother  
(d) Grandfather
57. In a certain language, '+' means father of, '-' means daughter of, '\*' means son of, and '/' means mother of. For example,  $X+Y-Z$  means that X is the father of Y and Y is the daughter of Z.  
 $A + F - K / G + L * H$   
How is H related to A?  
(a) Sister-in-law  
(b) Daughter-in-Law  
(c) Daughter  
(d) Grand-Daughter
58. The brother of X's mother is the only son of Y's mother's father. How is Y's mother related to X.  
(a) Mother  
(b) Daughter  
(c) Grandmother  
(d) Cannot be determined
59. If  $X + Y$  means X is the mother of Y;  
 $X - Y$  means X is the brother of Y;  
 $X \% Y$  means X is the father of Y and  
 $X \times Y$  means X is the sister of Y,  
which of the following shows that O is the maternal uncle of L?  
(a)  $L - N + M \times O$   
(b)  $O + S \times N - L$   
(c)  $O - M + N \times L$   
(d)  $L - S \% O$
60. A man said to a woman, —Your mother's husband's sister is my aunt. II How is the woman related to the man?  
(a) Granddaughter  
(b) Daughter  
(c) Sister  
(d) Aunt

**Part B – Statistics**

61. Which of the following is a correct statement?  
(a) Range is unaffected by the change in origin or change in scale

- (b) Range is affected by the change in origin or change in scale
  - (c) Range is unaffected by the change in origin but affected by change in scale
  - (d) Range is affected by the change in origin but unaffected by change in scale
62. In case of extreme sampling fluctuations, which is the best measure of dispersion?
- (a) Quartile Deviation
  - (b) Standard Deviation
  - (c) Mean Deviation
  - (d) Range
63. A shopkeeper wants to place an order for t-shirts with the wholesaler based on past sales data. The size he orders will be decided looking at the \_\_\_\_\_ of past sales data?
- (a) Mean
  - (b) Median
  - (c) Mode
  - (d) None of the above
64. The students of a class  $X^{\text{th}}$  have an average weight of 50 kg. The strength of the class is 49 students. On including the weight of the Principal, the average weight shoots up by 0.8 kg. Find the weight of the Principal?
- (a) 75
  - (b) 90
  - (c) 85
  - (d) None of these
65. The average of  $(p+q)$  consecutive numbers starting from 1 is 'r'. If 's' is added to each of the numbers then the new average will be?
- (a)  $r+s$
  - (b)  $r+(s/2)$
  - (c)  $\{r + (p+q+s)\}/(p+q)$
  - (d) None of these
66. The average weight of 40 people is increased by 2.4 kg when one man weight 73 kg is replaced by another man. Find the weight of the new man?
- (a) 121
  - (b) 169
  - (c) 154
  - (d) 149

67. The average salary of the whole employees in a company is ₹400 per day. The average salary of officers is ₹ 800 per day and that of clerks is ₹ 320 per day. If the number of officers is 40, then find the number of clerks in the company?
- (a) 50
  - (b) 100
  - (c) 150
  - (d) 200
68. The average of 6 numbers is 30. If the average of the first four is 25 and that of the last three is 35, the fourth number is
- (a) 25
  - (b) 30
  - (c) 35
  - (d) 40
69. Perpendicular is drawn from the point of intersection of 2 Ogives on the horizontal axis. The value of x denotes:
- (a) First Quartile
  - (b) Second Quartile
  - (c) Third Quartile
  - (d) Any of the above
70. In study of impact of novel Coronavirus in the world, a frequency graph is plotted for age on the x axis and fatalities on the y axis. Which frequency curve is most expected as the output?
- (a) J shaped curve
  - (b) U shaped curve
  - (c) Bell shaped curve
  - (d) Mixed shaped curve
71. AM and GM are both negative values, HM is equal to:
- (a)  $H = \frac{G}{A^2}$
  - (b)  $H = \frac{G^2}{A}$
  - (c)  $H = \frac{G^2}{\sqrt{A}}$
  - (d) None of the above
72. Which of the following is the correct relation between mean, median and mode
- (a)  $\text{Median} = \text{mode} + \frac{2}{3}(\text{mean} - \text{mode})$
  - (b)  $2\text{Mean} = \text{Mode} - 3\text{Median}$
  - (c)  $2\text{Mean} = \text{Mode} + 3\text{Median}$

- (d)  $\text{Mode} = 3\text{Median} + 2\text{Mean}$
73. A student marks were wrongly entered as 85 instead of 45. Due to that the average marks for the whole class got increased by one-fourth. The no. of students in the class is?
- (a) 80  
(b) 160  
(c) 40  
(d) 20
74. Find the mean deviation about mean for the numbers: 2,6,7,4,8,3
- (a) 4  
(b) 6  
(c) 5  
(d) 2
75. If Quartile deviation is 7. Find the value of x from the arranged series: 2, x, 6, 7, 9, 16, 18.
- (a) 5  
(b) 2  
(c) 8  
(d) 6

76. There are two startups in ecommerce sector struggling to acquire the market. Following data is for Mean and Standard Deviation of billing amount of bought items per month on their website

Startup	No. of customers/ month	Mean billing amount	SD of billing amount
A	40	₹ 2500	₹10
B	30	₹2200	₹11

Which startup has a better consistency when it comes to sales numbers?

- (a) Startup A  
(b) Startup B  
(c) Both A and B  
(d) Need more information
77. If a card is drawn randomly from a deck, the probability of the card being neither a red card nor a face card?
- (a)  $5/13$   
(b)  $6/17$   
(c)  $12/27$   
(d)  $5/7$

78. From a deck of 52 cards, two cards are drawn at random. What is the probability that they are a king and a queen, if the cards are drawn one after the other without replacement?
- (a)  $\frac{4}{52} \times \frac{4}{51}$   
(b)  $2 \times \frac{4}{52} \times \frac{4}{51}$   
(c)  $\frac{4}{52} \times \frac{3}{51} \times \frac{4}{52} \times \frac{3}{51}$   
(d) None of these
79. In a poker set there are 90 chips numbered from 1 to 90. Dan picks 3 chips at random, one after the other, without replacement. What is the probability that the numbers on the chips, in the order that he picks them are in descending order?
- (a)  $\frac{1}{3}$   
(b)  $\frac{1}{30}$   
(c)  $\frac{1}{6}$   
(d) None of these
80. A number is selected at random from first 70 natural numbers. What is the chance that it is a multiple of either 5 or 14?
- (a) 6/35  
(b) 8/35  
(c) 10/35  
(d) None of these
81. If two dice are thrown then what is the probability that the sum of the faces of dice are square or cube number?
- (a) 1/4  
(b) 1/2  
(c) 1/3  
(d) None of these
82. Probability of Ramesh & Deepak speaking truth is 1/4, 3/5. Find the probability of atmost one of them speaks truth.
- (a) 0.60  
(b) 0.85  
(c) 0.75  
(d) None of these
83. To find the distribution of number of airplanes crashing every hour in the world, which of the following distribution is appropriate to apply:
- (a) Normal distribution  
(b) Binomial distribution

- (c) Poisson distribution
  - (d) Using any of the above will yield the same output
84. Which of the following is not a property of normal distribution?
- (a) There are two points of inflexion.
  - (b) Mean, median and mode coincide for normal distribution
  - (c) Skewness is zero
  - (d) All the above
85. For a continuous random variable following standard normal distribution, what is the value of standard deviation?
- (a) 1
  - (b) 0
  - (c) -1
  - (d) More than 1
86. The mean and variance are equal for which of the following:
- (a) Poisson Distribution
  - (b) Normal Distribution
  - (c) Gaussian Distribution
  - (d) None of these
87. if the inflexion points of a normal distribution are 6 and 14 . Find its Standard Deviation
- (a) 4
  - (b) 6
  - (c) 10
  - (d) 12
88. For the Poisson distribution:
- (a) Events are independent of each other.
  - (b) Average rate (events per time period) is constant
  - (c) Two events cannot occur simultaneously.
  - (d) All of the above
89. Normal distribution is also known as
- (a) Gaussian distribution
  - (b) Binomial distribution
  - (c) Poisson distribution
  - (d) None of these

90. In regression analysis, which of the following can be in the form of an index number?
- (a) Only dependent variable
  - (b) Only independent variable
  - (c) Both A and B
  - (d) Need more information
91. A scatter diagram of two variables developing a pattern of multiple circular rings represents which kind of correlation?
- (a) Positive
  - (b) Negative
  - (c) Curvilinear
  - (d) No correlation
92. Which of the following is the best measure to calculate the volatility of stock market?
- (a) Covariance
  - (b) Standard Deviation
  - (c) Variance
  - (d) All of the above
93. If both the regression coefficients are negative, what will be coefficient of correlation?
- (a) Negative
  - (b) Positive
  - (c) Can be either positive or negative
  - (d) Cannot be determined
94. Correlation between unrelated variables is not because of:
- (a) Coefficient of non-determination
  - (b) Existence of third variable related to both the variables
  - (c) Spurious correlation
  - (d) None of the above
95. If the regression equation of two variables are  $5x - y = 4$  and  $3x - 2y = 1$ . Find the arithmetic means of x and y
- (a) 2,1
  - (b) 2,2
  - (c) 1,1
  - (d) Cannot be determined.
96. If Laspeyres index is A and Fisher's index is B. Find the value of Passche's index
- (a)  $B^2 / A$
  - (b)  $A^2 / B$

- (c)  $A / 2B$
  - (d)  $2B / A$
97. Which test should be considered necessarily to verify the consistency while we select an appropriate index formula
- (a) Circular test
  - (b) Time reversal test
  - (c) Factor reversal test
  - (d) Both b and c
98. Circular test is satisfied by which of the following index?
- (a) Laspeyres index
  - (b) Paasche's index
  - (c) Fisher's index
  - (d) Simple geometric mean of price relatives
99. The purchasing power of money is \_\_\_\_\_.
- (a) Not equal to the price index number
  - (b) Reciprocal of the price index number
  - (c) Equal to the price index number
  - (d) None of the above
100. Fisher's method of calculating the index number is based on the \_\_\_\_\_.
- (a) Geometric mean
  - (b) Arithmetic mean
  - (c) Harmonic mean
  - (d) None of the above



**MOCK TEST PAPER II**

**FOUNDATION COURSE**

**PAPER 3: BUSINESS MATHEMATICS, LOGICAL REASONING AND STATISTICS**

**Key Part A: Business Mathematics and Logical Reasoning**

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

**Key Part B: Statistics**

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