

**MODEL TEST PAPERS**  
**FOUNDATION COURSE**

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**MODEL TEST PAPER 1**  
**FOUNDATION COURSE**  
**PAPER – 1: 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) Accounting Standards for non-corporate entities in India are issued by the Central Government.
  - (ii) Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.
  - (iii) Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.
  - (iv) Discount at the time of retirement of a bill is a gain for the drawee.
  - (v) Business of partnership comes to an end on death of a partner.
  - (vi) Receipts and Payments Account highlights total income and expenditure. **(6 Statements x 2 Marks = 12 Marks)**
- (b) Discuss the limitations which must be kept in mind while evaluating the Financial Statements. **(4 Marks)**
- (c) The balance of Machinery Account of a firm on 1st April, 2023 was ₹ 28,54,000. Out of this, a plant having book value of ₹ 2,16,000 as on 1st April, 2023 was sold on 1st July, 2023 for ₹ 82,000. On the same date a new plant was purchased for ₹ 4,58,000 and ₹ 22,000 was spent on its erection. On 1st November, 2023 a new machine was purchased for ₹ 5,60,000. Depreciation is written off @ 15% per annum under the diminishing balance method. Calculate the depreciation for the year ended 31st March, 2024. **(4 Marks)**
- (12+4+4= 20 Marks)**
2. (a) Mr. Bhatt's trial balance as on 31st March, 2024 did not agree. The difference was put to a Suspense Account.
- During the next trading period, the following errors were discovered:
- (i) The total of the Purchases Book of one page, ₹ 5,615 was carried forward to the next page as ₹ 6,551.

- (ii) A sale of ₹ 462 was entered in the Sales Book as ₹ 642 and posted to the credit of the customer.
- (iii) A return to creditor, ₹ 300 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.
- (iv) Cash received from Geet, ₹ 895 was posted to debit of Meet.
- (v) Goods worth ₹ 1,400 were dispatched to a customer before the close of the year but no invoice was made out.
- (vi) Goods worth ₹ 1,600 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on Sale.
- (vii) ₹ 500 due from Mr. Manas was omitted to be taken to the trial balance.
- (viii) Sale of goods to Mr. Deep for ₹ 6,000 was omitted to be recorded.

You are required to give journal entries to rectify the errors in a way so as to show the current year's profit or loss correctly **(10 Marks)**

- (b) The Bank Pass Book of Account No.7749 of Ms. Tina showed an overdraft of ₹ 1,34,300 on 31<sup>st</sup> March 2024. On going through the Pass Book, the accountant found the following:
- (i) A Cheque of ₹4,320 credited in the pass book on 28<sup>th</sup> March 2024 being dishonoured is debited again in the pass book on 1<sup>st</sup> April 2024. There was no entry in the cash book about the dishonour of the cheque until 15<sup>th</sup> April 2024.
  - (ii) Bankers had credited her account with ₹ 11,200 for interest collected by them on her behalf, but the same has not been entered in her cash book.
  - (iii) Out of ₹ 82,000 paid in by Ms. Tina in cash and by cheques on 31<sup>st</sup> March 2024 cheques amounting to ₹ 30,000 were collected on 7<sup>th</sup> April, 2024.
  - (iv) Out of Cheques amounting to ₹ 31,200 drawn by her on 27<sup>th</sup> March, 2024 a cheque for ₹ 10,000 was encashed on 3<sup>rd</sup> April, 2024.
  - (v) Bankers seems to have given here wrong credit for ₹ 2,000 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for ₹ 1,200 against her account No.8765.
  - (vi) A cheque for ₹ 4,000 entered in Cash Book but omitted to be banked on 31<sup>st</sup> March, 2024.
  - (vii) A Bill Receivable for ₹ 20,800 previously dishonoured (Discount ₹ 800) with the Bank had been dishonoured but advice was received on 1<sup>st</sup> April, 2024.

- (viii) A Bill for ₹ 40,000 was retired /paid by the bank under a rebate of ₹ 700 but the full amount of the bill was credited in the bank column of the Cash Book.
- (ix) A Cheque for ₹ 9,600 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31<sup>st</sup> March, 2024.

Prepare Bank Reconciliation Statement as on 31<sup>st</sup> March, 2024.

**(10 Marks)**

**(10 +10 = 20 Marks)**

3. (a) Lucky does not maintain proper books of accounts. However, he maintains a record of his bank transactions and also is able to give the following information from which you are required to prepare his final accounts for the year 2023:

	1.1.2023	31.12.2023
	₹	₹
Debtors	1,02,500	–
Creditors	–	46,000
Stock	50,000	62,500
Bank Balance	–	50,000
Fixed Assets	7,500	9,000

Details of his bank transactions were as follows:

	₹
Received from debtors	3,40,000
Additional capital brought in	5,000
Sale of fixed assets (book value ₹ 2,500)	1,750
Paid to creditors	2,80,000
Expenses paid	49,250
Personal drawings	25,000
Purchase of fixed assets	5,000

No cash transactions took place during the year. Goods are sold at cost plus 25%. Cost of goods sold was ₹ 2,60,000. **(10 Marks)**

- (b) Arun, Varun and Tarun are in partnership, sharing profits and losses equally.

Tarun died on 30th June 2023. The Balance Sheet of Firm as at 31<sup>st</sup> March 2023 stood as:

Liabilities	Amount	Assets	Amount
Creditors	20,000	Land and Building	1,50,000
General Reserve	12,000	Investments	65,000

Capital Accounts:		Stock in trade	15,000
Arun	1,00,000	Trade receivables	35,000
Varun	75,000	Less: Provision for doubtful debt	(2,000)
			33,000
Tarun	75,000	Cash in hand	7,000
		Cash at bank	12,000
	<u>2,82,000</u>		<u>2,82,000</u>

In order to arrive at the balance due to Tarun, it was mutually agreed that:

- (i) Land and Building be valued at ₹ 1,75,000
- (ii) Debtors were all good, no provision is required
- (iii) Stock is valued at ₹ 13,500
- (iv) Goodwill will be valued at one Year's purchase of the average profit of the past five years. Tarun's share of goodwill be adjusted in the account of Arun and Varun.
- (v) Tarun's share of profit from 1<sup>st</sup> April 2023, to the date of death be calculated on the basis of average profit of preceding three years.
- (vi) The profit of the preceding five years ended 1<sup>st</sup> March were:

2023	2022	2021	2020	2019
25,000	20,000	22,500	35,000	28,750

You are required to prepare:

- (1) Revaluation account
- (2) Capital accounts of the partners and
- (3) Balance sheet of the Firm as at 1<sup>st</sup> July, 2023. **(10 Marks)**

**(10 + 10 = 20 Marks)**

- 4 (a) Amar, Akbar and Antony are in partnership. The following is their Balance Sheet as at March 31, 2024 on which date they dissolved their partnership. They shared profit in the ratio of 5:3:2.

Liabilities	₹	Assets	₹
Creditors	80,000	Plant and machinery	60,000
Loan A/c – Amar	20,000	Premises	80,000
Capital A/cs - Amar	1,00,000	Stock	60,000
Akbar	30,000	Debtors	1,20,000
Antony	<u>90,000</u>		<u>          </u>
	<u>3,20,000</u>		<u>3,20,000</u>

It was agreed to repay the amounts due to the partners as and when the assets were realised, viz.

April 15, 2024	₹ 60,000
May 1, 2024	₹ 1,46,000
May 31, 2024	₹ 94,000

Prepare a statement showing how the distribution should be made under maximum loss method.

**(10 Marks)**

- (b) The following information of M/s. Zara Club are related for the year ended 31<sup>st</sup> March, 2024:

(1)

Balances	As on 01-04-2023 (₹)	As on 31-3-2024 (₹)
Stock of Sports Material	6,75,000	10,12,500
Amount due for Sports Material	6,07,500	8,77,500
Subscription due	1,01,250	1,48,500
Subscription received in advance	81,000	47,250

(2) Subscription received during the year ₹ 33,75,000

(3) Payments for Sports Material during the year ₹ 20,25,000

You are required to:

(A) Ascertain the amount of Subscription and Sports Material that will appear in Income & Expenditure Account for the year ended 31.03.2024 and

(B) Also show how these items would appear in the Balance Sheet as on 31.03.2024.

**(10 Marks)**

**(10 + 10 = 20 Marks)**

5. (a) From the following information, draw up a Trial Balance in the books of Shri Hari Om as on 31<sup>st</sup> March, 2024:

Particulars	Amount (₹)	Particulars	Amount (₹)
Capital	4,20,000	Purchases	1,08,000
Discount Allowed	3,600	Carriage Inward	26,100
Carriage Outwards	6,900	Sales	1,80,000
Return Inward	900	Return Outwards	2100
Rent and Taxes	3,600	Plant and Machinery	2,42,100
Stock on 1 <sup>st</sup> April 2023	46,500	Sundry Debtors	60,600
Sundry Creditors	36,000	Investments	10,800
Commission Received	5,400	Cash in Hand	300

Cash at bank	30,300	Motor Cycle	1,03,800
Stock on 31 <sup>st</sup> March, 2024	61,500		

**(5 Marks)**

(b) Attempt any ONE out of the two sub parts i.e. either (i) or (ii).

(i) Following information is provided for M/s. VS Wires for the year ended 31<sup>st</sup> March, 2024:

	₹
Opening Inventory	6,00,000
Purchases	40,32,000
Carriage Inwards	1,80,000
Wages	3,00,000
Sales	66,00,000
Returns inward	6,00,000
Returns outward	4,32,000
Closing Inventory	12,00,000

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

**(5 Marks)**

**OR**

(ii) Mr. Mandeep runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2024.

Opening work-in-progress (27,000 units)	78,000
Closing work-in-progress (42,000 units)	1,44,000
Opening inventory of Raw Materials	7,80,000
Closing inventory of Raw Materials	9,60,000
Purchases	24,60,000
Hire charges of Machinery @ ₹ 0.70 per unit manufactured	
Hire charges of factory	7,80,000
Direct wages-contracted @ ₹ 0.80 per unit manufactured and @ ₹ 0.40 per unit of closing W.I.P.	
Repairs and maintenance	5,40,000
Units produced - 15,00,000 units	

You are required to prepare a Manufacturing Account of Mr. Mandeep for the year ended 31-03-2024.

**(5 Marks)**

- (c) Face Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) provides the following information as at 31 March, 2023:

Particulars		₹	₹
<b>Shareholder's fund</b>			
(a)	Authorized Share Capital 90,000 equity shares of ₹10 each fully paid up		9,00,000
	Issued, Subscribed & Paid up 60,000 equity shares of ₹ 10 each fully paid up		6,00,000
(b)	Reserve and Surplus		
	Profit & Loss Account	3,24,000	
	Debenture redemption reserve	<u>36,000</u>	3,60,000
<b>Non-current liabilities</b>			
(a)	Long term borrowings 12% Debentures		3,60,000
<b>Current Liabilities</b>			
(a)	Trade Payable		3,45,000
	Total		<u>16,65,000</u>
<b>Non-current Assets</b>			
(a)	Property, Plant and Equipment	3,45,000	
(b)	Non-current Investments (DRR Investment)	<u>54,000</u>	3,99,000
<b>Current Assets</b>			
(a)	Inventories	4,05,000	
(b)	Trade Receivables	2,25,000	
(c)	Cash in Hand	90,000	
(d)	Cash at Bank	<u>5,46,000</u>	12,66,000
	Total		<u>16,65,000</u>

At the AGM on 01.04.2023, it was resolved:

- To give existing equity shareholders the option to purchase one ₹ 10 share at ₹ 15 for every four shares (held prior to the bonus distribution). This option was taken up by all the shareholders.
- To issue one bonus share for every five shares held.
- To repay the debentures at a premium of 3%.

Give the necessary journal entries for these transactions. **(10 Marks)**

**(5 + 5 + 10 = 20 Marks)**

- (a) Avent Limited is a company with an authorised share capital of ₹ 1,00,00,000 in equity shares of ₹ 10 each, of which 6,00,000 shares had been issued and fully paid up on 31<sup>st</sup> March, 2023. The company



proposes to make a further issue of 1,35,000 of these ₹ 10 shares at a price of ₹ 14 each, the arrangement of payment being :

- (i) ₹ 2 per share payable on application, to be received by 31<sup>st</sup> May, 2023;
- (ii) Allotment to be made on 10<sup>th</sup> June, 2023 and a further ₹ 5 per share (including the premium to be payable);
- (iii) The final call for the balance to be made, and the money received by 31<sup>st</sup> December, 2023.

Applications were received for 5,60,000 shares and dealt with as follows:

- (1) Applicants for 10,000 shares received allotment in full;
- (2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- (3) Applicants for 5,00,000 shares received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of Avent Limited. **(15 Marks)**

- (b) Discuss the factors taken into consideration for calculation of depreciation. **(5 Marks)**

**Or**

Write short notes on Accommodation bill and Renewal of bill. **(5 Marks)**

**(15 + 5 = 20 Marks)**

**MODEL TEST PAPER 2**  
**FOUNDATION COURSE**  
**PAPER – 1: ACCOUNTING**

Question No. 1 is compulsory.

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

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

Working Notes should form part of the answer.

**(Time allowed: 3 Hours)**

**(100 Marks)**

1. (a) State with reasons whether the following statements are True or False:
- (i) Amount spent for the construction of temporary huts, which were necessary for construction of the Cinema House and were demolished when the Cinema House was ready, is capital expenditure.
  - (ii) Accrual concept implies accounting on cash basis.
  - (iii) Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.
  - (iv) Discount at the time of retirement of a bill is a gain for the drawee.
  - (v) If individual life policies are taken in the name of the partners and premium is paid from the firm, then retiring partner is entitled to surrender value of his policy only.
  - (vi) Net income in case of persons practicing vocation is determined by preparing profit and loss account. **(6 Statements x 2 Marks = 12 Marks)**
- (b) Differentiate between provisions and contingent liability **(4 Marks)**
- (c) On 31st March 2024, the Bank Pass Book of Sita showed a balance of ₹ 3,00,000 to her credit while balance as per cash book was ₹ 2,55,500. On scrutiny of the two books, she ascertained the following causes of difference:
- (i) She has issued cheques amounting to ₹ 1,60,000 out of which only ₹ 64,000 were presented for payment.
  - (ii) She received a cheque of ₹ 10,000 which she recorded in her cash book but forgot to deposit in the bank.
  - (iii) A cheque of ₹ 44,000 deposited by her has not been cleared yet.
  - (iv) Bank has credited an interest of ₹ 3,000 while charging ₹ 500 as bank charges.
- Prepare a bank reconciliation statement **(4 Marks)**
- (12 + 4 + 4 = 20 Marks)**
2. (a) Ambiance Ltd. keeps no stock records but a physical inventory of stock is made at the end of each quarter and the valuation is taken at cost. The company's year ends on 31<sup>st</sup> March, 2024 and their accounts have been prepared to that date. The stock valuation taken on 31<sup>st</sup> March, 2024 was however, misleading and you have been advised to value the closing stocks as on 31<sup>st</sup> March, 2024 with the stock figure as on 31<sup>st</sup> December, 2023 and some other information is available to you:
- (i) The cost of stock on 31<sup>st</sup> December, 2023 as shown by the inventory sheet was ₹ 80,000.

- (ii) On 31st December, stock sheet showed the following discrepancies:
- (a) A page total of ₹ 5,000 had been carried to summary sheet as ₹ 6,000.
- (b) The total of a page had been undercast by ₹ 200.
- (iii) Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2024 totalled ₹ 70,000. Out of this ₹ 3,000 related to goods received prior to 31st December, 2023. Invoices entered in April 2024 relating to goods received in March, 2024 totalled ₹ 4,000.
- (iv) Sales invoiced to customers totalled ₹ 90,000 from January to March, 2024. Of this ₹ 5,000 related to goods dispatched before 31st December, 2023. Goods dispatched to customers before 31st March, 2024 but invoiced in April, 2024 totalled ₹ 4,000.
- (v) During the final quarter, credit notes at invoiced value of ₹ 1,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2024. **(10 Marks)**

- (b) M/s. Surya Lights purchased a second-hand machine on 1st January, 2020 for Rs. 3,20,000. Overhauling and erection charges amounted to Rs. 80,000.

Another machine was purchased for Rs. 1,60,000 on 1st July, 2020.

On 1st July, 2022, the machine installed on 1st January, 2020 was sold for Rs. 1,60,000. Another machine amounted to Rs. 60,000 was purchased and was installed on 30th September, 2022.

Under the existing practice the company provides depreciation @ 20% p.a. on original cost. However, from the year 2023 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2020 to 2023. **(10 Marks)**

**(10 +10 = 20 Marks)**

3. (a) The details of Assets and Liabilities of Mr. Jalaj as on 31-3-2022 and 31-3-2023 are as follows:

Particulars	31-3-2023 (Rs.)	31-3-2024 (Rs.)
<b><u>Assets:</u></b>		
Furniture	62,500	
Building	1,25,000	
Stock	1,25,000	3,12,500
Sundry Debtors	75,000	1,37,500
Cash in hand	14,000	16,500
Cash at Bank	75,000	93,750
<b><u>Liabilities:</u></b>		
Loans	1,12,500	87,500
Sundry Creditors	62,500	1,00,000

Mr. Jalaj decided to provide depreciation on building by 2.5% and furniture by 10% for, the period ended on 31-3-2023. Mr. Jalaj purchased jewellery for Rs.30,000 for his daughter in December 2022. He sold his car on 30-3-2023 and the amount of Rs.50,000 is retained in the business.

You are required to :

- (i) Prepare statement of affairs as on 31-3-2023 & 31-3-2024.
- (ii) Calculate the profit received by Mr. Jalaj during the year ended 31-3- 2024. **(8 Marks)**
- (b) X,Y and Z are partners sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31<sup>st</sup> March, 2024 stood as:

Liabilities	₹		Assets	₹	
Capital Accounts			Building		10,00,000
X	8,00,000		Furniture		2,40,000
Y	4,20,000		Office equipments		2,80,000
Z	<u>4,00,000</u>	16,20,000	Stock		2,50,000
Sundry Creditors		3,70,000	Sundry debtors	3,00,000	
General Reserves		3,60,000	Less: Provision for Doubtful debts	<u>30,000</u>	2,70,000
			Joint life policy		1,60,000
			Cash at Bank		<u>1,50,000</u>
		<u>23,50,000</u>			<u>23,50,000</u>

Y retired on 1<sup>st</sup> April, 2024 subject to the following conditions:

- (i) Office Equipments revalued at ₹ 3,27,000.
- (ii) Building revalued at ₹ 15,00,000. Furniture is written down by ₹ 40,000 and Stock is reduced to Rs,2,00,000 .
- (iii) Provision for Doubtful Debts is to be created @ 5% on Debtors.
- (iv) The surrender value of Joint Life Policy is ₹ 1,50,000
- (v) Goodwill was to be valued at 3 years purchase of average 4 years profit which were:

Year	₹
2020	90,000
2021	1,40,000
2022	1,20,000
2023	1,30,000

- (vi) Amount due to Y is to be transferred to his Loan Account.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet immediately after Y's retirement. **(12 Marks)**

**(8 + 12 = 20 Marks)**

4. (a) P, Q, and R are partners sharing profits and losses as to 2:2:1. Their Balance Sheet as on 31<sup>st</sup> March, 2023 is as follows:

Liabilities	₹	Assets	₹
Capital accounts		Plant and Machinery	1,08,000

P	1,20,000		Fixtures	24,000
Q	48,000		Stock	60,000
R	24,000	1,92,000	Sundry debtors	48,000
Reserve Fund		60,000	Cash	60,000
Creditors		<u>48,000</u>		
		<u>3,00,000</u>		<u>3,00,000</u>

They decided to dissolve the business. The following are the amounts realized:

Particulars	₹
Plant and Machinery	1,02,000
Fixtures	18,000
Stock	84,000
Sundry debtors	44,400

Creditors allowed a discount of 5% and realization expenses amounted to ₹ 1,500. There was an unrecorded asset of ₹ 6,000 which was taken over by Q at ₹ 4,800. An amount of ₹ 4,200 due for GST had come to notice during the course of realization and this was also paid.

You are required to prepare:

- Realization Account.
- Partners' Capital Accounts.
- Cash Account.

**(8 Marks)**

- (b) From the following balances and particulars of Navel College, prepare Income & Expenditure Account for the year ended March, 2024 and a Balance Sheet as on the date :

Particulars	Amount (₹)	Amount (₹)
Security Deposit - Students	-	1,55,000
Capital Fund	-	13,08,000
Building Fund	-	19,10,000
Tuition Fee Received	-	8,10,000
Government Grants	-	5,01,000
Interest & Dividends on Investments	-	1,75,000
Hostel Room Rent	-	1,65,000
Mess Receipts (Net)	-	2,05,000
College Stores - Sales	-	7,60,000
Outstanding expenses	-	2,35,000
Stock of Stores and Supplies (opening)	3,10,000	-
Purchases - Stores & Supplies	8,20,000	-
Salaries - Teaching	8,75,000	-
Salaries - Research	1,25,000	-
Scholarships	85,000	-
Students Welfare expenses	37,000	-

Games & Sports expenses	52,000	-
Other investments	12,75,000	-
Land	1,50,000	-
Building	15,50,000	-
Plant and Machinery	8,50,000	-
Furniture and Fittings	5,40,000	-
Motor Vehicle	2,40,000	-
Provision for Depreciation :		-
Building	-	4,90,000
Plant & Equipment	-	5,05,000
Furniture & Fittings	-	3,26,000
Cash at Bank	3,16,000	-
Library	3,20,000	
	75,45,000	75,45,000

Adjustments :

(a) Materials & Supplies consumed (From college stores):

Teaching	₹ 52,000
Research -	₹ 1,45,000
Students Welfare -	₹ 78,000
Games or Sports -	₹ 24,000

(b) Stores selling prices are fixed to give a net profit of 15% on selling price:

(c) Depreciation is provided on straight line basis at the following rates:

Building	5%
Plant & Machinery	10%
Furniture & Fittings	10%
Motor Vehicle	20%

**(12 Marks)**

**(8 + 12 = 20 Marks)**

5. (a) M/s. Mangrove Arts were unable to agree the Trial Balance as on 31<sup>st</sup> March, 2024 and have raised a suspense account for the difference. Next year the following errors were discovered:
- Repairs made during the year were wrongly debited to the building A/c - ₹ 37,500.
  - The addition of the 'Freight' column in the purchase journal was short by ₹ 4,500.
  - Goods to the value of ₹ 3,150 returned by a customer, Leena., had been posted to the debit of Leena. and also to sales returns.
  - Sundry items of furniture sold for ₹ 90,000 had been entered in the sales book, the total of which had been posted to sales account.
  - A bill of exchange (received from Lucky & Co.) for ₹ 60,000 had been returned by the bank as. dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes

(5 Marks)

(b) Attempt any ONE out of the two sub parts i.e. either (i) or (ii).

(i) Following information is provided for M/s. Vikram traders for the year ended 31<sup>st</sup> March, 2024:

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

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

OR

(ii) Mr. Mandeep runs a factory which produces motor spares of export quality. The following details were obtained about his manufacturing expenses for the year ended on 31.3.2024.

			₹
W.I.P.	- Opening		3,90,000
	- Closing		5,07,000
Raw Materials	- Purchases		12,10,000
	- Opening		3,02,000
	- Closing		3,10,000
	- Returned		18,000
	- Indirect material		16,000
Wages	- direct		2,10,000
	- indirect		48,000
Direct expenses	- Royalty on production		1,30,000
		- Repairs and maintenance	2,30,000
		- Depreciation on factory shed	40,000
		- Depreciation on plant & machinery	60,000
By-product at selling price			20,000

You are required to prepare Manufacturing Account of Mr. Mandeep for the year ended on 31.3.2024

(5 Marks)

(c) Following notes pertain to the Balance Sheet of Verma Ltd. as at 31st March, 2023

	₹
Share capital:	
Authorised capital:	
30,000 12% Preference shares of ₹ 10 each	3,00,000
3,00,000 Equity shares of ₹ 10 each	<u>30,00,000</u>
	33,00,000
Issued and Subscribed capital:	
24,000 12% Preference shares of ₹ 10 each fully paid	2,40,000
2,70,000 Equity shares of ₹ 10 each, ₹ 8 paid up	21,60,000
Reserves and surplus:	
General Reserve	3,60,000
Capital Redemption Reserve	1,20,000
Securities premium (collected in cash)	75,000
Profit and Loss Account	6,00,000

On 1st April, 2023, the Company has made final call @ ₹ 2 each on 2,70,000 equity shares. The call money was received by 20th April, 2023. Thereafter, the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held. Preference dividend for the year 2022-2023 has already been paid by the entity.

Show necessary journal entries in the books of the company and prepare the extract of the balance sheet as on 30th April, 2023 after bonus issue. **(10 Marks)**

**(5 + 5 + 10 = 20 Marks)**

6. (a) Woodland Mills Ltd invited applications for issuing 10,000 Equity Shares of ₹ 10 each. The amount was payable as follows:

(i)	On Application	₹ 1 per share
(ii)	On Allotment	₹ 2 per share
(iii)	On First call	₹ 3 per share
(iv)	On Second and final Call	₹ 4 per share

The issue was fully subscribed. Amar to whom 100 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after the allotment. Kabir to whom 150 shares were allotted, failed to pay the first call. His shares were also forfeited after the first call. Afterwards the second and final call was made. Dilip to whom 50 shares were allotted failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were re-issued at ₹ 9 per share fully paid-up.

Pass necessary Journal entries in the books of Woodland Mills Ltd. **(15 Marks)**

(b) (i) What are the rules of posting of journal entries into the Ledger?

(ii) Explain any 2 differences between Bill of Exchange and Promissory Notes. **(5 Marks)**

**(15 + 5 = 20 Marks)**



**MODEL TEST PAPER 3**  
**FOUNDATION COURSE**  
**PAPER – 1: 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. Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt.
  - ii. In the balance sheet of Angel Limited, preliminary expenses amounting to ₹ 15 lakhs and securities premium account of ₹ 105 lakhs are appearing; The accountant can use the balance in securities premium account to write off preliminary expenses.
  - iii. The financial statements must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.
  - iv. In case of admission of a new partner in a partnership firm, the profit/loss on revaluation account is transferred to all partners in their new profit sharing ratio.
  - v. The debit notes issued are used to prepare Sales Return Book.
  - vi. Debenture holders enjoy the voting rights in the company.

**(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) A Plant & Machinery costing ₹ 80,00,000 is depreciated on straight line basis assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by ₹ 3,20,000. The remaining useful life was reassessed at 8 years. Calculate Depreciation for the fifth year.

**(4 Marks)**

**(12 + 4 + 4 = 20 Marks)**

2. (a) M/s Manas, Profit and loss account showed a net profit of ₹ 32,00,000, after considering the closing stock of ₹ 30,00,000 on 31<sup>st</sup> March, 2024. Subsequently the following information was obtained from scrutiny of the books:
- (i) Purchases for the year included ₹ 1,20,000 paid for new electric fittings for the shop.

- (ii) M/s Manas gave away goods valued at ₹ 3,20,000 as free samples for which no entry was made in the books of accounts.
- (iii) Invoices for goods amounting to ₹ 20,00,000 have been entered on 25<sup>th</sup> March, 2024, but the goods were not included in stock.
- (iv) In March, 2024 goods of ₹ 16,00,000 sold and delivered were taken in the sales for April, 2024.
- (v) Goods costing ₹ 6,00,000 were sent on sale or return in March, 2024 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2024 these were taken as sales for March, 2024.

You are required to determine the adjusted net profit for the year ended on 31.3.2024 and calculate the value of stock on 31<sup>st</sup> March, 2024.

**(10 Marks)**

- (b) On 30<sup>th</sup> September, 2023, the bank account of Akhil, according to the bank column of the Cash- Book, was overdrawn to the extent of ₹ 16,248. On the same date the bank statement showed a credit balance of ₹ 83,032 in favour of Akhil. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for ₹ 52,56,000 deposited on 29th September, 2023 was credited by the bank only on 3rd October, 2023
2. A payment by cheque for ₹ 64,000 has been entered twice in the Cash Book.
3. On 29th September, 2023, the bank credited an amount of ₹ 4,69,600 received from a customer of Akhil, but the advice was not received by Akhil until 1st October, 2023.
4. Bank charges amounting to ₹ 2,320 had not been entered in the Cash Book.
5. On 6th September, 2023, the bank credited ₹ 80,000 to Akhil in error.
6. A bill of exchange for ₹ 5,60,000 was discounted by Akhil with his bank. This bill was dishonoured on 28th September, 2023 but no entry had been made in the books of Akhil.
7. Cheques issued upto 30th September, 2023 but not presented for payment upto that date totalled ₹ 53,04,000.

You are required :

- (a) to show the appropriate rectifications required in the Cash Book of Akhil, to arrive at the correct balance on 30<sup>th</sup> September, 2023 and
- (b) to prepare a bank reconciliation statement as on that date.

**(10 Marks)**

**(10 +10 = 20 Marks)**

3. (a) Following are the Manufacturing A/c, Creditors A/c and Raw Material A/c provided by M/s. Praveen related to financial year 2023-24. There are certain figures missing in these accounts.

Raw Material A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock A/c	1,27,000	By Raw Materials Consumed	
To Creditors A/c	-	By Closing Stock	-

Creditors A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000		-

Manufacturing A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Raw Material A/c	-	By Trading A/c	17,44,000
To Wages	3,65,000		
To Depreciation	2,15,000		
to Direct Expenses	2,49,000		

Additional Information:

- (i) Purchase of machinery worth ₹ 12,00,000 on 1<sup>st</sup> April; 2023 has been omitted, Machinery is chargeable at a depreciation rate of 15%.
- (ii) Wages include the following:
 

Paid to factory workers	- ₹ 3,15,000
Paid to labour at office	- ₹ 50,000
- (iii) Direct expenses included the following :
 

Electricity charges	- ₹ 80,000
of which 25% pertained to office	
Fuel charges	- ₹ 25,000
Freight inwards	- ₹ 32,000
Delivery charges to customers	- ₹ 22,000

You are required to prepare revised Manufacturing A/c and Raw Material A/c. **(10 Marks)**

- (b) Ram Lakhan and Bharat are partners in a firm. On 1<sup>st</sup> April 2022 their fixed capital stood at ₹ 1,50,000, ₹ 75,000 and ₹ 75,000 respectively.

As per the provision of partnership deed:

- (1) Bharat was entitled for a salary of 15,000 p.a.
- (2) All the partners were entitled to interest on capital at 5% p.a.
- (3) Profits and losses were to be shared in the ratio of Capitals of the partners.

Net Profit for the year ended 31<sup>st</sup> March, 2023 of ₹ 99,000 and 31<sup>st</sup> March, 2024 of ₹ 1,35,000 was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors. **(5 Marks)**

- (c) The profits and losses for the previous years are: 2020 Profit ₹ 10,000, 2021 Loss ₹ 17,000, 2022 Profit ₹ 50,000, 2023 Profit ₹ 75,000. The average Capital employed in the business is ₹ 2,00,000. The rate of interest expected from capital invested is 10%. The remuneration from alternative employment of the proprietor ₹ 6,000 p.a. Calculate the value of goodwill on the basis of 2 years' purchases of Super Profits based on the average of 3 years. **(5 Marks)**

**(10 + 5 + 5 = 20 Marks)**

4. (a) The Balance Sheet of a Partnership Firm M/s Alpha and Associates consisted of two partners X and Y who were sharing Profits and Losses in the ratio of 5 : 3 respectively. The position as on 31-03-2024 was as follows:

Liabilities	₹	Assets	₹
X's Capital	4,10,000	Land & Building	3,80,000
Y's Capital	3,30,000	Plant & Machinery	1,70,000
Profit & Loss A/c	1,12,000	Furniture	1,09,480
Trade Creditors	54,800	Stock	1,45,260
		Sundry debtors	60,000
		Cash at Bank.	42,060
	9,06,800		9,06,800

On the above date, Z was admitted as a partner on the following terms:

- (a) Z should get 1/5<sup>th</sup> of share of profits.
- (b) Z brought ₹ 2,40,000 as his capital and ₹ 32,000 for his share of Goodwill.
- (c) Plant and Machinery would be depreciated by 15% and Land & Buildings would be appreciated by 40%.

A provision for doubtful debts to be created at 5% on sundry debtors.

An unrecorded liability of ₹ 6,000 for repairs to Buildings would be recorded in the books of accounts.

- (d) Immediately after Z's admission, Goodwill brought by him would be adjusted among old partners. Thereafter, the capital accounts of

old partners would be adjusted through the current accounts of partners in such a manner that the capital accounts of all the partners would be in their profit sharing ratio.

Prepare Revaluation A/c, Capital Accounts of the partners, New profit sharing ratio and Balance Sheet of the Firm after the admission of Z.

**(10 Marks)**

- (b) Ram carried on business as retail merchant. He has not maintained regular account books. However, he always maintained ₹ 10,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of 25% on sales.

Following information is given to you:

Assets and Liabilities	As on 1.4.2023	As on 31.3.2024
Cash in Hand	10,000	10,000
Sundry Creditors	40,000	90,000
Cash at Bank	50,000 (Cr.)	80,000 (Dr.)
Sundry Debtors	1,00,000	3,50,000
Stock in Trade	2,80,000	?

Analysis of his bank pass book reveals the following information:

- Payment to creditors ₹ 7,00,000
- Payment for business expenses ₹ 1,20,000
- Receipts from debtors ₹ 7,50,000
- Loan from Laxman ₹ 1,00,000 taken on 1.10.2023 at 10% per annum
- Cash deposited in the bank ₹ 1,00,000

He informs you that he paid creditors for goods ₹ 20,000 in cash and salaries ₹ 40,000 in cash. He has drawn ₹ 80,000 in cash for personal expenses. During the year Ram had not introduced any additional capital. Surplus cash if any, to be taken as cash sales.

Prepare:

- Trading and Profit and Loss Account for the year ended 31.3.2024.
- Balance Sheet as at 31<sup>st</sup> March, 2024. **(10 Marks)**

**(10 + 10 = 20 Marks)**

5. (a) M/s. VB wires were unable to agree the Trial Balance as on 31<sup>st</sup> March, 2024 and have raised a suspense account for the difference. Next year the following errors were discovered:
- Repairs made during the year were wrongly debited to the building A/c - ₹ 37,500.

- (ii) The addition of the 'Freight' column in the purchase journal was short by ₹ 4,500.
- (iii) Goods to the value of ₹ 3,150 returned by a customer, Seven & Co., had been posted to the debit of Seven & Co. and also to sales returns.
- (iv) Sundry items of furniture sold for ₹ 90,000 had been entered in the sales book, the total of which had been posted to sales account.
- (v) A bill of exchange (received from Comfort & Co.) for ₹ 60,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes.

**(5 Marks)**

- (b) From the following information supplied by Fazilka Club, prepare Receipts and Payments account and Income and Expenditure Account for the year ended 31<sup>st</sup> March 2024.

	01.04.2023 ₹	31.03.2024 ₹
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

**(15 Marks)**

**(5+15 = 20 Marks)**

6. (a) Amar Limited issued 20,000 Equity shares of, 10 each at a premium of 10%, payable ₹ 2 on application; ₹ 4 on allotment (including premium); ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. M who held 2000 shares paid full remaining amount on

first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 200 shares and one another shareholder having 100 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears, Company also paid interest on calls in advance to Mr. M. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. **(15 Marks)**

- (b) Write short notes on any two of the following:
- (i) Bill of exchange and the various parties to it.
  - (ii) Retirement of bills of exchange.

OR

Explain, in brief, the basic considerations for distinguishing between capital and revenue expenditures? **(5 Marks)**

**(15 + 5 = 20 Marks)**

**MODEL TEST PAPER 1**  
**FOUNDATION COURSE**  
**PAPER 2: BUSINESS LAWS**

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) Kashish was running a business of artificial jewellery since long. He sold his business to Naman and promises, not to carry on the business of artificial jewellery and real diamond jewellery in that area for a period of next one year. After two months, Kashish opened a show room for real diamond jewellery. Naman filed a suit against Kashish for closing the business of real diamond jewellery business as it was against the agreement. Whether Kashish is liable to close his business of real diamond jewellery following the provisions of Indian Contract Act, 1872? **(7 Marks)**
- (b) The paid-up capital of Darshan Photographs Private Limited is ₹ 1 Crores in the form of 50,000 Equity Shares of ₹ 100 each and 50,000 Preference Shares (not carrying any voting rights) of ₹ 100 each. Shadow Evening Private Limited is holding 25,000 Equity Shares in Darshan Photographs Private Limited. State with reason,
  - (a) Whether Darshan Photographs Private Limited is subsidiary of Shadow Evening Private Limited?
  - (b) Whether your answer would be different in case Shadow Evening Private Limited is holding 25,000 Equity Shares and 5,000 Preference Shares in Darshan Photographs Private Limited?

**(7 Marks)**
- (c) Define partnership and name the essential elements for the existence of a partnership as per the Indian Partnership Act, 1932. **(3+3 = 6 Marks)**
2. (a) Kapil entered in a contract with Rahul to purchase 1000 litres of mustard oil at the price which should be fixed by Akhilesh. Rahul already delivered 600 litres out of 1000 litres to Kapil but when remaining 400 litres was ready to deliver, Akhilesh denied fixing the price of mustard oil. Rahul asked Kapil to return the oil already delivered and avoid the delivery of 400 litres. Kapil sued Rahul for non-delivery of remaining 400 litres mustard oil. Advise in the light of the Sale of Goods Act, 1930. **(7 Marks)**



- (b) Explain the '*Doctrine of ultra vires*' under the Companies Act, 2013. What are the consequences of 'ultra vires' acts of the company? **(7 Marks)**
- (c) "LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership". Explain. **(6 Marks)**
3. (a) A and B are partners in M/s Aee Bee & Company. Firm is doing business of trading of plastic bottles. A is authorised to sell the stock of plastic bottles. It was decided between them that A should sell the plastic bottles at the minimum price which they have decided and if A sells at a price less than minimum price, he should first take the permission of B. Due to sudden change in government policy, the price of plastic bottles were continuously declining. To save the loss of firm, A sold the stock at lower price. Meanwhile, A tried to contact B but could not do so as B was on foreign trip. Afterwards when B came, he filed the suit to recover the difference of sale price and minimum price to the firm. Whether B can do so under the provisions of Indian Partnership Act, 1932? **(7 Marks)**
- (b) (i) Tycoon Private Limited is the holding company of Glassware Private Limited. As per the last profit and loss account for the year ending 31<sup>st</sup> March, 2023 of Glassware Private Limited, its turnover was ₹ 1.80 crore and paid up share capital was ₹ 80 lakh. The Board of Directors wants to avail the status of a small company. The Company Secretary of the company advised the directors that Glassware Private Limited cannot be categorized as a small company. In the light of the above facts and in accordance with the provisions of the Companies Act, 2013, you are required to examine whether the contention of Company Secretary is correct, explaining the relevant provisions of the Act. **(4 Marks)**
- (ii) In the Flower Fans Private Limited, there are only 5 members. All of them go in a boat on a pleasure trip into an open sea. The boat capsizes and all of them died being drowned. Explain with reference to the provisions of Companies Act, 2013:
- (A) Is Flower Fans Private Limited no longer in existence?
- (B) Further is it correct to say that a company being an artificial person cannot own property and cannot sue or be sued? **(3 Marks)**
- (c) "An anticipatory breach of contract is a breach of contract occurring before the time fixed for performance has arrived". Discuss stating also the effect of anticipatory breach on contracts. **(6 Marks)**
4. (a) (i) Nitesh Gupta is constructing his house. For this purpose, he entered in a contract with M/s Baba Brick House to supply of 10,000 bricks on 12<sup>th</sup> August 2023. M/s Baba Brick House has two Lorries of 5,000

brick capacity. On 12<sup>th</sup> August 2023, one of the Lorries was not in working condition so M/s Baba Brick House supplied only 5,000 bricks and promised Nitesh Gupta to supply rest 5,000 bricks on next day. Nitesh Gupta wants to cancel the contract, as M/s Baba Brick House did not supply the bricks as per the contract. M/s Baba Brick House gave the plea that no fault has been made from its part, hence contract should not be cancelled. In this situation, whether Nitesh Gupta can avoid the contract under Indian Contract Act, 1872?

**(4 Marks)**

- (ii) Rahul, a transporter was entrusted with the duty of transporting tomatoes from a rural farm to a city by Aswin. Due to heavy rains, Rahul was stranded for more than two days. Rahul sold the tomatoes below the market rate in the nearby market where he was stranded fearing that the tomatoes may perish. Can Aswin recover the loss from Rahul on the ground that Rahul had acted beyond his authority taking into account the provisions of the Indian Contract Act, 1872?

**(3 Marks)**

- (b) What are Negotiable Instruments? Explain its essential characteristics under the Negotiable Instruments Act, 1881.

**(7 Marks)**

- (c) Explain in brief the various types of laws in the Indian Legal System.

**(6 Marks)**

5. (a) (i) A agrees to sell certain goods to B on a certain date on 10 days credit. The period of 10 days expired and goods were still in the possession of A. B has also not paid the price of the goods. B becomes insolvent. A refuses to deliver the goods to exercise his right of lien on the goods. Can he do so under the Sale of Goods Act, 1930?

**(4 Marks)**

- (ii) AB sold 500 bags of wheat to CD. Each bag contains 50 Kilograms of wheat. AB sent 450 bags by road transport and CD himself took remaining 50 bags. Before CD receives delivery of 450 bags sent by road transport, he becomes bankrupt. AB being still unpaid, stops the bags in transit. The official receiver, on CD's insolvency claims the bags. Decide the case with reference to the provisions of the Sale of Goods Act, 1930.

**(3 Marks)**

- (b) (i) When the continuing guarantee can be revoked under the Indian Partnership Act, 1932?

**(4 Marks)**

- (ii) What do you mean by Goodwill as per the provisions of Indian Partnership Act, 1932?

**(3 Marks)**

- (c) Explain any five circumstances under which contracts need not be performed with the consent of both the parties.

**(6 Marks)**

6. (a) Priyansh purchased some goods from Sumit. He issued a cheque to Sumit for the sale price on 14<sup>th</sup> June, 2023. Sumit presented the cheque in his bank and his bank informed him on 19<sup>th</sup> June, 2023 that cheque was returned unpaid due to insufficiency of funds in the account of Priyansh. Sumit sued against Priyansh under section 138 of the Negotiable Instruments Act, 1881. State with reasons, whether this suit is maintainable? **(7 Marks)**
- (b) State the essential elements of a contract of bailment. **(6 Marks)**
- (c) State the various essential elements involved in the sale of unascertained goods and its appropriation as per the Sale of Goods Act, 1930. **(7 Marks)**

## MODEL TEST PAPER 2

### FOUNDATION COURSE

#### Paper 2: Business Laws (100 Marks)

*Question No. 1 is compulsory.*

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

1. (i) Mr. Y aged 21 years, lost his mental balance after the death of his parents in an accident. He was left with his grandmother aged 85 years, incapable of walking and dependent upon him. Mr. M, their neighbour, out of pity, started supplying food and other necessities to both of them. Mr. Y and his grandmother used to live in the house built by his parents. Mr. M also provided grandmother with some financial assistance for her emergency medical treatment. After supplying necessities to Mr. Y for four years, Mr. M approached the former asking him to payback ` 15 Lakhs inclusive of ` 7 Lakhs incurred for the medical treatment of the lady (grandmother). Mr. Y pleaded that he has got his parents' jewellery to sell to a maximum value of ` 4 Lakhs, which may be adjusted against the dues. Mr. M refused and threatened Mr. Y with a legal suit to be brought against for recovering the money.

Now, you are to decide upon based on the provisions of the Indian Contract Act, 1872:

- (a) Will Mr. M succeed in filing the suit to recover money?
- (b) What is the maximum amount of money that can be recovered by Mr. M?
- (c) Shall the provisions of the above Act also apply to the medical treatment given to the grandmother? **(7 Marks)**
- (ii) Jagannath Oils Limited is a public company and having 220 members. Of which 25 members were employed in the company during the period 1<sup>st</sup> April 2006 to 28<sup>th</sup> June 2016. They were allotted shares in Jagannath Oils Limited first time on 1<sup>st</sup> July 2007 which were sold by them on 1<sup>st</sup> August 2016. After some time, on 1<sup>st</sup> December 2016, each of those 25 members acquired shares in Jagannath Oils Limited which they are holding till date. Now the company wants to convert itself into a private company. State with reasons:
- (a) Whether Jagannath Oils Limited is required to reduce the number of members.
- (b) Would your answer be different, if above 25 members were the employee in Jagannath Oils Limited for the period from 1<sup>st</sup> April 2006 to 28<sup>th</sup> June 2017? **(7 Marks)**
- (iii) (a) What do you mean by 'Partnership for a fixed period' as per the Indian Partnership Act, 1932? **(2 Marks)**
- (b) Can a minor become a partner in a partnership firm? Justify your answer and also explain the rights of a minor in a partnership firm. **(4 Marks)**
2. (i) Sonal went to a Jewellery shop and asked the salesgirl to show her diamond bangles with Ruby stones. The Jeweller told her that we have a lot of designs of diamond bangles but with red stones. If she chooses for herself any special design of diamond bangle with red stones, they will replace red stones with Ruby stones. But for the Ruby stones they will charge some extra cost. Sonal selected a beautiful set of designer bangles and paid for them. She also paid the extra cost of Ruby stones. The Jeweller requested her to come back a week later for delivery of those bangles. When she came after a week to take delivery of bangles, she noticed that due to Ruby stones, the design of bangles has been completely disturbed. Now, she wants to terminate the contract and thus, asked the manager to give her money back, but he refused for the same. Answer the following questions as per the Sale of Goods Act, 1930.

- (a) State with reasons whether Sonal can recover the amount from the Jeweller.
- (b) What would be your answer, if Jeweller says that he can change the design as to his original form, but he will charge extra cost for the same? **(7 Marks)**
- (ii) An employee, Mr. Karan, signed a contract with his employer, company ABC Limited, that he will not solicit the customers after leaving the employment from the company.
- But after Mr. Karan left ABC Limited, he started up his own company PQR Limited and he started soliciting the customers of ABC Limited for his own business purposes.
- ABC Limited filed a case against Mr. Karan for breach of employment contract and for soliciting their customers for own business. Mr. Karan contended that there is a corporate veil between him, and his company and he should not be personally held liable for this.
- In this context, the company ABC Limited seek your advice as to the meaning of corporate veil and when the veil can be lifted to make the owners liable for the acts done by a company. **(7 Marks)**
- (iii) "A LLP (Limited Liability Partnership) is a type of partnership which provides the benefits of limited liability but allows its members the flexibility of organizing their internal structure as a partnership based on a mutually arrived agreement."
- In line with the above statement clearly elaborate the difference between LLP and Limited Liability Company (LLC). **(6 Marks)**
3. (i) State whether the following are partnerships under the Indian Partnership Act, 1932:
- (a) X, a contractor, appointed Y one of his servants to manage his business of loading and unloading railway wagons. Y was to receive 50% of the profits of the business and also to bear the losses, if any.
- (b) Two firms each having 12 partners combine by an agreement into one firm.
- (c) A and B, co-owners, agree to conduct the business in common for profit.
- (d) Some individuals form an association to which each individual contributes ` 500 annually. The objective of the association is to produce clothes and distribute the clothes free to the war widows.
- (e) A and B, co-owners share between themselves the rent derived from a piece of land.
- (f) A and B buy commodity X and agree to sell the commodity, sharing the profits equally.
- (g) 10 major persons form an association to which each member contributes ` 10,000. The purpose is to produce medicines for free distribution to poor patients. **(7 Marks)**
- (ii) BC Private Limited and its subsidiary KL Private Limited are holding 90,000 and 70,000 shares respectively in PQ Private Limited. The paid-up share capital of PQ Private Limited is ` 30 Lakhs (3 Lakhs equity shares of ` 10 each fully paid). Analyse with reference to provisions of the Companies Act, 2013 whether PQ Private Limited is a subsidiary of BC Private Limited. What would be your answer if KL Private Limited holds 1,60,000 shares in PQ Private Limited and no shares are held by BC Private Limited in PQ Private Limited? **(7 Marks)**
- (iii) As per the general rule, "Stranger to a contract cannot file a suit in case of breach of contract". Comment and explain the exceptions to this rule as per the provisions of the Indian Contract Act, 1872. **(6 Marks)**
4. (i) (a) Mr. R extended a loan to Mr. D with X, Y, and Z as sureties. Each surety executed a bond with varying penalty amounts, X with a penalty of ` 10,000, Y with ` 20,000 and Z with

- ₹ 40,000, in the event of Mr. D's failure to repay the borrowed money to Mr. R. Examine the liabilities of the sureties in accordance with the Indian Contract Act, 1872, when Mr. D defaults to the tune of ₹ 42,000. Additionally, assess the situation, if there is no contractual arrangement among the sureties. **(4 Marks)**
- (b) X agrees to pay Y ₹ 1,00,000, if Y kills Z. To pay Y, X borrows ₹ 1,00,000 from W, who is also aware of the purpose of the loan. Y kills Z but X refuses to pay. X also to repay the loan to W. Explain the validity of the contract.
- (i) Between X and Y
- (ii) Between X and W **(3 Marks)**
- (ii) What is a Bill of Exchange? Also, explain its essential characteristics under the Negotiable Instruments Act, 1881. **(7 Marks)**
- (iii) What do you understand by Law? Also, elaborate the procedure for making a law. **(6 Marks)**
5. (i) (a) An auction sale of certain goods was held on 7<sup>th</sup> March 2023 by the fall of hammer in favour of the highest bidder X. The payment of auction price was made on 8<sup>th</sup> March 2023 followed by the delivery of goods on 10<sup>th</sup> March 2023. Based upon the provisions of the Sale of Goods Act, 1930, decide when the auction sale is complete. **(2 Marks)**
- (b) Certain goods were sold by sample by J to K, who in turn sold the same goods by sample to L and L by sample sold the same goods to M. M found that the goods were not according to the sample and rejected the goods and gave a notice to L. L sued K and K sued J. Can M reject the goods? Also advise K and L as per the provisions of the Sale of Goods Act, 1930. **(5 Marks)**
- (ii) Can a partner be expelled? If so, how? Which factors should be kept in mind prior to expelling a partner from the firm by the other partners according to the provision of the Indian Partnership Act, 1932? **(7 Marks)**
- (iii) (a) Both a sub-agent and a substituted agent are appointed by the agent. But, however, there are some points of distinction between the two. Explain any three points under the Indian Contract Act, 1872. **(3 Marks)**
- (b) Differentiate between Novation and Alteration as per the Indian Contract Act, 1872. **(3 Marks)**
6. (i) Utkarsh purchased some goods from Saksham for ₹ 50,000 on 14<sup>th</sup> August, 2023. Saksham drawn a bill of exchange on Utkarsh and sent to him for acceptance on the same day at 3:00 p.m. Utkarsh requested Saksham to allow him some time for acceptance. Saksham allowed him 48 hours for acceptance. Utkarsh could not accept till 16<sup>th</sup> August, 2023 (3:00 p.m.). Saksham treated the bill as dishonoured for non-acceptance. Referring to the provisions of the Negotiable Instruments Act, 1881, whether bill of exchange was dishonoured due to non-acceptance? **(7 Marks)**
- (ii) Explain the following statements in the light of provisions of the Indian Contract Act, 1872:
- (a) "Agreements made out of love and affection are valid agreements."
- (b) "Promise to pay a time barred debt cannot be enforced." **(6 Marks)**
- OR**
- (ii) State the essential elements of a contract of bailment. **(6 Marks)**
- (iii) What are the implied conditions in a contract of 'Sale by sample' under the Sale of Goods Act, 1930? Also state the implied warranties operative under the Act. **(7 Marks)**

**MODEL TEST PAPER 3**  
**FOUNDATION COURSE**  
**PAPER 2: BUSINESS LAWS**

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.

**(Time allowed: 3 Hours)**

**(100 Marks)**

1. (a) In light of provisions of the Indian Contract Act, 1872 answer the following:
  - (i) Mr. S and Mr. R made contract wherein Mr. S agreed to deliver paper cup manufacture machine to Mr. R and to receive payment on delivery. On the delivery date, Mr. R did not pay the agreed price. Decide whether Mr. S is bound to fulfil his promise at the time of delivery?
  - (ii) Mr. Y has given loan to Mr. G of ₹ 30,00,000. Mr. G defaulted the loan on due date and debt became time barred. After the time barred debt, Mr. G agreed to settle the full amount to Mr. Y. Whether acceptance of time barred debt Contract is enforceable as per the Indian Contract Act, 1872?
  - (iii) A & B entered into a contract to supply unique item, alternate of which is not available in the market. A refused to supply the agreed unique item to B. What directions could be given by the court for breach of such contract? **(7 Marks)**
- (b) (i) Nolimit Private Company is incorporated as unlimited company having share capital of ₹ 10,00,000. One of its creditors, Mr. Samuel filed a suit against a shareholder Mr. Innocent for recovery of his debt against Nolimit Private Company. Mr. Innocent has given his plea in the court that he is not liable as he is just a shareholder. Explain whether Mr. Samuel will be successful in recovering his dues from Mr. Innocent? **(4 Marks)**
- (ii) A Company registered under Section 8 of the Companies Act, 2013, has been consistently making profits for the past 5 years after a major change in the management structure. Few members contented that they are entitled to receive dividends. Can the company distribute dividend? If yes, what is the maximum percentage of dividend that can be distributed as per provisions of the Companies Act, 2013? Also, to discuss this along with other regular matters, the company held a general meeting by giving only 14 days' notice. Is this valid? **(3 Marks)**
- (c) (i) "Whether a group of persons is or is not a firm, or whether a person is or is not a partner in a firm." Explain the mode of determining existence of partnership as per the Indian Partnership Act, 1932? **(4 Marks)**

- (ii) Discuss the provisions regarding personal profits earned by a partner under the Indian Partnership Act, 1932? **(2 Marks)**
2. (a) Mr. G sold some goods to Mr. H for a certain price by issue of an invoice, but payment in respect of the same was not received on that day. The goods were packed and lying in the godown of Mr. G. The goods were inspected by H's agent and were found to be in order. Later on, the dues of the goods were settled in cash. Just after receiving cash, Mr. G asked Mr. H that goods should be taken away from his godown to enable him to store other goods purchased by him. After one day, since Mr. H did not take delivery of the goods, Mr. G kept the goods out of the godown in an open space. Due to rain, some goods were damaged.
- Referring to the provisions of the Sale of Goods Act, 1930, analyse the above situation and decide who will be held responsible for the above damage. Will your answer be different if the dues were not settled in cash and are still pending? **(7 Marks)**
- (b) Define OPC (One Person Company) and state the rules regarding its membership. Can it be converted into a non-profit company under Section 8 or a private company? **(7 Marks)**
- (c) List the differences between the Limited Liability Partnership (LLP) and the Limited Liability Company. **(6 Marks)**
3. (a) P, Q, R and S are the partners in M/S PQRS & Co., a partnership firm which deals in trading of Washing Machines of various brands.
- Due to the conflict of views between partners, P & Q decided to leave the partnership firm and started competitive business on 31st July, 2023, in the name of M/S PQ & Co. Meanwhile, R & S have continued using the property in the name of M/S PQRS & Co. in which P & Q also has a share.
- Based on the above facts, explain in detail the rights of outgoing partners as per the Indian Partnership Act, 1932 and comment on the following:
- (i) Rights of P & Q to start a competitive business.
- (ii) Rights of P & Q regarding their share in property of M/S PQRS & Co. **(7 Marks)**
- (b) MNP Private Ltd. is a company registered under the Companies Act, 2013 with Paid Up Share Capital of ₹ 5 crores and turnover of ₹ 35 crores. Explain the meaning of the "Small Company" and examine the following in accordance with the provisions of the Companies Act, 2013:
- (i) Whether the MNP Private Ltd. can avail the status of small company?
- (ii) What will be your answer if the turnover of the company is ₹ 45 crores? **(7 Marks)**
- (c) Define Misrepresentation and Fraud. Explain the difference between Fraud and Misrepresentation as per the Indian Contract Act, 1872. **(6 Marks)**
4. (a) M Ltd. contract with Shanti Traders to make and deliver certain machinery to them by 30<sup>th</sup> June 2023 for ₹ 11.50 lakhs. Due to labour strike, M Ltd. could not manufacture and deliver the machinery to Shanti Traders. Later,



Shanti Traders procured the machinery from another manufacturer for ₹ 12.75 lakhs. Due to this, Shanti Traders was also prevented from performing a contract which it had made with Zenith Traders at the time of their contract with M Ltd. and were compelled to pay compensation for breach of contract. Advise Shanti Traders the amount of compensation which it can claim from M Ltd., referring to the legal provisions of the Indian Contract Act, 1872. **(7 Marks)**

- (b) What are Inchoate and Ambiguous Instruments under the Negotiable Instruments Act, 1881? **(7 Marks)**
- (c) What is the significance of the Supreme Court and High Court in the Indian judiciary? **(6 Marks)**
5. (a) (i) Ram sells 200 bales of cloth to Shyam and sends 100 bales by lorry and 100 bales by Railway. Shyam receives delivery of 100 bales sent by lorry, but before he receives the delivery of the bales sent by railway, he becomes bankrupt. Ram being still unpaid, stops the goods in transit. The official receiver, on Shyam's insolvency claims the goods. Decide the case with reference to the provisions of the Sale of Goods Act, 1930. **(4 Marks)**
- (ii) Classify the following transactions according to the types of goods they are:
- (A) A wholesaler of cotton has 100 bales in his godown. He agrees to sell 50 bales and these bales were selected and set aside.
- (B) A agrees to sell to B one packet of sugar out of the lot of one hundred packets lying in his shop.
- (C) T agrees to sell to S all the apples which will be produced in his garden this year. **(3 Marks)**
- (b) State the grounds on which a firm may be dissolved by the Court under the Indian Partnership Act, 1932? **(7 Marks)**
- (c) Explain whether the agency shall be terminated in the following cases under the provisions of the Indian Contract Act, 1872:
- (i) A gives authority to B to sell A's land, and to pay himself, out of the proceeds, the debts due to him from A. Afterwards, A becomes insane.
- (ii) A appoints B as A's agent to sell A's land. B, under the authority of A, appoints C as agent of B. Afterwards, A revokes the authority of B but not of C. What is the status of agency of C? **(6 Marks)**
6. (a) (i) Advik purchased a mobile from Bhanu. He issued a promissory note to Bhanu which was payable on demand but no specific place for payment was mentioned on it. On maturity, Bhanu did not present the promissory note for payment. As the promissory note was not duly presented for payment, whether Advik would be discharged from liability under the provisions of the Negotiable Instruments Act, 1881? **(4 Marks)**

- (ii) Shiva gave a gift of ₹ 21,000 to his sister through a cheque issued in her favour on the occasion of Raksha Bandhan. Afterwards, Shiva informed his sister not to present the cheque for payment and also informed the bank to stop the payment. Examining the provisions of the Negotiable Instruments Act, 1881, decide whether Shiva's acts constitute an offence under section 138 of the Act? **(3 Marks)**
- (b) What do you mean by Quantum Meruit and state the cases where the claim for Quantum Meruit arises? **(6 Marks)**
- (c) Write the exceptions to the doctrine of Caveat Emptor as per the Sale of Goods Act, 1930. **(7 Marks)**

**MODEL TEST PAPER 1**  
**FOUNDATION COURSE**  
**PAPER 3: QUANTITATIVE APTITUDE**

**Time: 2 Hours**

**Marks: 100**

1. The students in three classes are in the ratio 2 : 3 : 5. If 40 students are increased in each class the ratio changes to 4 : 5 : 7. Originally the total number of students was
  - (a) 180
  - (b) 400
  - (c) 100
  - (d) 200
2. A bag contains coins of denominations 1 rupee , 2 rupee and 5 rupees . Their numbers are in the ratio 4:3:2 .If bag has total of Rs. 1800 then find the number of 2 rupee coins ?
  - (a) 270
  - (b) 230
  - (c) 180
  - (d) 210
3. 4 tables and 3 chairs together cost ₹ 2,250 and 3 tables and 4 chairs cost ₹ 1950. Find the cost of 2 chairs and 1 table.
  - (a) ₹ 550
  - (b) ₹ 1005
  - (c) ₹ 750
  - (d) None of these
4. One root of the equation:  $x^2 - 2(5 + m) + 3(7 + m) = 0$  is reciprocal of the other. Find the value of m.
  - (a)  $-20/3$
  - (b) 7
  - (c)  $1/7$
  - (d) 117
5. A small manufacturing firm produces two types of gadgets A and B, which are first processed in the foundry then sent to the machine shop for finishing. The number of man-hours of labour required in each shop for the production of

each unit of A and B, and the number of man-hours the firm has available per week are as follows:

Gadget	Foundry	Machine-shop
A	10	5
B	6	4
Firm's capacity per week	1000	600

Let the firm manufactures  $x$  units of A and  $y$  units of B. The constraints are:

- (a)  $10x+6y \leq 1000$  ,  $5x+4y \geq 600$ ,  $x \geq 0, y \leq 0$   
 (b)  $10x+6y \leq 1000$  ,  $5x+4y \leq 600$ ,  $x \geq 0, y \geq 0$   
 (c)  $10x+6y \geq 1000$  ,  $5x+4y \leq 600$ ,  $x \leq 0, y \leq 0$   
 (d)  $10x+6y \leq 1000$  ,  $5x+4y \geq 600$ ,  $x \leq 0, y \leq 0$
6. Sangeeta leaves from her home. She first walk 30 metres in North-West direction, and then 30m in South-West direction, next she walks 30 metres in South-East direction. Finally she turns towards her house. In which direction is she moving?  
 (a) North-West  
 (b) North-East  
 (c) South-East  
 (d) South-West
7. Rahim started from point X and walked straight 5 km. East, then turned left and walked straight 2 km. and again turned left and walked straight 7 km. In which direction is he from the point X ?  
 (a) North-East  
 (b) South-West  
 (c) South-East  
 (d) North-West
8. Find out the next number in the following series 7,11, 13, 17, 19, 23, 25, 29, ?  
 (a) 30  
 (b) 31  
 (c) 32  
 (d) 33
9. If MACHINE is coded as 19 - 7 - 9 - 14 - 15 - 20 - 11, how will you code DANGER?  
 (a) 11-7-20-16-11-24  
 (b) 13-7-20-9-11-25  
 (c) 10-7-20-13-11-24  
 (d) 13-7-20-10-11-25

10. A, B, C, D, E and F are sitting around a round table. A is between E and F, E is opposite to D, and C is not in either of the neighbouring seats of E. Who is opposite to B ?
- (a) C
  - (b) D
  - (c) F
  - (d) None of these
11. Pointing to a photograph, a man said to a woman "His mother is the only daughter of your father " How is the woman related to that person
- (a) Daughter
  - (b) Sister
  - (c) Mother
  - (d) Wife
- (12-13) Read the following information and answer the given below it :
- (i) A is the father of C, But C is not his son,
  - (ii) E is the daughter of C. F is the spouse of A .
  - (iii) B is the brother of C. D is the son of B.
  - (v) G is the spouse of B. H is the father of G
12. Who is the grand mother of D?
- (a) A
  - (b) C
  - (c) F
  - (d) H
13. Who is son of F
- (a) B
  - (b) C
  - (c) D
  - (d) E
14. A is the father of C and D is the son of B. E is the brother of A . If C is the sister of D, how is B is related to E?
- (a) Daughter
  - (b) Brother-in-law
  - (c) Husband
  - (d) Sister-in-law

15. If 'P+Q' means 'P is the father of Q', 'P×Q' means 'P is the brother of Q', 'P-Q' means 'P is the mother of Q', then which of the following is definitely true about 'C-A+B'?
- B is the son of A
  - A is the son of C
  - B is the father of C
  - C is the mother of B
16. If a simple interest on a sum of money at 6% p.a. for 7 years is equal to twice of simple interest on another sum for 9 years at 5% p.a. The ratio will be:
- 2:15
  - 7:15
  - 15:7
  - 1:7
17. How much money is required to be invested every year as to accumulate Rs,6,00,000 at the end of 10 years, if interest is compounded annually at 10% rate of interest [ Given :  $(1.1)^{10}=259734$
- ₹ 37,467
  - ₹ 37,476
  - ₹ 37,647
  - ₹ 37,674
18. The Scarap value of machine valued at Rs,10,00,000 after 15 yaers of depreciation is 10% per annmum .
- ₹ 215891.13
  - ₹ 205891.13
  - ₹ 225891.13
  - None
19. The effective annual rate of interest corresponding to nominal rate 6% p.a. payable quaterly is:
- 6.14%
  - 6.07%
  - 6.08%
  - 6.09%
20. If the difference between the compound interest compounded annually and simple interest on a certain amount at 10% per annum for two years is ₹ 372, then the principal amount is.
- ₹ 37,000
  - ₹ 37,200

- (c) ₹ 37,500  
 (d) None of the above
21. The future value of an annuity of ₹ 1500 made annually for 5 years at an interest rate of 10% compounded annually is [Given that  $(1.1)^5 = 1.61051$ ]
- (a) 9517.56  
 (b) 9157.65  
 (c) 9715.56  
 (d) 9175.65
22. Find the present value of an annuity of ₹ 1,000 payable at the end of each year for 10 years. If rate of interest is 6% compounding per annum. (given  $(1.06)^{-10} = 0.5584$ ):
- (a) ₹ 7,360  
 (b) ₹ 8,360  
 (c) ₹ 12,000  
 (d) None of these.
23. Mr. A borrows 5,00,000 to buy a house. If he pays equal instalments for 20 years and 10% interest on outstanding balance what will be the equal annual instalment?
- (a) ₹ 58239.84  
 (b) ₹ 58729.84  
 (c) ₹ 68729.84  
 (d) None of these
24. Suppose your mom decides to gift you ₹ 10,000 every year starting from today for the next sixteen years. You deposit this amount in a bank as and when you receive and get 8.5% per annum interest rate compounded annually. What is the present value of this money: [Given that  $P(15, 0.085) = 8.304236$ ]
- (a) ₹ 83,042  
 (b) ₹ 90,100  
 (c) ₹ 93,042  
 (d) ₹ 10,100
25. What will be the population after 3 years, when present population is 1,00,000 and the population increases at 3% in year 1st year, at 4% in second year and 5% in third year.
- (a) 1,12,476  
 (b) 1,15,476  
 (c) 1,20,576  
 (d) 1,25,600

26. 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
27. The value of furniture depreciates by 10% a year, if the present value of the furniture in an office is ₹ 21870, calculate the value of furniture 3 years ago:
- (a) ₹ 30,000  
 (b) ₹ 40,000  
 (c) ₹ 35,000  
 (d) ₹ 50,000
28. A sum of money, lent out at simple interest, doubles itself in 8 years. Find in how many years will the sum become triple (three times) of itself at the same rate per cent ?
- (a) 16 years  
 (b) 15 years  
 (c) 20 years  
 (d) None.
29.  $\int 2^{3x} \cdot 3^{2x} \cdot 5^{2x} dx$
- (a)  $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(720)} + C$   
 (b)  $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(360)} + C$   
 (c)  $\frac{2^{3x} \cdot 3^{2x} \cdot 5^{2x}}{\log(1800)} + C$   
 (d)  $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(90)} + C$
30.  $\int_1^4 (2x + 5) dx$  and the value is
- (a) 10  
 (b) 3  
 (c) 30  
 (d) none
31. The equation of the tangent to the curve,  $x^3 - 2x + 3$ , at the point (2, 7) is:
- (a)  $y = 2x - 13$   
 (b)  $y = 10x$   
 (c)  $y = 10x - 13$



- (d)  $y = 10$
32. If  $x = c.t$ ,  $y = c/t$ , then  $dy/dx$  is equal to :
- (a)  $1/t$
  - (b)  $t.e^t$
  - (c)  $-1/t^2$
  - (d) None of these
33. The letters of the word VIOLENT are arranged so that the vowels occupy even place only. The number of permutations is:
- (a) 144
  - (b) 120
  - (c) 24
  - (d) 72
34. A garden having 6 tall trees in a row. In how many ways 5 children stand, one in a gap between the trees in order to pose for a photograph?
- (a) 24
  - (b) 120
  - (c) 720
  - (d) 30
35. Find the number of arrangements in which the letters of the word 'MONDAY' be arranged so that the words thus formed begin with 'M' and do not end with 'N'.
- (a) 720
  - (b) 120
  - (c) 96
  - (d) None
36. In how many ways can a party of 4 men and 4 women be seated at a circular table, so that no two women are adjacent ?
- (a) 164
  - (b) 174
  - (c) 144
  - (d) 154
37. A Supreme Court Bench consists of 5 judges. In how many ways, the bench can give a majority division ?
- (a) 10
  - (b) 5
  - (c) 15
  - (d) 16

38. If the  $p$ th term of an A.P. is 'q' and the  $q$ th term is 'p', then its  $r$ th term is:
- $p + q + r$
  - $p + q - r$
  - $p - q - r$
  - $p + q$
39. Find the numbers whose GM is 5 and AM is 7.5:
- 12 and 13
  - 13.09 and 1.91
  - 14 and 11
  - 17 and 19
40. If the sum of  $n$  terms of an A.P. be  $2n^2 + 5n$ , then its ' $n$ ' term is:
- $4n - 2$
  - $3n - 4$
  - $4n + 3$
  - $3n + 4$
41. The first, second and seventh term of an AP. are in G.P. and the common difference is 2, the 2nd term of A.P. is :
- $5/2$
  - 2
  - $3/2$
  - $1/2$
42. Find the sum of all natural numbers between 250 and 1,000 which are exactly divisible by 3 :
- 1,56,375
  - 1,56,357
  - 1,65,375
  - 1,65,357
43. On the set of lines, being perpendicular is a satisfies which property :
- Reflexive
  - Symmetric
  - Transitive
  - None of these
44. If  $A = (1, 2, 3, 4, 5)$ ,  $B = (2, 4)$  and  $C = (1, 3, 5)$  then  $(A - C) \times B$  is:
- $\{(2, 2)(2, 4)(4, 2)(4, 4)(5, 2) (5, 4)\}$
  - $\{(1, 2) (1, 4) (3, 2) (3, 4) (5, 2) (5, 4)\}$

- (c)  $\{(2, 2) (4, 2) (4, 4) (4, 5)\}$   
 (d)  $\{(2, 2) (2, 4) (4, 2) (4, 4)\}$
45. Out of total 150 students, 45 passed in Accounts, 30 in Economics and 50 in Maths, 30 in both Accounts and Maths, 32 in both Maths and Economics, 35 in both Accounts and Economics, 25 students passed in all the three subjects. Find the numbers who passed atleast in anyone of the subjects:
- (a) 63  
 (b) 53  
 (c) 73  
 (d) None.
46. Let  $R$  is the set of real numbers, such that the function  $f: R \rightarrow R$  and  $g: R \rightarrow R$  are defined by  $f(x) = x^2 + 3x + 1$  and  $g(x) = 2x - 3$ . Find  $(f \circ g)$  :
- (a)  $4x^2 + 6x + 1$   
 (b)  $x^2 + 6x + 1$   
 (c)  $4x^2 - 6x + 1$   
 (d)  $x^2 - 6x + 1$
47. The ages of two persons are in the ratio 5:7. Eighteen years ago their ages were in the ratio of 8:13, their present ages (in years) are :
- (a) 50,70  
 (b) 70,50  
 (c) 40,56  
 (d) None of these
48. A box contains ₹ 56 in the form of coins of one rupee, 50 paise and 25 paise. The number of 50 paise coin is double the number of 25 paise coins and four times the numbers of one rupee coins. The numbers of 50 paise coins in the box is
- (a) 64  
 (b) 32  
 (c) 16  
 (d) 14
49. A man starts his job with a certain monthly salary and earns a fixed increment every year. If his salary was ₹ 1,500 after 4 years of service and ₹ 1,800 after 10 years of service, what was his starting salary and what is the annual increment in rupees?
- (a) ₹ 1,300, ₹ 50  
 (b) ₹ 1,100, ₹ 50  
 (c) ₹ 1,500, ₹ 30

- (d) None
50. Find the positive value of  $k$  for which the equations:  $x^2 + kx + 64 = 0$  and  $x^2 - 8x + k = 0$  will have real roots:
- (a) 12
  - (b) 16
  - (c) 18
  - (d) 22
51. Praveen is facing west. He turns  $45^\circ$  in the clockwise direction and then again another turns with  $180^\circ$  in the same direction i.e. clockwise direction, after that he turns  $270^\circ$  in the anti-clockwise direction. Which direction is he facing now ?
- (a) North-West
  - (b) West
  - (c) South-West
  - (d) South
52. Shweta moved a distance of 75 metres towards the north. She then turned to the left and walking for about 25 metres, turned left again and walked 80 metres. Finally, she turned to the right at an angle of  $45^\circ$ . In which direction was she moving finally?
- (a) South
  - (b) South-West
  - (c) North-East
  - (d) North-West
53. In a straight line there are six persons sitting in a row. B is between F and D. E is between A and C. A does not stand next to F or D, C does not stand next to D. F is between which of the following persons?
- (a) B and E
  - (b) B and C
  - (c) B and D
  - (d) B and A
54. Rashmi walked 2 km west of her house and then turned south covering 4 km. Finally, she moved 3 km towards east and then again 1 km west. How far is she from her initial position?
- (a) 7 km
  - (b) 3 km
  - (c) 4 km
  - (d) 12 km

55. Five boys A, B, C, D and E are sitting in a row. A is to the right of B, and E is to the left of B but to the right of C. A is to the left of D. Who is second from the left end ?
- (a) D
  - (b) A
  - (c) E
  - (d) B
56. Eight leaders P, Q, R, S, T, U, V and W are sitting on a bench facing towards North.
- (i) T is fourth to the left of P
  - (ii) S is fourth to the right of W
  - (iii) U and R are not sitting at the ends, but they are neighbours of T and Q respectively.
  - (iv) P is next to the right of W and but left of Q.
- Who are sitting at the extreme ends ?
- (a) T and S
  - (b) P and Q
  - (c) U and R
  - (d) None
57. If  $\log_4(x^2 + x) - \log_4(x + 1) = 2$  then the value of x is
- (a) 2
  - (b) 3
  - (c) 16
  - (d) 8
58. If HEALTH is written as GSKZDG, then how will NORTH be written in that code?
- (a) OPSUI
  - (b) GSQNM
  - (c) FRPML
  - (d) IUSPO
59. In a certain code, TEACHER is written as VGCEJGT. How is CHILDREN written in that code ?
- (a) EJKNEGTP
  - (b) EGKNEITP
  - (c) EJKNFGTO
  - (d) EJKNFTGP

60. Find odd man out of the following:
- (a) 15
  - (b) 25
  - (c) 37
  - (d) 49
61. Which of the following statement is true?
- (a) Statistics is derived from the French word 'Statistik'
  - (b) Statistics is derived from the Italian word 'Statista'
  - (c) Statistics is derived from the Latin word 'Statistique'.
  - (d) None of these
62. In tabulation, source of data, if any is shown in the :
- (a) Stub
  - (b) Body
  - (c) Caption
  - (d) Footnote
63. From the following data 73, 72, 65, 41, 54, 80, 50, 46, 49, 53, find the number of class intervals if class length is given as 5,
- (a) 6
  - (b) 5
  - (c) 7
  - (d) 8

64. The number of observations between 150 and 200 based on the following data is:

Value	More than 100	More than 150	More than 200	More than 250
No. of Observations	70	63	28	05

- (a) 46
  - (b) 35
  - (c) 28
  - (d) 23
65. Data collected on religion from the census reports are:
- (a) Primary data
  - (b) Secondary data
  - (c) Sample data
  - (d) (a) or (b)

66. The number of test of Adequacy in Index numbers:
- (a) 2
  - (b) 3
  - (c) 4
  - (d) 5
67. Circular Test is satisfied by:
- (a) Paasche's Index Number
  - (b) The simple geometric mean of price relatives and the weighted aggregative with fixed weights
  - (c) Laspeyre's Index Number
  - (d) None of these
68. In the data group Bowley's and Laspeyre's index number is as follows. Bowley's index number = 150, Laspeyre's index number = 180 then Paasche's index number is:
- (a) 120
  - (b) 30
  - (c) 165
  - (d) None of these
69. If Fisher's index = 150 and Paasche's Index = 144, then Laspeyre's index is \_\_\_\_\_
- (a) 147
  - (b) 156.25
  - (c) 104.17
  - (d) 138
70. Monthly salary of an employee was ₹ 10,000 in the year 2010 and it was increased to ₹ 20,000 in the year 2023 while the consumer price index number is 240 in year 2023 with the base year 2010, what should be his salary in comparison of consumer price index in the year 2023 ?
- (a) 2,000
  - (b) 16,000
  - (c) 24,000
  - (d) None of these
71. Parameter is a characteristic of:
- (a) Population
  - (b) Sample
  - (c) Probability distribution
  - (d) Both (a) & (b)

72. The Interval  $(\mu - 3\sigma, \mu + 3\sigma)$  covers
- (a) 95% area of normal distribution
  - (b) 96% area of normal distribution
  - (c) 99% area of normal distribution
  - (d) All but not 0.27% area of a normal distribution
73. The overall percentage of failure in a certain examination is 0.30. What is the probability that out of a group of 6 candidates at least 4 passed the examination?
- (a) 0.74
  - (b) 0.71
  - (c) 0.59
  - (d) 0.67
74. In a certain manufacturing process, 5% of the tools produced turn out to be defective. Find the probability that in a sample of 40 tools, at most 2 will be defective: [Given:  $e^{-2} = 0.135$ ]
- (a) 0.555
  - (b) 0.932
  - (c) 0.785
  - (d) 0.675
75. For binomial distribution  $E(x) = 2$ ,  $V(x) = 4/3$ . Find the value of  $n$ .
- (a) 3
  - (b) 4
  - (c) 5
  - (d) 6
76. If standard deviation of a poisson distribution is 2 , then its Mode
- (a) 2
  - (b) 4
  - (c) 3 and 4
  - (d) 5
77. Consumer price index is commonly known as
- (a) Chain Based index
  - (b) Ideal index
  - (c) Wholesale price index
  - (d) Cost of living index.



78. The covariance between two variables X and Y is 8.4 and their variances are 25 and 36 respectively. Calculate Karl Pearson's coefficient of correlation between them.
- (a) 0.82  
 (b) 0.28  
 (c) 0.01  
 (d) 0.09
79. If  $r$  is the Karl Pearson's coefficient of correlation in a bivariate distribution the two regression lines are at right angles when \_\_\_\_\_
- (a)  $r = \pm 1$   
 (b)  $r = 0$   
 (c)  $r = \pm \infty$   
 (d) None
80. If  $r = 0.6$  then the coefficient of non-determination is \_\_\_\_\_
- (a) 0.4  
 (b) -0.6  
 (c) 0.36  
 (d) 0.64
81. The correlation coefficient between  $x$  and  $y$  is  $-1/2$ . The value of  $b_{xy} = -1/8$ . Find  $b_{yx}$ .
- (a) -2  
 (b) -4  
 (c) 0  
 (d) 2
82. Out of the following which one affects the regression co-efficient:
- (a) Change of origin only  
 (b) Change of scale only  
 (c) Change of scale & origin both  
 (d) Neither change of origin nor change of scale
83. If Y is dependent variable and X is Independent variable and the S.D of X and Y are 5 and 8 respectively and Co-efficient of co-relation between X and Y is 0.8. Find the Regression co-efficient of Y on X.
- (a) 0.78  
 (b) 1.28  
 (c) 6.8  
 (d) 0.32

84. The theory of compound probability states that for any two events A and B:
- (a)  $P(A \cap B) = P(A) \times P(B)$
  - (b)  $P(A \cap B) = P(A) \times P(B/A)$
  - (c)  $P(A \cup B) = P(A) \times P(B/A)$
  - (d)  $P(A \cup B) = P(A) + P(B) - P(A \cap B)$
85. Three identical dice are rolled. The probability that the same number will appear on each of them is:
- (a)  $1/6$
  - (b)  $1/12$
  - (c)  $1/36$
  - (d) 1
86. If 10 men, among whom are A and B, stand in a row, what is the probability that there will be exactly 3 men between A and B ?
- (a)  $11/15$
  - (b)  $4/15$
  - (c)  $1/15$
  - (d)  $2/15$
87.  $P(A) = 2/3$ ;  $P(B) = 3/5$ ;  $P(A \cup B) = 5/6$ . Find  $P(B/A)$
- (a)  $11/20$
  - (b)  $13/20$
  - (c)  $13/18$
  - (d)  $15/20$
88. The odds in favour of A solving a problem is 5:7 and Odds against B solving the same problem is 9:6. What is the probability that if both of them try, the problem will be solved?
- (a)  $117/180$
  - (b)  $181/200$
  - (c)  $147/180$
  - (d)  $119/180$
89. A bag contains 15 one rupee coins, 25 two rupee coins and 10 five rupee coins. If a coin is selected at random from the bag, then the probability of not selecting a one rupee coin is:
- (a) 0.30
  - (b) 0.70
  - (c) 0.25
  - (d) 0.20

90. If two variables  $x$  and  $y$  are related by  $2X + 3Y - 7 = 0$  and the mean and mean deviation about mean of  $X$  are 1 and 0.3 respectively, then the co-efficient of mean deviation of  $Y$  about mean is .
- (a) -5  
 (b) 4  
 (c) 12  
 (d) 50
91. If  $X$  and  $Y$  are related as  $3X - 4Y = 20$  and the quartile deviation of  $X$  is 12, then the quartile deviation of  $Y$  is :
- (a) 14  
 (b) 15  
 (c) 16  
 (d) 9
92. Suppose a population A has 100 observations 101,102,103,200 and another population B has 100 observations 151, 152, 153, ..... 250. If  $V_A$  and  $V_B$  represents the variance of the two populations respectively, then  $V_A / V_B =$  :
- 
- (a)  $9/4$   
 (b) 1  
 (c)  $4/9$   
 (d)  $2/3$
93. The rate of returns from three different shares are 100%, 200% and 300% respectively. The average rate of return will be.
- (a) 350%  
 (b) 233.33%  
 (c) 200%  
 (d) 300%
94. If variance of  $x$  is 5, then find the variance of  $(2 - 3x)$
- (a) 10  
 (b) 45  
 (c) 5  
 (d) -13
95. The sum of the squares of deviations of a set of observations has the smallest value, when the deviations are taken from their
- (a) A. M.  
 (b) H. M.  
 (c) G. M.

- (d) None
96. For a moderately skewed distribution, which of the following relationship holds?
- (a) Mean – Median = 3 (Median – Mode)
  - (b) Median -Mode = 3 (Mean -Median)
  - (c) Mean – Mode = 3 (Mean – Median)
  - (d) Mean – Median 3 (Mean – Mode)
97. The mean salary for a group of 40 female workers is ₹ 5200 per month and that for a group of 60 male workers is ₹ 6800 per month. What is the combined salary ?
- (a) ₹ 6160
  - (b) ₹ 6280
  - (c) ₹ 6890
  - (d) ₹ 6920
98. The mean weight of 15 students is 110 kg. The mean weight of 5 of them is 100 kg. and that of another five students is 125 kg., then the mean weight of the remaining students is:
- (a) 120
  - (b) 105
  - (c) 115
  - (d) None of these
99. If the difference between mean and mode is 69, then the difference between Mean and Median will be \_\_\_\_\_
- (a) 63
  - (b) 31.5
  - (c) 23
  - (d) None of the above
100. The average age of 15 students is 15 years. Out of these the average age of 5 students is 14 years and that of other 9 students is 16 years, then the age of 15<sup>th</sup> student is \_\_\_\_\_
- (a) 11 years
  - (b) 14 years
  - (c) 15 years
  - (d) None of these

**MODEL TEST PAPER 2**  
**FOUNDATION COURSE**  
**PAPER 3: QUANTITATIVE APTITUDE**

This paper is a objective type Question Paper, it carries 100 objective type questions and all are compulsory. Each MCQ carry one mark .

Negative marking is applicable, deducting one-fourth of a mark for each incorrect answer.

Time: 2 Hours

Marks: 100

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

1. if  $\alpha$  and  $\beta$  are the roots of the equation  $x^2+7x+12=0$ , then the equation, whose roots are  $(\alpha+\beta)^2$  and  $(\alpha-\beta)^2$  will be
  - (a)  $x^2-14x+49=0$
  - (b)  $x^2-24x+144=0$
  - (c)  $x^2-50x+49=0$
  - (d)  $x^2-19x+144=0$
2. x, y and z are together starts business. If x investes 3 times as much as y invests and y invests two third of what z invests, then the raio of capitals of x, y and z is:
  - (a) 3:9:2
  - (b) 6:3:2
  - (c) 3:6:2
  - (d) 6:2:3
3.  $\log_a \sqrt{3} = \frac{1}{6}$ , find the value of a
  - (a) 9
  - (b) 81
  - (c) 27
  - (d) 3
4.  $\log \frac{p^2}{qr} + \log \frac{q^2}{pr} + \log \frac{r^2}{pq} =$ 
  - (a) pqr
  - (b)  $\frac{1}{pqr}$
  - (c) 1
  - (d) 0
5. Simplification  $\frac{1}{1+z^{a-b}+z^{a-c}} + \frac{1}{1+z^{b-c}+z^{b-a}} + \frac{1}{1+z^{c-a}+z^{c-b}}$  would reduces to

(a)  $\frac{1}{z^2(a+b+c)}$

(b)  $\frac{1}{z(a+b+c)}$

(c) 1

(d) 0

6. A bag contains 25 paise, 10 paise and 5 paise coins in the ratio 3:2:1. The total value of ₹ 40, the number of 5 paise coins is

(a) 45

(b) 48

(c) 40

(d) 20

7. If one root of  $5z^2 + 13z + y = 0$  is the reciprocal of the other then the value of y is

(a)  $\frac{1}{5}$

(b)  $-\frac{1}{5}$

(c) 5

(d) -5

8. If  $2^x \times 3^y \times 5^z = 720$  then the value of x, y, z ?

(a) 4, 2, 1

(b) 1, 2, 4

(c) 2, 4, 1

(d) 1, 4, 2

9. A man wants to cut three lengths from a single piece of board of length 91 cm. The second length is to be 3 cm longer than the shortest and third length is to be twice as the shortest. What is the possible length for the shortest piece?

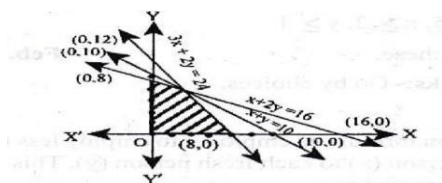
(a) 22

(b) 20

(c) 15

(d) 18

10. The shaded region represents:



(a)  $3x + 2y < 24, x + 2y > 16, x + y < 10, x > 0, y > 0$

- (b)  $3x+2y < 24, x+2y < 16, x+y > 10, x > 0, y > 0$
- (c)  $3x+2y < 24, x+2y < 16, x+y < 10, x > 0, y > 0$
- (d) None of these.
11. The time required to produce a unit of product A is 3 hours and that for product B is 5 hours. The total available time is 220 hours. If  $x$  and  $y$  are the number of units of A and B that are produced then
- (a)  $3x+2y = 220$
- (b)  $3x+5y \geq 220, x \geq 0, y \geq 0$
- (c)  $3x+5y \leq 220, x \geq 0, y \geq 0$
- (d)  $5x+2y \geq 220, x \geq 0, y \geq 0$
12. What must be added to each term of the ratio 49:68. So that it becomes 3:4 ?
- (a) 3
- (b) 5
- (c) 8
- (d) 9
13. Find future value of annuity of ₹ 1000 made annually for seven years at interest rate 16% compounded annually. [Given that  $(1.16)^7 = 2.8262$ ]
- (a) ₹ 11413.75
- (b) ₹ 11000.35
- (c) ₹ 8756
- (d) ₹ 9892.34
14. Assuming that the discount rate is 7% p.a. How much would you pay to receive ₹ 500. Growing at 5% annually forever?
- (a) ₹ 2,500
- (b) ₹ 5,000
- (c) ₹ 7,500
- (d) ₹ 25,000
15. Rajesh deposits ₹ 3,000 at the start of each quarter in his savings account. If the account earns interest 5.75% per annum compounded quarterly, how much money (in ₹) will he have at the end of 4 years? [Given that  $(1.014375)^{16} = 1.25654$ ]
- (a) ₹ 54,308.6
- (b) ₹ 58,553.6
- (c) ₹ 68,353.6
- (d) ₹ 63,624.4
16. The annual rate of simple interest is 12.5%. In how many years does principal double?
- (a) 11 years
- (b) 9 years

- (c) 8 years  
(d) 7 years
17. ₹ 5000 is paid every year for 10 years to pay off a loan. What is the loan amount of interest rate be 14% p.a compounded annually?  
(a) ₹ 26,000.90  
(b) ₹ 26080.55  
(c) ₹ 15000.21  
(d) ₹ 16,345.11
18. ₹ 800 is invested at the end of each month in account paying interest 6% per year compounded monthly. What is the future value of annuity after 10<sup>th</sup> payment ? [Given that  $(1.005)^{10} = 1.0511$ ]  
(a) ₹ 4444  
(b) ₹ 8766  
(c) ₹ 3491  
(d) ₹ 8176
19. Certain sum of money borrowed at simple interest to ₹ 2688 in three years and to ₹ 2784 in four years at the rate per annum equal to  
(a) 4%  
(b) 6%  
(c) 5%  
(d) 7%
20. Ravi made of an investment of ₹ 15,000 in a scheme and at the time of maturity the time of maturity the amount was ₹ 25,000. If Compound Annual Growth Rate (CAGR) for this investment is 8.88%. Calculate the approximate number of years for which he has invested the amount.  
(a) 6  
(b) 7.7  
(c) 5.5  
(d) 7
21. The present value of an annuity which pays Rs.200 at the end of each 3 months for 10 years, assuming money to be worth 5% converted quarterly  
(a) Rs. 3473.86  
(b) Rs. 3108.60  
(c) Rs.114180.44  
(d) none of these
22. Rajesh invests ₹ 20,000 per year in a stock index fund, with earns 9% per year, for the next ten years.What would be closest value of accumulated investment upon payment of the last installment? [Given:  $(1.09)^{10} = 2.36736$ ]  
(a) ₹ 3,88,764.968



- (b) ₹ 3,03,858.564  
 (c) ₹ 2,68,728.484  
 (d) ₹ 4,08,718.364
23. An investment is earning compounded interest ₹ 100 invested in the year 2 accumulated to ₹ 105 by year 4. If ₹ 500 invested in the year 5, will become ₹ \_\_\_\_\_ by year 10.
- (a) ₹ 364.80  
 (b) ₹ 564.80  
 (c) ₹ 464.80  
 (d) ₹ 664.80
24. An investor is saving to pay off an obligation of ₹ 15,250 which will due in seven years, if the investor is earning 7.5% simple interest rate per annum, he must deposit ₹ \_\_\_\_\_ to meet the obligation.
- (a) ₹ 8,000  
 (b) ₹ 9,000  
 (c) ₹ 10,000  
 (d) ₹ 11,000
25. The value of scooter is ₹ 1,00,000 find its depreciation is 10% p.a. Calculate total depreciation value at the end of seven years.
- (a) ₹ 47829.70  
 (b) ₹ 47000.90  
 (c) ₹ 42709  
 (d) ₹ 42,000
26. Effective rate of interest does not depend upon
- (a) Amount of Principal  
 (b) Amount of Interest  
 (c) Number of conversion periods  
 (d) none of these
27. The number of triangles that can be formed by choosing the vertices from a set of 12 points, Seven of which lie on the same lie on the same straight line is:
- (a) 185  
 (b) 175  
 (c) 115  
 (d) 105
28. Five bulbs of which three are defective are to be tired in two light-points in a dark-room. In how many trails the room shall be lightened ?
- (a) 10  
 (b) 7

- (c) 3  
(d) none of these
29. In how many ways can a party of 4 men and 4 women be seated at a circular table, so that no two women are adjacent ?
- (a) 164  
(b) 174  
(c) 144  
(d) 154
30. How many words can be formed with the letters of the word 'ORIENTAL'. So that A and E always occupy odd places:
- (a) 540  
(b) 8460  
(c) 8640  
(d) 8450
31. The number of ways of painting the faces of a cube by 6 different colours is
- (a) 30  
(b) 36  
(c) 24  
(d) 1
32. The sum of an AP, whose first is -4 and last term is 146 is 7171. Find the value of n
- (a) 99  
(b) 100  
(c) 101  
(d) 102
33. In a geometric progression , the second term is 12 and sixth term is 192. Find 11<sup>th</sup> term.
- (a) 3,072  
(b) 1,536  
(c) 12,288  
(d) 6,144
34. The first and last terms of an arithmetic progression are 5 and 905. Sum of the terms is 45,955. The number of terms is
- (a) 99  
(b) 100  
(c) 101  
(d) 102

35. The sum of first eight terms of geometric progression is five times the sum of the first four terms. The common ratio is
- $\sqrt{3}$
  - $\sqrt{2}$
  - 4
  - 2
36. If the sum of  $n$  terms of an AP is  $(3n^2-n)$  and its common difference is 6, then its term is
- 3
  - 2
  - 4
  - 1
37. Two finite sets have  $m$  and  $n$  elements. The total number of sub sets of first set is 56 more than the total number of subsets of the second set. The value of  $m$  and  $n$  are
- 6,3
  - 7,6
  - 5,1
  - 8,7
38. If  $f(p) = \frac{1}{1-p}$ , then  $f^{-1}$  is
- $1-p$
  - $\frac{p-1}{p}$
  - $\frac{p}{p-1}$
  - $\frac{1}{p}$
39. Determine  $f(x)$ , given that  $f'(x) = 12x^2 - 4x$  and  $f(-3) = 17$
- $f(x) = 4x^3 - 2x^2 + 143$
  - $f(x) = 6x^3 - x^4 + 137$
  - $f(x) = 3x^4 - x^3 - 137$
  - $f(x) = 4x^3 - 2x^2 - 143$
40.  $\int_0^1 x \cdot e^x dx$
- 1
  - 1
  - $e^1$

(d) 1/e

### Logical Reasoning

41. Find the missing term in each of the following series : 6, 13, 25, 51, 101?
- (a) 201
  - (b) 202
  - (c) 203
  - (d) 205
42. Find the missing term in each of the following series : 28, 33,31,36, 34,39, ?
- (a) 48
  - (b) 37
  - (c) 54
  - (d) 62
43. In a certain code, TEACHER is written as VGCEJGT, How is CHILDREN written in that code?
- (a) EJKNEGTP
  - (b) EGKNEITP
  - (c) EJKNFGTO
  - (d) EJKNFTGP
44. In a certain code language, '253' means 'books are old'; '546' means 'man is old' and '378' means 'buy good books'. What stands for 'are' in that code?
- (a) 2
  - (b) 4
  - (c) 5
  - (d) 6
45. If SUMMER is coded as RUNNER, the code for WINTER will be
- (a) SUITER
  - (b) VIOUER
  - (c) WALKER
  - (d) SUFFER
46. From home Neha goes towards North for her college and then she turns left and then turns right, and finally she turns left and reaches college. In which direction her college is situated with respect to her home ?
- (a) South-West
  - (b) North-East
  - (c) North-West
  - (d) South-East

47. Y is to the East of X, which is to the North of Z. If P is to the South of Z, then P is in which direction with respect to Y.
- North
  - South
  - Soth-East
  - South-West
48. Five villages P, Q, R, S, and T are situated close to each other. P is to the west of Q, R is to the south of P. T is to the north of Q and S is to the east of T. Then, R is in which direction with respect to S?
- North-West
  - South-East
  - South-West
  - Data inadequate
49. If South-West becomes North, then what will North-East be?
- North
  - South-East
  - South
  - East
50. In a clock at 12 : 30, hour needle is in North direction while minute needle is in South direction. In which direction would be minute needle at 12:45?
- North-West
  - South-East
  - West
  - East
51. Five students are standing in a circle. Abhinav is between Alok and Ankur. Apurva is on the left of Abhishek. Alok is on the left of Apurva. Who is sitting next to Abhinav on his right?
- Apurva
  - Ankur
  - Abhishek
  - Alok
52. Six persons M, N, O, P, Q and R are sitting in two rows with three persons in each row. Both the rows are in front of each other. Q is not at the end of any row. P is second the left of R. O is the neighbour of Q and diagonally opposite to P. N is the neighbour of R. Who is in fronts of N ?
- M
  - R
  - Q
  - P

53. A, P, R, X, S and Z are sitting in a row. S and Z are in the centre. A and P are at the ends. R is sitting to the left of A. Who is to the right of P ?
- A
  - X
  - S
  - Z
54. Five friends A, B, C, D and E are standing in a row facing South but not necessarily in the same order. Only B is between A and E, C is immediate right to E and D is immediate left to A, On the basis of above information, which of the following statements is definitely true ?
- B is to the left of A.
  - D is third to the left of E.
  - B is to the right of E.
  - A is second to the left of C.
55. There are four children P, Q, R, S sitting in a row. P occupies seat next to Q but not next to R. If R is not sitting next to S ? Who is occupying seat next to adjacent to S.
- Q
  - P
  - P and Q
  - None
56. B is the brother of A whose only sister is mother of C, D is maternal grandmother of C How is A related to D?
- Aunt
  - Daughter-in-law
  - Daughter
  - Nephew
57. 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 A is the maternal uncle of B?
- $B+D\times C-A$
  - $B-D\%A$
  - $A-C+D\times B$
  - $A+C\times D-B$

**Directions(Questions 58-60)** Read the following information and answer the questions given below.

Anita is the niece of Prateek's mother. Anita's mother is Prateek's aunt. Rohan is Anita's mother's brother. Rohan's mother is Anita's grandmother. From this information. deduce the relationship between.

58. Rohan's mother is \_\_\_\_\_ to Anita's mother.

- (a) Aunt
  - (b) Mother
  - (c) No relation
  - (d) Sister
59. Prateek's and Anita's mother are \_\_\_\_\_
- (a) Cousin sister
  - (b) Sister-in-law
  - (c) Friends
  - (d) Sisters
60. Rohan is Prateek's \_\_\_\_\_
- (a) Brother
  - (b) Brother-in-law
  - (c) Uncle
  - (d) Cousin brothers

**Part B: Statistics**

61. The distribution of profits of a company follows:
- (a) J-shaped frequency curve
  - (b) U-shaped frequency curve
  - (c) Bell-shaped frequency curve
  - (d) Any of these
62. Median of a distribution can be obtained from:
- (a) Histogram
  - (b) Frequency Polygon
  - (c) Less than type ogives
  - (d) none of these
63. Frequency density corresponding to a class interval is the ratio of
- (a) Class Frequency to the Total Frequency
  - (b) Class Frequency to the class Length
  - (c) Class frequency to the class Frequency
  - (d) Class Frequency to the Cumulative Frequency.
64. Standard Error can be described as
- (a) The error committed in ksampling
  - (b) The error committed in sample survey
  - (c) The error committed in estimating parameter
  - (d) Standrad deviation of Statistic

65. In a group of persons, average weight is 60 kg. If the average of males and females taken separately is 80 kg and 50 kg respectively, find the ratio of the number of males to that of females.
- (a) 2:3  
 (b) 3:2  
 (c) 2:1  
 (d) 1:2
66. A train covered the first 5 km of its journey at a speed of 30km/hr and next 15 km at a speed of 45 km/hr. The average speed of the train was :
- (a) 38 km/hr  
 (b) 40 km/hr  
 (c) 36 km/hr  
 (d) 42 km/hr
67. If  $2x + 3y + 4 = 0$  and  $v(x) = 6$  then  $v(y)$  is:
- (a)  $8/3$   
 (b) 9  
 (c) -9  
 (d) 6
68. If the standard deviation of 1, 2, 3, 4, ..... 10 is  $\sigma$ , then the standard deviation of 11, 12, 13, 14, ..... 20 is:
- (a)  $10\sigma$   
 (b)  $10+\sigma$   
 (c)  $\sigma$   
 (d) None of these
69. What is the standard deviation of the following series :
- |              |      |       |       |       |
|--------------|------|-------|-------|-------|
| Measurements | 0-10 | 10-20 | 20-30 | 30-40 |
| Frequency :  | 1    | 3     | 4     | 2     |
- (a) 81  
 (b) 7.6  
 (c) 9  
 (d) 2.26
70. If the difference between Mean and Mode is 69, then the difference between Mean and Median will be \_\_\_\_\_:
- (a) 63  
 (b) 31.5  
 (c) 23  
 (d) None of these



71. If all observations in a distribution are increased by 6, then the variance of the series will be \_\_\_\_\_
- (a) Increased
  - (b) Decreased
  - (c) Unchanged
  - (d) None of these.
72. Which measure of dispersion is base on the absolute deviation only?
- (a) Range
  - (b) Standard Deviation
  - (c) Mean Devaition
  - (d) Quartile Devation
73. Calculuae the value of 3<sup>rd</sup> quartile from the following data 40, 35, 51, 21, 25, 16, 29, 27, 32
- (a) 36.25
  - (b) 30.25
  - (c) 25
  - (d) 35
74. The mean of 100 students was 45 . Later on, it was discovered that the marks of two students were misread as 85 and 54 instead of 58 and 45. Find correct mean.
- (a) 68
  - (b) 36
  - (c) 44.64
  - (d) 52
75. The arithmetic maen and coefficienct of variation of data set x are respectively, 10 and 30. The variance of  $30-2x$  is
- (a) 28
  - (b) 32
  - (c) 34
  - (d) 36
76. The approximate ratio of SD, MD, QD is
- (a) 2:3:4
  - (b) 3:4:5
  - (c) 15:12:10
  - (d) 5:6:7
77. The geometric mean of three numbers 40, 50 and x is 10, the value of x is
- (a) 5

- (b) 4
  - (c) 2
  - (d)  $\frac{1}{2}$
78. Difference between upper limit and lower limit of class is known as
- (a) Range
  - (b) Class Mark
  - (c) Class Size
  - (d) Class Boundary
79. Let P be a probability function on  $S = \{X_1, X_2, X_3\}$  if  $P(X_1)=1/4$  and  $P(X_3) = 1/3$  then  $P(X_2)$  is equal to:
- (a)  $5/12$
  - (b)  $7/12$
  - (c)  $3/4$
  - (d) none of these
80. A speaks truth in 60% of the cases and B in 90% of the cases. In what percentage of cases are they likely to contradict each other in stating the same fact:
- (a) 36%
  - (b) 42%
  - (c) 54%
  - (d) none of these.
81. A candidate is selected for interview for 3 posts. For the first there are 3 candidates, for the second there are 4 and for the third there are 2. What are the chances of his getting at least one post?
- (a)  $3/4$
  - (b)  $2/3$
  - (c)  $1/10$
  - (d) 1
82. A card is drawn from a pack of playing cards and then another card is drawn without the first being replaced. What is the probability of getting two kings:
- (a)  $7/52$
  - (b)  $1/221$
  - (c)  $3/221$
  - (d) none of these.
83. The probability of a man hitting the target is  $1/4$ . If he fires 7 times, the probability of hitting the target at least twice is :

(a)  $1 - \left(\frac{5}{2}\right)\left(\frac{3}{4}\right)^6$

(b)  $1 - \frac{15}{2}\left(\frac{3}{4}\right)^6$

(c)  $1 - \frac{5}{6}, 3^5$

(d)  $1 - \left(\frac{3}{4}\right)^6$

84. If 5% of the electric bulbs manufactured by a company are defective, use Poisson distribution to find the probability that in a sample of 100 bulbs, 5 bulbs will be defective. [Given :  $e^{-5} = 0.007$ ]
- (a) 0.1823  
(b) 0.1723  
(c) 0.1623  
(d) 0.1923
85. In a non- leap year, the probability of getting 53 Sundays or 53 Tuesdays or 53 Thursdays is:
- (a)  $\frac{4}{7}$   
(b)  $\frac{2}{7}$   
(c)  $\frac{3}{7}$   
(d)  $\frac{1}{7}$
86. Examine the validity of the following : Mean and standard deviation of a binomial distribution are 10 and 4 respective:
- (a) Not valid  
(b) Valid  
(c) Both [a] and [b]  
(d) Neither [a] nor [b]
87. For a Poisson variate X,  $P(x=1) = P(x=2)$ , what is the mean of x ?
- (a) 1  
(b)  $\frac{3}{2}$   
(c) 2  
(d)  $\frac{5}{2}$
88. Thirty balls are serially numbered and placed in bag. Find chance that the first ball drawn is a multiple of 3 or 5

- (a)  $8/15$
  - (b)  $2/15$
  - (c)  $1/2$
  - (d)  $7/15$
89. For a normal distribution, the first and third quartile are given to be 37 and 49, the mode of the distribution is.
- (a) 37
  - (b) 49
  - (c) 43
  - (d) 45
90. The odds in favour of event A in a trail is 3:1. In a three independent trails, the probability of non occurrence of the event A is
- (a)  $1/64$
  - (b)  $1/32$
  - (c)  $1/27$
  - (d)  $1/8$
91. If  $4y - 5x = 15$  is the regression line of y on x and the coefficient of correlation between x and y is 0.75, what is the value of the regression coefficient of x on y ?
- (a) 0.45
  - (b) 0.9375
  - (c) 0.6
  - (d) none of these
92. If the regression line of y on x and of x on y are given by  $2x + 3y = -1$  and  $5x + 6y = -1$  then the arithmetic means of x and y are given by.
- (a) (1,-1)
  - (b) (-1,1)
  - (c) (-1, -1)
  - (d) (2,3)
93. If correlation co-efficient between x and y is 0.5 then  $b_{yx}=0.5$  then  $b_{xy}=?$
- (a) 1
  - (b) 0.5
  - (c) -0.5
  - (d) 0

94. For a positive and perfectly correlated random variables , one of the regression coefficient is 1.4 and the standard deviation of X is 2, the variance of Y is
- 2.38
  - 6.76
  - 6.56
  - 3.16
95. For n pairs of observations , the coefficient of concurrent deviation is calculated as  $\frac{1}{\sqrt{3}}$  . If there are six concurrent deviations, n=
- 11
  - 10
  - 9
  - 8
96. Consumer Price Index Number goes up from 100 to 200 and salary of a worker is also raised from 300 to 500, then Real Wage is
- 300
  - 250
  - 600
  - 350
97. The Circular Test is known as:
- $P_{01} \times P_{12} \times P_{20} = 1$
  - $P_{12} \times P_{01} \times P_{20} = 1$
  - $P_{20} \times P_{12} \times P_{01} = 1$
  - $P_{02} \times P_{21} \times P_{12} = 1$
98. In the data group Bowley's and Laspyre's index number is as follows. Bowley's index number =150, Laspyre's index number = 180 then Paasche's index number is
- 120
  - 30
  - 165
  - None of these
99. Laspyres index number is aweighted aggregate method by taking \_\_\_\_\_ as weights.
- Quanatity consumed in the base year
  - Quanatity consumed in the current year
  - Value of items consumed in base year
  - Vlaue of items consumed in the current year

100. Find the Paasche's Index number for prices from the following

Commodity	Base year		Current year	
	Price	Commodity	Price	Commodity
A	5	25	6	30
B	3	8	4	10
C	2	10	3	8
D	10	4	3	45

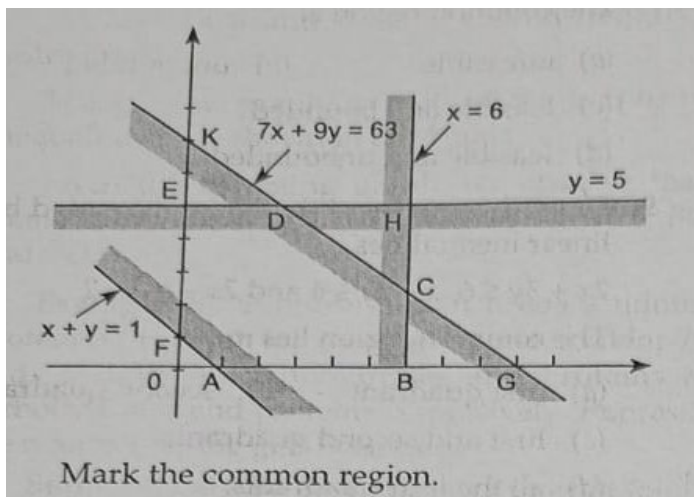
- (a) 151.21
- (b) 165.28
- (c) 157.26
- (d) 160.21

**MODEL TEST PAPER 3**  
**FOUNDATION COURSE**  
**PAPER 3: QUANTITATIVE APTITUDE**

**Time: 2 Hours**

**Marks: 100**

1. If 'GOAL' is coded as 'HPBM' and 'FROCK' is coded as 'GSPTL' then how will 'LOFAR' be coded?
  - (a) MPGZO
  - (b) MNEBS
  - (c) MPGBS
  - (d) MPEBR
2. Graph of the following linear inequalities :  
 $x+y \geq 1$  ,  $y \leq 5$  ,  $x \leq 6$  ,  $7x+9y \leq 63$  ,  $x \geq 0$  ,  $y \geq 0$  is given below;



- (a) DCHAD
  - (b) BCGH
  - (c) ABCDEFA
  - (d) EDKE
3. If mean and variance are 5 and 3 respectively then relation between p and q is :
  - (a)  $P > q$
  - (b)  $p < q$
  - (c)  $p = q$
  - (d) p is symmetric
4. The expenditures and savings of a person are in the ratio 4:1. If his savings are increased by 25% of his income , then what is the new ratio of his expenditure and savings ?
  - (a) 11:9

- (b) 8:5  
 (c) 7:5  
 (d) 7:4
5. The sum of mean and SD of a series is  $a + b$ , if we add 2 to each observation of the series then the sum of mean and SD is :
- (a)  $a + b + 2$   
 (b)  $6 - a + b$   
 (c)  $4 + a - b$   
 (d)  $a + b + 4$
6. What is the mean of X having the following density function?
- $$f(x) = \frac{1}{\sqrt{2\pi}} e^{-\frac{(x-10)^2}{32}} \text{ for } -\infty < x < \infty$$
- (a) 4  
 (b) 10  
 (c) 40  
 (d) None of these
7. In a Poisson distribution if  $P(x=4) = P(x=5)$  then the parameter of Poisson distribution is:
- (a)  $\frac{4}{5}$   
 (b)  $\frac{5}{4}$   
 (c) 4  
 (d) 5
8. Two events A and B are such that they do not occur simultaneously then they are called \_\_\_\_\_ events.
- (a) Mutually exhaustive  
 (b) Mutually Exclusive  
 (c) Mutually Independent  
 (d) Equally Likely
9. Data are said to be \_\_\_\_\_ if the investigator himself is responsible for the collection of data.
- (a) Primary Data  
 (b) Secondary Data  
 (c) Mixed of Primary and Secondary Data  
 (d) None



10. A suitable graph for representing the portioning of total into sub parts in statistics is:
- (a) A Pictograph
  - (b) A Pie Chart
  - (c) An Ogive
  - (d) A Histogram
11. Ram is known to hit a target in 2 out of 3 shots whereas Shyam is known to hit the same target in 5 out of 11 shots. What is the probability that the target would be hit if they both try?
- (a)  $\frac{9}{11}$
  - (b)  $\frac{6}{11}$
  - (c)  $\frac{10}{33}$
  - (d)  $\frac{3}{11}$
12. If from a population with 25 members, a random sample without replacement of 2 members is taken, the number of all such samples is
- (a) 300
  - (b) 625
  - (c) 50
  - (d) 600
13. The sum of two numbers is 75 and their difference is 20. Find the difference of their squares.
- (a) 1500
  - (b) 1600
  - (c) 1550
  - (d) None of these
14. A room has 10 doors. In how many ways can a man enter the room by one door and come out by a different door.
- (a) 90
  - (b) 100
  - (c) 50
  - (d) None of these
15. The average of marks obtained by 120 students in a certain examination is 135. If the average marks of passed students is 39 and that of the failed students is 15; what is the number of students who passed in the examination?

- (a) 100  
 (b) 150  
 (c) 200  
 (d) None of these
16. If  $\log \frac{a-b}{2} = \frac{1}{2} (\log a + \log b)$ , the value of  $a^2 + b^2$  is  
 (a)  $6ab$   
 (b)  $8ab$   
 (c)  $6a^2b^2$   
 (d) None of these
17. In an election, there are five candidates contesting for three vacancies; an elector can vote any number of candidates not exceeding the number of vacancies. In how many ways can one cast his votes?  
 (a) 12  
 (b) 14  
 (c) 25  
 (d) None of these
18. The number of ways that 12 prizes can be divided among 4 students so that each may have 3 prizes is:  
 (a) 15,400  
 (b) 15,000  
 (c) 14,400  
 (d) 369600
19. Five balls of different colours are to be placed in three boxes of different sizes. Each box can hold all the five balls. In how many different ways can we place the balls so that no box remains empty?  
 (a) 100  
 (b) 120  
 (c) 150  
 (d) None of these
20. Find the sum of the series.  $243 + 324 + 432 + \dots$  to n terms  
 (a)  $3^6 \left( \frac{4^n}{3^n} - 1 \right)$   
 (b)  $3^4 \left( \frac{4^n}{3^n} - 1 \right)$

- (c)  $3^6 \left( \frac{3^n}{4^n} - 1 \right)$
- (d) None of these
21. The sum of the first eight terms of a G.P. is five times the sum of the first four terms; then the common ratio is –
- (a)  $\sqrt{2}$
- (b)  $-\sqrt{2}$
- (c)  $\pm\sqrt{2}$
- (d) None of these
22. The sum of the following series  $4 + 44 + 444 + \dots$  to n term is:
- (a)  $\frac{4}{9} \left[ \frac{10(10^n - 1)}{9} - n \right]$
- (b)  $\frac{4}{9} \left[ \frac{10(10^n - 1)}{9} + n \right]$
- (c)  $\frac{10(10^n - 1)}{9} + n$
- (d) None of these
23. The Arithmetic Mean between two numbers is 15 and their G.M. is 9; then the numbers are –
- (a) 27, 3
- (b) 9, 9
- (c) 16, 9
- (d) None of these
24. Find the gradient of curve  $y = 3x^2 - 5x + 4$  at the point (1, 2)
- (a) 1
- (b) 3
- (c) 4
- (d) 5
25. Evaluate:  $\int_0^5 \frac{x^2}{x^2 + (5-x)^2} dx$
- (a) 0
- (b) 1
- (c) -1
- (d) none of these

26. If  $f'(x) = 3x^2 + 2$  &  $f(0) = 0$  then find  $f(2)$ .
- 8
  - 10
  - 12
  - none of these
27. A box contains 7 red, 6 white and 4 blue balls. How many selections of three balls can be made so that none is red?
- 90
  - 120
  - 48
  - None of these
28. The number of times a particular item occurs in a given data is called its
- Variation
  - Frequency
  - Cumulative frequency
  - None of these
29. If the width of each of ten classes in a frequency distribution is 2.5 and the lower class boundary is 5.1, then the upper class boundary of the highest class is
- 30.1
  - 31.1
  - 30
  - 27.6
30. Let  $L$  be the lower class boundary of a class in a frequency distribution and  $m$  be the mid point of the class. Which one of the following is the higher class boundary of the class?
- $m + \frac{m+2}{2}$
  - $L + \frac{m+L}{2}$
  - $2m - L$
  - $m - 2L$
31. The mean of the values of 1, 2, 3 .....,  $n$  with respective frequencies  $x, 2x, 3x, \dots, nx$  is
- $\frac{n+1}{2}$

- (b)  $\frac{n}{2}$
- (c)  $\frac{2n+1}{3}$
- (d)  $\frac{2n+1}{6}$
32. The correlation between two variables  $x$  and  $y$  is found to be 0.4. What is the correlation between  $2x$  and  $(-y)$  ?
- (a) 0.4
- (b)  $-0.4$
- (c) 0.6
- (d) None of these
33. Correlation Co-efficient is \_\_\_\_\_ of the units of measurements
- (a) Dependent
- (b) Independent
- (c) both
- (d) none of these
34. If for two variable  $x$  and  $y$ , the covariance, variance of  $x$  and variance of  $y$  are 40, 16 and 256 respectively, what is the value of the correlation coefficient?
- (a) 0.01
- (b) 0.625
- (c) 0.4
- (d) 0.5
35. The coefficient of rank correlation of marks obtained by 10 students in English and Economics was found to be 0.5, it was later discovered that the difference in ranks in the two subjects obtained by one student was wrongly taken as 3 instead of 7. Find correct coefficient of rank correlation.
- (a) 0.514
- (b) 0.364
- (c) 0.15
- (d) 0.260
36. If  $r = 0.5$ ,  $\sum xy = 120$ ,  $\sigma_y = 8$ ,  $\sum x^2 = 90$ , then value of  $n$  is equal to \_\_\_\_\_
- (a) 5
- (b) 10
- (c) 15
- (d) 20

37. For a  $(m \times n)$  classification of bivariate data, the maximum number of conditional distributions is
- (a)  $p$
  - (b)  $p+q$
  - (c)  $pq$
  - (d)  $p$
38. \_\_\_\_\_ is an extension of time reversal test.
- (a) Factor reversal test
  - (b) Circular test
  - (c) Unit test
  - (d) None of these
39. Fisher's method for construction of Index Numbers uses \_\_\_\_\_
- (a) Geometric Mean
  - (b) Harmonic Mean.
  - (c) Median
  - (d) HM
40. The consumer price index in 1990 increases by 80- per cent as compared to the base 1980. A person in 1980 getting ₹ 60,000 per annum should now get
- (a) ₹ 1,08,000 per annum
  - (b) ₹ 82,000 per annum
  - (c) ₹ 64,000 per annum
  - (d) None of these
41. If 'INSURE' is coded as 951395, then how will 'PATRIOT' be coded?
- (a) 7129962
  - (b) 7129962
  - (c) 7129962
  - (d) 7129962
42. If in a certain code '493' means 'Friendship difficult challenge', '961', means, 'Struggle difficult Exam., and '178' means 'Exam believable subject', then which digit is used for 'believable'?
- (a) 7 or 8
  - (b) 7 or 9
  - (c) 8
  - (d) 8 or 1

43. In the following series, which number will replace the question mark:  
23, 29, 31, 37, 41, 43, ?
- (a) 45
  - (b) 53
  - (c) 47
  - (d) 49
44. In the following letter-series some letters are missing. The missing letters are given in the proper sequence as one of the alternatives. Find the correct alternative.  
ab—abcab—abc—bca—c
- (a) abac
  - (b) bcac
  - (c) ccab
  - (d) bbac
45. A and B both are children of C. If C is the mother of A, A is the son of C but B is not the daughter of C, then how are A and B mutually related?
- (a) A is the brother of B
  - (b) A is the nephew of B
  - (c) A is the sister of B
  - (d) A is the cousin of B
46. A husband and wife had five married sons and each of these had four children. How many members are there in the family?
- (a) 50
  - (b) 40
  - (c) 32
  - (d) 36
47. Pointing to the lady in the photograph , Seema said, "Her son's father is the son-in-law of my mother." How is Seema related to the lady?
- (a) Sister
  - (b) Mother
  - (c) Cousin
  - (d) Aunt

(48-49). Each of these questions is based on the following information:

P % Q means P is the father of Q.

P @ Q means P is the sister of Q.

P \$ Q means P is the brother of Q.

$P * Q$  means P is the wife of Q.

48. In the expression  $F \$ D \% K @ H * R$ , how is D related to R?
- (a) Father
  - (b) Mother
  - (c) Sister
  - (d) Father in law
49. In the expression  $A \% B @ K * H \% P$ , how is B related to P?
- (a) Aunt
  - (b) Cousin
  - (c) Uncle
  - (d) Daughter
50. The length and breadth of a room are 8 m and 6 m respectively. A cat runs along all the four walls and finally along a diagonal order to catch a rat. How much total distance is covered by the cat?
- (a) 10 m
  - (b) 14 m
  - (c) 38 m
  - (d) 48 m
51. If  $A \times B$  means A is to the south of B;  $A + B$  means A is to the north of B;  $A \% B$  means A is to the east of B;  $A - B$  means A is to the west of B; then in  $P \% Q + R - S$ , S is in which direction with respect to Q?
- (a) South-West
  - (b) South-East
  - (c) North-East
  - (d) North-West
52. P started from his house towards west. After walking a distance of 25 m. He turned to the right and walked 10 m. He then again turned to the right and walked 15 m. After this he is to turn right at 135° and to cover 30 m. In which direction should he go?
- (a) West
  - (b) South
  - (c) South-West
  - (d) South-East
53. A man is facing north. He turns 45° in the clockwise direction and then another 180° in the same direction and then 45° in the anticlockwise direction. Find which direction he is facing now ?
- (a) North



- (b) East
  - (c) West
  - (d) South
54. A child is looking for his father. He went 90 meters in the east before turning to his right. He went 20 meters before turning to his right again to look for his father at his uncle's place 30 meters from this point. His father was not there. From there, he went 100 meters to his north before meeting his father in a street. How far did the son meet his father from starting point ?
- (a) 80 m
  - (b) 90 m
  - (c) 100 m
  - (d) 110 m
- (55-56) A, B, C, D, E, F and G are sitting in a straight line facing north, but not necessarily in the same order. There is only one person between F and C. E sits between A and D. There are only two persons between E and G. F sits on the immediate left of A, who sits in the middle of the row.
55. How many persons are there between E and F
- (a) 1
  - (b) 2
  - (c) 3
  - (d) 4
56. Who among the following sit at the extreme ends on the row ?
- (a) D, F
  - (b) G, C
  - (c) B, C
  - (d) None of these
57. Who among the following sits to the immediate right of D
- (a) G
  - (b) E
  - (c) F
  - (d) B
58. In a line, P is sitting 13th from left. Q is sitting 24th from the right and 3rd left from P. How many people are sitting in the line?
- (a) 34
  - (b) 31
  - (c) 32

- (d) 33
59. Four ladies A, B, C and D and four gentlemen E, F, G and H are sitting in a circle round a table facing each other.
- Directions:
- (1) No two ladies or two gentlemen are sitting side by side.
  - (2) C, who is sitting between G and E is facing D.
  - (3) F is between D and A and is facing G.
  - (4) H is to the right of B.
- Who are immediate neighbours of B?
- (a) G and H
  - (b) F and H
  - (c) E and F
  - (d) E and H
60. If the mean deviation of a normal variable is 16, what is its quartile deviation?
- (a) 10
  - (b) 13.50
  - (c) 15
  - (d) 12.50
61. An Ogive can be prepared in \_\_\_\_\_ different ways.
- (a) 2
  - (b) 3
  - (c) 4
  - (d) 5
62. \_\_\_\_\_ is an absolute measure of dispersion.
- (a) Range
  - (b) Mean Deviation
  - (c) Standard Deviation
  - (d) All the above
63. The wages of 8 workers expressed in rupees are 42, 45, 49, 38, 56, 54, 55, 47. Find median wage?
- (a) 47
  - (b) 48
  - (c) 49
  - (d) 50

64. If the Standard Deviation of 10 observations is 4 and if each item is divided by  $-2$  then Standard Deviation of new series is
- 2
  - $-2$
  - 4
  - None of these
65. If the relationship between  $x$  and  $y$  is given by  $4x - 6y = 13$  and if the median of  $x$  is 16. Find median of  $y$ .
- 7.50
  - 8
  - 8.50
  - none of these
66. Two variables  $x$  and  $y$  are related by  $5x + 2y + 5 = 0$  and  $\bar{x} = 5$ , then  $\bar{y}$  is
- 10
  - $-10$
  - 15
  - $-15$
67. Find  $Q_1$  for the following observations: 7,9,5,4,10,15,14,18,6,20
- 4.75
  - 5.25
  - 5.75
  - 6.25
68. \_\_\_\_\_ is the entire upper part of the table which includes columns and sub-column numbers, unit(s) measurement.
- Sub
  - Box-head
  - Body
  - Caption
69. If  $P(A) = \frac{1}{2}$ ;  $P(B) = \frac{1}{3}$  and  $P(A \cap B) = \frac{1}{4}$  then the value of  $P(\bar{A} \cap \bar{B})$  is
- $\frac{5}{12}$
  - $\frac{7}{12}$
  - $\frac{1}{2}$

(d) None of these

70. From the following probability distribution table, find  $E(x)$ .

x:	1	2	3
f(x):	$\frac{1}{2}$	$\frac{1}{3}$	$\frac{1}{6}$

(a) 1

(b) 1.50

(c) 1.67

(d) None of these

71. In a box carrying one dozen of oranges, one third has become bad. If 3 oranges are taken out from the box at random, what is the probability that at least one orange out of the three oranges picked up is good?

(a)  $\frac{54}{55}$

(b)  $\frac{1}{55}$

(c)  $\frac{45}{50}$

(d) None of these

72. Find the effective rate of interest at 10% p.a. when interest is payable quarterly.

(a) 10.38%

(b) 5%

(c) 5.04%

(d) 4%

73. Arslan invested ₹ 10,000 at 8% per annum compound quarterly, then the value of the investment after 2 years is [given  $(1.02)^8 = 1.171659$ ]

(a) ₹ 11,716.59

(b) ₹ 10,716.59

(c) ₹ 117.1659

(d) None of the above

74. The future value of an annuity of ₹ 1,000 made annually for 5 years at the interest of 14% compounded annually is:

(a) ₹ 5,610

(b) ₹ 6,610

(c) ₹ 6,160

- (d) ₹ 5,160
75. A man invests an amount of ₹ 15,860 in the names of his three sons A, B and C in such a way that they get the same interest after 2,3 and 4 years respectively. If the rate of interest is 5%, then the ratio of amount invested in the name of A, B and C is.
- (a) 6 : 4 : 3  
(b) 3 : 4 : 6  
(c) 30 : 12 : 5  
(d) None of the above
76. What annual payment will discharge a debt of ₹ 770 due in years, the rate of interest being 5% per annum?
- (a) ₹ 150  
(b) ₹ 140  
(c) ₹ 130  
(d) None of these
77. In \_\_\_\_\_ receipts / payments takes place forever.
- (a) Annuity  
(b) Perpetuity  
(c) Annuity regular  
(d) Annuity due
78. Present value of a scooter is ₹ 7,290 if its value decreases every year by 10% then its value before 3 years is equal to:
- (a) 10,000  
(b) 10,500  
(c) 20,000  
(d) 20,5000
79. How much amount is required to be invested every year so as to accumulate ₹ 3,00,000 at the end of 10 years, if interest is compounded annually at 10%?
- (a) ₹ 18,823.65  
(b) ₹ 18,000  
(c) ₹ 18,728.65  
(d) ₹ 18,882.65
80. The relation between two variables is  $2x-3y+12=0$ . If mean deviation of y is 6 then mean deviation of x is
- (a) 9  
(b) 6

- (c) 3  
(d) None of these
81. A company may obtain a machine either by leasing it for 5 years (useful life) at an annual rent of Rs. 2,000 or by purchasing the machine for Rs. 8,100. If the company can borrow money at 18% per annum, which alternative is preferable?
- (a) Leasing  
(b) Purchasing  
(c) Can't say  
(d) None of these
82. The time by which a sum of money is 8 times of itself if it doubles itself in 15 years.
- (a) 42 years  
(b) 43 years  
(c) 45 years  
(d) 46 years
83. Mr. X invests 'P' amount at Simple Interest rate 10% and Mr. Y invests 'Q' amount at Compound Interest rate 5% compounded annually. At the end of two years both get the same amount of interest, then the relation between two amounts P and Q is given by:
- (a)  $P = \frac{41Q}{80}$   
(b)  $P = \frac{41Q}{40}$   
(c)  $P = \frac{41Q}{100}$   
(d)  $P = \frac{41Q}{200}$
84. In what time will a sum of money double its y at 6.25% p.a. simple interest?
- (a) 5 years  
(b) 8 years  
(c) 12 years  
(d) 16 years
85. If two variables x and y are related by  $2x + 3y - 7 = 0$  and the mean and mean deviation about mean of x are 1 and 0.3 respectively, then the coefficient of mean deviation of y about mean is:
- (a) -5

- (b) 4  
(c) 12  
(d) 50
86. Which of the following result hold for a set of distinct positive observations?  
(a) A.M. > G.M. > H.M.  
(b) G.M. > A.M. > H.M.  
(c) G.M. > A.M. > H.M.  
(d) G.M. > A.M. > H.M.
87. For a set of 100 observations, taking assumed mean as 4, the sum of the deviations is -11 cm, and the sum of the squares of these deviations is 257 cm<sup>2</sup>. The coefficient of variation is:  
(a) 41.13%  
(b) 42.13%  
(c) 40.13%  
(d) None
88. \_\_\_\_ & \_\_\_\_ are called ratio averages:  
(a) H.M & G.M  
(b) H.M. & A.M.  
(c) A.M. & G.M.  
(d) None
89. If X and Y are two random variables then  $v(x+y)$  is:  
(a)  $v(x) + v(y)$   
(b)  $v(x) + v(y) - 2v(x,y)$   
(c)  $v(x) + v(y) + 2v(x,y)$   
(d)  $v(x) - v(y)$
90. Mean and S.D. of x is so and 5 respectively, Find mean and S.D. of  $\frac{x-50}{5}$   
(a) (1,0)  
(b) (0,1)  
(c) (1,-1)  
(d) (0, - 1)
91. A letter is taken out at random from the word RANGE and another is taken out from the word PAGE. The probability that they are the same letters is :  
(a) 1/20  
(b) 3/20

(c)  $\frac{3}{5}$

(d)  $\frac{3}{4}$

92. A bag contains 8 red and 5 white balls. Two successive draws of 3 balls are made without replacement. The probability that the first draw will produce 3 white ball and second 3 red balls is :

(a)  $\frac{6}{255}$

(b)  $\frac{5}{548}$

(c)  $\frac{7}{429}$

(d)  $\frac{3}{233}$

93. Daily demand for calculators is having the following probability distribution:

Demand	1	2	3	4	5	6
Probability:	0.10	0.15	0.20	0.25	0.18	0.12

Determine the variance of the demand.

(a) 2.54

(b) 2.93

(c) 2.22

(d) 2.19

94. One Card is drawn from pack of 52, what is the probability that it is a king or a queen?

(a)  $\frac{11}{13}$

(b)  $\frac{2}{13}$

(c)  $\frac{1}{13}$

(d) None of these

95. Let R is the set of real numbers such that the function  $f : R \rightarrow R$  and  $g : R \rightarrow R$  are defined by  $f(x) = x^2+3x+1$  and  $g(x) = 2x-3$ . Find  $(f \circ g)$ :

(a)  $4x^2+6x+1$

(b)  $x^2+6x+1$

(c)  $4x^2-6x+1$

(d)  $x^2- 6x+1$ .

96. In a town of 20,000 families it was found that 40% families buy newspaper A, 20% families buy newspaper B and 10% families buy newspaper C, 5% families buy A and B, 3% buy B and C and 4% buy A and C. If 2% families buy all the three newspaper, then the number of families which buy A only is:

(a) 6600

(b) 6300

(c) 5600



- (d) 600.
97. Given the function  $f(x) = (2x + 3)$ , then the value of  $f(2x) - 2f(x) + 3$  will be:
- (a) 3
  - (b) 2
  - (c) 1
  - (d) 0
98. if  $(x+1)$ ,  $3x$   $(4x+2)$  are in A.P. Find the value of  $x$
- (a) 2
  - (b) 3
  - (c) 4
  - (d) 5
99. Divide 144 into three parts which are in AP and such that the largest is twice the smallest, the smallest of three numbers will be:
- (a) 48
  - (b) 36
  - (c) 13
  - (d) 32
100. Find the variance of binomial distribution with  $n = 10$ ,  $p = 0.3$
- (a) 2.1
  - (b) 3
  - (c) 7
  - (d) None of these

**MODEL TEST PAPER 1**  
**FOUNDATION COURSE**  
**PAPER – 4: BUSINESS ECONOMICS**

**Time: 2 Hours**

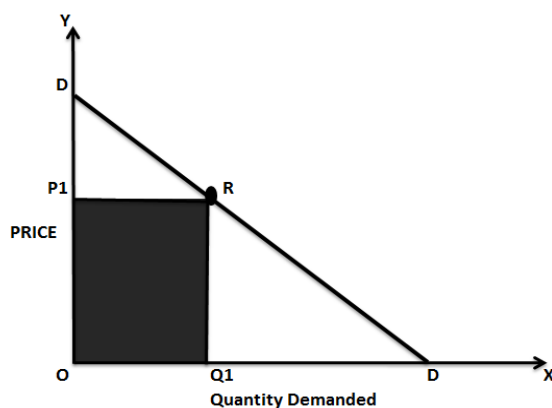
**Marks: 100**

1. What was the main objective of the Fiscal Responsibility and Budget Management Act, of 2003?
  - (a) Achieve Fiscal Surplus
  - (b) Stop Money Laundering
  - (c) Eliminate Fiscal Deficit
  - (d) Eliminate Revenue deficit
2. Contractionary fiscal policy can involve:
  - (a) Increasing consumption and investment and taxes.
  - (b) Decreasing government spending and increasing taxes.
  - (c) Increasing government spending and increasing taxes.
  - (d) None of the above.
3. 'Who gave 'The Theory of Public Finance (1959)?
  - (a) Adam Smith
  - (b) Richard Musgrave
  - (c) A.C. Pigou
  - (d) Alfred Marshall
4. The stabilization function is concerned with the performance of the aggregate economy in the term of-
  - (a) Overall output & income
  - (b) General price level
  - (c) Balance of international payments
  - (d) All of these
5. Which of the following is an example of market failure?
  - (a) Externalities
  - (b) Low prices
  - (c) Excess supply
  - (d) Excludable and rival goods
6. Which of the following is NOT a conclusion about market allocations of commodities causing pollution externalities?
  - (a) The prices of products responsible for pollution are too high.

- (b) The output of the commodity is too large.
  - (c) Recycling and reuse of the polluting substances are discouraged since release into the environment is so inefficiently cheap.
  - (d) Too much pollution is produced.
7. Which of the following is true of an imperfect market structure?
- (a) Participants in the market have little or no control over outcome in the market.
  - (b) Consumer surplus is maximized.
  - (c) The maximization of producer surplus may lead to a loss of net benefit for society.
  - (d) Imperfect market structures include monopolies but not cartels.
8. Which of the following is not an example of a policy designed to encourage competition?
- (a) Deregulation
  - (b) Trade liberalisation
  - (c) Reducing income tax
  - (d) Anti-monopoly regulations
9. 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
10. Marshallian theory of consumer's behaviour is based on:
- (a) Hypothesis of additive utilities.
  - (b) Hypothesis of independent utilities.
  - (c) Both (A) and (B)
  - (d) Weak ordering
11. Successful business firms spend considerable time, energy, and efforts in analyzing the \_\_\_\_\_ for their products.
- (A) Supply
  - (b) Price
  - (c) Demand
  - (d) None of these
12. By way of an optimal choice, a consumer tends to:
- (a) save money

- (b) purchase large quantity
  - (c) maximize satisfaction
  - (d) maximize satisfaction subject to constraints like tastes and preferences.
13. The economist's concept of demand is \_\_\_\_\_ as desire or need or choice or preference or order.
- (a) the same thing
  - (b) not the same thing
  - (c) (a) or (b)
  - (d) None of these
14. The demand for labour in response to the wage rate is \_\_\_\_\_ whereas the demand for same labour in response to the price of electronic goods where labour enters as an input is\_\_\_\_\_ .
- (a) Derived Demand, Direct Demand
  - (b) Direct Demand, Derived Demand
  - (c) Individual Demand, Market Demand
  - (d) Company Demand, Industry Demand
15. **Assertion (A):** In the short run, a producer operates in only II stage of Law of Diminishing Returns Where average product of variable factor is declining.  
**Reason (R):** In stage I and stage III the marginal product of the fixed and the variable factors respectively are negative.
- (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
16. Which of the following groups of goods have inelastic demand?
- (a) Salt, Smart Phone and Branded Lipstick
  - (b) School Uniform, Branded Goggles and Smart Phone
  - (c) Salt, School Uniform and Medicine
  - (d) Medicine, Branded Sports Shoes, and Diamond ring
17. If the price of a commodity raised by 12% and Ed is (-) 0.63, the expenditure made on the commodity by a consumer will \_\_\_\_
- (a) Decrease
  - (b) Increase
  - (c) Remain same
  - (d) Can't Say

18. A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has \_\_\_\_\_.
- more of one of the goods
  - less of at least one of the goods
  - more of at least one of the goods and less of the other good.
  - more of at least one of the goods and no less of the other good.
19. During lockdown due to COVID-19, a consumer finds the vegetable vendors selling vegetables in the street have raised the prices of vegetables than usual prices. She will buy \_\_\_\_\_ vegetables than/as her usual demand showing the demand of vegetables is \_\_\_\_\_.
- more, inelastic demand
  - less, elastic demand
  - same, inelastic demand
  - same, elastic demand
20. In the below figure, if DD is the demand curve and R is a given point on it then the area of shaded portion  $OP_1RQ_1$  is \_\_\_\_\_.



- Total Revenue (TR)
  - Marginal Revenue (MR)
  - Total Cost (TC)
  - None of these
21. Marginal revenue of a firm is constant throughout under:
- Perfect Competition
  - Monopolistic Competition
  - Oligopoly
  - All the above
22. Monopolistic competition constitutes:
- Single firm producing close substitutes

- (b) Many firms producing close substitutes
  - (c) Many firms producing differentiated substitutes
  - (d) Few firms producing differentiated substitutes
23. 'Interdependence Between Firms' is a feature of which type of market form:
- (a) Oligopoly
  - b) Monopolistic Competition
  - (c) Monopoly
  - (d) Perfect Competition
24. Which of the following is a limitation of using GDP as a measure of economic well-being?
- (a) It includes only monetary transactions.
  - (b) It does not account for income distribution.
  - (c) It considers both market and non-market activities.
  - (d) It is not affected by inflation.
25. If a country's Gross Domestic Product (GDP) is greater than its Gross National Product (GNP), it implies that the country:
- (a) Is a net exporter.
  - (b) Is a net importer.
  - (c) Has a trade surplus
  - (d) Has a trade deficit
26. If the central bank conducts an open market purchase of government securities, what is the likely impact on the money supply?
- (a) Increase
  - (b) Decrease
  - (c) No change
  - (d) Variable, depending on other factors.
27. Which of the following is included in M2, a broader measure of money supply compared to M1?
- (a) Currency in circulation
  - (b) Savings deposits
  - (c) Demand deposits
  - (d) Travellers' checks
28. What is the purpose of a voluntary export restraint (VER)?
- (a) To limit the quantity of exports.
  - (b) To encourage foreign producers to export more

- (c) To reduce the cost of imports.
  - (d) To comply with international trade agreements.
29. Which of the following is an example of an automatic stabilizer in the budget?
- (a) Discretionary spending
  - (b) Progressive taxation
  - (c) Infrastructure investment
  - (d) Unemployment benefits
30. Which of the following policy measures is typically used by central banks to manage the business cycle?
- (a) Fiscal policy.
  - (b) Monetary policy.
  - (c) Trade policy.
  - (d) Industrial policy.
31. Concept of Business Economics was given by:
- (a) Joel Dean
  - (b) Alfred Marshall
  - (c) Adam Smith
  - (d) L. Robbins
32. The choice between labour- and Capital-intensive techniques is related with:
- (a) What to Produce?
  - (b) How to Produce?
  - (c) For whom to Produce
  - (d) All of the above.
33. Which of the following is considered as a disadvantage of allocating resources using the market system?
- (a) Income will tend to be unevenly distributed.
  - (b) People do not get goods of their choice.
  - (c) Men of Initiative and enterprise are not rewarded.
  - (d) Profits will tend to be low.
34. Which of the following are the features of a mixed economy?
- (a) Planned economy
  - (b) Dual system of pricing exists
  - (c) Balance regional development
  - (d) All of the above

35. Which of the following is NOT a central issue in macroeconomics?
- (a) How should the central bank of a country fight inflation?
  - (b) What is responsible for high and persistent unemployment?
  - (c) How do tax changes influence consumers' buying choices?
  - (d) What factors determine economic growth?
36. Which of the following is a FALSE statement?
- (a) The very long run focuses on the growth of productive capacity
  - (b) In the very long run, the productive capacity is assumed to be given
  - (c) In the very short run, shifts in aggregate demand determine how much output is produced
  - (d) Fluctuations in the rates of inflation and unemployment are important long-run issues
37. In the very long-run AD-AS model, if the AD-curve shifts to the left, then:
- (a) prices and output will both decrease
  - (b) prices and output will both increase
  - (c) prices will decrease but output will remain the same
  - (d) output will decrease but prices will remain the same
38. The concept of diminishing marginal returns implies that:
- (a) output cannot decrease as long as labour is substituted for capital
  - (b) output decreases if either labour or capital is decreased
  - (c) output increases but at a decreasing rate as the amount of labour is increased and the amount of capital remains fixed
  - (d) if the capital stock is kept constant, output cannot increase even if more labour is available
39. Countries with higher saving rates may have higher equilibrium growth rates since:
- (a) people who save more also are more industrious
  - (b) higher income allows for more savings
  - (c) a higher saving rate allows for more investment in human capital which ultimately enhances economic growth
  - (d) having more capital equipment is more important than having better capital equipment
40. Assume you built a new house, bought a used car, and bought some government bonds. Which of the following is true?
- (a) consumption and government purchases went up since you bought a used car and government bonds



- (b) consumption and investment went up since you bought a used car and government bonds
  - (c) investment and government purchases went up since you built a new house and bought government bonds
  - (d) investment went up since you built a new house
41. A central bank that wants to stabilize the economy in the short run should try to:
- (a) establish a clear inflation target and stick to it no matter what
  - (b) affect aggregate supply through open market operations
  - (c) affect aggregate demand through open market operations
  - (d) concentrate only on long-run goals
42. Inflation occurs whenever:
- (a) aggregate demand rises.
  - (b) the price of any given commodity rises.
  - (c) the average price of most goods and services rises.
  - (d) the tax rate is lower than the government spending rate.
43. The quantity of dollars supplied will decrease if:
- (a) imports into the United States increase.
  - (b) the expected future exchange rate falls.
  - (c) the interest rate in the United States falls.
  - (d) fewer U.S. residents travel abroad.
44. Quantitative restrictions refer to limits set by countries to curb:
- (a) Imports
  - (b) Exports
  - (c) Imports & exports
  - (d) None of the above
45. The expenditure multiplier is used to calculate the change in:
- (A) spending caused by a change in income
  - (b) equilibrium income caused by a change in autonomous spending
  - (c) intended spending caused by a change in consumption
  - (d) disposable income caused by a change in saving
46. Theory of Mercantilism propagates:
- (a) Encourage exports and imports
  - (b) Encourage exports and discourage imports
  - (c) Discourage exports and imports

- (d) Discourage exports and encourage imports
47. What is the formula for calculating Gross Domestic Product (GDP) using the expenditure approach?
- (a)  $GDP = \text{Consumption} + \text{Investment} + \text{Government Spending}$
  - (b)  $GDP = \text{Consumption} + \text{Investment} + \text{Government Spending} + \text{Net Exports}$
  - (c)  $GDP = \text{Consumption} + \text{Investment}$
  - (d)  $GDP = \text{Consumption} + \text{Net Exports}$
48. Which component of National Income represents the income earned by individuals and businesses before taxes and other deductions?
- (a) Personal Income
  - (b) Disposable Income
  - (c) Gross National Product (GNP)
  - (d) Gross Domestic Product (GDP)
49. In modern fiat money systems, the value of money is primarily based on:
- (a) Gold reserves
  - (b) Government authority and public trust
  - (c) Exchange rates
  - (d) Digital transactions
50. Which of the following represents the total amount of money the government owes to external creditors and domestic lenders?
- (a) National debt
  - (b) Budget surplus
  - (c) Fiscal deficit
  - (d) Revenue deficit
51. Which of the following is an example of an automatic stabilizer in the budget?
- (a) Discretionary spending
  - (b) Progressive taxation
  - (c) Infrastructure investment
  - (d) Unemployment benefits
52. Which of the following is more sensitive to short-term changes in economic conditions?
- (a) FDI
  - (b) FPI
  - (c) Both FDI and FPI
  - (d) Neither FDI nor FPI

53. Which type of investment is more influenced by government regulations and policies?
- (a) FDI
  - (b) FPI
  - (c) Both FDI and FPI equally
  - (d) Neither FDI nor FPI
54. The concept of the "multiplier effect" in Keynesian economics refers to:
- (a) The impact of interest rates on investment
  - (b) The magnification of an initial change in spending throughout the economy
  - (c) The impact of taxes on consumer spending
  - (d) The role of exports in economic growth
55. What is the "liquidity trap" in Keynesian theory?
- (a) A situation where interest rates are very high.
  - (b) A situation where interest rates are very low, and savings are hoarded.
  - (c) A situation of hyperinflation
  - (d) A situation of excessive government spending
56. Which international organization is responsible for facilitating trade negotiations and resolving trade disputes among member countries?
- (a) World Health Organization (WHO)
  - (b) International Monetary Fund (IMF)
  - (c) World Trade Organization (WTO)
  - (d) United Nations Educational, Scientific and Cultural Organization (UNESCO)
57. The law of consumer surplus is based on:
- (a) indifferent curve analysis
  - (b) revealed preference theory
  - (c) law of substitution
  - (d) the law of diminishing marginal utility
58. The industrial sector depends on the agricultural sector because:
- (a) the agricultural sector provides food and other products for the consumption purposes of industrial sector
  - (b) the agricultural sector provides raw materials for the development of agro-based industries of the economy
  - (c) the agricultural sector provides market for the industrial products
  - (d) all of the above

59. If the price of apples rises from ₹ 30 per kg to ₹ 40 per kg and the supply increases from 240 kg to ₹ 300 kg. Elasticity of supply is:
- (a) .77
  - (b) .67
  - (c) (–) .67
  - (d) (–) .77
60. The producer is in equilibrium at a point where the cost line is:
- (a) above the isoquant
  - (b) below the isoquant
  - (c) cutting the isoquant
  - (d) tangent to isoquant
61. A monopolist is able to maximize his profits when:
- (a) his output is maximum
  - (b) he charges a high price
  - (c) his average cost is minimum
  - (d) his marginal cost is equal to marginal revenue
62. Agricultural goods markets depict characteristics close to:
- (a) Perfect competition
  - (b) Oligopoly
  - (c) Monopoly
  - (d) Monopolistic competition
63. Which of the following is a function of an entrepreneur?
- (a) Initiating a business enterprise
  - (b) Risk bearing
  - (c) Innovating
  - (d) All of the above
64. Which of the following statements is true of the relationship among the average cost functions?
- (a)  $ATC = AFC + AVC$
  - (b)  $AVC = AFC + ATC$
  - (c)  $AFC = ATC + AVC$
  - (d)  $AFC = ATC - AVC$
65. For a Price taking firm:
- (a) Marginal revenue is less than Price
  - (b) Marginal revenue is equal to Price

- (c) The relationship between behavior marginal revenue and Price is indeterminate
- (d) Marginal revenue is greater than price
66. Coincident indicator is not indicated as:
- (a) Inflation
- (b) Industrial Production
- (c) Retail Sales
- (d) New order for Plant and equipment
67. Indifference Curve analysis is superior to utility analysis:
- (a) It dispenses with the assumption of measurability
- (b) It segregates income effect and substitution effect
- (c) It does not assume constancy of marginal utility of money
- (d) All of the above
68. Perfectly Competitive firm and industry are both in long run equilibrium when:
- (a)  $P = MR = SMC = LMC$
- (b)  $P = MR =$  Lowest point on the LAC
- (c)  $P = MR = SAC = LAC$
- (d) All of the above
69. Economy's historical performance was reflected by:
- (a) Lagging indicating
- (b) Leading indicating
- (c) Either (a) or (b)
- (d) None of these
70. Opportunity cost is \_\_\_\_\_.
- (a) A cost that cannot be avoided.
- (b) The cost incurred in the past before we make a decision about what to do in the future.
- (c) That which we forgo or give up when we make a choice or a decision.
- (d) The additional benefit of buying an additional unit of a product.
71. Given  $TC = 2000 + 15Q - 6Q^2 + Q^3$ . How much is TFC at  $Q = 2000$ ?
- (a) 2000
- (b) 975
- (c) 30,000
- (d) Can't be determined

72. Different business cycles \_\_\_\_\_ in duration and intensity.
- (a) differ
  - (b) similar
  - (c) consistent
  - (d) Can't say
73. Price discrimination will be profitable only if the elasticity of demand in different markets in which the total market has been divided is:
- (a) uniform
  - (b) different
  - (c) less
  - (d) zero
74. Price discrimination will be profitable only if the elasticity of demand in different markets in which the total market has been divided is:
- (a) uniform
  - (b) different
  - (c) less
  - (d) zero
75. \_\_\_\_\_ expressed the view the "Economics is neutral between end".
- (a) Robbins
  - (b) Marshall
  - (c) Pigou
  - (d) Adam Smith
76. Price Rigidity explained by Sweezy's model is related to which market form:
- (a) Monopoly
  - (b) Oligopoly
  - (c) Monopolistic competition
  - (d) Perfect Competition
77. 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) Subsidies
78. Demand for complementary goods are:
- (a) Derived Demand
  - (b) Autonomous demand

- (c) Aggregate Demand
  - (d) None of these
79. Consumers get maximum variety of goods under:
- (a) Perfect Competition
  - (b) Monopolistic Competition
  - (c) Monopoly
  - (d) None of these
80. What is the primary goal of countercyclical fiscal policy in budgeting?
- (a) Maximizing government revenue.
  - (b) Stabilizing the economy during economic downturns.
  - (c) Minimizing government intervention.
  - (d) Reducing public debt.
81. According to Keynes, what can cause involuntary unemployment in an economy?
- (a) High interest rates
  - (b) Insufficient aggregate demand
  - (c) Government intervention
  - (d) Excessive savings
82. The concept of "animal spirits" in Keynesian theory refers to:
- (a) The unpredictable behavior of financial markets
  - (b) Psychological factors influencing economic decisions
  - (c) Government regulations affecting business confidence
  - (d) The impact of interest rates on investment
83. Which trade policy tool is designed to directly support domestic producers by reducing the cost of exporting goods?
- (a) Export subsidy
  - (b) Import quota
  - (c) Voluntary export restraint
  - (d) Export tariff
84. Public goods are characterized by:
- (a) Excludability and rivalry
  - (b) Excludability and non-rivalry
  - (c) Non-excludability and rivalry
  - (d) Non-excludability and non-rivalry

85. Which of the following is a common solution to the problem of common resources being overused?
- (a) Government regulation
  - (b) Privatization
  - (c) Subsidies
  - (d) Free-market competition
86. If the reserve requirement is 20%, what is the potential maximum expansion of the money supply when a new deposit of \$1,000 is made?
- (a) \$5,000
  - (b) \$2,000
  - (c) \$1,000
  - (d) \$500
87. Which of the following is a factor income?
- (a) Profits
  - (b) Transfer payments
  - (c) Subsidies
  - (d) Indirect taxes
88. Which of the following matters is/are fundamentally connected to economic analysis?
- (a) Economic prosperity
  - (b) Higher standard of living
  - (c) Changes in price of a commodity
  - (d) All of the above
89. Management of the firm \_\_\_\_\_ control over macro-economic factors.
- (a) has
  - (b) has no
  - (c) has partial
  - (d) None of these
90. After reaching the saturation point, consumption of additional units of the commodity cause:
- (a) Total utility to fall and marginal utility to increase.
  - (b) Total and marginal utility both to increase.
  - (c) Total utility to fall and marginal utility to become negative.
  - (d) Marginal utility to fall and total utility to become negative.



91. Which of the following statements is correct?
- (a) When the slope of the demand curve is zero, demand is infinitely elastic and when the slope is infinite, elasticity is zero.
  - (b) When the slope of the demand curve is zero, the elasticity is also zero and when the slope is infinite, elasticity is also infinite.
  - (c) When the slope of the demand curve is zero, the elasticity is unity and also when the slope is infinite, elasticity is unity.
  - (d) None of these
92. Computers and computer software are\_\_\_\_\_.
- (a) Substitute goods
  - (b) Complementary goods
  - (c) Independent goods
  - (d) Normal goods
93. Which of the following statement(s) is/are true about the slope of budget line?
- (a) The slope of budget line is determined by the relative prices of two goods.
  - (b) The slope of budget line is equal to price ratio of two goods.
  - (c) The slope of budget line measures the rate at which the consumer can trade one good for the other.
  - (d) All of the above
94. Traditional approach of law of demand was propounded by\_\_\_\_\_.
- (a) Giffen
  - (b) Paul A Samuelson
  - (c) Alfred Marshall
  - (d) Pique
95. Under the law of variable proportion, stage I is known as the stage of increasing returns because:
- (a) Marginal product of the variable factor increases throughout this stage
  - (b) Average product of the variable factor increases throughout this stage
  - (c) Marginal product increases at increasing rate throughout this stage
  - (d) Total increases at increasing rate throughout this stage
96. Production function:  $Q = 4L^{1/2}k^{2/3}$  exhibits:
- (a) increasing returns to scale
  - (b) decreasing returns to scale
  - (c) constant returns to scale
  - (d) increasing returns to a factor

97. A mathematical relationship showing the maximum output that can be produced by each and every combination of inputs is called \_\_\_\_\_.  
(a) Production equation  
(b) Production function  
(c) Production schedule  
(d) Production identity
98. 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
99. Decrease in input demand \_\_\_\_\_.  
(a) Doesn't affect inputs prices  
(b) Pushes inputs prices up  
(c) Pulls inputs prices down  
(d) Either (B) or (C)
100. Freedom of choice is the advantage of \_\_\_\_\_.  
(a) Socialism  
(b) Capitalism  
(c) Communism  
(d) None of the above

**MODEL TEST PAPER 2**  
**FOUNDATION COURSE**  
**PAPER – 4: BUSINESS ECONOMICS**

1. Which of the following activities is excluded from GDP, causing GDP to understate a nation's well-being?
  - (a) the services of used-car dealers
  - (b) the child-care services provided by stay-at-home parents
  - (c) the construction of new houses
  - (d) government expenditures on military equipment
2. Which of the following is a final good or service?
  - (a) diesel fuel bought for a delivery truck
  - (b) fertilizer purchased by a farm supplier
  - (c) a haircut
  - (d) Chevrolet windows purchased by a General Motors assembly plant
3. Gross investment refers to:
  - (a) private investment minus public investment.
  - (b) net investment plus replacement investment.
  - (c) net investment after it has been "inflated" for changes in the price level.
  - (d) net investment plus net exports.
4. Which of the economists below most likely advocated activist government policies?
  - (a) Milton Friedman
  - (b) John Maynard Keynes
  - (c) Robert Lucas
  - (d) Thomas Sargent
5. Increases in unwanted business inventories are counted as:
  - (a) a decrease in the capital stock
  - (b) an increase in consumption
  - (c) an increase in investment
  - (d) an increase in depreciation
6. If the inflation rate starts to increase, a central bank most likely will:
  - (a) try to stimulate aggregate supply through open market purchases
  - (b) change short-term interest rates through open market sales
  - (c) increase short-term interest rates by buying government bonds
  - (d) send signals to financial markets about upcoming open market purchases
7. What is the similarity between the Subprime Crisis and Greece Crisis?
  - (a) High Financial Leverage
  - (b) Low-Interest Rate
  - (c) Credit Expansion
  - (d) All of the above

8. In the simple Keynesian model investment is:
  - (a) Fixed.
  - (b) A function of the level of income.
  - (c) Either fixed or a function of the level of income.
  - (d) None of the above.
9. Which is the main objective of a tax?
  - (a) Increase in consumption
  - (b) Increase in production
  - (c) Raising public revenue
  - (d) Reduction in capital formation
10. Which of the following is a measure of fiscal policy?
  - (a) public expenditure
  - (b) C.R.R.
  - (c) S.L.R.
  - (d) Bank rate
11. Inflation occurs whenever:
  - (a) aggregate demand rises.
  - (b) the price of any given commodity rises.
  - (c) the average price of most goods and services rises.
  - (d) the tax rate is lower than the government spending rate.
12. A Most Favoured nation status doesn't necessarily refer to:
  - (a) Same and equal economic treatment
  - (b) Non-discriminatory treatment
  - (c) Same tariff rates applicable
  - (d) Uniform civil code
13. The book named "An Inquiry into the Nature and Causes of the Wealth of Nations" was published in:
  - (a) 1885
  - (b) 1776
  - (c) 1845
  - (d) 1775
14. Normative Economics Involves:
  - (a) Value Judgement
  - (b) Cause and Effect Relationship
  - (c) Determining the fair price
  - (d) None of these
15. The Characteristics of Socialist Economy are:
  - (a) Collective Ownership
  - (b) Economic Planning
  - (c) Absence of Consumer Choice

- (d) All the above
- 16. Demonstration effects a term coined by:
  - (a) James Duesenberry
  - (b) Marshall
  - (c) Keynes
  - (d) None of these
- 17. Exception to the law of demand:
  - (a) Conspicuous goods
  - (b) Giffen goods
  - (c) Future expectations about prices
  - (d) All of the above
- 18. In the simple Keynesian model consumption is a function of:
  - (a) Rate of interest.
  - (b) Level of income.
  - (c) Price level.
  - (d) None of the above.
- 19. Lower interest rates are likely to:
  - (a) Decrease consumption.
  - (b) Increase the cost of borrowing.
  - (c) Encourage saving.
  - (d) Increase borrowing and spending.
- 20. Education is an example of:
  - (a) Public good
  - (b) Merit good
  - (c) Social good
  - (d) Club good
- 21. Specific tariff is imposed on:
  - (a) Per unit
  - (b) Value
  - (c) Specific content
  - (d) Per unit and value
- 22. Countervailing duties are imposed:
  - (a) To offset low export prices
  - (b) To offset high export prices
  - (c) To offset low import prices
  - (d) To offset high import prices
- 23. Making an importing country to go through frustrating experience:
  - (a) Trade-related investment Measures
  - (b) Distribution Restrictionism

- (c) Restriction on Post-sales Services
  - (d) Administrative regulations
24. Increasing import cost by regulating foreign exchange comes under:
- (a) Financial measures
  - (b) Safeguard measures
  - (c) Distribution restrictionism
  - (d) Administrative measures
25. Dumping implies:
- (a) Duties imposed by importing country on cheaper foreign goods
  - (b) Selling much lower than the sales price than domestic market
  - (c) Selling at higher price than domestic market
  - (d) Duties imposed by exporting country on cheaper domestic goods
26. A group of countries that have a free trade agreement between themselves and may apply a common external tariff to other countries:
- (a) Free trade area
  - (b) Custom union
  - (c) Trade bloc
  - (d) Regional preferential trade agreements
27. Under which union they have or follow a common monetary policy and fiscal policy:
- (a) Economic Union
  - (b) Custom Union
  - (c) Common market
  - (d) All the above
28. National Treatment Principle (NTP) says:
- (a) Imported goods and domestic goods should be treated equally
  - (b) Exported goods and imported goods should be treated equally.
  - (c) Imported goods and domestic goods should be treated differently
  - (d) Internal trade is more important than international trade
29. Which of the following is not objectives of WTO:
- (a) Settling balance of payments among member countries
  - (b) to increase the transparency of decision-making processes,
  - (c) to cooperate with other major international economic institutions involved in global economic management, and
  - (d) to help developing countries benefit fully from the global trading system.
30. The total member countries under WTO currently:
- (a) 164
  - (b) 171
  - (c) 169
  - (d) 161

31. Which of the following is known as broad money?

- (a) M1
- (b) M2
- (c) M3
- (d) M4

32. Money supply refers to the sum of money held by:

- (a) Public
- (b) Banks
- (c) Govt
- (d) RBI

33. The Supply of Money is a:

- (a) Flow variable
- (b) Stock variable
- (c) A combination of stock and flow variable
- (d) Cannot be categorized

34. M1 does not include:

- (a) Time deposits with the banking system
- (b) Currency in circulation
- (c) Demand deposits with the banking system
- (d) Other deposits with RBI

35. Reserve money is supplied by:

- (a) RBI
- (b) Government
- (c) Commercial banks
- (d) World bank

36. Calculate M3 from the following money aggregates:

Information	Amount in crores
Currency with Public	5,02,738
Other deposits with the RBI	7016
Banker's deposits with the RBI	202,508
Demand deposits	423,120
Time deposits	23,73636

- (a) 932 874 cr
- (b) 3,306,510 cr
- (c) 925858 cr
- (d) 705246 cr

37. If the required reserve ratio is 20 percent, currency in circulation is ₹ 800 billion, demand deposits are ₹ 2000 billion, and excess reserves total ₹ 2 billion, find the value of money multiplier:

- (a) 2.50

- (b) 2.90
  - (c) 2.60
  - (d) 2.50
38. Bank earn a profit on the difference between:
- (a) Interest charged to depositors and interest offered to borrowers.
  - (b) Interest charged on loans and interest paid on deposits.
  - (c) Deposit and loan balances
  - (d) Liabilities and deposits
39. FII inflow will impact:
- (a) BOP
  - (b) Fiscal deficit
  - (c) Govt revenues
  - (d) Banks income
40. FDI implies:
- (a) Short term investment
  - (b) Medium term investment
  - (c) Long term investment
  - (d) Both Short- and long-term investments
41. Which of the following statement is false regarding FPI?
- (a) Speculative in nature
  - (b) Investment in financial assets
  - (c) Setting up of factory
  - (d) short term investment
42. A firm makes an investment in unrelated business then it is called:
- (a) Horizontal investment
  - (b) Vertical investment
  - (c) Conglomerate
  - (d) FDI
43. Both foreign direct investment (FDI) and foreign institutional investment (FII) are related to investment in a country. Which of the following is incorrect regarding FDI and FII?
- (a) Both FII and FDI bring capital into the economy.
  - (b) FII invests in technology-oriented enterprises, whereas FDI invests in traditional business set ups.
  - (c) The restrictions on the entry of FDI are lower than that on FII.
  - (d) FDI is considered to be more stable than FII. FII can be withdrawn even at a short notice.
44. A surge in foreign capital inflow in India would lead to:
- (a) Sale of foreign exchange by the central bank in order to prevent depreciation of rupee
  - (b) Purchase of foreign exchange by central bank in order to prevent depreciation of rupee
  - (c) Sale of foreign exchange by the central bank in order to prevent appreciation of rupee
  - (d) Purchase of foreign exchange by central bank in order to prevent appreciation of rupee



45. Real exchange rate considers:
- (a) relative prices of domestic goods
  - (b) relative prices of foreign goods
  - (c) relative prices of essential goods
  - (d) Relative prices of domestic and foreign goods
46. If real exchange rate is high:
- (a) Foreign goods cheaper and imports will rise
  - (b) domestic goods cheaper
  - (c) exports will rise
  - (d) Imports will fall
47. Under floating exchange rate is determined by:
- (a) The value of currency of a country is pegged
  - (b) market forces will determine
  - (c) IMF
  - (d) World bank
48. If rupee is depreciating against the \$:
- (a) RBI will sell the \$
  - (b) RBI will cut the repo rate
  - (c) Govt prints more currency
  - (d) RBI will purchase the \$
49. Which of the following is not determinant of exchange rate:
- (a) Inflation
  - (b) Capital flows
  - (c) Repo rate
  - (d) Domestic Consumption
50. If real exchange rate is high it might lead to:
- (a) Current account deficit
  - (b) fiscal deficit
  - (c) current account surplus
  - (d) Increase in foreign exchange reserves
51. If rupee appreciating against the \$ then RBI:
- (a) Will purchase \$
  - (b) Will increase the repo rate
  - (c) will sell \$
  - (d) Ensures capital fly's out
52. Which of the following statement is false with regard to rupee depreciation:
- (a) builds pressure on corporate and govt debt repayment
  - (b) Capital fly's in
  - (c) Pressure on foreign exchange reserves

- (d) imports become costly
53. The terms revaluation is applied to:
- (a) Flexible exchange rate
  - (b) Fixed exchange rate
  - (c) Gold
  - (d) ECB
54. Which of the following statement is false:
- (a) Majority of countries follow flexible exchange rate
  - (b) The term devaluation applies to fixed exchange rate
  - (c) RBI wants Indian companies to hedge their currency
  - (d) Dirty float is generally followed by countries with fixed exchange regime
55. The targeted inflation rate for RBI:
- (a) 4%
  - (b) 2%
  - (c) 6%
  - (d) 5%
56. The Repo rate is:
- (a) An emergency window for banks
  - (b) commercial banks lend money to RBI
  - (c) commercial banks rediscount the bills of exchange with RBI
  - (d) RBI lends money to commercial banks
57. Open Market Operations imply:
- (a) Buying and selling securities by RBI
  - (b) Buying and selling securities by commercial banks
  - (c) Buying and selling securities by Investors
  - (d) Buying and selling securities by government
58. MSF rate is:
- (a) Higher than repo rate
  - (b) Higher than CRR
  - (c) Higher than Reverse repo rate
  - (d) Higher than SLR
59. CRR should maintained in:
- (a) Cash
  - (b) Gold
  - (c) Bonds
  - (d) Equity
60. Bank rate is the rate at which:
- (a) Commercial banks lend to RBI
  - (b) RBI lends to commercial banks

- (c) RBI lends to government
  - (d) RBI lends to foreign banks
61. Reverse repo rate is:
- (a) Equal to CRR
  - (b) Equal to Bank rate
  - (c) Equal to MSF
  - (d) lower than Repo rate
62. MPC comprises ----- members:
- (a) 3
  - (b) 5
  - (c) 6
  - (d) 4
63. SLR should be maintained in:
- (a) Bonds
  - (b) Equity
  - (c) Gold
  - (d) Cash
64. The Reverse repo rate is:
- (a) RBI borrows from the government
  - (b) Commercial banks lends money to RBI
  - (c) Commercial banks rediscount the bills of exchange with RBI
  - (d) RBI lends money to commercial banks
65. The total value of output of a country will be equal to:
- (a) Market prices
  - (b) Consumption
  - (c) Investment
  - (d) National Income
66. Nominal GDP considers:
- (a) Current prices
  - (b) Base year prices
  - (c) Current and base year prices
  - (d) None of the above
67. Real GDP is:
- (a) Devoid of inflation
  - (b) > Nominal GDP
  - (c) = Nominal GDP
  - (d) Considers only current prices
68. The economic well-being of economy is measured by:
- (a) Real GDP

- (b) GNP
  - (c) NNP
  - (d) Nominal GDP
69. NNP =
- (a) GNP- Depreciation
  - (b) GNP- Factor payments
  - (c) GNP- Inflation
  - (d) GNP + Factor Payments
70. GDP deflator:
- (a) Nominal GDP/ Real GDP X100
  - (b) Real GDP/Nominal GDP X100
  - (c) Nominal GDP + Real GDP/ Real GDP X100
  - (d) Nominal GDP-Real GDP/ Nominal GDP X100
71. Who does the calculation of the National Income of our country:
- (a) Ministry of Finance
  - (b) Ministry of Commerce
  - (c) Central Statistics Office
  - (d) Nitti Aayog
72. Gross value method is employed in India:
- (a) To avoid double counting
  - (b) To avoid the impact of inflation
  - (c) To capture the consumption levels
  - (d) To calculate the exports
73. CPI is calculated:
- (a) Once in 45 days
  - (b) Once in 3 months
  - (c) Once in fortnight
  - (d) Once in a month
74. Which of the following is an example of Transfer payment:
- (a) Money wages
  - (b) Minimum Support Wages
  - (c) Unemployment allowance
  - (d) Brokerage commission
75. If net factor income of a country is negative then we can say:
- (a) National Income will be less than domestic factor incomes
  - (b) National Income will be more than domestic factor incomes
  - (c) National income will be exactly equal to domestic factor incomes
  - (d) National income will be greater than exports

76. Factor cost implies:
- (a) Market price- net indirect taxes
  - (b) Market price – depreciation of fixed assets
  - (c) Market price – Net factor income abroad
  - (d) Market price – Transfer payments
77. which of the following statements is true with regard to intermediary goods:
- (a) it cannot be used to produce other goods
  - (b) it can be sold directly to final purchasers
  - (c) it leads to the problem of double counting
  - (d) whose price is greater than the final goods

78. Match the following:

'A'	'B'
1. Fish culture	(a) Tertiary sector
2. Highest contribution in national income	(b) Year 1952
3. National income committee was established in	(c) Mixed method
4. National income calculation is done by	(d) Year 1949
5. Establishment of C.S.O.	(e) Primary sector.

79. It is planned to increase national income by ₹ 1000 cr. How much increase in investment is required? Assume MPC is 0.6:
- (a) ₹ 100 cr.
  - (b) ₹ 400 cr.
  - (c) ₹ 500 cr.
  - (d) None of the above.
80. The particular level of AD which is equal to AS is called \_\_\_\_\_:
- (a) equilibrium demand
  - (b) effective demand
  - (c) derived demand
  - (d) None of the above
81. What can be the minimum value of investment multiplier?
- (a) 10
  - (b) 1
  - (c) infinity
  - (d) 0
82. Which of the following is the most accurate definition of supply-side policies?
- (a) Policies that aim to increase the supply of goods and services in an economy
  - (b) Policies that oppose Keynesian demand-management policies
  - (c) Policies that increase production in an economy
  - (d) Policies that aim to increase the productive capacity of an economy

83. Which of the following statements does not apply to supply-side policies?
- (a) They seek to improve the institutional framework of the economy to improve its productive capacity
  - (b) They aim to improve the efficiency of the factors of production to increase potential growth
  - (c) They shift the long-run aggregate supply (LRAS) curve to the right
  - (d) They can result in demand-pull inflation
84. Which of the following is not considered an advantage of supply-side policies?
- (a) Makes factor markets work more efficiently
  - (b) Increase economic growth without increasing inflation
  - (c) Can help to avoid stagflation
  - (d) Tax cuts to improve incentives can be costly for the government
85. Which of the following is not an example of market-based supply-side policies?
- (a) Policies to improve competition in markets
  - (b) Policies to allow the labour market to work more efficiently
  - (c) Policies to increase infrastructure
  - (d) Policies to provide incentives to set up businesses
86. What is meant by the potential output of the economy?
- (a) Its productive capacity
  - (b) Its institutional framework
  - (c) Its infrastructure
  - (d) Its investment in human capital
87. What is meant by the “institutional framework” of an economy?
- (a) The maximum capacity of the economy in the production process
  - (b) The level of investment in human capital
  - (c) The system of formal laws, regulations and procedures that shape economic activity in the economy
  - (d) Subsidies and tax concessions used to improve employment opportunities in assisted areas of the economy
88. Which of the following policies is least likely to lead to an increased investment in technology?
- (a) Improved communications in the labour market
  - (b) Corporation tax rebates
  - (c) Lower interest rates
  - (d) Spending on research and development (R&D)
89. Policies used to target specific key exporting industries in order to achieve economic growth in that sector is likely to have which following effect?
- (a) Lowering national debt
  - (b) Cause a budget surplus
  - (c) Increase employment rates in that sector and improve the current account balance
  - (d) Increase employment rates in that sector and worsen the current account balance

90. Which policies promote research and development (R&D) for private sector firms and universities in order to improve the productive capacity of the economy?
- (a) Competition policies
  - (b) Industrial policies
  - (c) Incentive-related policies
  - (d) Market-based policies
91. Which of the following is not an example of a policy designed to encourage competition?
- (a) Deregulation
  - (b) Trade liberalization
  - (c) Reducing income tax
  - (d) Anti-monopoly regulations
92. The distributive function of the budget is related to the basic function of \_\_\_\_\_ an economy produces goods and services:
- (a) what
  - (b) for whom
  - (c) how
  - (d) All of the above
93. During recession, the government \_\_\_\_\_ its expenditure or \_\_\_\_\_ taxes so that aggregate demand is boosted up:
- (a) increases, decreases
  - (b) decreases, increases
  - (c) increases, increases
  - (d) decreases, decreases
94. Government's stabilization intervention may be through \_\_\_\_\_:
- (a) Monetary policy only
  - (b) Fiscal policy only
  - (c) Both (A) and (B)
  - (d) None of the above
95. EVA digital assistance Robot of HDFC Bank is:
- (a) An intermediate good
  - (b) A consumer good
  - (c) A capital good
  - (d) None of these
96. Mr. Ram grows tomatoes for home consumption. This activity is:
- (a) excluded from GDP in order to avoid double counting.
  - (b) excluded from GDP because an intermediate good is involved.
  - (c) productive but is excluded from GDP because no market transaction occurs.
  - (d) included in GDP because it reflects production.

97. The Cambridge approach to quantity theory is also known as:
- (a) Cash balance approach
  - (b) Fisher's theory of money
  - (c) Classical approach
  - (d) Keynesian Approach
98. Selling cost are essential in:
- (a) Monopoly
  - (b) Monopolistic competition
  - (c) Perfect competition
  - (d) All of the above
99. Which of the following curve cannot be u-shaped?
- (a) Average total cost
  - (b) Average variable cost
  - (c) Average fixed cost
  - (d) Marginal cost
100. The kinked demand curve theory explains that even when the demand conditions \_\_\_\_\_ the price \_\_\_\_\_:
- (a) Change, changes
  - (b) Change, remains stable
  - (c) Remain stable, changes
  - (d) Remain stable, falls



**MODEL TEST PAPER 3**  
**FOUNDATION COURSE**  
**PAPER – 4: BUSINESS ECONOMICS**

**Time: 2 Hours**

**Marks: 100**

1. When rent control is imposed above the current market price it will:
  - (a) increase the quantity of rental housing demanded.
  - (b) reduce the quality of rental housing.
  - (c) create a shortage of rental housing.
  - (d) create no impact on the market.
2. In a capitalist economy, profit is socially desirable because it:
  - (a) reallocates wealth from small firms to large firms.
  - (b) attracts resources to the most desirable types of production.
  - (c) allows firms to operate at higher levels of cost.
  - (d) permits firms to hire more workers and thereby reduces the unemployment rate.
3. The tendency for managers to operate a firm in a way that maximizes their personal utility rather than the firm's profits is referred to as the:
  - (a) consumer utility incentive.
  - (b) principal–agent problem.
  - (c) hidden agenda scenario.
  - (d) Modigliani hypothesis.
4. What social function is served by profits in a capitalist economic system?
  - (a) Taxes on profits support government programs.
  - (b) They provide an incentive for the reallocation of resources.
  - (c) Profits allow individuals to accumulate wealth and engage in capital investment.
  - (d) Profits result in higher levels of employment.
5. If we notice that an increase in the price of product X causes reductions in the demand for product Y, then we can conclude that these two products are:
  - (a) complements in consumption.
  - (b) substitutes in consumption.
  - (c) complements in production.
  - (d) substitutes in production.
6. If we assume the following scenario: as the average income of the consumer increases the demand for “fast” food decreases, then we can assume that “fast” food is:

- (a) a normal good.
  - (b) an inferior good.
  - (c) None of the above is correct.
  - (d) Either of these
7. The price elasticity of demand for a good will tend to be more elastic if:
- (a) the good is broadly defined (e.g., the demand for food as opposed to the demand for carrots).
  - (b) the good has relatively few substitutes.
  - (c) a long period of time is required to fully adjust to a price change in the good.
  - (d) None of the above is true.
8. If cross-price elasticity between goods A and B is determined to be exactly zero, which of the following statements is correct?
- (a) Goods A and B are substitutes
  - (b) Goods A and B are complements
  - (c) Goods A and B are comparatives
  - (d) Goods A and B are independent
9. If supply increases while demand decreases:
- (a) the equilibrium price will definitely increase.
  - (b) the equilibrium quantity will definitely increase.
  - (c) the equilibrium price will definitely decrease.
  - (d) the equilibrium quantity will definitely decrease.
10. If marginal product of labour is below average product of labour, then:
- (a) average product of labour is flat.
  - (b) average product of labour is increasing.
  - (c) average product of labour is decreasing.
  - (d) may be increasing, decreasing or flat
11. Inputs that cannot be easily varied during the time period under consideration are called:
- (a) short run inputs.
  - (b) long run inputs.
  - (c) fixed inputs.
  - (d) variable inputs.
12. By using computers to design and manufacture products, firms are able to:
- (a) reduce production costs.

- (b) reduce the optimal lot size.
  - (c) reduce the time required to introduce new products.
  - (d) All of the above are correct.
13. The law of diminishing returns begins at the level of output where:
- (a) marginal cost is at a minimum.
  - (b) average variable cost is at a minimum.
  - (c) average fixed cost is at a maximum.
  - (d) None of the above is correct.
14. If a firm has a downward-sloping long-run average cost curve, then:
- (a) it is experiencing decreasing returns to scale.
  - (b) it is experiencing decreasing returns.
  - (c) it is a natural monopoly.
  - (d) marginal cost is greater than average cost.
15. Price discrimination is a situation when a producer:
- (a) Charge same price
  - (b) Charges may prices
  - (c) Charges different prices in different market
  - (d) None of these.
16. One reason that a firm may experience increasing returns to scale is that greater levels of output make it possible for the firm to:
- (a) employ more specialized machinery.
  - (b) obtain bulk purchase discounts.
  - (c) employ a greater division of labor.
  - (d) All of the above are correct.
17. If the firm's total costs are INR 2,200,000 and total variable costs are INR 1,300,000, what are the total fixed costs?
- (a) 900,000
  - (b) 1,200,000
  - (c) 4,500,000
  - (d) None of the above.
18. Which type of market structure does not typically have a negatively sloped market demand curve?
- (a) Monopoly
  - (b) Perfect competition
  - (c) Oligopoly

- (d) All of the above typically have negatively sloped market demand curves.
19. The restaurant industry has a market structure that comes closest to:
- (a) monopolistic competition.
  - (b) oligopoly.
  - (c) perfect competition.
  - (d) monopoly.
20. Which of the following markets comes close to satisfying the assumptions of a perfectly competitive market structure?
- (a) The stock market
  - (b) The market for agricultural commodities such as wheat or corn
  - (c) The market for petroleum and natural gas
  - (d) All of the above come close to satisfying the assumptions of perfect competition.
21. Which of the following industries is most likely to be monopolistically competitive?
- (a) The automobile industry
  - (b) The steel industry
  - (c) The car repair industry
  - (d) The electrical generating industry
22. Some economists have suggested that oligopolists tend to maintain stable prices when there are changes in the demand for their products or in their costs of production. Which of the following models provides an explanation for this type of behavior?
- (a) Price leadership
  - (b) Centralized cartel
  - (c) Prisoners' dilemma
  - (d) Kinked demand curve
23. Which of the following is a zero-sum game?
- (a) Prisoners dilemma
  - (b) Competition for market share
  - (c) Pricing strategy
  - (d) None of the above is correct.
24. Which of the following is NOT an example of a transfer payment in the sense of the national income accounts?
- (a) Government family allowances
  - (b) Public unemployment insurance benefits

- (c) Dividends paid by corporations to stockholders
  - (d) Disability pensions paid from the social insurance system
25. The difference between real and nominal GDP is...
- (a) Nominal GDP only accounts for citizens.
  - (b) Nominal GDP uses price-levels of some base year.
  - (c) Nominal GDP uses actual price-levels.
  - (d) Real GDP also includes services, whereas nominal GDP only takes goods into account.
26. A recession is a decline in:
- (a) The unemployment rate that lasts six months or longer
  - (b) Real GDP that lasts six months or longer
  - (c) Potential GDP that lasts six months or longer
  - (d) The inflation rate that lasts six months or longer
27. For a person to keep his real income steady at a certain level from one year to the next, his nominal income must:
- (a) Stay the same as the price index rises
  - (b) Rise as fast as the price index
  - (c) Fall if the price index rises
  - (d) Rise if the price index falls
28. If the GDP gap is positive, then:
- (a) The inflation rate is falling
  - (b) Actual GDP is greater than potential GDP
  - (c) Potential GDP is greater than actual GDP
  - (d) The unemployment rate is rising
29. The government makes the provision of which goods those cannot be provided through the market:
- (a) private and public goods
  - (b) public and merit goods
  - (c) public and necessary goods
  - (d) Giffen and merit goods
30. Which of the following parameter consist of interest, dividend, fees and other receipts for services of the government:
- (a) Non-tax expenses
  - (b) Tax expenses
  - (c) Non-tax revenue

- (d) Tax revenue
31. A good taxation system should be used to:
- (a) finance public services
  - (b) follow higher taxation
  - (c) no taxation
  - (d) finance private services
32. Primary deficit is obtained by deducting interest payments from the:
- (a) Fiscal deficit
  - (b) Revenue deficit
  - (c) Budgetary deficit
  - (d) Monetized deficit
33. According to Cambridge equation, the value of money depends upon:
- (a) Demand for money
  - (b) Supply of money
  - (c) Demand for goods and services
  - (d) All of the above
34. The quantity demanded of money rises:
- (a) As the repo rate increases
  - (b) As the repo rate falls
  - (c) As the supply of money falls
  - (d) As the number of banks rises
35. When the Central Bank intends to expand the credit, it should:
- (a) Raise the margin requirements
  - (b) Raise the variable reserve ratio
  - (c) Lower the bank rate
  - (d) Purchase government securities in the open market
36. Which of the following is not an instrument of selective credit control?
- (a) Margin requirements
  - (b) Open market operation
  - (c) Credit rationing.
  - (d) None of the above
37. Which among the following is called the rate of interest charged by RBI for lending money to various commercial banks by rediscounting of the bills in India?
- (a) Bank rate

- (b) Discount window.
  - (c) Marginal Standing facility
  - (d) Overnight rate
38. The process of selling of the products at a price less than on going price in the market is known as:
- (a) Quota
  - (b) Tariff
  - (c) Subsidies
  - (d) Dumping
39. Comparative advantage is determined by:
- (a) the amount of resources needed to produce a good
  - (b) the money cost of producing any good
  - (c) The opportunity cost of producing any good
  - (d) Absolute advantage and production possibilities combined.
40. A lumps sum tax per unit on imports is known as:
- (a) A specific tariff
  - (b) An effective tariff
  - (c) An effective quota
  - (d) A specific quota
41. A key effect of devaluation is that it:
- (a) Makes the domestic currency cheaper relative to other currencies
  - (b) Makes the domestic currency dearer relative to other currencies
  - (c) Makes the foreign currency Cheaper relative to other currencies
  - (d) Leaves the relative value unchanged
42. Central Government can impose the safeguard duty if it is satisfied that:
- (a) Any article is imported into India in increased quantities
  - (b) Such increased importation is causing or threatening to cause serious injury to domestic industry
  - (c) Either A or B
  - (d) Both A&B
43. Countervailing duty shall not be levied unless it is determined that:
- (a) The subsidy relates to export performance.
  - (b) The subsidy relates to the use of domestic goods over imported goods in the export article

- (c) The subsidy has been conferred on a limited number of persons engaged in the manufacture, production or export of articles.
  - (d) All the above
44. Terms of trade in developing countries are generally unfavorable because:
- (a) They export manufacturing products.
  - (b) They export primary products.
  - (c) They export few goods.
  - (d) Both A and C
45. Most tariffs have:
- (a) only revenue effects
  - (b) only protective effects
  - (c) both protective and revenue effects
  - (d) neither protective or revenue effects
46. Which of the following statements is/are correct regarding FDI under automatic route?
- a. FDI in India under the automatic route does not require prior approval either by the Government of India or the Reserve Bank of India.
  - b. Investors are only required to notify the concerned regional office of the RBI before receipt of inward remittances and file required documents with that office before the issue of shares to foreign investors.
- (a) 1 only
  - (b) 2 only
  - (c) Both 1 and 2
  - (d) Neither 1 nor 2
47. What is a Global Depository Receipt?
- (a) It is a receipt issued by multinational banks on deposit of money.
  - (b) It is a receipt issued by stock exchange to bank clearing mechanism.
  - (c) It is a receipt issued by an overseas bank in lieu of shares of a domestic company.
  - (d) It is a receipt issued by stock exchange on investment by foreign portfolio investor.
48. Any act of interference by a Central Bank like the RBI in influencing the exchange rate is referred to as which of the following in India?
- (a) Dirty Floats
  - (b) Managed Floats
  - (c) Fixed Floats



- (d) Market Stabilization Floats
49. Which of the following is a FALSE statement?
- (a) the very long run focuses on the growth of productive capacity
  - (b) in the very long run, the productive capacity is assumed to be given
  - (c) in the very short run, shifts in aggregate demand determine how much output is produced
  - (d) fluctuations in the rates of inflation and unemployment are important long-run issues
50. Positive economics means:
- (a) Does not depend on market interactions,
  - (b) only looks at the best parts of the economy.
  - (c) Examines how the economy works (as opposed to how it should work)
  - (d) is very subjective.
51. A nation's gross domestic product (GDP):
- (a) can be found by summing  $C + I + G + X_n$ .
  - (b) is the dollar value of the total output produced by its citizens, regardless of where they are living.
  - (c) can be found by summing  $C + S + G + X_n$ .
  - (d) is always some amount less than its NDP.
52. Gross investment refers to:
- (a) private investment minus public investment.
  - (b) net investment plus replacement investment.
  - (c) net investment after it has been "inflated" for changes in the price level.
  - (d) net investment plus net exports.
53. The amount of after-tax income received by households is measured by:
- (a) discretionary income.
  - (b) national income.
  - (c) disposable income.
  - (d) personal income.
54. Which of the following represents the total amount of money the government owes to external creditors and domestic lenders?
- (a) National debt
  - (b) Budget surplus
  - (c) Fiscal deficit
  - (d) None of these

55. What is the primary goal of countercyclical fiscal policy in budgeting?
- (a) Maximizing government revenue.
  - (b) Stabilizing the economy during economic downturns.
  - (c) Minimizing government intervention.
  - (d) None of these
56. Which type of investment is more susceptible to capital flight during times of economic instability?
- (a) FDI
  - (b) FPI
  - (c) Both FDI and FPI equally
  - (d) Neither FDI nor FPI
57. The concept of "animal spirits" in Keynesian theory refers to:
- (a) The unpredictable behaviour of financial markets
  - (b) psychological factors influencing economic decisions.
  - (c) Government regulations affecting business confidence.
  - (d) The impact of interest rates on investment
58. Mr Amit, a stock market trader through inside information, comes to know that share price of X Ltd is likely to go up in future, so he purchases the shares to make a gain by selling them later at higher price. It is a case of:
- (a) Moral Hazard
  - (b) Asymmetric Information
  - (c) Free Riding
  - (d) None of the above
59. Which concept involves a one-shot injection of government expenditure into a depressed economy with the aim of boosting business confidence and encouraging larger private investment?
- (a) Pump Priming
  - (b) Deficit Financing
  - (c) Compensatory Spending
  - (d) Public Spending
60. What will be the value of Credit Multiplier when the Required Reserve ratio is 50%?
- (a) 4
  - (b) 2
  - (c) 3
  - (d) 1

61. Which of the following measures involve total ban imposed by government on import or export of some or all commodities to particular country or regions for a specified or indefinite period?
- (a) Import Quotas
  - (b) Anti-Dumping Duties
  - (c) Escalated Tariffs
  - (d) Embargos
62. Which of the following is not one of the features of New Trade Theory by Paul Krugman?
- (a) Countries which trade in similar goods are natural trade partners
  - (b) It is based on labour theory of value
  - (c) Network effect as means of engaging in international trade
  - (d) It focuses more on economies of scale
63. A seller cannot influence the market price under:
- (a) Perfect Competition
  - (b) Monopoly
  - (c) Monopolistic Competition
  - (d) All of the above
64. Railways is an example of:
- (a) Perfect Competition
  - (b) Monopolistic Competition
  - (c) Monopoly
  - (d) Oligopoly
65. Demand curve in case of Monopolistic competition is more elastic as compared to demand curve under Monopoly due to:
- (a) Huge Selling Costs
  - (b) Freedom of Entry and Exit
  - (c) Presence of Close Substitutes
  - (d) Large Number of Firms
66. Which of the following is a lagging economic indicator?
- (a) Consumer confidence index.
  - (b) Stock market performance.
  - (c) Unemployment rate.
  - (d) New housing starts.

67. We can say Indian agriculture has become modern since:
- (a) there has been an increase in the use of high yielding varieties of seeds, fertilizers pesticides etc.
  - (b) there has been noticeable positive change in the attitude of farmers towards new techniques of production
  - (c) farmers are increasingly resorting to intensive cultivation, multiple cropping, scientific water management
  - (d) all of the above.
68. The law of consumer surplus is based on:
- (a) indifferent curve analysis
  - (b) revealed preference theory
  - (c) law of substitution
  - (d) the law of diminishing marginal utility
69. Which one is a component of profit?
- (a) Dividend
  - (b) Undistributed Profit
  - (c) Corporate Profit Tax
  - (d) All of these
70. The particular level of AD which is equal to AS is called\_\_\_\_\_.
- (a) equilibrium demand
  - (b) effective demand
  - (c) derived demand
  - (d) None of the above
71. What is meant by the “institutional framework” of an economy?
- (a) The maximum capacity of the economy in the production process
  - (b) The level of investment in human capital
  - (c) The system of formal laws, regulations and procedures that shape economic activity in the economy
  - (d) Subsidies and tax concessions used to improve employment opportunities in assisted areas of the economy
72. What are the Internal causes of Business Cycle?
- (a) Fluctuations in effective demand.
  - (b) Macroeconomic Policies
  - (c) Money Supply
  - (d) All the above

73. According to Hawtrey trade cycle is a \_
- (a) Monetary Phenomenon
  - (b) Unplanned Phenomenon
  - (c) Fiscal Phenomenon
  - (d) All the above
74. The Distinction between Selling Cost and Production cost was made by:
- (a) Chamberlin
  - (b) Sweezy
  - (c) Mrs Joan Robinson
  - (d) None of these
75. Envelope curve is also called:
- (a) Long Run Average Cost curve
  - (b) Short Run Average Cost curve
  - (c) Average Fixed Cost
  - (d) None of these
76. Collectively peaks and troughs together is known as:
- (a) Turning Points
  - (b) Contraction
  - (c) Expansion
  - (d) A trough
77. E – NAM is –
- (a) a pan -India electronic trading portal which networks the existing APMC mandis
  - (b) with the objective of creating a unified national market for agricultural commodities
  - (c) Both a & b
  - (d) None of these
78. India's Rank in Ease of Doing Business is:
- (a) 45
  - (b) 54
  - (c) 63
  - (d) None of these
79. Niti Aayog will work towards the objective:
- (a) To evolve a shared vision of national development priorities, sectors and strategies with active involvement of states

- (b) To foster cooperative federalism
  - (c) To develop mechanisms to formulate credible plans at the village level
  - (d) All the above
80. SEBI was given statutory recognition in:
- (a) 1985
  - (b) 1990
  - (c) 1992
  - (d) None of these
81. The Three component of FDI is:
- (a) equity capital
  - (b) reinvested earnings
  - (c) Intra company loans
  - (d) All the above
82. Which of the following tariff is charged on imports on most-favoured nation (MFN) basis:
- (a) bound tariff
  - (b) applied tariff
  - (c) prohibitive tariff
  - (d) None of these
83. Money cost is considered by:
- (a) Modern theory of trade
  - (b) Comparative cost advantage
  - (c) New Trade theory
  - (d) None of these
84. First mover advantage theory is related to:
- (a) Absolute advantage theory
  - (b) Comparative cost advantage theory.
  - (c) New trade theory
  - (d) None of these
85. The Reverse repo rate is:
- (a) RBI borrows from the government.
  - (b) Commercial banks lends money to RBI
  - (c) Commercial banks rediscount the bills of exchange with RBI
  - (d) None of these

86. Under which union they have or follow a common monetary policy and fiscal policy:
- (a) Economic Union
  - (b) Custom Union
  - (c) Common market
  - (d) None of these
87. The WTO comprises majorly:
- (a) developed countries
  - (b) under developed countries
  - (c) developing countries
  - (d) None of these.
88. Money Supply is directly proportional to:
- (a) Cash reserve ratio (r)
  - (b) Monetary base (H)
  - (c) currency deposit ratio (k)
  - (d) Money Multiplier (m)
89. Reserve money is supplied by:
- (a) RBI
  - (b) Government
  - (c) Commercial banks
  - (d) World bank
90. A firm makes an investment in unrelated business then it is called:
- (a) Horizontal investment
  - (b) Vertical investment
  - (c) Conglomerate
  - (d) None of these
91. Gross value method is employed in India:
- (a) To avoid double counting.
  - (b) To avoid the impact of inflation.
  - (c) To capture the consumption levels.
  - (d) To calculate the exports.
92. Consumer Price Index is calculated:
- (a) Once in 45 days
  - (b) Once in 3 months

- (c) Once in fortnight
  - (d) Once in a month
93. The Producer is in equilibrium at a point there the cost line is:
- (a) above the isoquant
  - (b) cutting the isoquant
  - (c) Tangent to isoquant
  - (d) None of these
94. Break even points occurs when:
- (a)  $Y = S$
  - (b)  $S = 0$
  - (c)  $Y = C$
  - (d) both (b) and (c)
95. Deficient demand leads to:
- (a) inflationary gap
  - (b) deflationary gap
  - (c) both (a) and (b)
  - (d) None of these
96. Which of the following is not a variable in the index of leading indicators?
- (a) Prime rate
  - (b) New building permits
  - (c) Delayed deliveries
  - (d) None of these
97. Dirty Floating is related to:
- (a) Flexible system of exchange rate
  - (b) fixed system of exchange rate
  - (c) Either of these
  - (d) None of these
98. Which of the following are capital receipts of the government?
- (a) Recovery of loans
  - (b) Disinvestment
  - (c) Borrowing
  - (d) All of the above



99. On the basis of volume of Business the market can be classified as:
- (a) Wholesale Market
  - (b) Retail Market
  - (c) Both a & b
  - (d) None of these
100. Which of the following cost wherein curve 'u' shaped?
- (a) Average fixed cost curve
  - (b) Average cost curve
  - (c) Marginal cost curve
  - (d) None of these

## ANSWER OF MODEL TEST PAPER 1

### FOUNDATION COURSE

#### PAPER – 1: ACCOUNTING

1. (a) (i) **False** - Accounting Standards for non-corporate entities in India are issued by the Institute of Chartered Accountants of India (ICAI).
- (ii) **True** - Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt because it has no effect on improvement of future capability of business in revenue generation.
- (iii) **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.
- (iv) **True** - Discount at the time of retirement of a bill is a gain for the drawee and loss for the drawer.
- (v) **False** - Surviving partners may continue to carry on the business in case of partnership.
- (vi) **False** - Receipts and payments account is a classified summary of cash receipts and payments over a certain period together with cash and bank balances at the beginning and close of the period.
- (b) Limitations which must be kept in mind while evaluating the Financial Statements are as follows:
- The factors which may be relevant in assessing the worth of the enterprise don't find place in the accounts as they cannot be measured in terms of money.
  - Balance Sheet shows the position of the business on the day of its preparation and not on the future date while the users of the accounts are interested in knowing the position of the business in the near future and also in long run and not for the past date.
  - Accounting ignores changes in some money factors like inflation etc.
  - There are occasions when accounting principles conflict with each other.
  - Certain accounting estimates depend on the sheer personal judgement of the accountant.
  - Different accounting policies for the treatment of same item adds to the probability of manipulations.

(c) Calculation of depreciation for the year ended 31.3.24

	Machine I (28,54,000 - 2,16,000) ₹	Machine II Purchased on 1 <sup>st</sup> July ₹	Machine III Purchased on 1 <sup>st</sup> Nov ₹	Depreciation on sold machine IV ₹
Book value as on 1 <sup>st</sup> April, 2023	26,38,000	4,80,000	5,60,000	2,16,000
Depreciation @15%	3,95,700 (for full year)	54,000 (for 9 months)	35,000 (for 5 months)	8,100 (for 3 months)

Total depreciation (I + II + III + IV) ₹ 4,92,800

2. (a)

	<b>Particulars</b>		<b>L.F.</b>	<b>Dr.</b> ₹	<b>Cr.</b> ₹
(i)	Suspense Account To Profit and Loss Adjustment A/c (Correction of error by which Purchase Account was over debited last year)	Dr.		936	936
(ii)	Profit & Loss Adjustment A/c Customer's Account To Suspense Account (Correction of the entry by which (a) Sales A/c was over credited by ₹ 180 (b) customer was credited by ₹642 instead of being debited by ₹ 462)	Dr. Dr.		180 1,104	1,284
(iii)	Suspense Account To Profit & Loss Adjustment A/c (Correction of error by which Returns Inward Account was debited by ₹ 300 instead of Returns Outwards Account being credited by ₹ 300)	Dr.		600	600
(iv)	Suspense Account To Geet Account To Meet Account	Dr.		1,790	895 895

	(Removal or wrong debit to Meet and giving credit to Geet from whom cash was received)			
(v)	Customer's Account To Profit & Loss Adjustment A/c (Rectification of the error arising from non-preparation of invoice for goods delivered)	Dr.	1,400	1,400
(vi)	Profit & Loss Adjustment A/c To Customer's Account (The Customer's A/c credited with goods not yet purchased by him)	Dr.	1600	1,600
(vii)	Inventory A/c To Profit & Loss Adjustment A/c (Cost of goods debited to inventory and credited to Profit & Loss Adjustment A/c)	Dr.	1280	1280
(viii)	Trade receivable/ Manas's Account To Suspense Account (₹500 due by Manas not taken into trial balance, now rectified)	Dr.	500	500
(ix)	Deep's account/Trade receivable To Profit & Loss Adjustment A/c (Sales to Deep omitted, now rectified)	Dr.	6,000	6,000
(x)	Profit & Loss Adjustment A/c To Bhatt's Capital Account (Transfer of the Profit & Loss Adjustment A/c balance to the Capital Account)	Dr.	8,436	8,436

**(b) Bank Reconciliation Statement as on 31<sup>st</sup> March, 2024**

<b>Particulars</b>	<b>₹</b>
Bank balance (Debit i.e. overdraft) as per Bank Pass book	1,34,300
(i) No adjustment required as there would be no difference on 31.3.24	
(ii) <i>Add:</i> No entry in Cash book for interest collection by Bank	11,200
(iii) <i>Less:</i> Amount debited in cash book for pending cheques in collection but not credited in Pass Book	(30,000)

(iv) <i>Add:</i> Cheque credited in cash book but not debited in pass book	10,000
(v) <i>Add:</i> Reversal of wrong Credit	2,000
<i>Less:</i> Reversal of wrong debit	(1,200)
(vi) <i>Less:</i> Cheque of ₹ 1,000 entered in cash book but omitted to be banked	(4,000)
(vii) <i>Less:</i> Discounted dishonored but no entry in Cash book	(20,800)
(viii) <i>Add:</i> Rebate on bill retired not entered in cash book	700
(viii) <i>Add:</i> Cheques deposited in bank not yet recorded in cash book	<u>9,600</u>
Balance (Cr. i.e. overdraft) as per Cash book	<u>1,11,800</u>

**Note:** A cheque of ₹ 4,320 credited in Pass Book on 28<sup>th</sup> March, 2024 and later debited in Pass Book on 1<sup>st</sup> April, 2024 has no effect on Bank Reconciliation statement as at 31<sup>st</sup> March, 2024.

**3. (a) Trading and Profit and Loss Account  
for the year ended 31<sup>st</sup> December, 2023**

	<i>Amount</i>		<i>Amount</i>
	₹		₹
To Opening stock	50,000	By Sales	3,25,000
To Purchases (balancing figure)	2,72,500	(₹ 2,60,000 × 125/ 100)	
To Gross profit c/d (₹ 2,60,000 × 25/ 100)	<u>65,000</u>	By Closing stock	62,500
	<u>3,87,500</u>		<u>3,87,500</u>
To Expenses	49,250	By Gross profit b/d	65,000
To Loss on sale of fixed assets	750		
To Depreciation on fixed assets (W.N.1)	1,000		
To Net profit	<u>14,000</u>		
	<u>65,000</u>		<u>65,000</u>

**Balance Sheet as on 31<sup>st</sup> December, 2023**

	<i>Amount</i>		<i>Amount</i>
<i>Liabilities</i>	₹	<i>Assets</i>	₹
Capital (W.N. 5)	1,69,000	Fixed assets	9,000
<i>Add:</i> Additional capital	5,000	Debtors (W.N. 3)	87,500

Net profit	<u>14,000</u>		Stock	62,500
	1,88,000		Bank balance	50,000
Less: Drawings	<u>(25,000)</u>	1,63,000		
Creditors		<u>46,000</u>		
		<u>2,09,000</u>		<u>2,09,000</u>

### Working Notes:

#### 1. Fixed assets account

	₹		₹
To Balance b/d	7,500	By Bank (sale)	1,750
To Bank	5,000	By Loss on sale of fixed asset (2,500-1,750)	750
		By Depreciation (balancing figure)	1,000
		By Balance c/d	<u>9,000</u>
	<u>12,500</u>		<u>12,500</u>

#### 2. Bank account

	₹		₹
To Balance b/d (balancing figure)	62,500	By Creditors	2,80,000
To Debtors	3,40,000	By Expenses	49,250
To Capital	5,000	By Drawings	25,000
To Sale of fixed assets	1,750	By Fixed assets	5,000
		By Balance c/d	<u>50,000</u>
	<u>4,09,250</u>		<u>4,09,250</u>

#### 3. Debtors account

	₹		₹
To Balance b/d	1,02,500	By Bank	3,40,000
To Sales	3,25,000	By Balance c/d (balancing figure)	87,500
(₹ 2,60,000 × $\frac{125}{100}$ )			
	<u>4,27,500</u>		<u>4,27,500</u>

#### 4. Creditors account

	₹		₹
To Bank	2,80,000	By Balance b/d (balancing figure)	53,500
To Balance c/d	46,000	By Purchases (from trading account)	2,72,500
	<u>3,26,000</u>		<u>3,26,000</u>

**5. Balance Sheet as on 1st January, 2023**

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Creditors (W.N. 4)	53,500	Fixed assets	7,500
Capital (balancing figure)	1,69,000	Debtors	1,02,500
		Stock	50,000
		Bank balance (W.N. 2)	<u>62,500</u>
	<u>2,22,500</u>		<u>2,22,500</u>

**(b) Revaluation Account**

Particulars	₹	Particulars	₹
To Stock	1,500	By Land & Building	25,000
To revaluation profit		By Provision for doubtful debt	2,000
Arun	8,500		
Varun	8,500		
Tarun	8,500		
	<u>27,000</u>		<u>27,000</u>

**Partners' Capital Accounts**

Particulars	Arun	Varun	Tarun	Particulars	Arun	Varun	Tarun
To Tarun	4,375	4,375	-	By Bal b/d	1,00,000	75,000	75,000
To Tarun's Executor	-	-	98,125	By General reserve	4,000	4,000	4,000
To Bal. c/d	1,08,125	83,125		By Arun & Varun	-	-	8,750
				By Profit and Loss Adjustment* (suspense) A/c	-	-	1,875
				By Revaluation	8,500	8,500	8,500
	<u>1,12,500</u>	<u>87,500</u>	<u>98,125</u>		<u>1,12,500</u>	<u>87,500</u>	<u>98,125</u>

\*Profit and Loss Adjustment =  $[(25,000 + 20,000 + 22,500)/3] \times 3/12 \times 1/3 = 1,875$

**Balance Sheet of Firm as on 1<sup>st</sup> July, 2024**

Particulars	₹	Particulars	₹
Arun	1,08,125	Land & Building	1,75,000
Varun	83,125	Investment	65,000
Tarun Executor	98,125	Stock	13,500
Creditors	20,000	Trade receivable	35,000
		Profit & Loss Adjustment	1,875

		Cash in hand	7,000
		Cash at bank	12,000
	3,09,375		3,09,375

### Calculation of goodwill and Tarun's share

Average of last five year's profits and losses for the year ended on 31<sup>st</sup> March

31.3.2019	28,750
31.3.2020	35,000
31.3.2021	22,500
31.3.2022	20,000
31.3.2023	<u>25,000</u>
Total	<u>1,31,250</u>
Average profit	26,250

Goodwill at 1 year purchase = ₹ 26,250 x 1 = ₹ 26,250

Tarun's Share of Goodwill = ₹ 26,250 X 1/3  
= ₹ 8,750

Which is contributed by Arun and Varun in their gaining Ratio

Arun = ₹ 8,750 X 1/2 = ₹ 4375

Varun = ₹ 8,750 X 1/2 = ₹ 4375

#### 4. (a) Statement of Distribution of Cash by 'Maximum Loss Method'

	Creditors ₹	Amar's Loan ₹	Amar ₹	Akbar ₹	Antony ₹
Balance due	80,000	20,000	1,00,000	30,000	90,000
15 <sup>th</sup> April 2024 realised ₹ 60,000					
Paid to creditors	<u>(60,000)</u>	-	-	-	-
Balance due	20,000	20,000	1,00,000	30,000	90,000
1 <sup>st</sup> May, 2024 realised ₹ 1,46,000					
Paid to creditors (₹ 20,000)	20,000	-	-	-	-
Paid to Amar's loan (₹ 20,000)	-	<u>20,000</u>	-	-	-
Balance due (1)	Nil	Nil	1,00,000	30,000	90,000
Balance ₹ <u>1,06,000</u>					
Maximum Loss (1,00,000 + 30,000 + 90,000 - 1,06,000) = ₹ 1,14,000 shared in Profit & Loss ratio 5:3:2			<u>(57,000)</u>	<u>(34,200)</u>	<u>(22,800)</u>
			43,000	(4,200)	67,200
Akbar's deficiency shared by Amar & Antony in capital ratio 100:90			<u>(2,210)</u>	<u>4,200</u>	<u>(1,990)</u>
Cash paid [2]			<u>40,790</u>	-	<u>65,210</u>
Balance due (3) [1-2]			59,210	30,000	24,790
31 <sup>st</sup> May 2024 realised ₹ 94,000					



Maximum Loss [59,210 + 30,000 + 24,790 - 94,000] = ₹ 20,000 shared in 5:3:2				
		<u>(10,000)</u>	<u>(6,000)</u>	<u>(4,000)</u>
Cash paid (4)		<u>49,210</u>	<u>24,000</u>	<u>20,790</u>
Balance/Loss* on realisation (3-4)		<u>10,000</u>	<u>6,000</u>	<u>4,000</u>

**(b) Subscription for the year ended 31.3.2024**

		₹
Subscription received during the year		33,75,000
Less: Subscription receivable on 1.4.2023	1,01,250	
Less: Subscription received in advance on 31.3.2024	<u>47,250</u>	<u>(1,48,500)</u>
		32,26,500
Add: Subscription receivable on 31.3.2024	1,48,500	
Add: Subscription received in advance on 1.4.2023	<u>81,000</u>	<u>2,29,500</u>
Amount of Subscription appearing in Income & Expenditure Account		<u>34,56,000</u>

**Sports material consumed during the year end 31.3.2024**

	₹
Payment for Sports material	20,25,000
Less: Amounts due for sports material on 1.4.2023	<u>(6,07,500)</u>
	14,17,500
Add: Amounts due for sports material on 31.3.2024	<u>8,77,500</u>
Purchase of sports material	<u>22,95,000</u>
Sports material consumed:	
Stock of sports material on 1.4.2023	6,75,000
Add: Purchase of sports material during the year	<u>22,95,000</u>
	29,70,000
Less: Stock of sports material on 31.3.2024	<u>(10,12,500)</u>
Amount of Sports Material appearing in Income & Expenditure Account	<u>19,57,500</u>

**Balance Sheet of M/s Zara Club For the year ended 31<sup>st</sup> March, 2024(An extract)**

Liabilities	₹	Assets	₹
Unearned Subscription	47,250	Subscription receivable	1,48,500
Amount due for sports material	8,77,500	Stock of sports material	10,12,500

5. (a) **Trial Balance of Shri. Hari Om as on 31<sup>st</sup> March, 2024**

Particulars	Dr. Amount ₹	Cr. Amount ₹
Capital		4,20,000
Purchases	1,08,000	
Discount Allowed	3,600	
Carriage Inward	26,100	
Carriage Outwards	6,900	
Sales		1,80,000
Return Inward	900	
Return Outwards		2,100
Rent and taxes	3,600	
Plant and Machinery	2,42,100	
Stock on 1 <sup>st</sup> April,2023	46,500	
Sundry Debtors	60,600	
Sundry Creditors		36,000
Investments	10,800	
Commission Received		5,400
Cash in Hand	300	
Cash at Bank	30,300	
Motor Cycle	1,03,800	
	6,43,500	6,43,500

**Note:** Stock as on 31<sup>st</sup> March,2024 will not appear in trail balance.

(b) (i) (1) **Journal Proper in the Books of M/s. VS Wires**

Date 2024	Particulars		Amount ₹	Amount ₹
Mar. 31	Returns outward A/c To Purchases A/c (Being the transfer of returns to purchases account)	Dr.	4,32,000	4,32,000
	Sales A/c To Returns Inward A/c (Being the transfer of returns to sales account)	Dr.	6,00,000	6,00,000
	Sales A/c To Trading A/c (Being the transfer of balance of sales account to trading account)	Dr.	60,00,000	60,00,000

Trading A/c To Opening Inventory A/c To Purchases A/c To Wages A/c To Carriage Inwards A/c (Being the transfer of balances of opening inventory, purchases and wages accounts)	Dr.	46,80,000	6,00,000 36,00,000 3,00,000 1,80,000
Closing Inventory A/c To Trading A/c (Being the incorporation of value of closing Inventory)	Dr.	12,00,000	12,00,000
Trading A/c To Gross Profit (Being the amount of gross profit calculated)	Dr.	25,20,000	25,20,000
Gross profit To Profit and Loss A/c (Being the transfer of gross profit to Profit and Loss Account)	Dr.	25,20,000	25,20,000

**OR**

**(ii) In the Books of Mr. Mandeep  
Manufacturing Account for the Year ended 31.03.2024**

Particulars		Units	Amount ₹	Particulars	Units	Amount ₹
To Opening Work-in-Process		27,000	78,000	By Closing Work-in-Process	42,000	1,44,000
To Raw Materials Consumed:				By Trading A/c – Cost of finished goods transferred	15,00,000	58,00,800
Opening Inventory	7,80,000					
Add: Purchases	24,60,000					
	32,40,000					
Closing Inventory	(9,60,000)		22,80,000			
To Direct Wages – W.N. (1)			12,16,800			
To Direct expenses: Hire charges						

on Machinery – W.N. (2)			10,50,000			
To Indirect expenses:						
Hire charges of Factory			7,80,000			
Repairs & Maintenance			<u>5,40,000</u>			
			59,44,800			<u>59,44,800</u>

**Working Notes:**

(1) Direct Wages – 1,500,000 units @ ₹0.80 = ₹ 12,00,000  
42,000 units @ ₹0.40 = ₹ 16,800  
₹ 12,16,800

(2) Hire charges on Machinery – 15,00,000 units @ ₹ 0.70 =  
₹ 10,50,000

(c)

Sr. No.	Particulars		Dr (₹)	Cr (₹)
(i)	Bank A/c To Equity Share Capital A/c To Securities Premium A/c (Being 15,000 Equity Shares Issued at a premium of ₹ 5)	Dr.	2,25,000	1,50,000 75,000
(ii)	Securities Premium A/c Profit & Loss A/c To Bonus to Equity Shareholders A/c (Being amount transferred for issue of Bonus Shares to ESH in the ratio of 1:5)	Dr Dr	75,000 75,000	1,50,000
(iii)	Bonus to Equity Shareholders A/c To Equity Share Capital A/c (Being bonus shares issued)	Dr.	1,50,000	1,50,000
(iv)	12% Debentures A/c Premium on Redemption A/c To Debenture Holders A/c (Being amount payable to debenture holders)	Dr Dr	3,60,000 10,800	3,70,800
(v)	Profit & Loss A/c To Premium on Redemption A/c	Dr	10,800	10,800

	(Being premium on redemption transferred to P&L)			
(vi)	Debenture Redemption Reserve A/c To General Reserve (Being DRR transferred to General Reserve)	Dr	36,000	36,000
(vii)	Bank A/c To DRR Investment A/c (Being DRR Investment sold)	Dr	54,000	54,000
(viii)	Debenture Holders A/c To Bank A/c (Being Debenture Holders paid)		3,70,800	3,70,800

6. (a) **Journal of Avent Limited**

Date 2023	Particulars		Dr. ₹	Cr. ₹
May 31	Bank A/c (Note 1 – Column 3) To Equity Share Application A/c (Being application money received on 5,60,000 shares @ ₹ 2 per share)	Dr.	11,20,000	11,20,000
June 10	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (Note 1 - Column 5) To Bank A/c (Note 1– Column 6) (Being application money on 1,35,000 shares transferred to Equity Share Capital Account; on 2,75,000 shares adjusted with allotment and on 1,50,000 shares refunded as per Board's Resolution No.....dated...)	Dr.	11,20,000	2,70,000 5,50,000 3,00,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium	Dr.	6,75,000	1,35,000 5,40,000

Dec. 31	A/c			
	(Being allotment money due on 1,35,000 shares @ ₹ 5 each including premium at ₹4 each as per Board's Resolution No.....dated....)			
	Bank A/c (Note 1 – Column 8) To Equity Share Allotment A/c (Being balance allotment money received)	Dr.	1,25,000	1,25,000
	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call money due on 1,35,000 shares @ ₹ 7 per share as per Board's Resolution No.....dated....)	Dr.	9,45,000	9,45,000
	Bank A/c To Equity Share Final Call A/c (Being final call money on 1,35,000 shares @ ₹ 7 each received)	Dr.	9,45,000	9,45,000

**Working Note:**

**Calculation for Adjustment and Refund**

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application	Amount Required on Application	Amount adjusted on Allotment	Refund [3 – (4 + 5)]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	10,000	10,000	20,000	20,000	Nil	Nil	50,000	50,000
(ii)	50,000	25,000	1,00,000	50,000	50,000	Nil	1,25,000	75,000
(iii)	5,00,000	1,00,000	10,00,000	2,00,000	5,00,000	3,00,000	5,00,000	Nil
<b>TOTAL</b>	<b>5,60,000</b>	<b>1,35,000</b>	<b>11,20,000</b>	<b>2,70,000</b>	<b>5,50,000</b>	<b>3,00,000</b>	<b>6,75,000</b>	<b>1,25,000</b>

Also,

- (i) Amount Received on Application (3) = No. of shares applied for (1) X ₹ 2
- (ii) Amount Required on Application (4) = No. of shares allotted (2) X ₹ 2

**(b) Following factors are taken into consideration for calculation of depreciation.**

1. **Cost of asset** including expenses for installation, commissioning, trial run etc.- Cost of a depreciable asset represents its money outlay or its equivalent in connection with its acquisition, installation and commissioning as well as for additions to or improvement thereof for the purpose of increase in efficiency.
2. **Estimated useful life of the asset** - Useful Life' is either (i) the period over which a depreciable asset is expected to be used by the enterprise or (ii) the number of production or similar units expected to be obtained from the use of the asset by the enterprise. Determination of the useful life is a matter of estimation and is normally based on various factors including experience with similar type of assets. Several other factors like estimated working hours, production capacity, repairs and renewals, etc. are also taken into consideration on demanding situation.
3. **Estimated scrap value** (if any) is calculated at the end of useful life of the asset. If such value is considered as insignificant, it is normally regarded as nil. On the other hand, if the residual value is likely to be significant, it is estimated at the time of acquisition/installation, or at the time of subsequent revaluation of asset.

**Or**

- (b)** Bills of Exchange are usually drawn to facilitate trade transmission, that is, bills are meant to finance actual purchase and sale of goods. But the mechanism of bill can be utilised to raise finance also. When bills are used for such a purpose, they are known as accommodation bills.

When the acceptor of a bill finds himself in financial straits to honour the bill on the due date, then he may request the drawer to cancel the original bill and draw on him a fresh bill for another period. And if the drawer agrees, a new bill in place of the original bill may be accepted by the drawee for another period. This is called the renewal of bill.

**ANSWER OF MODEL TEST PAPER 2**  
**FOUNDATION COURSE**  
**PAPER – 1: ACCOUNTING**

1. (a) (i) **True:** Since the temporary huts were necessary for the construction, their cost should be added to the cost of the cinema hall and thus capitalised.
- (ii) **False:** Accrual concept implies accounting on 'due' or 'accrual' basis. Accrual basis of accounting involves recognition of revenues and costs as and when they accrue irrespective of actual receipts or payments.
- (iii) **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.
- (iv) **True:** Discount at the time of retirement of a bill is a gain for the drawee and loss for the drawer.
- (v) **False:** If individual life policies are taken in the name of the partners and premium is paid from the firm, then retiring partner is entitled to surrender value of all the partners policies.
- (vi) **False:** Net income is determined by preparing income and expenditure in case of persons practicing vacation.

(b)

<b>Provision</b>	<b>Contingent liability</b>
Provision is a present liability of uncertain amount, which can be measured reliably by using a substantial degree of estimation.	A Contingent liability is a possible obligation that may or may not crystallise depending on the occurrence or non-occurrence of one or more uncertain future events.
A provision meets the recognition criteria.	A contingent liability fails to meet the same.
Provision is recognised when (a) an enterprise has a present obligation arising from past events; an outflow of resources embodying economic benefits is probable, and (b) a reliable estimate can be made of the amount of the obligation.	Contingent liability includes present obligations that do not meet the recognition criteria because either it is not probable that settlement of those obligations will require outflow of economic benefits, or the amount cannot be reliably estimated.



If the management estimates that it is probable that the settlement of an obligation will result in outflow of economic benefits, it recognises a provision in the balance sheet.	If the management estimates, that it is less likely that any economic benefit will outflow the firm to settle the obligation, it discloses the obligation as a contingent liability.
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(c) **Bank Reconciliation Statement as on 31<sup>st</sup> March, 2024**

Particulars	Details (₹)	Amount (₹)
Balance as per Pass Book (Cr.)		3,00,000
Add: Cheque deposited but not yet cleared	44,000	
Add: Cheque recorded in Cash Book but not yet deposited	10,000	
Add: Bank Charges debited by bank	500	54,500
Less: Cheque issued but not yet presented	96,000	
Less: Interest allowed by bank	3,000	99,000
Balance as per Cash Book		2,55,500

2. (a) **Valuation of Physical Stock as at March 31, 2024**

		₹
Stock at cost on 31.12.2023		80,000
Add: (1) Undercasting of a page total	200	
(2) Goods purchased and delivered during January – March, 2024 ₹ (70,000 – 3,000 + 4,000)	71,000	
(3) Cost of sales return ₹ (1,000 – 200)	<u>800</u>	<u>72,000</u>
		1,52,000
Less: (1) Overcasting of a page total ₹ (6,000 – 5,000)	1,000	
(2) Goods sold and dispatched during January – March, 2024 ₹ (90,000 – 5,000 + 4,000)	89,000	
Less: Profit margin $\left(89,000 \times \frac{25}{125}\right)$	<u>17,800</u>	<u>71,200</u>
Value of stock as on 31st March, 2024		<u>79,800</u>

**Note:** In the above solution, transfer of ownership is assumed to take place at the time of delivery of goods. If it is assumed that transfer of ownership takes place on the date of invoice, then ₹ 4,000 goods delivered in March 2024 for which invoice was received in April, 2024, would be treated as purchases of the accounting year 2023-2024 and thus excluded. Similarly, goods dispatched in March, 2024 but invoiced in April, 2024 would be excluded and treated as sale of the year 2023-2024.

(b)

**In the books of M/s. Surya Lights**  
**Machinery Account**

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
1.1.2020	To Bank A/c	3,20,000	31.12.2020	By Depreciation A/c	96,000
	To Bank A/c (Erection charges)	80,000		(₹80,000+ ₹ 16,000)	
1.7.2020	To Bank A/c	1,60,000	31.12.2020	By Balance c/d	4,64,000
				(₹3,20,000+ ₹1,44,000)	
		<u>5,60,000</u>			<u>5,60,000</u>
01.01.21	To Balance b/d	4,64,000	31.12.2021	By Depreciation A/c	1,12,000
				(₹80,000+ ₹ 32,000)	
			31.12.2021	By Balance c/d	3,52,000
				(₹ 2,40,000 + ₹ 1,12,000)	
		<u>4,64,000</u>			<u>4,64,000</u>
01.01.22	To Balance b/d	3,52,000	01.07.2022	By Bank A/c	1,60,000
30.9.22	To Bank A/c	60,000		By Profit and Loss A/c (Loss on Sale – W.N.)	40,000
			31.12.2022	By Depreciation A/c	75,000
				(₹ 40,000 + ₹ 32,000 + ₹ 3,000)	
				By Balance c/d	1,37,000
				(₹ 80,000 + ₹ 57,000)	
		<u>4,12,000</u>			<u>4,12,000</u>
01.01.23	To Balance b/d	1,37,000	31.12.2023	By Depreciation A/c	20,550
				(₹ 12,000 + ₹ 8,550)	
				By Balance c/d	1,16,450
				(₹ 68,000 + ₹ 48,450)	
		<u>1,37,000</u>			<u>1,37,000</u>

**Working Notes:****Book Value of machines (Straight line method)**

	Machine I	Machine II	Machine III
	₹	₹	₹
Cost	4,00,000	1,60,000	60,000
Depreciation for 2020	<u>80,000</u>	<u>16,000</u>	
Written down value as on 31.12.2020	3,20,000	1,44,000	
Depreciation for 2021	<u>80,000</u>	<u>32,000</u>	
Written down value as on 31.12.2021	2,40,000	1,12,000	
Depreciation for 2022	<u>40,000</u>	<u>32,000</u>	<u>3,000</u>
Written down value as on 31.12.2022	2,00,000	<u>80,000</u>	<u>57,000</u>
Sale proceeds	<u>1,60,000</u>		
Loss on sale	<u>40,000</u>		

3. (a)

**In the books of Mr. Jalaj****Statement of Affairs**

Liabilities	31.3.23	31.3.24	Assets	31.3.23	31.3.24
Capital (bal fig)	3,01,500	5,50,875	Furniture	62,500	56,250
Loans	1,12,500	87,500	Building	1,25,000	1,21,875
Creditors	62,500	1,00,000	Stock	1,25,000	3,12,500
			Debtors	75,000	1,37,500
			Cash in hand	14,000	16,500
			Cash at bank	75,000	93,750
	<u>4,76,500</u>	<u>7,38,375</u>		<u>4,76,500</u>	<u>7,38,375</u>

**Capital A/c**

Particulars	₹	Particulars	₹
To Cash (drawings)	30,000	By Bal b/d	3,01,500
To Bal c/d	5,50,875	By Cash	50,000
		By Profit (bal fig)	2,29,375
	<u>5,80,875</u>		<u>5,80,875</u>

(b)

**Revaluation Account**

	₹		₹
To Furniture A/c	40,000	By Office equipment A/c	47,000

To Stock A/c	50,000	By Building A/c	5,00,000
To Joint life policy	10,000	By Provision for doubtful debts	15,000
To Partners' capital A/cs:			
X      2,31,000			
Y      1,54,000			
Z <u>77,000</u>	<u>4,62,000</u>		
	<u>5,62,000</u>		<u>5,62,000</u>

### Partners' Capital Accounts

	X ₹	Y ₹	Z ₹		X ₹	Y ₹	Z ₹
To Y's capital A/c	90,000	-	30,000	By Balance b/d	8,00,000	4,20,000	4,00,000
To Y's loan A/c		8,14,000		By General Reserve	1,80,000	1,20,000	60,000
To Balance c/d	11,21,000		5,07,000	By revaluation A/c	2,31,000	1,54,000	77,000
				By X's capital A/c		90,000	
				By Z's capital A/c		30,000	
	<u>12,11,000</u>	<u>8,14,000</u>	<u>5,37,000</u>		<u>12,11,000</u>	<u>8,14,000</u>	<u>5,37,000</u>

### Balance Sheet as on 1.4.2024 (After Y's retirement)

Liabilities	₹	₹	Assets	₹	₹
Capital accounts:			Building		15,00,000
X	11,21,000		Furniture		2,00,000
Z	<u>5,07,000</u>	16,28,000	Office equipment		3,27,000
Y's loan account		8,14,000	Stock		2,00,000
Sundry creditors		3,70,000	Sundry debtors	3,00,000	
			Less: Provision for doubtful debts	<u>(15,000)</u>	2,85,000
			Cash at bank		3,00,000
		<u>28,12,000</u>			<u>28,12,000</u>

### Working Notes:

Calculation of goodwill:

- Average of last 4 year's profit  

$$= (90,000 + 1,40,000 + 1,20,000 + 1,30,000)/4$$

$$= ₹ 1,20,000$$
- Goodwill at three years' purchase  

$$₹ 1,20,000 \times 3 = ₹ 3,60,000$$

Goodwill adjustment

	Share of goodwill (Old ratio)	Share of goodwill (New ratio)	Adjustment
X	1,80,000	2,70,000	90,000 (Dr.)
Y	1,20,000	-	1,20,000 (Cr.)
Z	60,000	90,000	30,000 (Dr.)

**Note:** Alternatively Joint Life Policy can also be routed through Partners Capital Account.

4. (a) **Realization Account**

Particulars	₹	Particulars	₹
To Debtors	48,000	By Creditors	48,000
To Stock	60,000	By Cash A/c (Assets realized):	
To Fixtures	24,000	Plant and Machinery	1,02,000
To Plant and machinery	1,08,000	Fixtures	18,000
To Cash A/c (Creditors)	45,600	Stock	84,000
To Cash A/c (GST)	4,200	Sundry Debtors	<u>44,400</u>
To Cash A/c (Realization expenses)	1,500	By Q (Unrecorded asset)*	4,800
To Profit on Realization			
P	3,960		
Q	3,960		
R	<u>1,980</u>		
	9,900		
	<u>3,01,200</u>		<u>3,01,200</u>

**Partners' Capital Accounts**

Particulars	P	Q	R	Particulars	P	Q	R
	₹	₹	₹		₹	₹	₹
To Realization A/c (unrecorded asset)		4,800		By Balance b/d	1,20,000	48,000	24,000
To Cash (Bal. Fig.)	1,47,960	71,160	37,980	By Reserve fund	24,000	24,000	12,000
				By Realization A/c (Profit)	3,960	3,960	1,980
	<u>1,47,960</u>	<u>75,960</u>	<u>37,980</u>		<u>1,47,960</u>	<u>75,960</u>	<u>37,980</u>

**Cash Account**

\* An unrecorded asset is in the nature of gain hence realization account is credited. Since this asset has been taken over by Q, therefore, his account has been debited.

Particulars	₹	Particulars	₹
To Balance b/d	60,000	By Realization A/c (Creditors)	45,600
To Realization A/c (Assets)	2,48,400	By Realization A/c (Expenses)	1,500
		By Realization A/c (GST)	4,200
		By P's Capital A/c	1,47,960
		By Q's Capital A/c	71,160
		By R's Capital A/c	37,980
	3,08,400		3,08,400

(b) **Navel College**

**Income and Expenditure Account  
for the year ending 31st March, 2024**

Expenditure	₹	₹	Income	₹	₹
To Salaries: Teaching		8,75,000	By Tutions & other fee		8,10,000
Research		1,25,000	By Govt. Grants		5,01,000
To Material & Supplies Consumed			By Income from Investments		1,75,000
Teaching		52,000	By Hostel room Rent		1,65,000
Research		1,45,000	By Mess Receipts		2,05,000
			By Profit-stores sales		1,14,000
To Sports & Games Expenses					
Cash	52,000				
Materials	<u>24,000</u>	76,000			
To Students Welfare Expenses					
Cash	37,000				
Materials	<u>78,000</u>	1,15,000			
To Scholarships		85,000			
To Depreciation:					
Building		77,500			
Plant &		85,000			
Machinery					
Furniture &		54,000			
Fittings					
Motor		48,000			
Vehicle					

To Excess of Income over Expenditure		2,32,500		
		19,70,000		19,70,000

**Navel College**  
**Balance Sheet as on 31st March, 2024**

Liabilities	₹	₹	Assets	₹	₹
Capital Fund			Fixed Assets:		
Opening balance	13,08,000		Land		1,50,000
Add: Excess of Income over Expenditure	<u>2,32,500</u>	15,40,500	Building Cost	15,50,000	
Building Fund		19,10,000	Less: Dep.	<u>(5,67,500)</u>	9,82,500
Current Liabilities:			Plant & Machinery Cost	8,50,000	
Outstanding Expenses		2,35,000	Less: Dep.	<u>(5,90,000)</u>	2,60,000
Security Deposit		1,55,000	Furniture & Fittings:		
			Cost	5,40,000	
			Less: Dep.	<u>(3,80,000)</u>	1,60,000
			Motor Vehicles		
			Cost:	2,40,000	
			Less: Dep.	<u>(48,000)</u>	1,92,000
			Library		3,20,000
			Investments		12,75,000
			Stock (stores)-		
			Material & Supplies		1,85,000
			Cash in hand & at Bank		<u>3,16,000</u>
		<u>38,40,500</u>			<u>38,40,500</u>

**Working Notes:**

(1)	Material & Supplies-Closing Stock		₹	₹
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	Opening Stock			3,10,000
	Purchases			<u>8,20,000</u>
				11,30,000
	Less: Cost of Goods Sold		6,46,000	
	Material Consumed		<u>2,99,000</u>	<u>(9,45,000)</u>
	Balance			<u>1,85,000</u>
(2)	Provisions for Depreciation			
		Building	Plant & Equipment	Furniture & Fitting
		₹	₹	₹
	Opening Balance	4,90,000	5,05,000	3,26,000
	Addition	<u>77,500</u>	<u>85,000</u>	<u>54,000</u>
	Closing Balance	<u>5,67,500</u>	<u>5,90,000</u>	<u>3,80,000</u>

5. (a) **Rectification entries in the books of M/s Mangrove Arts**

	Particulars	L.F.	Dr. ₹	Cr. ₹
1.	Profit and Loss Adjustment Account Dr. To Building Account (Repairs amounting ₹ 37,500 wrongly debited to building account, now rectified)		37,500	37,500
2.	Profit and Loss Adjustment Account Dr. To Suspense Account (Addition of freight column in purchase journal was under casted, now rectification entry made)		4,500	4,500
3.	Suspense Account Dr. To Leena Account (Goods returned by Leena had been posted wrongly to the debit of her account, now rectified)		6,300	6,300
4.	Profit and Loss Adjustment Account Dr. To Furniture Account (Being sale of furniture wrongly entered in sales book, now rectified)		90,000	90,000
5.	Lucky & Co. Dr. To Bills receivable account (Bill receivable dishonoured debited to Bills receivable account instead of customer account, now rectified)		60,000	60,000



(b) (i) (1) **Journal Proper in the Books of M/s. Vikram Traders**

Date 2024	Particulars		Amount ₹	Amount ₹
Mar. 31	Returns outward A/c	Dr.	2,16,000	
	To Purchases A/c (Being the transfer of returns to purchases account)			2,16,000
	Sales A/c	Dr.	3,00,000	
	To Returns Inward A/c (Being the transfer of returns to sales account)			3,00,000
	Sales A/c	Dr.	30,00,000	
	To Trading A/c (Being the transfer of balance of sales account to trading account)			30,00,000
	Trading A/c	Dr.	23,40,000	
	To Opening Inventory A/c To Purchases A/c To Wages A/c To Carriage Inwards A/c (Being the transfer of balances of opening inventory, purchases and wages accounts)			3,00,000 18,00,000 1,50,000 90,000
Closing Inventory A/c	Dr.	6,00,000		
To Trading A/c (Being the incorporation of value of closing Inventory)			6,00,000	
Trading A/c	Dr.	12,60,000		
To Gross Profit (Being the amount of gross profit)			12,60,000	
Gross profit	Dr.	12,60,000		
To Profit and Loss A/c (Being the transfer of gross profit to Profit and Loss Account)			12,60,000	

OR

(ii) **In the Books of Mr. Mandeep**

**Manufacturing Account for the year ended on March 31,2024**

Particulars	₹	Amount ₹	Particulars	Amount ₹
To Opening W.I.P.		3,90,000	By Closing W-I-P	5,07,000
To Raw Material Consumed:			By products	20,000

Opening inventory	3,02,000		By Trading A/c-	17,81,000
Purchases	12,10,000		Cost of finished	
	15,12,000		goods	
Less: Return	(18,000)		transferred	
	14,94,000			
Less: Closing inventory	(3,10,000)	11,84,000		
To Direct Wages		2,10,000		
To Direct expenses:				
Royalty		1,30,000		
To Manufacturing				
Overhead:				
Indirect Material	16,000			
Indirect Wages	48,000			
Repairs & Maintenance	2,30,000			
Depreciation on				
Factory Shed	40,000			
Depreciation on Plant &				
Machinery	60,000	3,94,000		
		23,08,000		23,08,000

(c)

**Journal Entries in the books of Verma Ltd.**

			₹	₹
1-4-2023	Equity share final call A/c	Dr.	5,40,000	
	To Equity share capital A/c			5,40,000
	(For final calls of ₹ 2 per share on 2,70,000 equity shares due as per Board's Resolution dated....)			
20-4-2023	Bank A/c	Dr.	5,40,000	
	To Equity share final call A/c			5,40,000
	(For final call money on 2,70,000 equity shares received)			
	Securities Premium A/c	Dr.	75,000	
	Capital Redemption Reserve A/c	Dr.	1,20,000	
	General Reserve A/c	Dr.	3,60,000	
	Profit and Loss A/c (b.f.)	Dr.	1,20,000	
	To Bonus to equity shareholders A/c			6,75,000
	(For making provision for bonus issue of one share for every four shares held)			

	Bonus to equity shareholders A/c To Equity share capital A/c (For issue of bonus shares)	Dr.	6,75,000	6,75,000
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**Extract of Balance Sheet as at 30<sup>th</sup> April, 2023 (after bonus issue)**

		₹
<b>Share Capital</b>		
<b>Authorised Capital</b>		
30,000 12% Preference shares of ₹10 each		3,00,000
3,37,500 Equity shares of ₹10 each (refer working note below)		<u>33,75,000</u>
<b>Issued and subscribed capital</b>		
24,000 12% Preference shares of ₹10 each, fully paid		2,40,000
3,37,750 Equity shares of ₹10 each, fully paid (Out of above, 67,500 equity shares @ ₹10 each were issued by way of bonus)		33,75,000
<b>Reserves and surplus</b>		
Securities Premium	75,000	
Less: Utilised for bonus issue	<u>(75,000)</u>	NIL
Capital Redemption Reserve	1,20,000	
Less: Utilised for bonus issue	<u>(1,20,000)</u>	NIL
General Reserve	3,60,000	
Less: Utilised for bonus issue	<u>(3,60,000)</u>	NIL
Profit and Loss Account	6,00,000	
Less: Utilised for bonus issue	<u>(1,20,000)</u>	4,80,000

**Working Notes:**

- Number of Bonus shares to be issued- ₹  
(2,70,000 shares / 4) X 1 = 67,500 shares
- The authorised capital should be increased as per details given below:  
Existing issued Equity share capital 27,00,000  
Add: Issue of bonus shares to equity shareholders 6,75,000  
33,75,000

6. (a)

**In the books of Woodland Mills Ltd.**

**Journal Entries**

Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
Bank A/c To Equity Share Application A/c	Dr.	10,000	10,000

(Money received on applications for 10,000 shares @ ₹ 1 per share)			
Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money on allotment of 10,000 shares)	Dr.	10,000	10,000
Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of 10,000 shares @ ₹ 2 per share)	Dr.	20,000	20,000
Bank A/c To Equity Share Allotment A/c (Allotment money received on 9,900 shares)	Dr.	19,800	19,800
<b>OR</b>			
Bank A/c Calls in arrears A/c To Equity Share Allotment A/c (Allotment Amount received except 100 shares)	Dr. Dr.	19,800 200	20,000
Equity Share Capital A/c To Share Forfeiture A/c To Equity Shares Allotment A/c (100 Shares of Amar forfeited)	Dr.	300	100 200
<b>OR</b>			
Equity Share Capital A/c To Shares Forfeiture A/c To Calls in arrears A/c (100 shares forfeited due to non-payment of allotment money)	Dr.	300	100 200
Equity Share First Call A/c To Equity Share Capital A/c (First call made due on 9,900 shares at ₹ 3 per share)	Dr.	29,700	29,700
Bank A/c To Equity Share First Call A/c (First call money received on 9,750 shares at ₹ 3 per share)	Dr.	29,250	29,250
<b>OR</b>			
Bank A/c Calls in arrears A/c To Equity Share First Call A/c (First Call money received except 150 shares)	Dr. Dr.	29,250 450	29,700
Equity Share Capital A/c To Share Forfeiture A/c	Dr.	900	450

To Equity Share First Call A/c (150 Shares of Kabir forfeited)			450
<b>OR</b>			
Equity Share Capital A/c	Dr.	900	
To Share Forfeiture A/c			450
To Calls in arrears A/c			450
(150 shares forfeited due to non - payment of First call money)			
Equity Share Second and Final Call A/c	Dr.	39,000	
To Equity Share Capital A/c			39,000
(Second and Final call made due on 9,750 shares at ₹ 4 per share)			
Bank A/c	Dr.	38,800	
To Equity Share Second and Final Call A/c			38,800
(Second and Final call money received on 9,700 shares at ₹ 4 per share)			
<b>OR</b>			
Bank A/c	Dr.	38,800	
Calls in arrears A/c	Dr.	200	
To Equity Shares Second and Final call A/c			39,000
(Second and Final call money received except 50 shares)			
Equity Share Capital A/c	Dr.	500	
To Share Forfeiture A/c			300
To Equity Share Second and Final Call A/c			200
(50 Shares of Dilip forfeited)			
<b>OR</b>			
Equity Share Capital A/c	Dr.	500	
To Shares Forfeiture A/c			300
To Calls in arrears A/c			200
(50 shares forfeited due to non-payment of Second and final call money)			
Bank A/c	Dr.	2,700	
Share Forfeiture A/c	Dr.	300	
To Equity Share Capital A/c			3,000
(300 shares reissued at ₹ 9 per share)			
Share Forfeiture A/c	Dr.	550	
To Capital Reserve A/c (W.N.1)			550
(Profit on re-issue transferred to Capital Reserve)			

**Working Note-1:** Calculation of amount to be transferred to Capital Reserve:

Surplus out of 100 shares of Amar forfeited	₹ 100
Surplus out of 150 shares of Kabir forfeited	₹ 450
Surplus out of 50 shares of Dilip forfeited	<u>₹ 300</u>

	₹ 850
Less: Loss on re-issue of shares	<u>₹ 300</u>
Transferred to Capital Reserve	<u>₹ 550</u>

**(b)** Rules regarding posting of entries in the ledger:

1. Separate account is opened in ledger book for each account and entries from journal are posted to respective ledger account accordingly.
2. It is a practice to use words 'To' and 'By' while posting transactions in the ledger. The word 'To' is used in the particular column with the accounts written on the debit side while 'By' is used with the accounts written in the particular column of the credit side. These 'To' and 'By' do not have any meanings but are used to the account debited and credited.
3. The concerned account debited in the journal should also be debited in the ledger but reference should be of the respective credit account.

**(c)**

Bills of Exchange	Promissory Note
There are three parties involved drawer, drawee and payee.	There are only two parties involved promissory (maker) and Payee.
it is drawn by the creditor.	It is drawn by the debtor.

## ANSWER OF MODEL TEST PAPER 3

### FOUNDATION COURSE

#### PAPER – 1: ACCOUNTING

1. (a) (i) **True:** Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt as it is not obtained in course of normal business activities.
- (ii) **True:** According to Section 52 of the Companies Act, 2013, Securities Premium Account may be used by the company to write off preliminary expenses of the company. Thus, the accountant can use the balance in securities premium account to write off the preliminary expenses amounting ₹ 15 lakhs.
- (iii) **True:** The financial statements must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.
- (iv) **False:** In case of admission of new partner in a partnership firm, profit/loss on revaluation account is transferred to old partners in their old profit-sharing ratio.
- (v) **False:** The debit notes issued are used to prepare purchases return book.
- (vi) **False:** Debenture holder does not enjoy voting rights in company. He is only a creditor of the company.
- (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.

(c) **Calculation of depreciation for 5<sup>th</sup> year**

Depreciation per year charged for four years = ₹ 80,00,000 / 10 = ₹ 8,00,000

WDV of the machine at the end of fourth year = ₹ 80,00,000 – ₹ 8,00,000 × 4 = ₹ 48,00,000.

Depreciable amount after revaluation = ₹ 48,00,000 + ₹ 3,20,000 = ₹ 51,20,000

Remaining useful life as per previous estimate = 6 years

Remaining useful life as per revised estimate = 8 years

Depreciation for the fifth year and onwards = ₹ 51,20,000 / 8 = ₹ 6,40,000.

2. (a) **Profit and Loss Adjustment A/c**

	₹		₹
To Advertisement (samples)	3,20,000	By Net profit	32,00,000

To Sales (goods approved in April to be taken as April sales)	8,00,000	By Electric fittings	1,20,000
		By Samples	3,20,000
		By Stock (Purchases of March not included in stock)	20,00,000
To Adjusted net profit	67,20,000	By Sales (goods sold in March wrongly taken as April sales)	16,00,000
		By Stock (goods sent on approval basis not included in stock)	6,00,000
	<u>78,40,000</u>		<u>78,40,000</u>

**Calculation of value of inventory on 31<sup>st</sup> March, 2024**

	₹
Stock on 31 <sup>st</sup> March, 2024 (given)	30,00,000
Add: Purchases of March, 2024 not included in the stock	20,00,000
Goods lying with customers on approval basis	<u>6,00,000</u>
	<u>56,00,000</u>

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

Date	Particulars	Amount	Date	Particulars	Amount
<b>2023</b>		₹	<b>2023</b>		₹
Sept. 30	To Party A/c	64,000	Sept. 30	By Balance b/d	16,248
	To Customer A/c (Direct deposit)	4,69,600		By Bank charges	2,320
	To Balance c/d	44,968		By Customer A/c (B/R dishonoured)	5,60,000
		<u>5,78,568</u>			<u>5,78,568</u>

**(ii) Bank Reconciliation Statement as on 30th September, 2023**

Particulars	Amount
	₹
Overdraft as per Cash Book	44,968
Add: Cheque deposited but not collected upto 30 <sup>th</sup> Sept., 2023	<u>52,56,000</u>
	<u>53,00,968</u>



Less: Cheques issued but not presented for payment upto 30 <sup>th</sup> Sept., 2023	(53,04,000)
Credit by Bank erroneously on 6th Sept.	(80,000)
Credit balance as per bank statement	83,032

**Note:** Bank has credited Akhil by 80,000 in error on 6<sup>th</sup> September, 2023. If this mistake is rectified in the bank statement, then this will not be deducted in the above statement along with ₹ 53,04,000 resulting in credit balance of ₹ 3,032 as per pass-book.

3. (a) **Manufacturing A/c**

Particulars	₹	Particulars	₹
To Raw Material Consumed (Balancing Figure)	9,15,000	By Trading A/c (W.N. 4)	18,32,000
To Wages (W.N. 2)	3,15,000		
To Depreciation (W.N. 1)	3,95,000		
To Direct Expenses (W.N. 3)	2,07,000		
	18,32,000		18,32,000

**Raw Material A/c**

Particulars	₹	Particulars	₹
To Opening Stock A/c	1,27,000	By Raw Material Consumed (from Manufacturing A/c above)	9,15,000
To Creditors A/c (W.N. 5)	14,40,000	By Closing Stock A/c (Balancing Figure)	6,52,000
	15,67,000		15,67,000

**Working Notes:**

- (1) Since purchase of Machinery worth ₹ 12,00,000 has been omitted.  
So, depreciation omitted from being charged =  $12,00,000 \times 15\%$   
= ₹ 1,80,000  
Correct total depreciation expense = ₹ (2,15,000+1,80,000)  
= 3,95,000
- (2) Wages worth ₹ 50,000 will be excluded from manufacturing account as they pertain to office and hence will be charged P&L A/c. So the revised wages amounting ₹ 3,15,000 will be shown in manufacturing account.
- (3) Expenses to be excluded from direct expenses:

Office Electricity Charges (80,000 X 25%)	20,000
Delivery Charges to Customers	<u>22,000</u>

Total expenses not part of Direct Expenses 42,000  
 => Revised Direct Expenses = ₹ (2,49,000 - 42,000)  
 = ₹ 2,07,000

Fuel charges are related to factory expenses and also freight inwards are incurred for bringing goods to factory/ godown so they are part of direct expenses.

(4) Revised Balance to be transferred to Trading A/c:

Particulars	₹
Current Balance transferred	17,44,000
Add: Depreciation charges not recorded earlier	1,80,000
Less: Wages related to Office	(50,000)
Less: Office Expenses	<u>(42,000)</u>
Revised balance to be transferred	<u>18,32,000</u>

(5) **Creditors A/c**

Particulars	₹	Particulars	₹
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	<u>6,60,000</u>	By Raw Materials A/c (Bal. figure)	<u>14,40,000</u>
	30,10,000		30,10,000

(b)

Particulars	Ram	Lakhan	Bharat	Total Profit of firm
I. Amount already credited: Share of profit (in the ratio of 1:1:1) (2022-23, 2023-24)	78,000	78,000	78,000	2,34,000
II. Amount which should have been credited: C's Salary (2022-23, 2023-24)			30,000	
Interest on Capital (2022-23, 2023-24)	15,000	7,500	7,500	
Share of Profit	87,000	43,500	43,500	1,74,000
	1,02,000	51,000	81,000	
Net effect (I-II)	(24,000)	27,000	(3,000)	-

The necessary journal entry will be:

Particulars	Debit (₹)	Credit (₹)
Lakhan's Current A/c	27,000	
To Ram's Current A/c		24,000

To Bharat's Current A/c (Salary to Bharat, Interest on capital charged and profit shared among partners in the ratio of capital)		3,000
---	--	-------

(c) Total Profit for 3 years = (₹ 17,000) + ₹ 50,000 + ₹ 75,000 = ₹ 1,08,000.

$$\text{Average profits} = \frac{\text{Total Profit}}{\text{No. of years}} \times \frac{₹1,08,000}{3} = ₹36,000$$

$$\text{Average Profits for Goodwill} = ₹ 36,000 - \text{Proprietor Remuneration} \\ = ₹ 36,000 - ₹ 6,000 = ₹ 30,000$$

$$\text{Normal Profit} = \text{Interest on Capital employed} \\ = ₹ 20,000 \text{ (i.e. } ₹ 2,00,000 \times 10/100) = ₹ 20,000$$

$$\text{Super Profit} = \text{Average Profit} - \text{Normal Profit} = ₹ 30,000 - ₹ 20,000 \\ = ₹ 10,000$$

$$\text{Goodwill} = \text{Super Profit} \times \text{No of years purchases} = ₹ 10,000 \times 2 = ₹ 20,000$$

4. (a) **Revaluation A/c**

	₹		₹
To Plant & Machinery (1,70,000 x 15%)	25,500	By Land & Building A/c	1,52,000
To Provision for Bad & Doubtful Debts (60,000 x 5%)	3,000		
To Outstanding Repairs to Building	6,000		
To X's Capital A/c (5/8)	73,438		
To Y's Capital A/c (3/8)	44,062		
	1,52,000		1,52,000

**Partners Capital A/c**

	X	Y	Z		X	Y	Z
To X's Capital A/c	-	-	20,000	By Balance b/d	4,10,000	3,30,000	-
To Y's Capital A/c			12,000	By Revaluation A/c	73,438	44,062	-
To Y's Current A/c	-	68,062		By Profit & Loss A/c	70,000	42,000	-
To Balance c/d	6,00,000	3,60,000	2,40,000	By Bank	-	-	2,72,000
				By Z's Capital A/c	20,000	12,000	-
				By X's Current A/c	26,562	-	-
	6,00,000	4,28,062	2,72,000		6,00,000	4,28,062	2,72,000

Calculation of New Profit Sharing Ratio and gaining ratio:

Z's Share of Profit =  $1/5 = 2/10$

Remaining Share =  $1 - 1/5 = 4/5$

X's Share =  $5/8 \times 4/5 = 20/40 = 5/10$

Ys Share =  $3/8 \times 4/5 = 12/40 = 3/10$

New Profit sharing Ratio = 5:3:2

Gaining ratio = 5:3 (same as old profit sharing ratio among old partners)

**Balance sheet of Alpha and Associates as on 31.3.2024**

Liabilities		₹	Assets		
Capital Accounts:			Land & Buildings		5,32,000
X	6,00,000		Plant & Machinery	1,70,000	
Y	3,60,000		Less: Depreciation	<u>25,500</u>	1,44,500
Z	<u>2,40,000</u>	12,00,000	Furniture		1,09,480
Y's Current A/c		68,062	Stock		1,45,260
Trade Creditors		54,800	Sundry Debtors	60,000	
Outstanding Repairs to Building		6,000	Less: Provision	<u>3,000</u>	57,000
			Cash at Bank		3,14,060
			X's current A/c		<u>26,562</u>
		<u>13,28,862</u>			<u>13,28,862</u>

**Working Note:**

Required Balance of Capital Accounts

Z's Capital after writing off Goodwill =  $2,72,000 - 32,000 = 2,40,000$

Z's Share of Profit =  $1/5$

Thus Capital of the firm shall be =  $2,40,000 \times 5 = 12,00,000$

X's Capital =  $12,00,000 \times 5/10 = 6,00,000$  and

Y's Capital =  $12,00,000 \times 3/10 = 3,60,000$

**(b) Trading A/c  
for the year ended 31<sup>st</sup> March, 2024**

	₹		₹
To Opening stock	2,80,000	By Sales	
To Purchases	7,70,000	Cash	2,40,000
To Gross Profit @ 25%	3,10,000	Credit	<u>10,00,000</u>
			12,40,000

	_____	By Closing (bal.fig.)	Stock	<u>1,20,000</u>
	<u>13,60,000</u>			<u>13,60,000</u>

**Profit and Loss Account**  
for the year ended 31<sup>st</sup> March, 2024

	₹		₹
To Salaries	40,000	By Gross Profit	3,10,000
To Business expenses	1,20,000		
To Interest on loan (10% of 1,00,000*6/ 12)	5,000		
To Net Profit	<u>1,45,000</u>		_____
	<u>3,10,000</u>		<u>3,10,000</u>

**Balance Sheet as at 31<sup>st</sup> March, 2024**

<i>Liabilities</i>	₹	₹	<i>Assets</i>	₹
Ram's capital:			Cash in hand	10,000
Opening	3,00,000		Cash at Bank	80,000
Add: Net Profit	<u>1,45,000</u>		Sundry Debtors	3,50,000
	4,45,000		Stock in trade	1,20,000
Less: Drawings	<u>(80,000)</u>	3,65,000		
Loan from Laxman (including interest due)		1,05,000		
Sundry Creditors		<u>90,000</u>		_____
		<u>5,60,000</u>		<u>5,60,000</u>

**Working Notes:**

**1. Sundry Debtors Account**

	₹		₹
To Balance b/d	1,00,000	By Bank A/c	7,50,000
To Credit sales (Bal. fig)	<u>10,00,000</u>	By Balance c/d	<u>3,50,000</u>
	<u>11,00,000</u>		<u>11,00,000</u>

**2. Sundry Creditors Account**

	₹		₹
To Bank A/c	7,00,000	By Balance b/d	40,000
To Cash A/c	20,000	By Purchases (Bal. fig.)	7,70,000
To Balance c/d	<u>90,000</u>		_____
	<u>8,10,000</u>		<u>8,10,000</u>

### 3. Cash and Bank Account

	Cash	Bank		Cash	Bank
	₹	₹		₹	₹
To Balance b/d	10,000		By Balance b/d		50,000
To Sales (bal. fig)	2,40,000		By Bank A/c (C)	1,00,000	
To Cash (C)		1,00,000	By Salaries	40,000	
To Debtors		7,50,000	By Creditors	20,000	7,00,000
To Laxman's loan		1,00,000	By Drawings	80,000	
			By Business expenses		1,20,000
			By Balance c/d	<u>10,000</u>	<u>80,000</u>
	<u>2,50,000</u>	<u>9,50,000</u>		<u>2,50,000</u>	<u>9,50,000</u>

### 4. Calculation of Ram's Capital on 1<sup>st</sup> April, 2023

#### Balance Sheet as at 1<sup>st</sup> April, 2023

Liabilities	₹	Assets	₹
Ram's Capital (bal. fig)	3,00,000	Cash in hand	10,000
Bank Overdraft	50,000	Sundry Debtors	1,00,000
Sundry Creditors	<u>40,000</u>	Stock in trade	<u>2,80,000</u>
	<u>3,90,000</u>		<u>3,90,000</u>

### 5. (a) Rectification entries in the books of M/s VB Wires

	Particulars	L.F.	Dr. ₹	Cr. ₹
1.	Profit and Loss Adjustment Account Dr. To Building Account (Repairs amounting ₹ 37,500 wrongly debited to building account, now rectified)		37,500	37,500
2.	Profit and Loss Adjustment Account Dr. To Suspense Account (Addition of freight column in purchase journal was under casted, now rectification entry made)		4,500	4,500

3.	Suspense Account To Seven & Co. (Goods returned by Seven & Co. had been posted wrongly to the debit of her account, now rectified)	Dr.	6,300	6,300
4.	Profit and Loss Adjustment Account To Furniture account (Being sale of furniture wrongly entered in sales book, now rectified)	Dr.	90,000	90,000
5.	Comfort & Co. To Bills receivable account (Bill receivable dishonoured debited to Bills receivable account instead of customer account, now rectified)	Dr.	60,000	60,000

**(b) Receipts and Payments Account for the year ended 31-03-2024**

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>		<u>2,23,500</u>

**Income and Expenditure account for the year ended 31-03-2024**

Expenditure	₹		₹	Income	₹	₹
To Salaries	30,000			By Subscription		1,50,000
Add: Outstanding for 2024	<u>9,000</u>			By Interest on Investment Received	7,000	
	39,000					

Less: Outstanding for 2023	<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 2023-24

	₹
Subscription due for 2023-24	1,50,000
Add: Outstanding of 2023	70,000
Less: Outstanding of 2024	(1,00,000)
Add: Subscription of 2024 received in advance	15,000
Less: Subscription of 2023 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 01-04-2023	14,000
Value of furniture as on 31-03-2024	<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 01-04-2023	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.

## 6. (a)

Entry No.	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bank A/c Dr. To Equity Share Application A/c (Money received on applications for 20,000 shares @ ₹ 2 per share)		40,000	40,000
2	Equity Share Application A/c Dr. To Equity Share Capital A/c (Transfer of application money on 20,000 shares to share capital)		40,000	40,000
3	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Amount due on the allotment of 20,000 shares @ ₹ 3 per share and Securities Premium @ ₹1 per share)		80,000	60,000 20,000
4	Bank A/c Dr. To Equity Share Allotment A/c (Allotment money received)		80,000	80,000
5	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call made due on 20,000 shares at ₹ 2 per share)		40,000	40,000

6	Bank A/c To Equity Share First Call A/c To Calls in Advance A/c (Being first call money received along with calls in advance on 2,000 shares at ₹ 3 per share)	Dr.	46,000	40,000 6,000
7	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call made due on 20,000 shares at ₹ 3 each)	Dr.	60,000	60,000
8	Bank A/c Calls in Advance A/c Calls in Arrears A/c To Equity Share Final Call A/c (Being final call received for 17,700 shares, calls in advance for 2,000 shares and calls in arrears on 300 shares adjusted)	Dr. Dr. Dr.	53,100 6,000 900	60,000
9	Interest on Calls in Advance A/c To Shareholders A/c (Being interest made due on calls in advance of ₹6,000 at the rate of 12% p.a.)	Dr.	240	240
10	Shareholders A/c To Bank A/c (Being payment of interest made to shareholder)	Dr.	240	240
11	Shareholders A/c To Interest on Calls in Arrears A/c (Being interest on calls in arrears made due at the rate of 10%)	Dr.	15	15
12	Bank A/c To Calls in Arrears A/c To Shareholders A/c (Being money received from shareholder having 200 shares for calls in arrears and interest thereupon)	Dr.	615	600 15
13	Shareholders A/c To Interest on Calls in Arrears A/c (Being interest on calls in arrears made due at the rate of 10%)	Dr.	10	10
14	Bank A/c	Dr.	310	

To Calls in Arrears A/c				300
To Shareholders A/c				10
(Being money received from shareholder having 100 share for calls in arrears and interest thereupon)				

**Calculation of Interest on Calls in Advance & Calls in Arrears:**

Interest on Calls in Advance = ₹ 6,000 x 12% x 4 / 12 = ₹ 240

Interest on Calls in Arrears ₹ 600 x 10% x 3 / 12 = ₹ 15

Interest on Calls in Arrears ₹ 300 x 10% x 4 / 12 = ₹ 10

Table F of The Companies Act,2013 prescribes 10% and 12% p.a. as the maximum rates respectively for calls in arrears and calls in advance. Accordingly these rates have been considered while passing the above entries,

- (b) (i)** A bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money to or to the order of certain person or to the bearer of the instrument. When such an order is accepted by the drawee on the face of the order itself, it becomes a valid bill of exchange.

There are three parties to a bill of exchange:

- (i) The drawer, who draws the bill, that is, the creditor to whom the money is owing;
- (ii) The drawee, the person to whom the bill is addressed or on whom it is drawn and who accepts the bill that is, the debtor; and
- (iii) The payee, the person who is to receive the payment. The drawer in many cases is also the payee.

- (ii) Retirement of bills of exchange:** Sometimes, the acceptor of a bill of exchange has spare funds much before the maturity date of the bill of exchange accepted by him. He may, therefore, desire to pay the bill before the due date. In such a circumstance, the acceptor shall ask the payee or the holder of the bill to accept cash before the maturity date. If the payee agrees, the acceptor may be allowed a rebate or discount on such early payment. This rebate is generally the interest at an agreed rate for the period between the date of payment and date of maturity. The interest/rebate/discount becomes the income of the acceptor and expense of the payee. It is a consideration for premature payment. When a bill is paid before due date, it is said to be retired under rebate.

**OR**

The basic considerations in distinction between capital and revenue expenditures are:

- (i) Nature of business: For a trader dealing in furniture, purchase of furniture is revenue expenditure but for any other trade, the purchase of furniture should be treated as capital expenditure and shown in the balance sheet as asset.
- (ii) Recurring nature of expenditure: If the frequency of an expense is quite often in an accounting year then it is said to be an expenditure of revenue nature while non-recurring expenditure is infrequent in nature and do not occur often in an accounting year.
- (iii) Purpose of expenses: Expenses for repairs of machine may be incurred in course of normal maintenance of the asset. Such expenses are revenue in nature. On the other hand, expenditure incurred for major repair of the asset so as to increase its productive capacity is capital in nature.
- (iv) Materiality of the amount involved: Relative proportion of the amount involved is another important consideration in distinction between revenue and capital.

## ANSWER OF MODEL TEST PAPER 1

### FOUNDATION COURSE

#### PAPER 2: BUSINESS LAWS

1. (a) According to Section 27 of Indian Contract Act, 1872, an agreement by which any person is restrained from exercising a lawful profession, trade or business of any kind, is to that extent void. But this rule is subject to the following exceptions, namely, where a person sells the goodwill of a business and agrees with the buyer to refrain from carrying on a similar business, within specified local limits, so long as the buyer or his successor in interest carries on a like business therein, such an agreement is valid. The local limits within which the seller of the goodwill agrees not to carry on similar business must be reasonable.

In the instant case, Kashish sold his running business of artificial jewellery to Naman and promises, not to carry on the business of artificial jewellery and real diamond jewellery in that area and for a period of next one year but just after two months, Kashish opened a show room of real diamond jewellery. Naman sued Kashish for closing the business of real diamond business as it was against the agreement.

As exceptions to section 27 is applicable to similar business only, agreement between Naman and Kashish will not be applicable on business of real diamond jewellery. Hence, Kashish can continue his business of real diamond jewellery.

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

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

For the purposes of this section —

- (I) the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (II) the expression “company” includes any body corporate;

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

In the instant case, Darshan Photographs Private Limited is having paid-up capital of ₹ 1 Crores in the form of 50,000 Equity Shares of ₹ 100 each and 50,000 Preference Shares of ₹ 100 each. Shadow Evening Private Limited is holding 25,000 Equity Shares in Darshan Photographs Private Limited.

- (a) On the basis of provisions of Section 2(87) and facts of the given problem, Shadow Evening Private Limited is holding one – half of total equity paid up share capital of Darshan Photographs Private Limited. Therefore, Darshan Photographs Private Limited cannot be considered as subsidiary company of Shadow Evening Private Limited as for being subsidiary company other company should control more than one – half of the total voting power.
- (b) Answer would remain same even if Shadow Evening Private Limited is also holding 5,000 preference shares as they do not have voting rights.

**(c) 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.
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:** Firstly, 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.
2. (a) By virtue of Section 9 of the Sale of Goods Act, 1930, the price in the contract of sale may be fixed by the contract, or agreed to be fixed in a manner provided by the contract, e.g., by a valuer, or determined by the course of dealings between the parties.

Further, section 10 provides for the determination of price by a third party in the following manner:

- (a) Where there is an agreement to sell goods on the terms that price has to be fixed by the third party and he either does not or cannot make such valuation, the agreement will be void.
- (b) In case the third party is prevented by the default of either party from fixing the price, the party at fault will be liable to the damages to the other party who is not at fault.
- (c) However, a buyer who has received and appropriated the goods must pay a reasonable price for them in any eventuality.

In the instant case, Kapil contracted Rahul to purchase 1000 litres of mustard oil at the price fixed by Akhilesh. After, Rahul delivered 600 litres Akhilesh denied fixing the price of mustard oil. Rahul demanded back the oil already delivered and cancel the delivery of 400 litres. Kapil sued Rahul for non-delivery of remaining 400 litres mustard oil.

On the basis of above provisions and facts, Kapil is liable to pay a reasonable price of 600 litres while for remaining 400 litres, contract may be avoided.

**(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. To an ordinary citizen, the law permits whatever does the law not expressly forbid. It is a fundamental rule of Company Law that the objects of a company as stated in its memorandum can be departed from only to the extent permitted by the Act, thus far and no further [*Ashbury Railway Company Ltd. vs. Riche*].

In consequence, any act done or a contract made by the company which travels beyond the powers not only of the directors but also of the company is wholly void and inoperative in law and is therefore not binding on the company. On this account, a company can be restrained from employing its fund for purposes other than those sanctioned by the memorandum. Likewise, it can be restrained from carrying on a trade different from the one it is authorised to carry on.

**Consequences of ‘ultra vires’ acts of 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 one enters into a transaction which is ultra vires the company, he/she cannot enforce it against the company.

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

However, some ultra vires act can be regularised by ratifying them subsequently. For instance, if the act is ultra vires the power of the directors, the shareholders can ratify it; if it is ultra vires the articles of the company, the company can alter the articles; if the act is within the power of the company but is done irregularly, shareholders can validate such acts.

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

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

**Flexibility of a partnership:** The LLP allows its members the flexibility of organizing their internal structure as a partnership based on a mutually



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

3. (a) According to Section 13(e) of Indian Partnership Act, 1932, every partner has the right to be indemnified by the firm in respect of payments made and liabilities incurred by him in the ordinary and proper conduct of the business of the firm as well as in the performance of an act in an emergency for protecting the firm from any loss, if the payments, liability and act are such as a prudent man would make, incur or perform in his own case, under similar circumstances.

In the instant case, M/s Aee Bee & Company is doing business of trading of plastic bottles. A and B, partners of the firm, authorised A to sell the stock of plastic bottles on the condition to sale at the minimum price. In case A has to sell at a price less than minimum price, he should first take the permission of B. Due to some emergency, A sold the stock at lower price to save the firm from loss.

On the basis of above provisions and facts of the problem given, selling by A at a lower price was to save the firm from loss. As the act of A was in favour of firm, he was not liable to bear the loss.

- (b) (i) As per section 2(85) of the Companies Act, 2013, Small Company means a company, other than a public company:
- (i) paid-up share capital of which does not exceed four crore rupees, and
  - (ii) turnover of which as per profit and loss account for the immediately preceding financial year does not exceed forty crore rupees:

Provided that nothing in this clause shall apply to—

- (A) a holding company or a subsidiary company;
- (B) a company registered under section 8; or
- (C) a company or body corporate governed by any special Act.

In the instant case, as per the last profit and loss account for the year ending 31<sup>st</sup> March, 2023 of Glassware Private Limited, its turnover was to the extent of ₹ 1.80 crore, and paid-up share capital was ₹ 80 lakh. Though Glassware Private Limited, as per the turnover and paid-up share capital norms, qualifies for the status of a 'small company' but it cannot be categorized as a 'small company' because it is the subsidiary of another company (Tycoon Private Limited).

Hence, the contention of the Company Secretary is correct.

- (ii) **(A) Perpetual Succession** – A company on incorporation becomes a separate legal entity. It is an artificial legal person and have perpetual succession which means even if all the members of a company die, the company still continues to exist. It has permanent existence.

The existence of a company is independent of the lives of its members. It has a perpetual succession. In this problem, the company will continue as a legal entity. The company's existence is in no way affected by the death of all its members.

- (B)** The statement given is incorrect. A company is an artificial person as it is created by a process other than natural birth. It is legal or judicial as it is created by law. It is a person since it is clothed with all the rights of an individual. Further, the company being a separate legal entity can own property, have banking account, raise loans, incur liabilities and enter into contracts. Even members can contract with company, acquire right against it or incur liability to it. It can sue and be sued in its own name. It can do everything which any natural person can do except be sent to jail, take an oath, marry or practice a learned profession. Hence, it is a legal person in its own sense.

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

**Section 39** of the Indian Contract Act, 1872 deals with anticipatory breach of contract and provides as follows: “When a party to a contract has refused to perform or disable himself from performing, his promise in its entirety, the promisee may put an end to the contract, unless he has signified, but words or conduct, his acquiescence in its continuance.”

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

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

4. (a) (i) “Performance of Contract” means fulfilment of obligations to the contract. According to Section 37 of Indian Contract Act, 1872, the parties to a contract must either perform, or offer to perform, their respective promises unless such performance is dispensed with or excused under the provisions of the Contract Act or of any other law. Further, the performance should be for whole obligations. Part delivery cannot be considered as valid performance.

In the instant case, Nitesh Gupta contracted with M/s Baba Brick House to supply of 10,000 bricks on 12<sup>th</sup> August 2023. M/s Baba Brick House had only two Lorries of 5,000 brick capacity. But on the agreed date one lorry was not in working condition so only 5,000 bricks were supplied on 12<sup>th</sup> August 2023 and promised to supply rest 5,000 bricks on next day.

After taking into account the above provisions and facts, Plea of M/s Baba Brick House cannot be considered. Performance should be for whole obligation. Hence, part performance by M/s Baba Brick House cannot be taken as valid performance. Nitesh Gupta is right in avoiding the contract.

- (ii) **Agent's authority in an emergency (Section 189 of the Indian Contract Act, 1872):** An agent has authority, in an emergency, to do all such acts for the purpose of protecting his principal from loss as would be done by a person of ordinary prudence, in his own case, under similar circumstances.

In the instant case, Rahul, the agent, was handling perishable goods like ‘tomatoes’ and can decide the time, date and place of sale, not necessarily as per instructions of the Aswin, the principal, with the intention of protecting Aswin from losses.

Here, Rahul acts in an emergency as a man of ordinary prudence, so Aswin will not succeed against him for recovering the loss.

- (b) **Meaning of Negotiable Instruments:** Negotiable Instruments is an instrument (the word instrument means a document) which is freely transferable (by customs of trade) from one person to another by mere delivery or by indorsement and delivery. The property in such an instrument passes to a bonafide transferee for value.

The Act does not define the term ‘Negotiable Instruments’. However, Section 13 of the Act provides for only three kinds of negotiable instruments namely bills of exchange, promissory notes and cheques, payable either to order or bearer.

### **Essential Characteristics of Negotiable Instruments**

1. It is necessarily in writing.
2. It should be signed.
3. It is freely transferable from one person to another.
4. Holder’s title is free from defects.

5. It can be transferred any number of times till its satisfaction.
6. Every negotiable instrument must contain an unconditional promise or order to pay money. The promise or order to pay must consist of money only.
7. The sum payable, the time of payment, the payee, must be certain.
8. The instrument should be delivered. Mere drawing of instrument does not create liability.

**(c) The laws in the Indian legal system could be broadly classified as follows:**

**Criminal Law:** Criminal law is concerned with laws pertaining to violations of the rule of law or public wrongs and punishment of the same. Criminal Law is governed under the Indian Penal Code, 1860, and the Code of Criminal Procedure, 1973 (Crpc). The Indian Penal Code, 1860, defines the crime, its nature, and punishments whereas the Criminal Procedure Code, 1973, defines exhaustive procedure for executing the punishments of the crimes. Murder, rape, theft, fraud, cheating and assault are some examples of criminal offences under the law.

**Civil Law:** Matters of disputes between individuals or organisations are dealt with under Civil Law. Civil courts enforce the violation of certain rights and obligations through the institution of a civil suit. Civil law primarily focuses on dispute resolution rather than punishment. The act of process and the administration of civil law are governed by the Code of Civil Procedure, 1908 (CPC). Civil law can be further classified into Law of Contract, Family Law, Property Law, and Law of Tort. Some examples of civil offences are breach of contract, non-delivery of goods, non-payment of dues to lender or seller defamation, breach of contract, and disputes between landlord and tenant.

**Common Law:** A judicial precedent or a case law is common law. A judgment delivered by the Supreme Court will be binding upon the courts within the territory of India under Article 141 of the Indian Constitution. The *doctrine of Stare Decisis* is the principle supporting common law. It is a Latin phrase that means “to stand by that which is decided.” The *doctrine of Stare Decisis* reinforces the obligation of courts to follow the same principle or judgement established by previous decisions while ruling a case where the facts are similar or “on all four legs” with the earlier decision.

**Principles of Natural Justice:** Natural justice, often known as Jus Natural deals with certain fundamental principles of justice going beyond written law. *Nemo judex in causa sua* (Literally meaning “No one should be made a judge in his own cause, and it’s a Rule against Prejudice), *audi alteram partem* (Literally meaning “hear the other party or give the other party a fair hearing), and reasoned decision are the rules of Natural Justice. A judgement can override or alter a common law, but it cannot override or change the statute.

5. (a) (i) Lien is the right of a person to retain possession of the goods belonging to another until claim of the person in possession is satisfied. The unpaid seller has also right of lien over the goods for the price of the goods sold.

Section 47(1) of the Sale of Goods Act, 1930 provides that the unpaid seller who is in the possession of the goods is entitled to exercise right of lien in the following cases:-

1. Where the goods have been sold without any stipulation as to credit
2. Where the goods have been sold on credit but the term of credit has expired
3. Where the buyer has become insolvent even though the period of credit has not yet expired.

In the given case, A has agreed to sell certain goods to B on a credit of 10 days. The period of 10 days has expired. B has neither paid the price of goods nor taken the possession of the goods. That means the goods are still physically in the possession of A, the seller. In the meantime, B, the buyer has become insolvent.

In this case, A is entitled to exercise the right of lien on the goods because the buyer has become insolvent and the term of credit has expired without any payment of price by the buyer.

- (ii) **Right of stoppage in transit (Section 50 of the Sale of Goods Act, 1930):** Subject to the provisions of this Act, 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, that is to say, he may resume possession of the goods as long as they are in the course of transit, and may retain them until paid or tendered price of the goods.

When the unpaid seller has parted with the goods to a carrier and the buyer has become insolvent, he can exercise this right of asking the carrier to return the goods back, or not to deliver the goods to the buyer.

In the instant case, CD, the buyer becomes insolvent and 450 bags are in transit. AB, the seller, can stop the goods in transit by giving a notice of it to CD. The official receiver, on CD's insolvency cannot claim the bags.

- (b) (i) **Revocation of continuing guarantee (Section 38 of the Indian Partnership Act, 1932):** According to section 38, a continuing guarantee given to a firm or to third party in respect of the transaction of a firm is, in the absence of an agreement to the contrary, revoked as to future transactions from the date of any change in the constitution of the firm. Such change may occur by the death, or retirement of a partner, or by introduction of a new partner.

- (ii) **Goodwill:** The term “Goodwill” has not been defined under the Indian Partnership Act, 1932. Section 14 of the Act lays down that goodwill of a business is to be regarded as a property of the firm.

Goodwill may be defined as the value of the reputation of a business house in respect of profits expected in future over and above the normal level of profits earned by undertaking belonging to the same class of business.

- (c) Under following circumstances, the contracts need not be performed with the consent of both the parties:

- (i) **Novation:** Where the parties to a contract substitute a new contract for the old it is called novation. A contract in existence may be substituted by a new contract either between the same parties or between different parties the consideration mutually being the discharge of old contract. Novation can take place only by mutual agreement between the parties. On novation, the old contract is discharged and consequently it need not be performed. (Section 62 of the Indian Contract Act, 1872)

- (ii) **Rescission:** A contract is also discharged by rescission. When the parties to a contract agree to rescind it, the contract need not be performed. (Section 62)

- (iii) **Alteration:** Where the parties to a contract agree to alter it, the original contract is rescinded, with the result that it need not be performed. In other words, a contract is also discharged by alteration. (Section 62)

- (iv) **Remission:** Every promisee may dispense with or remit, wholly or in part, the performance of the promise made to him, or may extend the time for such performance or may accept instead of it any satisfaction which he thinks fit. In other words, a contract is discharged by remission. (Section 63)

- (v) **Rescinds voidable contract:** When a person at whose option a contract is voidable rescinds it, the other party thereto need not perform any promise therein contained in which he is the promisor.

- (vi) **Neglect of promisee:** If any promisee neglects or refuses to afford the promisor reasonable facilities for the performance of his promise, the promisor is excused by such neglect or refusal as to any non-performance caused thereby. (Section 67)

- 6. (a) By virtue of provisions of Section 138 of the Negotiable Instruments Act, 1881, where cheque was issued by a person to discharge a legally enforceable debt was dishonoured by bank due to insufficiency of funds, such person shall be deemed to have committed an offence and shall, without prejudice to any other provision of this Act, be punished with imprisonment for a term which may extend to two years or with fine which may extend to twice the amount of the cheque, or with both.

However,

- (a) the cheque has been presented to the bank within three months or validity period of the cheque, whichever is earlier;
- (b) the holder makes a demand for the payment of the said amount of money by giving a notice in writing, to the drawer of the cheque within 30 days of the receipt of information from the bank regarding the return of the cheque as unpaid; and
- (c) the drawer of such cheque fails to make the payment of the said amount of money within fifteen days of the receipt of the said notice.

In the instant case, Priyansh issued a cheque to Sumit for payment of the price of goods purchased from him. When Sumit presented the cheque in bank, it was returned unpaid due to insufficiency of funds in the account of Priyansh. Sumit sued against Priyansh under section 138 of the Negotiable Instruments Act, 1881.

For filing the suit under section 138, Sumit should have to make a demand of payment by giving a notice in writing to Priyansh upto 18<sup>th</sup> July, 2023. In case, Priyansh failed in making the payment within fifteen days of the receipt of the said notice, Sumit could sue under section 138.

**(b) Essential elements of a contract of bailment:** Section 148 of the Indian Contract Act, 1872 defines the term 'Bailment'. A 'bailment' is the delivery of goods by one person to another for some purpose upon a contract that they shall, when the purpose is accomplished, be returned or otherwise disposed of according to the directions of the person delivering them. The essential elements of the contract of the bailment are:

- (i) Delivery of goods—The essence of bailment is delivery of goods by one person to another.
- (ii) Bailment is a contract—In bailment, the delivery of goods is upon a contract that when the purpose is accomplished, the goods shall be returned to the bailor.
- (iii) Return of goods in specific—The goods are delivered for some purpose and it is agreed that the specific goods shall be returned.
- (iv) Ownership of goods—In a bailment, it is only the possession of goods which is transferred, and the bailor continues to be the owner of the goods.
- (v) Property must be movable—Bailment is only for movable goods and never for immovable goods or money.

**(c) Sale of unascertained goods and Appropriation (Section 23 of the Sale of Goods Act, 1930):** Appropriation of goods involves selection of goods with the intention of using them in performance of the contract and with the mutual consent of the seller and the buyer.

**The essentials are:**

- (a) There is a contract for the sale of unascertained or future goods.
- (b) The goods should conform to the description and quality stated in the contract.
- (c) The goods must be in a deliverable state.
- (d) The goods must be unconditionally appropriated to the contract either by delivery to the buyer or his agent or the carrier.
- (e) The appropriation must be made by:
  - (i) the seller with the assent of the buyer; or
  - (ii) the buyer with the assent of the seller.
- (f) The assent may be express or implied.
- (g) The assent may be given either before or after appropriation.



**ANSWER OF MODEL TEST PAPER 2**

**FOUNDATION COURSE**

**Paper 2: Business Laws (100 Marks)**

**1. (i) (a) Claim for necessaries supplied to persons incapable of contracting (Section 68 of the Indian Contract Act, 1872):**

If a person, incapable of entering into a contract, or anyone whom he is legally bound to support, is supplied by another person with necessaries suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person.

In the instant case, Mr. M supplied the food and other necessaries to Mr. Y (who lost his mental balance) and Mr. Y's grandmother (incapable of walking and dependent upon Mr. Y), hence, Mr. M will succeed in filing the suit to recover money.

- (b) Supplier is entitled to be reimbursed from the property of such incapable person. Hence, the maximum amount of money that can be recovered by Mr. M is ` 15 Lakhs and this amount can be recovered from Mr. Y's parent's jewellery amounting to ` 4 Lakhs and rest from the house of Y's Parents. (Assumption: Y has inherited the house property on the death of his parents)
- (c) Necessaries will include emergency medical treatment. Hence, the above provisions will also apply to the medical treatment given to the grandmother as Y is legally bound to support his grandmother.

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

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

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

Provided further that—

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

shall not be included in the number of members; and

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

of members for the purpose of this sub-section will be 195. Therefore, Jagannath Oils Limited is not required to reduce the number of members before converting it into a private company.

- (iii) (a) **Partnership for a fixed period (Indian Partnership Act, 1932):** Where a provision is made by a contract for the duration of the partnership, the partnership is called 'partnership for a fixed period'. It is a partnership created for a particular period of time. Such a partnership comes to an end on the expiry of the fixed period.
- (b) **Minor as a partner:** A minor is not competent to contract. Hence, a person who is a minor may not be a partner in a firm, but with the consent of all the partners for the time being, he may be admitted to the benefits of partnership.

**Rights of a minor in a partnership firm:**

- (i) A minor partner has a right to his agreed share of the profits and of the firm.
  - (ii) He can have access to, inspect and copy the accounts of the firm.
  - (iii) He can sue the partners for accounts or for payment of his share but only when severing his connection with the firm, and not otherwise.
  - (iv) On attaining majority, he may within 6 months elect to become a partner or not to become a partner. If he elects to become a partner, then he is entitled to the share to which he was entitled as a minor. If he does not, then his share is not liable for any acts of the firm after the date of the public notice served to that effect.
2. (i) As per Section 4(3) of the Sale of Goods Act, 1930, where under a contract of sale, the property in the goods is transferred from the seller to the buyer, the contract is called a sale, but where the transfer of the property in the goods is to take place at a future time or subject to some condition thereafter to be fulfilled, the contract is called an agreement to sell and as per Section 4(4), an agreement to sell becomes a sale when the time elapses or the conditions are fulfilled subject to which the property in the goods is to be transferred.
- (a) On the basis of the above provisions and facts given in the question, it can be said that there is an agreement to sell between Sonal and Jeweller and not a sale. Even though the payment was made by Sonal, the property in goods can be transferred only after the fulfilment of conditions fixed between the buyer and the seller. As due to Ruby Stones, the original design is disturbed, bangles are not in original position. Hence, Sonal has the right to avoid the agreement to sell and can recover the price paid.
  - (b) If Jeweller offers to bring the bangles in original position by repairing, he cannot charge extra cost from Sonal. Even though he has to bear some expenses for repair; he cannot charge it from Sonal.
- (ii) **Corporate Veil:** 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. In other words, they enjoy corporate insulation.

Thus, the shareholders are protected from the acts of the company.

However, under certain exceptional circumstances the courts lift or pierce the corporate veil by ignoring the separate entity of the company and the promoters and other persons who have managed and controlled the affairs of the company. Thus, when the corporate veil is lifted by the courts, the promoters and persons exercising control over the affairs of the company are held personally liable for the acts and debts of the company.

The following are the cases where company law disregards the principle of corporate personality or the principle that the company is a legal entity distinct and separate from its shareholders or members:

- (i) To determine the character of the company i.e. to find out whether co-enemy or friend.
- (ii) To protect revenue/tax
- (iii) To avoid a legal obligation
- (iv) Formation of subsidiaries to act as agents
- (v) Company formed for fraud/improper conduct or to defeat law

Based on the above provisions and leading case law of *Gilford Motor Co. Vs Horne*, the company PQR Limited was created to avoid the legal obligation arising out of the contract, therefore that employee Mr. Karan and the company PQR Limited created by him should be treated as one and thus veil between the company and that person shall be lifted. Karan has formed the company only for fraud/improper conduct or to defeat the law. Hence, he shall be personally held liable for the acts of the company.

**(iii) Distinction between Limited Liability Partnership (LLP) and Limited Liability Company (LLC)**

S. No.	Basis	Limited Liability Partnership (LLP)	Limited Liability Company (LLC)
1.	<b>Regulating Act</b>	The LLP Act, 2008.	The Companies Act, 2013.
2.	<b>Members/Partners</b>	The persons who contribute to LLP are known as partners of the LLP.	The persons who invest the money in the shares are known as members of the company.
3.	<b>Internal governance structure</b>	The internal governance structure of a LLP is governed by agreement between the partners.	The internal governance structure of a company is regulated by statute (i.e., Companies Act, 2013) read with its Memorandum of Association and Articles of Association.
4.	<b>Name</b>	Name of the LLP to contain the word "Limited Liability partnership" or "LLP" as suffix.	Name of the public company to contain the word "limited" and Pvt. Co. to contain the word "Private limited" as suffix.
5.	<b>No. of members/partners</b>	Minimum – 2 partners Maximum – No such limit on the partners in the Act. The partners of the LLP can be individuals/or body corporate through the nominees.	<b>Private company:</b> Minimum – 2 members Maximum 200 members <b>Public company:</b> Minimum – 7 members Maximum – No such limit on the members. Members can be organizations, trusts, another business form or individuals.
6.	<b>Liability of members/partners</b>	Liability of a partners is limited to the extent of agreed contribution.	Liability of a member is limited to the amount unpaid on the shares held by them.

7.	<b>Management</b>	The business of the LLP managed by the partners including the designated partners authorized in the agreement.	The affairs of the company are managed by board of directors elected by the shareholders.
8.	<b>Minimum number of directors/designated partners</b>	2 designated partners.	Pvt. Co. – 2 directors Public Co. – 3 directors

3. (i) (a) **No**, this is a case of partnership because no mutual agency relationship exist among X and Y.
- (b) **Yes**, this is a case of partnership because there is an agreement between two firms to combine into one firm.
- (c) **Yes**. This is a case of partnership because A & B, co-owners, have agreed to conduct a business in common for profit.
- (d) **No**, this is not a case of partnership as no charitable association can be floated in partnership.
- (e) **No**, this is not a case of partnership as they are co-owners and not the partners. Further, there exist no business.
- (f) **Yes**, this is a case of partnership as there exist the element of doing business and sharing of profits equally.
- (g) **No**, this is not a case of partnership as there is no intention to carry on the business and to share the profits thereof.

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

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

For the purposes of this section —

(I) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;

(II) “layer” in relation to a holding company means its subsidiary or subsidiaries.

In the instant case, BC Private Limited together with its subsidiary KL Private Limited is holding 1,60,000 shares (90,000+70,000 respectively) which is more than one half in nominal value of the Equity Share Capital of PQ Private Limited. Hence, PQ Private Limited is subsidiary of BC Private Limited.

**In the second case**, the answer will remain the same. KL Private Limited is a holding 1,60,000 shares i.e., more than one half in nominal value of the Equity Share Capital of PQ Private Limited (i.e., holding more than one half of voting power). Hence, KL Private Limited is holding company of PQ Private Company and BC Private Limited is a holding company of KL Private Limited.

Hence, by virtue of Chain relationship, BC Private Limited becomes the holding company of PQ Private Limited.

- (iii) Under the Indian Contract Act, 1872, the consideration for an agreement may proceed from a third party; but the third party cannot sue on contract. Only a person who is party to a contract can sue on it.

The aforesaid rule, that **stranger to a contract cannot sue is known as a “doctrine of privity of contract”**, is however, subject to certain exceptions. In other words, even a stranger to a contract may enforce a claim in the following cases:

- (1) **In the case of trust**, a beneficiary can enforce his right under the trust, though he was not a party to the contract between the settler and the trustee.
  - (2) **In the case of a family settlement**, if the terms of the settlement are reduced into writing, the members of family who originally had not been parties to the settlement, may enforce the agreement.
  - (3) **In the case of certain marriage contracts/arrangements**, a provision may be made for the benefit of a person, who may file a suit though he is not a party to the agreement.
  - (4) **In the case of assignment of a contract**, when the benefit under a contract has been assigned, the assignee can enforce the contract but such assignment should not involve any personal skill.
  - (5) **Acknowledgement or estoppel** – Where the promisor by his conduct acknowledges himself as an agent of the third party, it would result into a binding obligation towards third party.
  - (6) **In the case of covenant running with the land**, the person who purchases land with notice that the owner of land is bound by certain duties affecting land, the covenant affecting the land may be enforced by the successor of the seller.
  - (7) **Contracts entered into through an agent**: The principal can enforce the contracts entered by his agent where the agent has acted within the scope of his authority and in the name of the principal.
4. (i) (a) As per section 146 of the Indian Contract Act, 1872, when two or more persons are co-sureties for the same debt either jointly, or severally and whether under the same or different contracts and whether with or without the knowledge of each other, the co-sureties in the absence of any contract to the contrary, are liable, as between themselves, to pay each an equal share of the whole debt, or of that part of it which remains unpaid by the principal debtor.

Section 147 provides that the principle of equal contribution is, however, subject to the maximum limit fixed by a surety to his liability. Co-sureties who are bound in different sums are liable to pay equally as far as the limits of their respective obligations permit.

In the given question, Mr. D makes a default of ` 42,000, and X, Y and Z as sureties have executed the bond with varying penalty amounts. Hence, X is liable to pay ` 10,000, and Y and Z ` 16,000 each.

In the given case, if there is no contractual arrangement among the sureties, they would be liable for equal contribution. Hence, X, Y and Z will be liable to pay ` 14,000 each.

- (b) **Illegal Agreement**: It is an agreement which the law forbids to be made. As an essential condition, lawful consideration and object is a must to make the agreement valid. (Section 10 of the Indian Contract Act, 1872). As per Section 23, an agreement is illegal and void, if the consideration and object is unlawful/contrary to law i.e. if forbidden by law. Such an agreement is void and is not enforceable by law. Even the connected agreements or collateral transactions to illegal agreements are also void.

In the present case,

- (i) X agrees to give ` 1,00,000 to Y if Y kills Z. Thus, the agreement between X and Y is void agreement being illegal in nature.

- (ii) X borrows ₹ 1,00,000 from W and W is also aware of the purpose of the loan. Thus, the agreement between X and W is void as the connected agreements of an illegal agreement are also void.

- (ii) **Bill of Exchange:** A "bill of exchange" is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.

#### **Parties to the bill of exchange**

- (a) **Drawer:** The maker of a bill of exchange.
- (b) **Drawee:** The person directed by the drawer to pay is called the 'drawee'. He is the person on whom the bill is drawn. On acceptance of the bill, he is called an acceptor and is liable for the payment of the bill. His liability is primary and unconditional.
- (c) **Payee:** The person named in the instrument, to whom or to whose order the money is, by the instrument, directed to be paid.

#### **Essential characteristics of bill of exchange**

- (a) It must be in writing.
- (b) Must contain an express order to pay.
- (c) The order to pay must be definite and unconditional.
- (d) The drawer must sign the instrument.
- (e) Drawer, drawee, and payee must be certain. All these three parties may not necessarily be three different persons. One can play the role of two. But there must be two distinct persons in any case. As per Section 31 of the RBI Act, 1934, a bill of exchange cannot be made payable to bearer on demand.
- (f) The sum must be certain.
- (g) The order must be to pay money only.
- (h) It must be stamped.
- (iii) **Meaning of Law:** Law is a set of obligations and duties imposed by the government for securing welfare and providing justice to society. India's legal framework reflects the social, political, economic, and cultural aspects of our vast and diversified country.

#### **The Process of Making a Law**

- When a law is proposed in parliament, it is called a Bill.
  - After discussion and debate, the law is passed in Lok Sabha.
  - Thereafter, it has to be passed in Rajya Sabha.
  - It then has to obtain the assent of the President of India.
  - Finally, the law will be notified by the Government in the publication called the Official Gazette of India.
  - The law will become applicable from the date mentioned in the notification as the effective date.
  - Once it is notified and effective, it is called an Act of Parliament.
5. (i) (a) According to Section 64 of the Sale of Goods Act, 1930, the sale is complete when the auctioneer announces its completion by the fall of hammer or in any other customary manner. In the given question, the auction sale is complete on 7<sup>th</sup> March, 2023.

- (b) As per the provisions of Sub-Section (2) of Section 17 of the Sale of Goods Act, 1930, in a contract of sale by sample, there is an implied condition that:
- (a) the bulk shall correspond with the sample in quality;
  - (b) the buyer shall have a reasonable opportunity of comparing the bulk with the sample.

In this case, M received the goods by sample from L but since the goods were not according to the sample, M can reject the goods and can sue L.

With regard to K and L, L can recover damages from K and K can recover damages from J. But, for both K and L, it will not be treated as a breach of implied condition as to sample as they have accepted and sold the goods according to Section 13(2) of the Sale of Goods Act, 1930.

**(ii) Expulsion of partner and factors to be kept in mind:**

As per Section 33 of the Indian Partnership Act, 1932, a partner may not be expelled from a firm except

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

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

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

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

Yes, a partner may be expelled by other partners strictly in compliance with the provisions of section 33.

**(iii) (a) Following are the points of distinction between a sub-agent and a substituted agent:**

S. No.	Sub Agent	Substituted Agent
1.	A sub-agent does his work under the control and directions of agent.	A substituted agent works under the instructions of the principal.
2.	The agent not only appoints a sub-agent but also delegates to him a part of his own duties.	The agent does not delegate any part of his task to a substituted agent.
3.	There is no privity of contract between the principal and the sub-agent.	Privity of contract is established between a principal and a substituted agent.
4.	The sub-agent is responsible to the agent alone and is not generally responsible to the principal.	A substituted agent is responsible to the principal and not to the original agent who appointed him.
5.	The agent is responsible to the principal for the acts of the sub-agent.	The agent is not responsible to the principal for the acts of the substituted agent.

6.	The sub-agent has no right of action against the principal for remuneration due to him.	The substituted agent can sue the principal for remuneration due to him.
7.	Sub-agents may be improperly appointed.	Substituted agents can never be improperly appointed.
8.	The agent remains liable for the acts of the sub-agent as long as the sub-agency continues.	The agent's duty ends once he has named the substituted agent.

(Any three points may be considered)

(b) **Novation and Alteration:** The law pertaining to novation and alteration is contained in Sections 62 to 67 of the Indian Contract Act, 1872. In both these cases, the original contract need not be performed. Still there is a difference between these two.

1. **Meaning:** Novation means substitution of an existing contract with a new one. But in case of alteration the terms of the contract may be altered by mutual agreement by the contracting parties.
2. **Change in terms and conditions and parties:** Novation may be made by changing in the terms of the contract or there may be a change in the contracting parties. But in case of alteration the terms of the contract may be altered by mutual agreement by the contracting parties but the parties to the contract will remain the same.
3. **Substitution of new contract:** In case of novation, there is altogether a substitution of new contract in place of the old contract. But in case of alteration, it is not essential to substitute a new contract in place of the old contract. In alteration, there may be a change in some of the terms and conditions of the original agreement.

6. (i) According to Section 61 of the Negotiable Instruments Act, 1881, a bill of exchange must be presented to the drawee thereof for acceptance by a person entitled to demand acceptance, within a reasonable time after it is drawn, and in business hours on a business day. In default of such presentment, no party thereto is liable thereon to the person making such default.

Further, section 63 provides that the holder must, if so required by the drawee of a bill of exchange presented to him for acceptance, allow the drawee 48 hours (exclusive of public holidays) to consider whether he will accept it.

In the instant case, Saksham drawn a bill of exchange on Utkarsh and on request of Utkarsh, he allowed 48 hours to accept the bill. The bill was sent at 3:00p.m on 14<sup>th</sup> August, 2023. Bill was not accepted till 3:00 p.m. on 16<sup>th</sup> August, 2023. Saksham treated the bill as dishonoured for non-acceptance.

Since, 15<sup>th</sup> August is a public holiday, his 48 hours would end on 17<sup>th</sup> August, 2023 not on 16<sup>th</sup> August, 2023. Hence, the bill could not be treated as dishonoured on 16<sup>th</sup> August, 2023.

(ii) (a) **Agreements made out of love and affection are valid agreements:** A written and registered agreement based out of natural love and affection between the parties standing in near relation (e.g., husband and wife) to each other is enforceable even without consideration. The various conditions to be fulfilled as per Section 25(1) of the Indian Contract Act, 1872:

- (A) It must be made out of natural love and affection between the parties.
- (B) Parties must stand in near relationship to each other.
- (C) It must be in writing.



(D) It must also be registered under the law.

Hence, the agreements made out of love and affection, without consideration, shall be valid, if the above conditions are fulfilled.

- (b) **Promise to pay a time barred debt cannot be enforced:** According to Section 25(3) of the Indian Contract Act, 1872, where a promise in writing signed by the person making it or by his authorised agent, is made to pay a debt barred by limitation is valid without consideration.

Hence, this statement is not correct.

OR

- (ii) **Essential elements of a contract of bailment: Section 148 of the Indian Contract Act, 1872 defines the term 'Bailment'.** A 'bailment' is the delivery of goods by one person to another for some purpose upon a contract that they shall, when the purpose is accomplished, be returned or otherwise disposed of according to the directions of the person delivering them. The essential elements of the contract of the bailment are:

- (a) *Delivery of goods*—The essence of bailment is delivery of goods by one person to another.
- (b) *Bailment is a contract*—In bailment, the delivery of goods is upon a contract that when the purpose is accomplished, the goods shall be returned to the bailor.
- (c) *Return of goods in specific*—The goods are delivered for some purpose, and it is agreed that the specific goods shall be returned.
- (d) *Ownership of goods*—In a bailment, it is only the possession of goods which is transferred, and the bailor continues to be the owner of the goods.
- (e) *Property must be movable*—Bailment is only for movable goods and never for immovable goods or money.

- (iii) **Sale by sample [Section 17 of the Sale of Goods Act, 1930]:** In a contract of sale by sample, there is an implied condition that

- (a) the bulk shall correspond with the sample in quality;
- (b) the buyer shall have a reasonable opportunity of comparing the bulk with the sample,
- (c) the goods shall be free from any defect rendering them un-merchantable, which would not be apparent on reasonable examination of the sample. This condition is applicable only with regard to defects, which could not be discovered by an ordinary examination of the goods. If the defects are latent, then the buyer can avoid the contract. This simply means that the goods shall be free from any latent defect i.e. a hidden defect.

**The following are the implied warranties operative under the Act:**

1. **Warranty as to undisturbed possession [Section 14(b)]:** An implied warranty that the buyer shall have and enjoy quiet possession of the goods. That is to say, if the buyer having got possession of the goods, is later on disturbed in his possession, he is entitled to sue the seller for the breach of the warranty.
2. **Warranty as to non-existence of encumbrances [Section 14(c)]:** An implied warranty that the goods shall be free from any charge or encumbrance in favour of any third party not declared or known to the buyer before or at the time the contract is entered into.

- 3. Warranty as to quality or fitness by usage of trade [Section 16(3)]:** An implied warranty as to quality or fitness for a particular purpose may be annexed or attached by the usage of trade.

Regarding implied condition or warranty as to the quality or fitness for any particular purpose of goods supplied, the rule is 'let the buyer beware' i.e., the seller is under no duty to reveal unflattering truths about the goods sold, but this rule has certain exceptions.

- 4. Disclosure of dangerous nature of goods:** Where the goods are dangerous in nature and the buyer is ignorant of the danger, the seller must warn the buyer of the probable danger. If there is a breach of warranty, the seller may be liable in damages.

**ANSWER OF MODEL TEST PAPER 3**  
**FOUNDATION COURSE**  
**PAPER 2: BUSINESS LAWS**

1. (a) (i) As per Section 51 of the Indian Contract Act, 1872, when a contract consists of reciprocal promises to be simultaneously performed, no promisor needs to perform his promise unless the promisee is ready and willing to perform his reciprocal promise. Such promises constitute concurrent conditions and the performance of one of the promise is conditional on the performance of the other. If one of the promises is not performed, the other too need not be performed.

Referring to the above provisions, in the given case, Mr. S is not bound to deliver goods to Mr. R since payment was not made by him at the time of delivery of goods.

- (ii) **Promise to pay time-barred debts - Section 25 (3):** Where a promise in writing signed by the person making it or by his authorised agent, is made to pay a debt barred by limitation it is valid without consideration [Section 25(3)].

In the given case, the loan given by Mr. Y to Mr. G has become time barred. Thereafter, Mr. G agreed to make payment of full amount to Mr. Y.

Referring to above provisions of the Indian Contract Act, 1872 contract entered between parties post time barred debt is valid so, Mr. G is bound to pay the agreed amount to Mr. Y provided the above mentioned conditions of section 25 (3) are fulfilled.

- (iii) Where there is a breach of contract for supply of a unique item, mere monetary damages may not be an adequate remedy for the other party. In such a case, the court may give order for specific performance and direct the party in breach to carry out his promise according to the terms of contract. Here, in this case, the court may direct A to supply the item to B because the refusal to supply the agreed unique item cannot be compensated through money.

- (b) (i) Section 2(92) of Companies Act, 2013, provides that an unlimited company means a company not having any limit on the liability of its members. The liability of each member extends to the whole amount of the company's debts and liabilities, but he will be entitled to claim contribution from other members. In case the company has share capital, the Articles of Association must state the amount of share capital and the amount of each share. So long as the company is a going concern the liability on the shares is the only liability which can be enforced by the company. The creditors can institute proceedings for winding up of the company for their claims. The official liquidator may call the members for their contribution towards the liabilities and debts of the company, which can be unlimited.

On the basis of above, it can be said that Mr. Samuel cannot directly claim his dues against the company from Mr. Innocent, the shareholder of the company even the company is an unlimited company.

Mr. Innocent is liable upto his share capital. His unlimited liability will arise when official liquidator calls the members for their contribution towards the liabilities and debts of the company at the time of winding up of company.

- (ii) A company registered under Section 8 of the Companies Act, 2013 is prohibited from the payment of any dividends to its members.

Hence in the given case, the contention of the members to distribute dividend from the profits earned is wrong.

Also, Section 8 company is allowed to call a general meeting by giving 14 days instead of 21 days.

- (c) (i) **Mode of determining existence of partnership (Section 6 of the Indian Partnership Act, 1932):** In determining whether a group of persons is or is not a firm, or whether a person is or not a partner in a firm, regard shall be had to the real relation between the parties, as shown by all relevant facts taken together.

For determining the existence of partnership, it must be proved.

1. There was an **agreement** between all the persons concerned
  2. The agreement was to **share the profits** of a business and
  3. the business was **carried on by all or any of them** acting for all.
1. **Agreement:** Partnership is created by agreement and not by status (Section 5). The relation of partnership arises from contract and not from status; and in particular, the members of a Hindu Undivided family carrying on a family business as such are not partners in such business.
  2. **Sharing of Profit:** Sharing of profit is an essential element to constitute a partnership. But, it is only a *prima facie* evidence and not conclusive evidence, in that regard. The sharing of profits or of gross returns accruing from property by persons holding joint or common interest in the property would not by itself make such persons partners. Although the right to participate in profits is a strong test of partnership, and there may be cases where, upon a simple participation in profits, there is a partnership, yet whether the relation does or does not exist must depend upon the whole contract between the parties.
  3. **Agency:** Existence of Mutual Agency which is the cardinal principle of partnership law, is very much helpful in reaching a conclusion in this regard. Each partner carrying on the business is the principal as well as an agent of other partners. So, the act of one partner done on behalf of firm, binds all the partners. If the elements of mutual agency relationship exist between the parties constituting a group formed with a view to earn profits by running a business, a partnership may be deemed to exist.

**(ii) Personal Profit earned by Partners (Section 16 of the Indian Partnership Act, 1932)**

According to section 16, subject to contract between the partners:

- (a) If a partner derives any profit for himself from any transaction of the firm, or from the use of the property or business connection of the firm or the firm name, he shall account for that profit and pay it to the firm;
- (b) If a partner carries on any business of the same nature and competing with that of the firm, he shall account for and pay to the firm all profits made by him in that business.

2. (a) 1. According to section 44 of the Sale of Goods Act, 1930, when the seller is ready and willing to deliver the goods and requests the buyer to take delivery, and the buyer does not within a reasonable time after such request take delivery of the goods, he is liable to the seller for any loss occasioned by his neglect or refusal to take delivery and also for a reasonable charge for the care and custody of the goods.

Risk of loss of goods *prima facie* follows the passing of property in goods. Goods remain at the seller's risk unless the property therein is transferred to the buyer, but after transfer of property therein to the buyer, the goods are at the buyer's risk whether delivery has been made or not.

In the given case, since Mr. G has already intimated Mr. H, that he wanted to store some other goods and thus Mr. H should take the delivery of goods kept in the godown of Mr. G, the loss of goods damaged should be borne by Mr. H.

2. If the price of the goods would not have settled in cash and some amount would have been pending then Mr. G will be treated as an unpaid seller and he can enforce the following rights against the goods as well as against the buyer personally:
- (a) Where under a contract of sale, the property in the goods has passed to the buyer and the buyer wrongfully neglects or refuses to pay for the goods according to the terms of the contract, the seller may sue him for the price of the goods. [Section 55(1) of the Sales of Goods Act, 1930]
  - (b) Where under a contract of sale the price is payable on a day certain irrespective of delivery and the buyer wrongfully neglects or refuses to pay such price, the seller may sue him for the price although the property in the goods has not passed and the goods have not been appropriated to the contract. [Section 55(2) of the Sales of Goods Act, 1930].

- (b) One Person Company (OPC) [Section 2(62) of the Companies Act, 2013]:** The Act defines one person company (OPC) as a company which has only one person as a member.

**Rules regarding its membership:**

- Only one person as member.

- The memorandum of OPC shall indicate the name of the other person, who shall, in the event of the subscriber's death or his incapacity to contract, become the member of the company.
- The other person whose name is given in the memorandum shall give his prior written consent in prescribed form and the same shall be filed with Registrar of companies at the time of incorporation of the company along with its e-memorandum and e-articles.
- Such other person may be given the right to withdraw his consent.
- The member of OPC may at any time change the name of such other person by giving notice to the company and the company shall intimate the same to the Registrar.
- Any such change in the name of the person shall not be deemed to be an alteration of the memorandum.
- Only a natural person who is an Indian citizen whether resident in India or otherwise and has stayed in India for a period of not less than 120 days during the immediately preceding financial year-
  - shall be eligible to incorporate a OPC;
  - shall be a nominee for the sole member of a OPC.
- No person shall be eligible to incorporate more than one OPC or become nominee in more than one such company.
- No minor shall become member or nominee of the OPC or can hold share with beneficial interest.

OPC cannot be incorporated or converted into a company under section 8 of the Act. Though it may be converted to private or public companies in certain cases.

**(c) Distinction between LLP and Limited Liability Company:** The points of distinction between a LLP and Limited Liability Company are tabulated as follows:

	<b>Basis</b>	<b>LLP</b>	<b>Limited Liability Company</b>
1.	<b>Regulating Act</b>	The LLP Act, 2008.	The Companies Act, 2013.
2.	<b>Members/Partners</b>	The persons who contribute to LLP are known as partners of the LLP.	The persons who invest the money in the shares are known as members of the company.
3.	<b>Internal governance structure</b>	The internal governance structure of a LLP is governed by contract agreement	The internal governance structure of a company is regulated by statute (i.e., Companies Act, 2013).

		between the partners.	
4.	<b>Name</b>	Name of the LLP to contain the word "Limited Liability partnership" or "LLP" as suffix.	Name of the public company to contain the word "limited" and Pvt. Co. to contain the word "Private limited" as suffix.
5.	<b>No. of members/partners</b>	Minimum – 2 members Maximum – No such limit on the members in the Act. The members of the LLP can be individuals/or body corporate through the nominees.	<b>Private company:</b> Minimum – 2 members Maximum 200 members <b>Public company:</b> Minimum – 7 members Maximum – No such limit on the members. Members can be organizations, trusts, another business form or individuals.
6.	<b>Liability of members/partners</b>	Liability of the partners is limited to the extent of agreed contribution except in case of willful fraud.	Liability of a member is limited to the amount unpaid on the shares held by them.
7.	<b>Management</b>	The business of the company is managed by the partners including the designated partners authorized in the agreement.	The affairs of the company are managed by board of directors elected by the shareholders.
8.	<b>Minimum number of directors/designated partners</b>	Minimum 2 designated partners.	Pvt. Co. – 2 directors Public co. – 3 directors

**3. (a) (i) Rights of outgoing partner to carry on competing business (Section 36 of the Indian Partnership Act, 1932)**

- (1) An outgoing partner may carry on business competing with that of the firm and he may advertise such business, but subject to contract to the contrary, he may not,-
- (a) use the firm name,
  - (b) represent himself as carrying on the business of the firm or
  - (c) solicit the custom of persons who were dealing with the firm before he ceased to be a partner.

- (2) Although this provision has imposed some restrictions on an outgoing partner, it effectively permits him to carry on a business competing with that of the firm. However, the partner may agree with his partners that on his ceasing to be so, he will not carry on a business similar to that of the firm within a specified period or within specified local limits. Such an agreement will not be in restraint of trade if the restraint is reasonable [Section 36 (2)]

From the above, we can infer that P & Q can start competitive business in the name of M/S PQ & Co. after following above conditions in the absence of any agreement.

**(ii) Right of outgoing partner in certain cases to share subsequent profits (Section 37 of the Indian Partnership Act, 1932)**

According to Section 37, where any member of a firm has died or otherwise ceased to be partner, and the surviving or continuing partners carry on the business of the firm with the property of the firm without any final settlement of accounts as between them and the outgoing partner or his estate, then, in the absence of a contract to the contrary, the outgoing partner or his estate is entitled at the option of himself or his representatives to such share of the profits made since he ceased to be a partner as may be attributable to the use of his share of the property of the firm or to interest at the rate of six per cent per annum on the amount of his share in the property of the firm.

In the instant case, P & Q can share in property of M/s PQRS & Co. keeping in view of the above provisions.

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

- (1) paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than four crore rupees; and
- (2) turnover of which as per its last profit and loss account does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than forty crore rupees.

Nothing in this clause shall apply to—

- (A) a holding company or a subsidiary company;
- (B) a company registered under section 8; or
- (C) a company or body corporate governed by any special Act.

- (i) In the present case, MNP Private Ltd., a company registered under the Companies Act, 2013 with a paid up share capital of ₹ 5 crores and having turnover of ₹ 35 crore. Since only one criteria of share capital of ₹ 4 crores is met, but the second criteria of turnover of ₹ 40 crores is not met and the provisions require both the criteria to be met in order to avail the status of a small company, MNP Ltd. cannot avail the status of small company.



- (ii) If the turnover of the company is ₹ 45 crore, then both the criteria will be fulfilled and MNP Ltd. can avail the status of small company.

**(c) Definition of Fraud under Section 17 of the Indian Contract Act, 1872:**

'Fraud' means and includes any of the following acts committed by a party to a contract, or with his connivance, or by his agent, with an intent to deceive another party thereto or his agent, or to induce him to enter into the contract:

- (1) the suggestion, as a fact, of that which is not true, by one who does not believe it to be true;
- (2) the active concealment of a fact by one having knowledge or belief of the fact;
- (3) a promise made without any intention of performing it;
- (4) any other act fitted to deceive;
- (5) any such act or omission as the law specially declares to be fraudulent.

**According to Section 18, there is misrepresentation:**

- (1) Statement of fact, which of false, would constitute misrepresentation if the maker believes it to be true but which is not justified by the information he possesses;
- (2) When there is a breach of duty by a person without any intention to deceive which brings an advantage to him;
- (3) When a party causes, even though done innocently, the other party to the agreement to make a mistake as to the subject matter.

**Distinction between fraud and misrepresentation:**

<b>Basis of difference</b>	<b>Fraud</b>	<b>Misrepresentation</b>
<b>Intention</b>	To deceive the other party by hiding the truth.	There is no such intention to deceive the other party.
<b>Knowledge of truth</b>	The person making the suggestion believes that the statement as untrue.	The person making the statement believes it to be true, although it is not true.
<b>Rescission of the contract and claim for damages</b>	The injured party can repudiate the contract and claim damages.	The injured party is entitled to repudiate the contract or sue for restitution but cannot claim the damages.
<b>Means to discover the truth</b>	The party using the fraudulent act cannot secure or protect himself by saying that the injured party had means to discover the truth.	Party can always plead that the injured party had the means to discover the truth.

4. (a) Section 73 of the Indian Contract Act, 1872 provides for consequences of breach of contract. According to it, 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. Such compensation is not given for any remote and indirect loss or damage sustained by reason of the breach. It is further provided in the explanation to the section that in estimating the loss or damage from a breach of contract, the means which existed of remedying the inconvenience caused by the non - performance of the contract must be taken into account.

Applying the above principle of law to the given case, M Ltd. is obliged to compensate for the loss of ₹ 1.25 lakh (i.e. ₹ 12.75 minus ₹ 11.50 = ₹ 1.25 lakh) which had naturally arisen due to default in performing the contract by the specified date.

Regarding the amount of compensation which Shanti Traders were compelled to make to Zenith Traders, it depends upon the fact whether M Ltd., knew about the contract of Shanti Traders for supply of the contracted machinery to Zenith Traders on the specified date. If so, M Ltd is also obliged to reimburse the compensation which Shanti Traders had to pay to Zenith Traders for breach of contract. Otherwise, M Ltd is not liable.

- (b) **Inchoate Instrument:** It means an instrument that is incomplete in certain respects. The drawer/ maker/ acceptor/ indorser of a negotiable instrument may sign and deliver the instrument to another person in his capacity leaving the instrument, either wholly blank or having written on it the word incomplete. Such an instrument is called an inchoate instrument and this gives the power to its holder to make it complete by writing any amount either within limits specified therein or within the limits specified by the stamp's affixed on it. The principle of this rule of an inchoate instrument is based on the principle of estoppel.

**Ambiguous Instrument:** According to Section 17 of the Negotiable Instruments Act, 1881, where an instrument may be construed either as a promissory note or bill of exchange, the holder may at his election treat it as either, and the instrument shall be thenceforward treated accordingly.

Thus, an instrument which is vague and cannot be clearly identified either as a bill of exchange, or as a promissory note, is an ambiguous instrument. In other words, such an instrument may be construed either as a promissory note, or as a bill of exchange. Section 17 provides that the holder may, at his discretion, treat it as either and the instrument shall thereafter be treated accordingly.

- (c) (i) **Supreme Court**

The Supreme Court is the apex body of the judiciary. It was established on 26th January 1950. The Chief Justice of India is the highest authority appointed under Article 126. The principal bench of the Supreme Court consists of seven members including the Chief Justice of India.

Presently, the number has increased to 34 including the Chief Justice of India due to the rise in the number of cases and workload. An individual can seek relief in the Supreme Court by filing a writ petition under Article 32.

**(ii) High Court**

The highest court of appeal in each state and union territory is the High Court. Article 214 of the Indian Constitution states that there must be a High Court in each state. The High Court has appellate, original jurisdiction, and Supervisory jurisdiction. However, Article 227 of the Indian Constitution limits a High Court's supervisory power. In India, there are twenty-five High Courts, one for each state and union territory, and one for each state and union territory. Six states share a single High Court. An individual can seek remedies against violation of fundamental rights in High Court by filing a writ under Article 226.

**5. (a) (i) Right of stoppage of goods in transit:** The problem is based on section 50 of the Sale of Goods Act, 1930 dealing with the right of stoppage of the goods in transit available to an unpaid seller. The section states that the right is exercisable by the seller only if the following conditions are fulfilled.

- (A) The seller must be unpaid
- (B) He must have parted with the possession of goods
- (C) The goods must be in transit
- (D) The buyer must have become insolvent
- (E) The right is subject to the provisions of the Act.

Applying the provisions to the given case, Ram being still unpaid, can stop the 100 bales of cloth sent by railway as these goods are still in transit.

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

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

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

**(b) DISSOLUTION BY THE COURT (SECTION 44):** Court may, at the suit of the partner, dissolve a firm on any of the following ground:

**(a) Insanity/unsound mind:** Where a partner (not a sleeping partner) has become of unsound mind, the court may dissolve the firm on a suit of the other partners or by the next friend of the insane partner. Temporary sickness is no ground for dissolution of firm.

- (b) **Permanent incapacity:** When a partner, other than the partner suing, has become in any way permanently incapable of performing his duties as partner, then the court may dissolve the firm. Such permanent incapacity may result from physical disability or illness etc.
- (c) **Misconduct:** Where a partner, other than the partner suing, is guilty of conduct which is likely to affect prejudicially the carrying on of business, the court may order for dissolution of the firm, by giving regard to the nature of business. It is not necessary that misconduct must relate to the conduct of the business. The important point is the adverse effect of misconduct on the business. In each case nature of business will decide whether an act is misconduct or not.
- (d) **Persistent breach of agreement:** Where a partner other than the partner suing, wilfully or persistently commits breach of agreements relating to the management of the affairs of the firm or the conduct of its business, or otherwise so conduct himself in matters relating to the business that it is not reasonably practicable for other partners to carry on the business in partnership with him, then the court may dissolve the firm at the instance of any of the partners. Following comes in to category of breach of contract:
- Embezzlement,
  - Keeping erroneous accounts
  - Holding more cash than allowed
  - Refusal to show accounts despite repeated request etc.
- (e) **Transfer of interest:** Where a partner other than the partner suing, has transferred the whole of his interest in the firm to a third party or has allowed his share to be charged or sold by the court, in the recovery of arrears of land revenue, the court may dissolve the firm at the instance of any other partner.
- (f) **Continuous/Perpetual losses:** Where the business of the firm cannot be carried on except at a loss in future also, the court may order for its dissolution.
- (g) **Just and equitable grounds:** Where the court considers any other ground to be just and equitable for the dissolution of the firm, it may dissolve a firm. The following are the cases for the just and equitable grounds-
- (i) Deadlock in the management.
  - (ii) Where the partners are not in talking terms between them.
  - (iii) Loss of substratum.
  - (iv) Gambling by a partner on a stock exchange.
- (c) (i) According to section 202 of the Indian Contract Act, 1872, where the agent has himself an interest in the property which forms the subject matter of the agency, the agency cannot, in the absence of an express contract, be terminated to the prejudice of such interest.

In other words, when the agent is personally interested in the subject matter of agency, the agency becomes irrevocable.

In the given question, A gives authority to B to sell A's land, and to pay himself, out of the proceeds, the debts due to him from A.

As per the facts of the question and provision of law, A cannot revoke this authority, nor it can be terminated by his insanity.

- (ii) According to section 191 of the Indian Contract Act, 1872, a "Sub-agent" is a person employed by, and acting under the control of, the original agent in the business of the agency.

Section 210 provides that, the termination of the authority of an agent causes the termination (subject to the rules regarding the termination of an agent's authority) of the authority of all sub-agents appointed by him.

In the given question, B is the agent of A, and C is the agent of B. Hence, C becomes a sub-agent.

Thus, when A revokes the authority of B (agent), it results in termination of authority of sub-agent appointed by B i.e. C (sub-agent).

6. (a) (i) Section 64 of the Negotiable Instruments Act, 1881 provides, Promissory notes, bill of exchange and cheques must be presented for payment to the maker, acceptor or drawee thereof respectively, by or on behalf of the holder as hereinafter provided. In default of such presentment, the other parties thereto are not liable thereon to such holder. However, where a promissory note is payable on demand and is not payable at a specified place, no presentment is necessary in order to charge the maker thereof.

In the instant case, Advik issued a promissory note to Bhanu payable on demand without mentioning any specific place for payment. On maturity, the promissory note was not presented by Bhanu for payment.

On the basis of the above provisions and facts of the case, although non-presentment of promissory note for payment results in discharge of maker from liability but the given case is covered under the exception to section 64. Hence, Advik would not be discharged from liability even the non-presentment by Bhanu as the promissory note was payable on demand and no specific place for payment was mentioned.

- (ii) Section 138 of the Negotiable Instruments Act, 1881 provides where any cheque drawn by a person for the discharge, in whole or in part, of any debt or other liability, is returned by the bank unpaid due to insufficiency of fund, the drawer is punishable with imprisonment upto 2 years or fine upto 2 times the amount of cheque or Both. In other words, the liability under section 138 arises only if the drawer had issued the cheque to discharge a legally enforceable debt or other liability. Thus, where the drawer issues a cheque as a gift or charity, he is not liable under section 138 even if cheque is dishonoured.

In the instant case, Shiva gifted a cheque of ₹ 21,000 to his sister. Afterwards, Shiva informed his sister not to present the cheque for payment and also informed the bank to stop the payment.

On the basis of above, as the cheque was given as gift, provisions of section 138 will not be applicable on Shiva.

**(b) Quantum Meruit:** Where one person has rendered service to another in circumstances which indicate an understanding between them that it is to be paid for although no particular remuneration has been fixed, the law will infer a promise to pay. *Quantum Meruit* i.e. as much as the party doing the service has deserved. It covers a case where the party injured by the breach had at the time of breach done part but not all of the work which he is bound to do under the contract and seeks to be compensated for the value of the work done. For the application of this doctrine, two conditions must be fulfilled:

- (1) It is only available if the original contract has been discharged.
- (2) The claim must be brought by a party not in default.

The object of allowing a claim on *quantum meruit* is to recompensate the party or person for value of work which he has done. Damages are compensatory in nature while quantum meruit is restitutory. It is but reasonable compensation awarded on implication of a contract to remunerate.

**The claim for quantum meruit arises in the following cases:**

- (a) When an agreement is discovered to be void or when a contract becomes void.
  - (b) When something is done without any intention to do so gratuitously.
  - (c) Where there is an express or implied contract to render services but there is no agreement as to remuneration.
  - (d) When one party abandons or refuses to perform the contract.
  - (e) Where a contract is divisible and the party not in default has enjoyed the benefit of part performance.
  - (f) When an indivisible contract for a lump sum is completely performed but badly the person who has performed the contract can claim the lump sum, but the other party can make a deduction for bad work.
- (c) The doctrine of Caveat Emptor given under the Sale of Goods Act, 1930 is subject to the following exceptions:**
1. **Fitness as to quality or use:** Where the buyer makes known to the seller the particular purpose for which the goods are required, it is the duty of the seller to supply such goods as are reasonably fit for that purpose [Section 16 (1)].
  2. **Goods purchased under patent or brand name:** In case where the goods are purchased under its patent name or brand name, there is no implied condition that the goods shall be fit for any particular purpose [Section 16(1)].
  3. **Goods sold by description:** Where the goods are sold by description there is an implied condition that the goods shall correspond with the description [Section 15]. If it is not so, then seller is responsible.

4. **Goods of Merchantable Quality:** Where the goods are bought by description from a seller who deals in goods of that description there is an implied condition that the goods shall be of merchantable quality. The rule of Caveat Emptor is not applicable. [Section 16(2)].
5. **Sale by sample:** Where the goods are bought by sample, this rule of Caveat Emptor does not apply if the bulk does not correspond with the sample [Section 17].
6. **Goods by sample as well as description:** Where the goods are bought by sample as well as description, the rule of Caveat Emptor is not applicable in case the goods do not correspond with both the sample and description or either of the condition [Section 15].
7. **Trade Usage:** An implied warranty or condition as to quality or fitness for a particular purpose may be annexed by the usage of trade and if the seller deviates from that, this rule of Caveat Emptor is not applicable [Section 16(3)].
8. **Seller actively conceals a defect or is guilty of fraud:** Where the seller sells the goods by making some misrepresentation or fraud and the buyer relies on it or when the seller actively conceals some defect in the goods so that the same could not be discovered by the buyer on a reasonable examination, then the rule of Caveat Emptor will not apply.

**ANSWER OF MODEL TEST PAPER 1**  
**FOUNDATION COURSE**

**PAPER 3: QUANTITATIVE APTITUDE**

1.	(d)	2.	(d)	3.	(c)	4.	(a)	5.	(b)
6.	(b)	7.	(d)	8.	(b)	9.	(b)	10.	(c)
11.	(c)	12.	(c)	13.	(a)	14.	(d)	15.	(b)
16.	(c)	17.	(c)	18.	(b)	19.	(a)	20.	(b)
21.	(b)	22.	(a)	23.	(b)	24.	(c)	25.	(a)
26.	(c)	27.	(a)	28.	(a)	29.	(c)	30.	(c)
31.	(c)	32.	(c)	33.	(a)	34.	(b)	35.	(c)
36.	(c)	37.	(d)	38.	(b)	39.	(b)	40.	(c)
41.	(a)	42.	(a)	43.	(b)	44.	(d)	45.	(b)
46.	(c)	47.	(a)	48.	(a)	49.	(a)	50.	(b)
51.	(c)	52.	(b)	53.	(b)	54.	(c)	55.	(c)
56.	(a)	57.	(c)	58.	(b)	59.	(d)	60.	(c)
61.	(b)	62.	(d)	63.	(d)	64.	(b)	65.	(b)
66.	(c)	67.	(b)	68.	(a)	69.	(b)	70.	(c)
71.	(a)	72.	(d)	73.	(a)	74.	(d)	75.	(d)
76.	(c)	77.	(d)	78.	(b)	79.	(b)	80.	(d)
81.	(a)	82.	(b)	83.	(b)	84.	(b)	85.	(c)
86.	(d)	87.	(b)	88.	(a)	89.	(b)	90.	(c)
91.	(d)	92.	(b)	93.	(c)	94.	(b)	95.	(a)
96.	(c)	97.	(a)	98.	(b)	99.	(c)	100.	(a)



**ANSWER OF MODEL TEST PAPER 2**

**FOUNDATION COURSE**

**PAPER 3: QUANTITATIVE APTITUDE**

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

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

**Key Part B: Statistics**

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

**ANSWER OF MODEL TEST PAPER 3**  
**FOUNDATION COURSE**  
**PAPER 3: QUANTITATIVE APTITUDE**

1.	(c)	2.	(c)	3.	(b)	4.	(a)	5.	(a)
6.	(b)	7.	(d)	8.	(b)	9.	(a)	10.	(b)
11.	(d)	12.	(a)	13.	(a)	14.	(a)	15.	(a)
16.	(a)	17.	(c)	18.	(d)	19.	(c)	20.	(a)
21.	(c)	22.	(a)	23.	(a)	24.	(a)	25.	(b)
26.	(b)	27.	(b)	28.	(b)	29.	(a)	30.	(c)
31.	(c)	32.	(b)	33.	(b)	34.	(b)	35.	(d)
36.	(b)	37.	(c)	38.	(b)	39.	(a)	40.	(a)
41.	(c)	42.	(a)	43.	(c)	44.	(c)	45.	(a)
46.	(c)	47.	(a)	48.	(d)	49.	(a)	50.	(c)
51.	(b)	52.	(c)	53.	(d)	54.	(c)	55.	(a)
56.	(c)	57.	(d)	58.	(d)	59.	(a)	60.	(b)
61.	(a)	62.	(d)	63.	(b)	64.	(a)	65.	(c)
66.	(d)	67.	(c)	68.	(b)	69.	(a)	70.	(c)
71.	(a)	72.	(a)	73.	(a)	74.	(b)	75.	(a)
76.	(b)	77.	(b)	78.	(a)	79.	(a)	80.	(a)
81.	(a)	82.	(c)	83.	(a)	84.	(d)	85.	(c)
86.	(d)	87.	(a)	88.	(a)	89.	(a)	90.	(b)
91.	(b)	92.	(c)	93.	(c)	94.	(b)	95.	(c)
96.	(a)	97.	(d)	98.	(b)	99.	(d)	100.	(a)

**ANSWER OF MODEL TEST PAPER 1**  
**FOUNDATION COURSE**  
**PAPER 4: BUSINESS ECONOMICS**

1.	(c)	2.	(b)	3.	(b)	4.	(d)	5.	(a)
6.	(a)	7.	(a)	8.	(c)	9.	(c)	10.	(c)
11.	(c)	12.	(d)	13.	(b)	14.	(b)	15.	(b)
16.	(c)	17.	(b)	18.	(d)	19.	(c)	20.	(a)
21.	(a)	22.	(c)	23.	(a)	24.	(b)	25.	(d)
26.	(a)	27.	(b)	28.	(a)	29.	(d)	30.	(b)
31.	(a)	32.	(b)	33.	(a)	34.	(d)	35.	(c)
36.	(d)	37.	(c)	38.	(c)	39.	(c)	40.	(d)
41.	(c)	42.	(c)	43.	(d)	44.	(c)	45.	(b)
46.	(b)	47.	(b)	48.	(a)	49.	(b)	50.	(a)
51.	(d)	52.	(b)	53.	(a)	54.	(b)	55.	(b)
56.	(c)	57.	(d)	58.	(d)	59.	(a)	60.	(d)
61.	(d)	62.	(a)	63.	(d)	64.	(d)	65.	(b)
66.	(d)	67.	(d)	68.	(d)	69.	(a)	70.	(c)
71.	(a)	72.	(a)	73.	(b)	74.	(b)	75.	(a)
76.	(b)	77.	(c)	78.	(a)	79.	(b)	80.	(b)
81.	(b)	82.	(b)	83.	(a)	84.	(d)	85.	(a)
86.	(a)	87.	(a)	88.	(d)	89.	(b)	90.	(c)
91.	(a)	92.	(b)	93.	(d)	94.	(c)	95.	(b)
96.	(a)	97.	(b)	98.	(d)	99.	(c)	100.	(b)

**ANSWERS OF MODEL TEST PAPER 2**  
**FOUNDATION COURSE**  
**PAPER 4: BUSINESS ECONOMICS**

1.	(b)	2.	(c)	3.	(b)	4.	(b)	5.	(c)
6.	(b)	7.	(d)	8.	(c)	9.	(c)	10.	(a)
11.	(c)	12.	(d)	13.	(b)	14.	(a)	15.	(d)
16.	(a)	17.	(d)	18.	(b)	19.	(d)	20.	(b)
21.	(a)	22.	(c)	23.	(d)	24.	(a)	25.	(b)
26.	(c)	27.	(a)	28.	(a)	29.	(a)	30.	(a)
31.	(c)	32.	(a)	33.	(b)	34.	(a)	35.	(a)
36.	(b)	37.	(a)	38.	(b)	39.	(a)	40.	(c)
41.	(c)	42.	(c)	43.	(b)	44.	(d)	45.	(d)
46.	(a)	47.	(b)	48.	(a)	49.	(d)	50.	(a)
51.	(a)	52.	(b)	53.	(b)	54.	(d)	55.	(a)
56.	(d)	57.	(a)	58.	(a)	59.	(a)	60.	(b)
61.	(d)	62.	(c)	63.	(a)	64.	(b)	65.	(d)
66.	(a)	67.	(a)	68.	(a)	69.	(a)	70.	(a)
71.	(c)	72.	(a)	73.	(d)	74.	(c)	75.	(a)
76.	(a)	77.	(c)	78.	1-(e), 2-(a), 3-(d), 4-(c), 5-(b)	79.	(b)	80.	(b)
81.	(b)	82.	(d)	83.	(d)	84.	(d)	85.	(b)
86.	(a)	87.	(c)	88.	(a)	89.	(c)	90.	(c)
91.	(c)	92.	(b)	93.	(a)	94.	(b)	95.	(c)
96.	(c)	97.	(a)	98.	(b)	99.	(c)	100.	(b)

**ANSWER OF MODEL TEST PAPER 3**  
**FOUNDATION COURSE**  
**PAPER 4: BUSINESS ECONOMICS**

1.	(c)	2.	(b)	3.	(b)	4.	(b)	5.	(a)
6.	(b)	7.	(d)	8.	(d)	9.	(c)	10.	(c)
11.	(c)	12.	(d)	13.	(a)	14.	(a)	15.	(c)
16.	(d)	17.	(a)	18.	(d)	19.	(a)	20.	(d)
21.	(c)	22.	(d)	23.	(b)	24.	(c)	25.	(b)
26.	(b)	27.	(b)	28.	(b)	29.	(b)	30.	(c)
31.	(a)	32.	(a)	33.	(a)	34.	(b)	35.	(d)
36.	(b)	37.	(a)	38.	(d)	39.	(c)	40.	(a)
41.	(a)	42.	(d)	43.	(d)	44.	(b)	45.	(c)
46.	(c)	47.	(c)	48.	(b)	49.	(d)	50.	(c)
51.	(a)	52.	(b)	53.	(c)	54.	(a)	55.	(b)
56.	(b)	57.	(b)	58.	(b)	59.	(a)	60.	(b)
61.	(d)	62.	(b)	63.	(a)	64.	(c)	65.	(c)
66.	(c)	67.	(d)	68.	(d)	69.	(d)	70.	(b)
71.	(c)	72.	(d)	73.	(a)	74.	(a)	75.	(a)
76.	(a)	77.	(c)	78.	(c)	79.	(d)	80.	(c)
81.	(d)	82.	(b)	83.	(a)	84.	(c)	85.	(b)
86.	(b)	87.	(c)	88.	(b)	89.	(a)	90.	(c)
91.	(a)	92.	(d)	93.	(c)	94.	(d)	95.	(b)
96.	(a)	97.	(a)	98.	(d)	99.	(c)	100.	(a)