

MODEL TEST PAPERS

(RELEVANT FOR MAY, 2025 EXAMINATION AND ONWARDS)

FOUNDATION COURSE



BOARD OF STUDIES
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

The Model Test Papers prepared by the faculty of the Board of Studies. The objective is to enable the students to practice and enhance their understanding of the subject. In case students need any clarifications or have any suggestion to make for further improvement of the content contained herein, they may write to the Joint Director, Board of Studies. The Council of the Institute is not in anyway responsible for the correctness or otherwise of the content published herein.

©THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior permission, in writing, from the publisher.

Edition	:	February, 2025
Website	:	www.icaai.org
Committee/ Department	:	Board of Studies
E-mail	:	bosnoida@icaai.in
Price	:	
Published by	:	The Publication & CDS Directorate on behalf of The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi- 110 002, India
		Typeset and designed at Board of Studies.
Printed by	:	

MODEL TEST PAPERS
FOUNDATION COURSE

Contents

S. NO.	MODEL TEST PAPERS QUESTIONS	PAGE NO.
	PAPER - 1 ACCOUNTING	
1.	Model Test Papers 1	1
2.	Model Test Papers 2	9
3.	Model Test Papers 3	18
4.	Model Test Papers 4	25
5.	Model Test Papers 5	33
6.	Model Test Papers 6	41
7.	Model Test Papers 7	48
8.	Model Test Papers 8	55
9.	Model Test Papers 9	64
10	Model Test Papers 10	73
	PAPER - 2 BUSINESS LAWS	
11.	Model Test Papers 1	80
12.	Model Test Papers 2	84
13.	Model Test Papers 3	88
14.	Model Test Papers 4	92
15.	Model Test Papers 5	97
16.	Model Test Papers 6	102
17.	Model Test Papers 7	106
18.	Model Test Papers 8	112
19.	Model Test Papers 9	117
20.	Model Test Papers 10	122
	PAPER - 3 QUANTITATIVE APTITUDE	
21.	Model Test Papers 1	129
22.	Model Test Papers 2	147
23.	Model Test Papers 3	166
24.	Model Test Papers 4	185
25.	Model Test Papers 5	203
26.	Model Test Papers 6	221
27.	Model Test Papers 7	240

28.	Model Test Papers 8	259
29.	Model Test Papers 9	277
30.	Model Test Papers 10	297
	PAPER - 4 BUSINESS ECONOMICS	
31.	Model Test Papers 1	315
32.	Model Test Papers 2	332
33.	Model Test Papers 3	348
34.	Model Test Papers 4	365
35.	Model Test Papers 5	381
36.	Model Test Papers 6	398
37.	Model Test Papers 7	415
38.	Model Test Papers 8	433
39.	Model Test Papers 9	451
40.	Model Test Papers 10	469
	MODEL TEST PAPERS ANSWERS	
	PAPER - 1 ACCOUNTING	
41..	Model Test Papers 1	485
42.	Model Test Papers 2	499
43.	Model Test Papers 3	514
44.	Model Test Papers 4	528
45.	Model Test Papers 5	543
46.	Model Test Papers 6	557
47.	Model Test Papers 7	571
48.	Model Test Papers 8	586
49.	Model Test Papers 9	600
50.	Model Test Papers 10	618
	PAPER - 2 BUSINESS LAWS	
51.	Model Test Papers 1	636
52.	Model Test Papers 2	648
53.	Model Test Papers 3	660
54.	Model Test Papers 4	673
55.	Model Test Papers 5	685
56.	Model Test Papers 6	699
57.	Model Test Papers 7	711
58.	Model Test Papers 8	725

59.	Model Test Papers 9	740
60.	Model Test Papers 10	757
	PAPER - 3 QUANTITATIVE APTITUDE	
61.	Model Test Papers 1	776
62.	Model Test Papers 2	777
63.	Model Test Papers 3	778
64.	Model Test Papers 4	779
65.	Model Test Papers 5	780
66.	Model Test Papers 6	781
67.	Model Test Papers 7	782
68.	Model Test Papers 8	783
69.	Model Test Papers 9	784
70.	Model Test Papers 10	785
	PAPER - 4 BUSINESS ECONOMICS	
71.	Model Test Papers 1	786
72.	Model Test Papers 2	787
73.	Model Test Papers 3	788
74.	Model Test Papers 4	789
75.	Model Test Papers 5	790
76.	Model Test Papers 6	791
77.	Model Test Papers 7	792
78.	Model Test Papers 8	793
79.	Model Test Papers 9	794
80.	Model Test Papers 10	795

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 31st 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 28th March 2024 being dishonoured is debited again in the pass book on 1st April 2024. There was no entry in the cash book about the dishonour of the cheque until 15th 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 31st March 2024 cheques amounting to ₹ 30,000 were collected on 7th April, 2024.
 - (iv) Out of Cheques amounting to ₹ 31,200 drawn by her on 27th March, 2024 a cheque for ₹ 10,000 was encashed on 3rd 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 31st March, 2024.
 - (vii) A Bill Receivable for ₹ 20,800 previously dishonoured (Discount ₹ 800) with the Bank had been dishonoured but advice was received on 1st 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 31st March, 2024.

Prepare Bank Reconciliation Statement as on 31st 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 31st 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
	2,82,000		2,82,000

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

- Land and Building be valued at ₹ 1,75,000
- Debtors were all good, no provision is required
- Stock is valued at ₹ 13,500
- 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.
- Tarun's share of profit from 1st April 2023, to the date of death be calculated on the basis of average profit of preceding three years.
- The profit of the preceding five years ended 1st March were:

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

You are required to prepare:

- Revaluation account
- Capital accounts of the partners and
- Balance sheet of the Firm as at 1st 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 31st 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 31st 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 st 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 st 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 31st 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	₹	₹
Shareholder's fund			
(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
Non-current liabilities			
(a)	Long term borrowings 12% Debentures		3,60,000
Current Liabilities			
(a)	Trade Payable		3,45,000
	Total		16,65,000
Non-current Assets			
(a)	Property, Plant and Equipment	3,45,000	
(b)	Non-current Investments (DRR Investment)	<u>54,000</u>	3,99,000
Current Assets			
(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		16,65,000

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)

- 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 31st 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 31st May, 2023;
- (ii) Allotment to be made on 10th 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 31st 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 Book-keeping and Accounting. **(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 31st March, 2024 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2024 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2024 with the stock figure as on 31st December, 2023 and some other information is available to you:
- (i) The cost of stock on 31st 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 ₹ 400.
 - (iii) Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2024 totalled ₹ 70,000. Out of this ₹ 6,000 related to goods received prior to 31st December, 2023. Invoices entered in April 2024 relating to goods received in March, 2024 totalled ₹ 7,000.
 - (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 ₹ 1,500 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 ₹ 3,20,000. Overhauling and erection charges amounted to ₹ 80,000.

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

On 1st July, 2022, the machine installed on 1st January, 2020 was sold for ₹ 1,60,000. Another machine amounted to ₹ 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 (₹)	31-3-2024 (₹)
<u>Assets:</u>		
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
<u>Liabilities:</u>		
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 ₹30,000 for his daughter in December 2022. He sold his car on 30-3-2023 and the amount of ₹50,000 is retained in the business.

You are required to :

- Prepare statement of affairs as on 31-3-2023 & 31-3-2024.
 - 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 31st March, 2024 stood as:

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

Y retired on 1st 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 31st 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:

- (i) Realization Account.
- (ii) Partners' Capital Accounts.
- (iii) 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 31st March, 2024 and have raised a suspense account for the difference. Next year the following errors were discovered:

- (i) Repairs made during the year were wrongly debited to the building A/c - ₹ 52,500.
- (ii) The addition of the 'Freight' column in the purchase journal was short by ₹ 9,000.
- (iii) Goods to the value of ₹ 6,150 returned by a customer, Leena., had been posted to the debit of Leena. and also to sales returns.
- (iv) Sundry items of furniture sold for ₹ 1,80,000 had been entered in the sales book, the total of which had been posted to sales account.
- (v) A bill of exchange (received from Lucky & Co.) for ₹ 45,000 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 31st 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 31st 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 25th 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 31st March, 2024.

(10 Marks)

- (b) On 30th 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 30th 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 1st 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 1st 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 31st March, 2023 of ₹ 99,000 and 31st 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 1/5th 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:

- (a) Payment to creditors ₹ 7,00,000
- (b) Payment for business expenses ₹ 1,20,000
- (c) Receipts from debtors ₹ 7,50,000
- (d) Loan from Laxman ₹ 1,00,000 taken on 1.10.2023 at 10% per annum
- (e) 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:

- (i) Trading and Profit and Loss Account for the year ended 31.3.2024.
- (ii) Balance Sheet as at 31st March, 2024.

(10 Marks)

(10 + 10 = 20 Marks)

5. (a) M/s. VB wires were unable to agree the Trial Balance as on 31st March, 2024 and have raised a suspense account for the difference. Next year the following errors were discovered:
- (i) 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 31st 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 4
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. Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.
 - ii. If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.
 - iii. The financial statements must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.
 - iv. Limited Liability Partnership (LLP) is governed by Indian Partnership Act, 1932.
 - v. Nominal Accounts are kept under Single Entry System.
 - vi. A person holding preference shares of a company cannot hold equity shares of the same company.

(6 Statements x 2 Marks = 12 Marks)

- (b) Differentiate between provision and contingent liability. **(4 Marks)**
- (c) Give journal entries to rectify the following errors located in the books of a trader after preparing the trial balance:
- (i) An amount of ₹ 13,500 received on account of interest was credited to commission account.
 - (ii) A sale of ₹ 5,920 was posted from sales book to the debit of M/s Kamal traders at ₹ 5,290.
 - (iii) ₹ 44,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c.
 - (iv) Goods returned by customer for ₹ 20,000. The same have been taken into stock but no entry passed in the books of accounts.

(4 Marks)

2. (a) A Firm purchased an old Machinery for ₹ 37,000 on 1st January, 2020 and spent ₹ 3,000 on its overhauling. On 1st July 2021, another machine was purchased for ₹ 10,000. On 1st July 2022, the machinery which was

purchased on 1st January 2020, was sold for ₹ 28,000 and the same day a new machinery costing ₹ 25,000 was purchased. On 1st July, 2023, the machine which was purchased on 1st July, 2021 was sold for ₹ 2,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2021 and the rate was increased to 15% per annum. The books are closed on 31st December every year.

Prepare Machinery account for four years from 1st January, 2020.

(10 Marks)

- (b) Ram Setu 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 31st March, 2024 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2024 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2024 with the stock figure as on 31st December, 2023 and some other information is available to you:

- (i) The cost of stock on 31st December, 2023 as shown by the inventory sheet was ₹ 7,20,000.
- (ii) On 31st December, stock sheet showed the following discrepancies:
 - (a) A page total of ₹ 45,000 had been carried to summary sheet as ₹ 54,000.
 - (b) The total of a page had been undercast by ₹1,800.
- (iii) Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2024 totalled ₹ 6,30,000. Out of this ₹ 27,000 related to goods received prior to 31st December, 2023. Invoices entered in April, 2024 relating to goods received in March, 2024 totalled ₹ 36,000.
- (iv) Sales invoiced to customers totalled ₹ 8,10,000 from January to March, 2024. Of this ₹ 45,000 related to goods dispatched before 31st December, 2023. Goods dispatched to customers before 31st March, 2024 but invoiced in April, 2024 totalled ₹ 36,000.
- (v) During the final quarter, credit notes at invoiced value of ₹ 9,000 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)

(10 +10 = 20 Marks)

3. (a) Dr. Gulleria started private practice on 1st April, 2023 with ₹ 2,00,000 of his own fund and ₹ 3,00,000 borrowed at an interest of 12 p.a. on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

Receipts	₹	Payments	₹
Own Capital	2,00,000	Medicines Purchased	2,45,000
Loan	3,00,000	Surgical Equipment	2,50,000
Prescription Fees	6,60,000	Motor Car	3,20,000
Visiting Fees	2,50,000	Motor Car Expenses	1,20,000
Lecture Fees	24,000	Wages and Salaries	1,05,000
Pension Received	3,00,000	Rent of Clinic	60,000
		General Charges	49,000
		Household Expenses	1,80,000
		Household Furniture	25,000
		Expenses on Daughter's college admission	2,15,000
		Interest on Loan	36,000
		Balance at Bank	1,10,000
		Cash in Hand	19,000
	17,34,000		17,34,000

1/3rd of the motor car expenses may be treated as applicable to the private use of car and ₹ 30,000 of salaries are in respect of domestic servants. The stock of medicines in hand on 31st March, 2024 was valued at ₹ 95,000.

You are required to prepare his private practice income and expenditure account and capital account for the year ended 31st March, 2024. Ignore depreciation on fixed assets. **(8 Marks)**

- (b) P Q and R are partners sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2024 stood as:

Liabilities	₹		Assets	₹	
Capital Accounts			Building		10,00,000
P	8,00,000		Furniture		2,40,000
Q	4,20,000		Office equipments		2,80,000
R	<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
			Cash at Bank		<u>3,10,000</u>
		<u>23,50,000</u>			23,50,000

Q retired on 1st 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,2,20,000.
- (iii) Provision for doubtful debts is to be created @ 5% on debtors.
- (iv) 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

- (v) Amount due to Q is to be transferred to his Loan Account.

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

(8 + 12= 20 Marks)

4. (a) The following is the Balance Sheet of A, B, C on 31st December, 2023 when they decided to dissolve the partnership:

Liabilities	₹	Assets	₹
Creditors	3,000	Sundry Assets	72,750
A's Loan	7,500	Cash	750
Capital Accounts:			
A	22,500		
B	27,000		
C	13,500		
	73,500		73,500

The assets realized the following sums in installments:

Inst.	₹
I	1,500
II	4,500
III	5,850
IV	9,000
V	30,150
	51,000

The expenses of realization were expected to be ₹750 but ultimately amounted to ₹600 only. Show how at each stage the cash received should be distributed between partners. They share profits in the ratio of 2:2:1. **(8 Marks)**

- (b) The following are the balances as at 31st March, 2024 extracted from the books of Mr. Chauhan.

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

Additional Information:

- Purchases include sales return of ₹ 5,150 and sales include purchases return of ₹ 3,450.
- Free samples distributed for publicity costing ₹ 1,650.
- Wages paid in the month of April for installation of plant and machinery amounting to ₹ 900 were included in wages account.
- Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
- Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.
- Closing stock as on 31st March, 2024 is ₹ 2,50,000.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2024, and a Balance Sheet as on that date. **(12 Marks)**

(8+12= 20 Marks)

- (a) Bharat owed ₹ 50,000 to Katen. On 1st October, 2023, Bharat accepted a bill drawn by Katen for the amount at 3 months. Katen got the bill discounted with his bank for ₹ 49,500 on 3rd October, 2023. Before the due date, Bharat approached Katen for renewal of the bill. Katen agreed on the conditions that ₹25,000 be paid immediately together with interest on the remaining amount at 12% per annum for 3 months and for the

balance, Bharat should accept a new bill at three months. These arrangements were carried out. But afterwards, Bharat became insolvent and 40% of the amount could be recovered from his estate.

Pass journal entries in the books of Katen. **(5 Marks)**

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

(i) Ms. Manisha is engaged in business of selling magazines. Several of her customers pay money in advance for subscribing his magazines. Information related to year ended 31st March, 2024 has been given below:

On 1.4.2023 he had a balance of ₹ 6,00,000 advance from customers of which ₹ 4,50,000 is related to year 2023-24 while remaining pertains to year 2024-25. During the year 2023-24 she made cash sales of ₹ 15,00,000. You are required to compute:

(i) Total income for the year 2023-24.

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

OR

(ii) Samuel & Co. employs a team of 9 workers who were paid ₹ 1,20,000 per month each in the year ending 31st December, 2022. At the start of 2023, the company raised salaries by 10% to ₹ 1,32,000 per month each.

On 1 July, 2023 the company hired 2 trainees at salary of ₹ 63,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc.

You are required to calculate:

(i) Amount of salaries which would be charged to the profit and loss account for the year ended 31st December, 2023.

(ii) Amount actually paid as salaries during 2023.

(iii) Outstanding salaries as on 31st December, 2023. **(5 Marks)**

(c) Following is the extract of the Balance Sheet of Puri Ltd. as at 31st March, 2024

Authorised capital:	₹
15,000 12% Preference shares of ₹ 10 each	1,50,000
1,50,000 Equity shares of ₹ 10 each	<u>15,00,000</u>
	<u>16,50,000</u>
Issued and Subscribed capital:	
12,000 12% Preference shares of ₹ 10 each fully paid	1,20,000
1,35,000 Equity shares of ₹ 10 each, ₹ 8 paid up	10,80,000

Reserves and surplus:	
General Reserve	1,80,000
Capital Reserve (profit realized on sale of plant)	60,000
Securities premium	37,500
Profit and Loss Account	3,00,000

On 1st April, 2024, the Company has made final call @ ₹ 2 each on 1,35,000 equity shares. The call money was received by 20th April, 2024. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held. Company decides to use Capital Reserve for bonus issue as it has been realized in cash.

Show necessary journal entries in the books of the company and prepare the extract of the balance sheet as on 30th April, 2024 after bonus issue.

(10 Marks)

(5 + 5 + 10 = 20 Marks)

6. (a) Devis Ltd. invited applications for issuing 3,00,000 equity shares of ₹ 20 each.

The amounts were payable as follows:

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

Applications were received for 4,50,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment money. X, who was allotted 9,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 7,500 shares were reissued as fully paid-up @ ₹ 16 per share.

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

(10 Marks)

- (b) On 1st April, 2023 Universe Ltd. issued 12% debentures of the face value of ₹ 40,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on 30th September and 31st March every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the financial year 2023-24.

(5 Marks)

- (c) Prepare Bank Reconciliation Statement and Adjusted Cash Book from the following particulars as on 31st December, 2023:

Particulars	₹
Bank Balance as per Cash Book (Debit)	1,98,000
Bank Charges debited by the bank not recorded in Cash Book	34,000
Received from debtors vide RTGS on 31st December, 2023 not recorded in Cash Book	1,00,000
Cheque issued but not presented for payment	45,000
Cheque deposited but not cleared	25,000
Cheque received and deposited but dishonoured. Entry for dishonour not made in the Cash Book	5,000
Instruction for payment given to the bank on 31st December, 2023 but the same effected by the Bank on 01 st January, 2024	4,000

(5 Marks)

(10 +5+ 5= 20 Marks)

MODEL TEST PAPER 5
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:

- 1 The balance in petty cash book represents an asset.
- 2 Finished goods are normally valued at cost or market price whichever is higher.
- 3 Subscriptions received for the current year shall be shown in the balance sheet as a current asset.
- 4 When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with Calls in arrear of shares forfeited.
- 5 Discount at the time of retirement of a bill is a gain for the drawee.
- 6 Bills receivable and bills payable books are type of subsidiary books.

(6 statements x 2 Marks = 12 Marks)

(b) What services can a Chartered Accountant provide to the society?

(4 Marks)

(c) One of your clients Mr. X asked you to finalize his account for the year ended 31st March, 2024. As a basis for audit, Mr. X furnished you with the following statement:

	Dr.	Cr.
X's Capital		4,668
X's Drawings	1,692	
Leasehold Premises	2,250	
Sales		8,250
Due from customers		1,590
Purchases	3,777	
Purchase Return	792	
Loan from Bank		768
Trade Expense	2,100	
Trade Payable	1,584	
Bills Payable	300	

Salaries and Wages	1,800	
Cash at Bank	678	
Opening Inventory		792
Rent and Rates	1,389	
Sales Return		294
	16,362	16,362

The closing inventory was ₹1,722. Mr. X claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, if any.

(4 Marks)

(12 + 4 + 4 = 20 Marks)

2. (a) Mr. Manas was unable to agree the Trial Balance last year and wrote off the difference to the Profit and Loss Account of that year. Next year, he appointed a Chartered Accountant who examined the old books and found the following mistakes:

- (i) Purchase of a scooter was debited to conveyance account ₹ 30,000. Mr. Manas charges 10% depreciation on scooter.
- (ii) Purchase account was over cast by ₹ 1,00,000.
- (iii) A credit purchase of goods from Mr. Sam for ₹ 20,000 was entered as sale.
- (iv) Receipt of cash from Mr. Anand was posted to the account of Mr. Bhaskar ₹ 10,000.
- (v) Receipt of cash from Mr. Paras was posted to the debit of his account, ₹ 5,000.
- (vi) ₹ 5,000 due by Mr. Ramesh was omitted to be taken to the Trial Balance.
- (vii) Sale of goods to Mr. Ram for ₹ 20,000 was omitted to be recorded.
- (viii) Amount of ₹ 23,950 of purchase was wrongly posted as ₹ 25,930.

Suggest the necessary rectification entries.

(10 Marks)

- (b) M/s Dheeraj, Profit and loss account showed a net profit of ₹ 8,00,000, after considering the closing stock of ₹ 7,50,000 on 31st March, 2024. Subsequently the following information was obtained from scrutiny of the books:

- (i) Purchases for the year included ₹ 30,000 paid for new electric fittings for the shop.
- (ii) M/s Dheeraj gave away goods valued at ₹ 80,000 as free samples for which no entry was made in the books of accounts.
- (iii) Invoices for goods amounting to ₹ 5,00,000 have been entered on 27th March, 2024, but the goods were not included in stock.

- (iv) In March, 2024 goods of ₹ 4,00,000 sold and delivered were taken in the sales for April, 2024.
- (v) Goods costing ₹ 1,50,000 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 31st March, 2024.

(10 Marks)

(10 +10 = 20 Marks)

3. (a) The trial balance of Saurav as at 31st March, 2024 is as follows:

Particulars	Dr.	Cr.
	₹	₹
Saurav's capital account	-	1,91,725
Stock 1 st April, 2023	1,17,000	-
Sales	-	9,74,000
Returns inward	21,500	-
Purchases	8,04,250	-
Returns outward	-	14,500
Carriage inwards	49,000	-
Rent & taxes	11,750	-
Salaries & wages	23,250	-
Sundry debtors	60,000	-
Sundry creditors	-	37,000
Bank loan @ 14% p.a.	-	50,000
Bank interest	2,750	-
Printing and stationary expenses	36,000	-
Bank balance	20,000	-
Discount earned	-	11,100
Furniture & fittings	12,500	-
Discount allowed	4,500	-
General expenses	28,625	-
Insurance	3,250	-
Postage & telegram expenses	5,825	-
Cash balance	950	-
Travelling expenses	2,175	-
Drawings	75,000	-
	12,78,325	12,78,325

The following adjustments are to be made:

- (1) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
- (2) Personal purchases of Saurav amounting to ₹ 1,500 had been recorded in the purchases day book.
- (3) Depreciation on furniture & fittings @ 10% shall be written off.
- (4) Included amongst the debtors is ₹ 7,500 due from Sunder and included among the creditors ₹ 2,500 due to him.
- (5) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
- (6) Credit purchase invoice amounting to ₹ 1,000 had been omitted from the books.
- (7) Stock on 31.03.2024 was ₹ 1,96,500.
- (8) Interest on bank loan shall be provided for the whole year.

You are required to prepare Trading & Profit and Loss Account for the year ended 31.03.2024. **(12 Marks)**

- (b) The following is the Balance Sheet of M/s. Vivek Bros as at 31st March, 2024, they share profit and losses equally:

Balance Sheet as at 31st March, 2024

Liabilities		₹	Assets		₹
Capital	Amit	24,600	Machinery		30,000
	Puneet	24,600	Furniture		16,800
	Sumit	27,000	Fixture		12,600
		9,000	Cash		9,000
General Reserve					
Trade payables		14,100	Inventories		5,700
			Trade receivables	27,000	
			Less: Provision for Doubtful debts	<u>1,800</u>	25,200
		99,300			99,300

Sumit died on 1st April, 2024 and the following agreement was to be put into effect.

- (a) Assets were to be revalued: Machinery to ₹ 35,100; Furniture to ₹ 13,800; Inventory to ₹ 4,500.
- (b) Goodwill was valued at ₹ 18,000 and was to be credited with his share, without using a Goodwill Account.

(c) ₹ 6,000 is to be paid to the executors of the dead partner on 5th April, 2023.

(d) After death of Sumit, Amit and Puneet share profit equally.

You are required to prepare:

(i) Journal Entry for Goodwill adjustment.

(ii) Revaluation Account and Capital Accounts of the partners.

(8 Marks)

(12 + 8 = 20 Marks)

4. (a) A and B are partners in a firm, sharing Profits and Losses in the ratio of 3 : 2. The Balance Sheet of A and B as on 31.3.2024 was as follow:

Liabilities	Amount ₹	Assets		Amount ₹
Sundry Creditors	25,800	Building		52,000
Bill Payable	8,200	Furniture		11,600
Bank Overdraft	18,000	Stock-in-Trade		42,800
Capital Accounts:		Debtors	70,000	
A 88,000		Less: Provision	<u>400</u>	69,600
B <u>72,000</u>	1,60,000	Investment		5,000
		Cash		<u>31,000</u>
	<u>2,12,000</u>			<u>2,12,000</u>

‘C’ was admitted to the firm on the above date on the following terms:

- (i) He is admitted for 1/6th share in future profits and to introduce a Capital of ₹ 50,000.
- (ii) The new profit sharing ratio of A, B and C will be 3 : 2 : 1 respectively.
- (iii) ‘C’ is unable to bring in cash for his share of goodwill, they decide to calculate goodwill on the basis of C’s share in the profits and the capital contribution made by him to the firm.
- (iv) Furniture is to be written down by ₹ 1,740 and Stock to be depreciated by 5%. A provision is required for Debtors @ 5% for Bad Debts. A provision would also be made for outstanding wages for ₹ 3,120. The value of Buildings having appreciated be brought upto ₹ 58,400. The value of investment is increased by ₹ 900.
- (v) It is found that the creditors included a sum of ₹ 2,800, which is not to be paid off.

Prepare the following:

(i) Revaluation Account.

(ii) Partners’ Capital Accounts.

(iii) Balance Sheet of New Partnership firm after admission of ‘C’.

(12 Marks)

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

(1)

Balances	As on 01-04-2023 (₹)	As on 31-3-2024 (₹)
Stock of Sports Material	4,50,000	6,75,000
Amount due for Sports Material	4,05,000	5,85,000
Subscription due	67,500	99,000
Subscription received in advance	54,000	31,500

(2) Subscription received during the year ₹ 22,50,000

(3) Payments for Sports Material during the year ₹ 13,50,000

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.

(8 Marks)

(12+8=20 Marks)

5. (a) On 31st March 2024, the Bank Pass Book of Swati showed a balance of ₹ 1,50,000 to her credit while balance as per cash book was ₹ 1,12,050. On scrutiny of the two books, she ascertained the following causes of difference:

- She has issued cheques amounting to ₹ 80,000 out of which only ₹ 32,000 were presented for payment.
- She received a cheque of ₹ 5,000 which she recorded in her cash book but forgot to deposit in the bank.
- A cheque of ₹ 22,000 deposited by her has not been cleared yet.
- Mr. Gupta deposited an amount of ₹ 15,700 in her bank which has not been recorded by her in Cash Book yet.
- Bank has credited an interest of ₹ 1,500 while charging ₹ 250 as bank charges.

Prepare a bank reconciliation statement.

(5 Marks)

- (b) The Income Tax Officer, on assessing the income of Xavier for the financial years 2021-2022 and 2022-2023 feels that Xavier has not disclosed the full income. He gives you the following particulars of assets and liabilities of Xavier's on 1st April, 2021 and 1st April, 2023.

			₹
1-4-2021	Assets	: Cash in hand	25,500
		Inventory	56,000

		Sundry debtors	41,500
		Land and Building	1,90,000
		Wife's Jewellery	75,000
	Liabilities :	Owing to Xavier's Brother	40,000
		Sundry creditors	35,000
1-4-2023	Assets :	Cash in hand	16,000
		Inventory	91,500
		Sundry debtors	52,500
		Land and Building	1,90,000
		Motor Car	1,25,000
		Wife's Jewellery	1,25,000
		Loan to Xavier's Brother	20,000
	Liabilities :	Sundry creditors	55,000

During the two years the domestic expenditure was ₹ 4,000 p.m. The declared incomes of the financial years were ₹ 1,05,000 for 2021-2022 and ₹ 1,33,000 for 2022-2023 respectively.

State whether the Income-tax Officer's contention is correct. Explain by giving your workings. **(5 Marks)**

- (c) Safari Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) provides the following information as at 31st March, 2024:

Particulars	₹
Shareholder's Funds	
(a) Share Capital	
Authorized share capital:	
45,000 equity shares of ₹ 10 each fully paid	4,50,000
Issued and subscribed share capital:	
30,000 equity shares of ₹ 10 each fully paid	3,00,000
(b) Reserves and Surplus	
Profit & Loss Account	1,62,000
Debenture Redemption Reserve	18,000
Non-current liabilities	
(a) Long term borrowings	
12% Debentures	1,80,000
Current Liabilities	
(a) Trade payables	1,72,500
Non-current assets	
(a) Property, Plant and Equipment (Freehold property)	1,72,500
(b) Non-current Investment: DRR Investment	27,000

Current assets	
(a) Inventories	2,02,500
(b) Trade receivables	1,12,500
(c) Cash and bank balances:	
Cash at bank	2,73,000
Cash in hand	45,000

At the Annual General Meeting on 1.4.2024, it was resolved:

- (a) To give existing 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.
- (b) To issue one bonus share for every five shares held.
- (c) To repay the debentures at a premium of 3%.

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

(5 + 5 + 10 = 20 Marks)

6. (a) X Limited invited applications for issuing 75,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The total amount was payable as follows:

- ₹ 9 per share (including premium) on application and allotment
- Balance on the First and Final Call

Applications for 3,00,000 equity shares were received. Applications for 2,00,000 equity shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,500 shares applied by Mr. Raj. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹ 4/- per share.

Pass necessary journal entries for the above transactions in the books of X Limited. **(15 Marks)**

- (c) State the causes of difference between the balance shown by the pass book and the cash book.

OR

Which subsidiary books are normally used in a business? **(5 Marks)**

(15 + 5 = 20 Marks)

MODEL TEST PAPER 6
FOUNDATION COURSE
PAPER – 1: ACCOUNTING

Question No. 1 is compulsory.

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

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

Working Notes should form part of the answer.

Time Allowed: 3 Hours

Maximum Marks: 100

1. (a) State with reasons, whether the following statements are true or false:
- (i) Wages paid for erection of machinery are debited to Profit and Loss Account.
 - (ii) Amount spent for the construction of temporary huts, which were necessary for construction of the Cinema House and were demolished when the Cinema House was ready, is capital expenditure.
 - (iii) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.
 - (iv) Promissory note is different from bill of exchange because the amount is paid by the maker in case of former and by the acceptor in the later.
 - (v) The business of partnership must be carried on by all the partners.
 - (vi) Debenture interest is payable after the payment of preference dividend but before the payment of equity dividend.

(6 Statements x 2 Marks = 12 Marks)

- (b) Explain Cash and Mercantile system of accounting? **(4 Marks)**
- (c) Calculate the missing amount for the following.

	Assets	Liabilities	Capital	
(a)	45,00,000	7,50,000	?	
(b)	?	4,50,000	2,25,000	
(c)	43,50,000	?	41,25,000	
(d)	1,71,00,000	(8,40,000)	?	(4 Marks)

2. (a) Savin & Co. purchased a machine for ₹ 1,00,000 on 1.4.2021. Another machine costing ₹1,50,000 was purchased on 1.10.2022. On 31.3.2024 the machine purchased on 1.4.2021 was sold for ₹ 50,000. The company provides depreciation at 15% on Written Down Value Method. Prepare – (i) Machinery Account, (ii) Machinery Disposal Account and (iii) Provision for Depreciation Account. **(10 Marks)**
- (b) On 30th June, 2024, Cash Book of Ms. Suman (Bank Column of Account No. 1) shows a Bank Overdraft of ₹ 1,97,400. On going through the Bank Pass book for reconciling the Balance, she found the following:
- (a) Out of cheques drawn on 26th June, those for ₹ 14,800 were cashed by the bankers on 2nd July.
 - (b) A crossed cheque for ₹ 3000 given to Abdul was returned by him and a bearer cheque was issued to him in lieu on 1st July.
 - (c) Cash and cheques amounting to ₹ 13,600 were deposited in the Bank on 29th June, but cheques worth ₹ 5,200 were cleared by the Bank on 1st July., and one cheque for ₹ 1,000 was returned by them as dishonoured on the latter date.
 - (d) According to Suman's standing instructions, the bankers have on 30th June, paid ₹ 1,280 as interest to her creditors, paid quarterly premium on her policy amounting to ₹ 640 and have paid a second call of ₹ 2,400 on shares held by her and lodged with the bankers for safe custody. They have also received ₹ 600 as dividend on her shares and recovered an Insurance Claim of ₹ 3,200, as their charges and commission charged on the above being ₹ 400. On receipt of information of the above transaction, she has passed necessary entries in her Cash Book on 1st July.
 - (e) Bankers seem to have given a wrong credit for ₹ 2,000 paid in by her in No. 2 account and wrong debit in respect of a cheque for ₹ 1,200 drawn against her No. 2 account.

Prepare a Bank Reconciliation Statement as on 30th June, 2024.

(10 Marks)

(10 + 10 = 20 Marks)

3. (a) The Receipts and Payments account of Gold Smith Club prepared on 31st March, 2024 is as follows:

Receipts and Payments Account

Receipts	₹	Amount ₹	Payments	Amount ₹
To Balance b/d		9,000	By Expenses (including Payment for sports material ₹ 54,000)	1,26,000
To Annual Income from Subscription	91,800			

Add: Outstanding of last year received this year	<u>3,600</u>		By Loss on Sale of Furniture (cost price ₹ 9,000)	3,600
	95,400		By Balance c/d	18,09,000
Less: Prepaid of last year	1,800	93,600		
To Other fees		36,000		
To Donation for Building		18,00,000		
		19,38,600		19,38,600

Additional information:

Gold Smith Club had balances as on 1.4.2023:

Furniture ₹ 36,000; Investment at 5% ₹ 5,40,000;

Sports material ₹ 1,33,200;

Balance as on 31.3.2024: Subscription Receivable ₹ 5,400;

Subscription received in advance ₹ 1,800;

Stock of sports material ₹ 36,000.

(15 Marks)

Do you agree with above Receipts and Payments account? If not, prepare correct Receipts and Payments account and Income and Expenditure account for the year ended 31st March, 2024 and Balance Sheet on that date.

- (b) P and Q were partners in a firm, sharing profit and losses in the ratio of 3: 2. They admit R for 1/6th share in profits and guaranteed that his share of profits will not be less than 50,00,000. Total profits of the firm for the year ended 31st March, 2024 were 1,80,00,000.

Calculate share of profit for each partner when:

- (i) Guarantee is given by firm
(ii) Guarantee is given by P and Q equally.

(5 Marks)

(15 + 5 = 20 Marks)

4. (a) The Balance Sheet of a Partnership Firm M/s Thomas & Associates consisted of two partners Albert and Andrew 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	₹
Albert's Capital	8,20,000	Land & Building	7,60,000
Andrew's Capital	6,60,000	Plant & Machinery	3,40,000
Profit & Loss A/c	2,24,000	Furniture	2,18,960
Trade Creditors	1,09,600	Stock	2,90,520

		Sundry debtors	1,20,000
		Cash at Bank	84,120
	18,13,600		18,13,600

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

- David should get $\frac{1}{5}^{\text{th}}$ of share of profits.
- David brought ₹ 4,80,000 as his capital and ₹ 64,000 for his share of Goodwill.
- 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 ₹ 12,000 for repairs to Buildings would be recorded in the books of accounts.
- Immediately after David'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 David.

(15 Marks)

- Hari Om & Co. employs a team of 8 workers who were paid ₹ 1,20,000 per month each in the year ending 31st December, 2023. At the start of 2024, the company raised salaries by 10% to ₹ 1,32,000 per month each. On 1 July, 2024 the company hired 2 trainees at salary of ₹ 63,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc.

You are required to calculate:

- Amount of salaries which would be charged to the profit and loss account for the year ended 31st December, 2024.
- Amount actually paid as salaries during 2024.
- Outstanding salaries as on 31st December, 2024

(5 Marks)

(15+5 =20 Marks)

5. (a) Mr. Prakash furnishes following information for his readymade garments business:

(i) Receipts and Payments during 2023-24:

Receipts	Amount ₹	Payments	Amount ₹
Bank Balance as on 1-4-2023	16,250	Payment to Sundry creditors	3,43,000
Received from Sundry debtors	4,81,000	Salaries	75,000
Cash sales	1,70,800	General expenses	22,500
Capital brought in the business during the year	50,000	Rent and taxes	11,800
Interest on Investment received	9,750	Drawings	96,000
		Cash purchases	1,22,750
		Balance at bank on 31-03-2024	36,600
		Cash in hand on 31-03-2024	20,150
	7,27,800		7,27,800

(ii) Particulars of other Assets and Liabilities are as follows:

	1 st April, 2023	31 st March, 2024
	(₹)	(₹)
Machinery	85,000	85,000
Furniture	24,500	24,500
Trade Debtors	1,55,000	?
Trade Creditors	60,200	?
Inventory	38,600	55,700
12% Investment	85,000	85,000
Outstanding Salaries	12,000	14,000

(iii) Additional information:

- (1) 20% of total sales and 20% of total purchases are in cash.
- (2) Of the debtors, a sum of ₹ 7,200 should be written off as Bad debt and further a provision for doubtful debts is to be provided @2%.
- (3) Provide depreciation @10% p.a. on machinery and furniture

You are required to prepare Trading and Profit & Loss Account for the year ended 31st March, 2024, and Balance Sheet as on that date.

(10 Marks)

- (b) The following notes pertain to Snowberry Ltd.'s Balance Sheet as on 31st March, 2024:

Notes	₹ in Lakhs
(1) Share Capital	
Authorised :	
20 crore shares of ₹ 10 each	<u>20,000</u>
Issued and Subscribed:	
10 crore Equity Shares of ₹ 10 each	10,000
2 crore 11% Cumulative Preference Shares of ₹ 10 each	2,000
Total	12,000
Called and paid up:	
10 crore Equity Shares of ₹ 10 each, ₹ 8 per share called and paid up	8,000
2 crore 11% Cumulative Preference Shares of ₹ 10 each, fully called and paid up	2,000
Total	10,000
(2) Reserves and Surplus :	
Capital Reserve (profit on fixed assets realized in cash)	485
Capital Redemption Reserve	1,000
Securities Premium	2,000
General Reserve	1,040
Surplus i.e. credit balance of Profit & Loss Account	273
Total	4,798

On 2nd April 2024, the company made the final call on equity shares @ ₹ 2 per share. The entire money was received in the month of April, 2024.

On 1st June 2024, the company decided to issue to equity shareholders bonus shares at the rate of 2 shares for every 5 shares held and for this purpose, it decided to utilize the capital reserves to the maximum possible extent.

Pass journal entries for all the above mentioned transactions. Also prepare the notes on Share Capital and Reserves and Surplus relevant to the Balance Sheet of the company immediately after the issue of bonus shares.

(10 Marks)

(10+10 = 20 Marks)

6. (a) Give necessary journal entries for the forfeiture and re-issue of shares:
- (i) Gama Pvt. Ltd. forfeited 9,000 shares of ₹ 10 each fully called up, held by Varun for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Katen for ₹ 8 per share.

- (ii) Mr. Y, who was the holder of 10,000 preference shares of ₹ 100 each, on which ₹ 70 per share has been called up, could not pay his dues on Allotment and First call each at ₹ 20 per share. The Directors forfeited the above shares and reissued 8,000 of such shares to Mr. Z at ₹ 60 per share paid-up as ₹ 70 per share.

(10 Marks)

- (b) Given below are the extracts of Balance Sheet of Shell Chemicals Limited as on 31st March, 2024:

Particulars	Amount in ₹
9% Redeemable Preference Share Capital	10,00,000
Calls in arrears (Redeemable Preference Shares)	20,000
General Reserve	7,00,000
Securities Premium	80,000

It is provided that:

- Preference Shares are of 100 each fully-called, due for immediate redemption.
- Calls-in-arrears are on account of final call on 1000 Preference shares held by four members whose whereabouts are not known.
- Balance of General Reserve and Securities Premium to be fully utilised for the purposes of redemption and the shortfall to be made good by issue of equity shares of ₹ 10 each at par.
- The redemption of preference shares was duly carried out.

You are required to pass the necessary journal entries to give effect to the above redemption.

(5 Marks)

- (c) Write short notes on:

- (i) Adjusted Selling Price method of determining cost of stock.
- (ii) Principal methods of ascertainment of cost of inventory.

Or

Classify the following expenditures as capital or revenue expenditure:

- (i) Amount spent on making a few more exists in a Cinema Hall to comply with Government orders.
- (ii) Travelling expenses of the directors for trips abroad for purchase of capital assets.
- (iii) Amount spent to reduce working expenses.
- (iv) Amount paid for removal of stock to a new site.
- (v) Cost of repairs on second-hand car purchased to bring it into working condition.

(5 Marks)

(10 + 5 + 5 = 20 Marks)

MODEL TEST PAPER 7
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) A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a contingent liability.
 - (ii) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.
 - (iii) Stock at the end, if appears in the trial balance, is taken only to the Balance Sheet.
 - (iv) Re-issue of forfeited shares is allotment of shares but not a sale.
 - (v) Both revenue and capital nature transactions are recorded in the Receipts and Payments Account.
 - (vi) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members. **(6 Statements x 2 Marks = 12 Marks)**

- (b) Distinguish between Money Measurement concept and Matching concept. **(4 Marks)**

- (c) The following are the details of the spare parts of a Chemical Mill:

1-1-2024	Opening Inventory	Nil
1-1-2024	Purchases	100 units @ ₹ 300 per unit
15-1-2024	Issued for consumption	50 units
1-2-2024	Purchases	200 units @ ₹ 400 per unit
15-2-2024	Issued for consumption	100 units
20-2-2024	Issued for consumption	100 units

Find out the value of Inventory as on 31.3.2024, if the company follows Weighted Average Method. **(4 Marks)**

(12+4+4 =20 Marks)

2. (a) Before preparation of the trial balance, the following errors were found in the books of Saraswat & Sons. Give the necessary entries to correct them.
- Furniture purchased for office use amounting to ₹ 20,000 has been entered in the purchase day book.
 - An amount of ₹ 3,000 due from Satyam, which had been written off as bad debts in the previous year, recovered in the current year, and had been posted to the personal Account of Satyam.
 - Minor Repairs made to the building amounting to ₹ 18,500 were debited to the Building Account
 - Goods purchased from Ram Singh amounting to ₹ 18,000 have remained unrecorded so far.
 - College fees of proprietor's son, ₹ 15,000 debited to the Audit fees Account.
 - Receipt of ₹ 4,500 from Kanika credited to the Anita.
 - Goods amounting to ₹ 8,900 had been returned by a customer and were taken into inventory, but no entry was made in the books.
 - ₹ 7,500 paid for wages to workmen for making office furniture had been charged to wages account.
 - Salary paid to a clerk ₹ 18,000 has been debited to his personal account.
 - A purchase of goods from Raghav amounting to ₹ 20,000 has been wrongly entered through the sales book. **(10 Marks)**
- (b) S Chand & Associates purchased a machine for ₹ 3,00,000 on 1.1.2021. Another machine costing ₹4,50,000 was purchased on 1.7.2022. On 31.12.2023 the machine purchased on 1.1.2021 was sold for ₹1,50,000. The company provides depreciation at 15% on Written Down Value Method. The company closes its accounts on 31st December every year. Prepare – (i) Machinery Account, (ii) Machinery Disposal Account and (iii) Provision for Depreciation Account. **(10 Marks)**
- (10 +10 = 20 Marks)**
3. (a) P, Q, R and S had been carrying on business in partnership sharing profits & losses in the ratio of 4:3:2:1. They decided to dissolve the partnership on the basis of following Balance Sheet as on 30th April, 2024:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts		Land & building	2,46,000
P 2,16,000		Furniture & fixtures	65,000
Q <u>1,44,000</u>	3,60,000	Stock	1,00,000
		Debtors	72,500

Sundry creditors	36,000	Cash in hand	15,500
Mortgage loan	1,10,000	Capital overdrawn:	
		R 1,000	
		S <u>6,000</u>	7,000
	5,06,000		5,06,000

- (i) The assets were realized as under: ₹
- | | |
|----------------------|----------|
| Land & building | 2,30,000 |
| Furniture & fixtures | 42,000 |
| Stock | 72,000 |
| Debtors | 65,000 |
- (ii) Expenses of dissolution amounted to ₹ 7,800.
- (iii) Further creditors of ₹ 18,000 had to be met.
- (iv) R became insolvent and nothing was realized from his private estate.

Applying the principles laid down in Garner Vs. Murray, prepare the Realisation Account, Partners' Capital Accounts and Cash Account.

(12 Marks)

- (b) Mr. Dilip furnishes the following trial balance and some other information:

Trial Balance as on 31st March, 2024

Particulars	₹	₹
Capital		19,50,000
Purchases and Sales	12,90,000	29,10,000
Opening Inventory	3,30,000	
Freights Inward	1,20,000	
Salaries	6,30,000	
Administration Expenses	4,50,000	
Furniture	10,50,000	
Trade receivables and Trade payables	6,30,000	5,70,000
Returns	60,000	36,000
Discount allowed and Received	57,000	27,000
Bad Debts	15,000	
Investments in Government Securities	3,00,000	
Cash in Hand and Cash at Bank	5,67,000	
Input CGST	30,000	
Input SGST	30,000	
Output CGST		24,000
Output SGST		24,000

Output IGST		18,000
	55,59,000	55,59,000

Additional information

(i) Inventory as on 31st march,2024 was ₹ 5,40,000.

(ii) Furniture is depreciated at 15% per annum.

Prepare Trading Account, Profit and Loss Account and Balance Sheet as on 31st March, 2024 of Mr. Dilip. **(8 Marks)**

(12+8 = 20 Marks)

- 4 (a) New State Society showed the following position on 31st March, 2023:

Balance Sheet as on 31st March, 2023

Liabilities	₹	Assets	₹
Capital fund	15,86,000	Electrical fittings	3,00,000
Expenses payable	14,000	Furniture	1,00,000
		Books	8,00,000
		Investment in securities	3,00,000
		Cash at bank	50,000
		Cash in hand	<u>50,000</u>
	<u>16,00,000</u>		<u>16,00,000</u>

The receipts and payment account for the year ended on 31st March, 2024 is given below:

	₹		₹
To Balance b/d		By Electric charges	14,400
Cash at bank 50,000		By Postage and stationary	10,000
Cash in hand <u>50,000</u>	1,00,000	By Telephone charges	10,000
To Entrance fee	60,000	By Books purchased	1,20,000
To Membership subscription	4,00,000	By Outstanding expenses paid	14,000
To Sale proceeds of old papers	3,000	By Rent	1,76,000
To Hire of lecture hall	40,000	By Investment in securities	80,000
To Interest on securities	16,000	By Salaries	1,32,000
		By Balance c/d	
		Cash at bank	40,000
		Cash in hand	<u>22,600</u>
	<u>6,19,000</u>		<u>6,19,000</u>

You are required to prepare Income and Expenditure account for the year ended 31st March, 2024 after making the following adjustments:

Membership subscription included ₹ 20,000 received in advance.

Provide for outstanding rent ₹ 8,000 and salaries ₹ 6,000.

Books to be depreciated @ 10% per annum including additions. The additions to the books were made on 01.04.2023. Electrical fittings and furniture are also to be depreciated @ 10% per annum.

60% of the entrance fees is to be capitalized.

Interest on securities is to be calculated @ 15% p.a. including purchases made on 1.10.2023 for ₹ 80,000. **(8 Marks)**

- (b) The following is the Balance Sheet of M/s. Krishna Bros as at 31st March, 2024, they share profit and losses equally:

Balance Sheet as at 31st March, 2024

Liabilities		₹	Assets	₹
Capital	Amit	24,600	Machinery	30,000
	Lalit	24,600	Furniture	16,800
	Sumit	27,000	Fixture	12,600
General Reserve		9,000	Cash	9,000
Trade payables		14,100	Inventories	5,700
			Trade receivables	27,000
			Less: Provision for Doubtful debts	<u>1,800</u>
				25,200
		99,300		99,300

Sumit died on 1st April, 2024 and the following agreement was to be put into effect.

- Assets were to be revalued: Machinery to ₹ 35,100; Furniture to ₹ 13,800; Inventory to ₹ 4,500.
- Goodwill was valued at ₹ 18,000 and was to be credited with his share, without using a Goodwill Account.
- ₹ 6,000 is to be paid to the executors of the dead partner on 5th April, 2024.
- After death of Sumit, Amit and Lalit shares the profit equally.

You are required to prepare:

- Journal Entry for Goodwill adjustment.
- Revaluation Account, Capital Accounts of the partners and Balance Sheet after the death of Sumit. **(12 Marks)**

(8 +12 = 20 Marks)

5. (a) Ali draws a bill for ₹45,000 on Akbar on 15th April, 2024 for 3 months, which is returned by Akbar to Ali after accepting the same. Ali gets it discounted with the bank for ₹ 44,100 on 18th April, 2024 and remits one-third amount to Akbar. On the due date Ali fails to remit the amount due to Akbar, but he accepts bill of ₹ 52,500 for 3 months, which Akbar discounts for ₹51,300 and remits ₹ 8,475 to Ali.

Pass necessary Journal entries for the above transactions in the books of Ali. **(5 Marks)**

- (b) Varun 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 requested to prepare trading and profit and loss account for the year 2024:

	1.1.2024	31.12.2024
	₹	₹
Stock	50,000	62,500
Fixed Assets	7,500	9,000

Details of his bank transactions were as follows:

	₹
Sale of fixed assets (book value ₹ 2,500)	1,750
Expenses paid	49,250
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. **(5 Marks)**

- (c) Following is the extract of the Balance Sheet of Substance Ltd. as at 31st March, 2024

Authorised capital:	₹
45,000 12% Preference shares of ₹ 10 each	4,50,000
4,50,000 Equity shares of ₹ 10 each	<u>45,00,000</u>
	<u>49,50,000</u>
Issued and Subscribed capital:	
36,000 12% Preference shares of ₹ 10 each fully paid	3,60,000
4,05,000 Equity shares of ₹ 10 each, ₹ 8 paid up	32,40,000
Reserves and surplus:	
General Reserve	5,40,000
Capital Reserve (profit realized on sale of plant)	1,80,000
Securities premium	1,12,500
Profit and Loss Account	9,00,000

On 1st April, 2024, the Company has made final call @ ₹ 2 each on 4,05,000 equity shares. The call money was received by 20th April, 2024. Thereafter, the company decided to capitalize its reserves by way of

bonus at the rate of one share for every four shares held. Company decides to use Capital Reserve for bonus issue as it has been realized in cash.

Show necessary journal entries in the books of the company and prepare the extract of the Balance Sheet as on 30th April, 2024 after bonus issue.

(10 Marks)

(5+5+10=20 Marks)

6. (a) X Limited issued 2,00,000 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. P who held 20,000 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 2,000 shares and one another shareholder having 1,000 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. P. 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) From the following particulars, prepare a Bank Reconciliation Statement on 31st March 2024.

Particulars	Amount (₹)
Bank balance as per Pass Book	75,00,000
Bills discounted dishonored not recorded in Cash Book	37,50,000
Cheque received entered twice in Cash Book	75,000
Bank charges entered twice in Cash Book	15,000
Insurance premium paid directly by Bank under-standing instruction	4,50,000
Cheque issued but not presented to Bank for payment	37,50,000
Cheque received, but not sent to Bank	84,00,000
Cheque deposited in Bank, but no entry passed in the Cash Book	37,50,000
Credit side of the Bank column cast short	15,000

OR

- (c) Explain in brief objective and advantages of setting Accounting Standards. **(5 Marks)**

(15 + 5 = 20 Marks)

MODEL TEST PAPER 8
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:
- Depreciation cannot be provided in case of loss, in a financial year.
 - At the end of the accounting year, all the nominal accounts of the ledger book are balanced.
 - Any amount spent for replacement of worn out part of a machine is capital expenditure.
 - 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.
 - The debit notes issued are used to prepare Sales Return Book.
 - Debentures Suspense Account appears on the liability side of the Balance Sheet of a Company.

(6 Statements x 2 Marks = 12 Marks)

- (b) Explain the objective of “Accounting Standards” in brief. **(4 Marks)**
- (c) One of your clients Mr. Govind asked you to finalize his account for the year ended 31st March, 2024. As a basis for audit, Mr. Govind furnished you with the following statement:

	Dr.	Cr.
Govind 's Capital		14,004
Govind 's Drawings	5,076	
Leasehold Premises	6,750	
Sales		24,750
Due from customers		4,770
Purchases	11,331	
Purchase Return	2,376	
Loan from Bank		2,304
Trade Expense	6,300	
Trade Payable	4,752	
Bills Payable	900	

Salaries and Wages	5,400	
Cash at Bank	2,034	
Opening Inventory		2,376
Rent and Rates	4,167	
Sales Return		882
	49,086	49,086

The closing inventory was ₹ 5,166. Mr. Govind claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, if any.

(4 Marks)

(12 + 4 + 4 = 20 Marks)

2. (a) Sunshine 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 31st March, 2024 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2024 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2024 with the stock figure as on 31st December, 2023 and some other information is available to you:
- The cost of stock on 31st December, 2023 as shown by the inventory sheet was ₹ 80,000.
 - On 31st December, stock sheet showed the following discrepancies:
 - A page total of ₹ 5,000 had been carried to summary sheet as ₹ 6,000.
 - The total of a page had been undercast by ₹ 200.
 - 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.
 - 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.
 - 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) Prepare a Bank Reconciliation statement for Ramesh Traders as on 31st March, 2024.

The cash book of Ramesh Traders shows a debit balance of ₹ 8,24,400 at bank as on 31st March, 2024, but you find that it does not agree with the balance as per Pass Book. After checking you find the following:

1. On 12th March, 2024 the payment side of the Cash Book was under cast by ₹ 24,000/-
2. A cheque of ₹ 1,70,000 issued on 20th March, 2024 was not taken in the bank column.
3. On 22nd March, 2024 the debit balance of ₹ 37,000 as on the previous day, was brought forwards as credit balance.
4. Out of the total cheques amounting to ₹ 84,000 issued in, the last week of March, 2024, cheques aggregating ₹ 57,000 were encashed in March, 2024.
5. Dividends of ₹ 70,000 collected by the Bank and Fire insurance premium of ₹ 40,000 paid by it were not recorded in the cash book.
6. One cheque issued to a creditor of ₹ 2,58,000 was recorded twice in the Cash book.
7. A debtor Mr. Sahid has deposited the Cheque for ₹ 64,000 into the bank directly in the month of March, 2024 without intimating to Ramesh Traders and the same cheque was dishonored by the bank due to insufficient funds in the month of March itself.
8. A cheque from customer for ₹ 10,000 was deposited in bank on 28th March, 2024 but was dishonored and advice received from bank on 3rd April, 2024.
9. Bank paid credit card bill of ₹ 5,000 which is not recorded in cash book.
10. Bank wrongly credited cheque of ₹ 50,000 of other customer in our account.
11. Bank credited cheque of ₹ 4,000 in savings account of proprietor of Ramesh Traders instead of crediting cheque in current account of Ramesh Traders.
12. ₹ 1,000 discount received wrongly entered in bank column in cash book.
13. Bank debited charges ₹ 400 on 25th March for which no intimation received till 31st March

(10 Marks)

(10 +10 = 20 Marks)

3. (a) Summary of Receipts and Payments of Natures Beauty Society for the year ended 31st March, 2024 are as follows:

Receipts	Amount	Payments	Amount
Subscription Received	5,00,000	Payment for Medicine Supply	3,00,000
Donation Raised for meeting revenue expenditure	1,50,000	Honorarium to Doctors	1,00,000
Interest on Investments @ 9% p.a.	90,000	Salaries	2,80,000
Charity Show Collection	1,25,000	Sundry Expenses	10,000
		Equipment Purchase	1,50,000
		Charity Show Expenses	15,000

Additional Information:

Particulars	01.04.2023	31.03.2024
Subscription due	15,000	22,000
Subscription received in advance	12,000	7,000
Stock of medicine	1,00,000	1,50,000
Amount due for medicine supply	90,000	1,30,000
Value of equipment	2,10,000	3,00,000
Value of building	5,00,000	4,80,000
Cash Balance	80,000	90,000
Opening Balance of Capital Fund	18,03,000	

You are required to prepare:

- (i) Income and Expenditure Account for the year ended 31st March, 2024.
- (ii) Balance Sheet as on 31st March, 2024. **(10 Marks)**
- (b) A, B and C shared profits and losses in the ratio of 5:3:2. They took out a Joint Life Policy in 2020 for ₹ 50,000, a premium of ₹ 3,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows:

2020	Nil
2021	₹ 900
2022	₹ 2,000
2023	₹ 3,600

A retired on 15th April, 2024 and the policy was surrendered. You are required to prepare Joint Life Policy Account from 2020 to 2024 (assuming the Policy Account is maintained at surrendered value basis).

(5 Marks)

- (c) Mr. Nikhil gives the following particulars in respect of business carried on by him:

Particulars	Amount (₹)
Capital Invested in business	9,00,000
Market rate of interest on investment	8%
Rate of risk return on capital invested in business	3%
Remuneration per annum from alternative employment of proprietor if he was not engaged in business	36,000

The business earned profits of ₹ 2,40,000, ₹ 2,16,000 and ₹ 3,00,000 in the years 2020, 2021 and 2023 respectively but made a loss of ₹ 36,000 in the year 2022.

Compute the value of Goodwill on the basis of 6 years' purchase of super profits of the business, calculated on the basis of average profit of last four years.

(5 Marks)

(10 + 5 + 5 = 20 Marks)

4. (a) The Balance Sheet of a Partnership Firm M/s Dutch and Associates consisted of two partners P and Q who were sharing Profits and Losses in the ratio of 5 : 3 respectively. The position as on 31st March, 2024 was as follows:

Liabilities	₹	Assets	₹
P's Capital	4,10,000	Land & Building	3,80,000
Q'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, R was admitted as a partner on the following terms:

- R should get 1/5th of share of profits.
- R brought ₹ 2,40,000 as his capital and ₹ 32,000 for his share of Goodwill.
- 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 ₹ 2,000 for repairs to Buildings would be recorded in the books of accounts and trade creditors are to be increased by ₹ 4,000.

- (f) Immediately after R'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 R.

(10 Marks)

- (b) Sameer Distributors are carrying on the retail business of electrical goods. They keep their books of account under single entry system. The Balance Sheet as on 31st March, 2023 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c	18,15,000	Motor Vehicle	3,30,000
Trade Creditors	2,25,600	Furniture	2,20,500
Salary payable	27,000	Stock in trade	5,12,400
		Trade Debtors	4,36,200
		6% Investments	1,80,000
		Cash in hand & at Bank	3,88,500
	20,67,600		20,67,600

The summary of Cash and Bank Book for the year ended 31st March, 2024 was given as below:

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand & at Bank on 1 st April, 2023	3,88,500	Cash Purchases	28,45,200
Cash Sales	30,67,200	Payment to Trade Creditors	2,26,35,000
Receipts from Trade Debtors	2,56,56,000	Salaries	12,38,400
Interest on investments	10,800	Rent & taxes	7,54,800
		Sundry Expenses	4,15,200
		Drawings	7,20,000
		Cash in hand & at Bank on 31 st March, 2024	5,13,900
	2,91,22,500		2,91,22,500

Additional Information:

- Gross Profit ratio of 12.5% on Sales is maintained throughout the year.
- During the year, discount allowed to Trade debtors was for ₹ 1,87,500 and discount received from Trade Creditors amounted to ₹ 1,05,000.
- As on 31st March, 2024. The closing balances to Trade Debtors and Trade Creditors were ₹6,61,500 and ₹ 3,16,800 respectively.

- (iv) On 31st March, 2024 an amount of ₹ 44,400 was outstanding towards Salary.
- (v) Depreciation @ 10% p.a. to be charged on Motor Vehicle and Furniture.

You are required to prepare Trading and Profit & Loss account for the year ended 31st March, 2024 and Balance Sheet on at that date.

(10 Marks)

(10 + 10 = 20 Marks)

5. (a) M/s. Satya Paul steels were unable to agree the Trial Balance as on 31st March, 2024 and have raised a suspense account for the difference. Next year the following errors were discovered:
- (i) 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 ₹ 3,250 returned by a customer Parth., had been posted to the debit of Parth and also to sales returns.
 - (iv) Sundry items of furniture sold for ₹ 50,000 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) Mr. Sanjay runs a factory which produces tyres. The following details were obtained about his manufacturing expenses for the year ended 31st March 2024:

	Amount (₹)
Opening Work-in – Progress	18,75,000
Closing Work–in Progress	21,45,000
Opening Inventory of Raw material	17,55,000
Closing Inventory of Raw material	14,10,000
Purchases	56,22,000
Purchase Returns	2,85,000
Carriage Inward	8,10,000
Direct Wages	11,91,000
Power & Electricity	5,28,000
Repairs and Maintenance	7,95,000
Depreciation on Factory Shed	4,32,000

Depreciation on Plant & Machinery	4,86,000
Sale of scrap	1,08,000

You are required to prepare Manufacturing Account for the year ended 31st March, 2024. **(5 Marks)**

- (c) The books of Rishab Ltd. showed the following balance on 31st December, 2024:

60,000 Equity Shares of ₹ 10 each fully paid; 36,000 12% Redeemable Preference Shares of ₹ 10 each fully paid; 4,000 10% Redeemable Preference Shares of ₹ 10 each, ₹ 8 paid up (all shares issued on 1st April, 2024).

Undistributed Reserve and Surplus stood as: Profit and Loss Account ₹ 1,60,000; General Reserve ₹ 2,40,000; Securities Premium Account ₹ 30,000 and Capital Reserve ₹ 42,000.

For redemption, 6,000 equity shares of ₹10 each are issued at 10% premium. At the same time, 12% Preference shares are redeemed on 1st January, 2024 at a premium of ₹2 per share. The whereabouts of the holders of 200 shares of ₹10 each fully paid are not known.

A bonus issue of equity share was made at par, two shares being issued for every five held on that date out of the Capital Redemption Reserve Account. However, equity shares, issued for redemption are not eligible for bonus.

Show the necessary Journal Entries to record the transactions. (Ignore date column) **(10 Marks)**

(5 + 5 + 10 = 20 Marks)

6. (a) Samuel Limited issued a prospectus inviting applications for 1,20,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows:

On Application	-	₹ 3 per share
On Allotment	-	₹ 5 per share (including premium)
On First and Final Call	-	₹ 4 per share

Applications were received for 3,60,000 equity shares. Applications for 80,000 shares were rejected and the money refunded. Shares allotted to remaining applications as follows:

Category	No. of shares Applied	No. of shares Allotted
I	1,60,000	80,000
II	1,20,000	40,000

Excess money received with applications was adjusted towards sums due on allotment and the balance amount returned to the applicants. All calls were made duly received except the final call by a shareholder belonging to Category I who has applied for 680 shares. His shares were

forfeited. The forfeited shares were reissued at ₹ 13 per share fully paid-up.

Pass necessary journal entries for the above transactions in the books of Samuel Ltd. Open call in arrears account whenever required.

(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

What are the salient features of Goods and Services Tax (GST)?

(5 Marks)

(15 + 5 = 20 Marks)

MODEL TEST PAPER 9
FOUNDATION COURSE
PAPER – 1: ACCOUNTING

Question No. 1 is compulsory.

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

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

Working Notes should form part of the answer.

(Time allowed: 3 Hours)

(100 Marks)

1. (a) State with reasons, whether the following statements are True or False:

- (i) If Closing Stock appears in the Trial Balance then it does not enter in Trading Account. It is shown only in the Balance Sheet.
- (ii) If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called error of principle.
- (iii) Accounting Standards can override the statute.
- (iv) Promissory Note is different from Bill of Exchange because the amount is paid by maker in case of former and by the acceptor in the later.
- (v) All errors are rectified by means of journal entries.
- (vi) Revaluation Account is also known as Profit and Loss Adjustment Account. **(6 x 2 = 12 Marks)**

- (b) (i) Define accounting policy. What are the conditions under which a company can change its accounting policy?
- (ii) Explain the following:

(1) Cash Basis of Accounting

(2) Going Concern concept

(2 x 2 = 4 Marks)

- (c) Pass journal entries for the following transactions in the books of Mr. Kapil:

- (i) Purchased goods from Sonu for ₹ 1,50,000 at a trade discount of 10% plus CGST and SGST @ 6% each.
- (ii) Sold goods to Mohit for ₹ 50,000 and charged CGST and SGST @ 5% each. Out of the amount due 40% is received by cheque immediately.
- (iii) Goods costing ₹ 25,000 withdrawn for personal use. Such Goods were purchased by paying CGST and SGST @ 6% each.
- (iv) Machinery purchased from M/s Bright Industries for ₹ 2,00,000 plus CGST and SGST @ 9% each. Paid ₹ 1,00,000 immediately by cheque and balance to be paid after two months.

(4 x 1 = 4 Marks)

2. (a) The Trial Balance of Mr. Sarvesh Kumar as on 31st March, 2024 did not tally and the difference was posted to Suspense Account. On a scrutiny of the books the following errors were detected:

- (i) The total of Sales Returns Book for January 2024 has been casted short by ₹ 1,000.
- (ii) Freight paid for installation of a Machine ₹ 6,500 was posted to the Freight Account as ₹ 5,600.
- (iii) Goods of the value of ₹ 2,500 returned by a customer were entered in the Sales day Book and posted therefrom to the credit of his account.
- (iv) ₹ 18,000 paid for purchase of old Motorcycle for personal use of Mr. Sarvesh Kumar was debited to conveyance account.
- (v) A purchase of ₹ 6,700 had been posted to creditor's account as ₹ 6,000.
- (vi) Receipt of cash ₹ 5,000 from Mr. Avinash was posted to the debit of his account.
- (vii) A cheque for ₹ 2,500 received from Mr. Alok had been dishonoured and was posted to the debit of Mr. Ashok.
- (viii) Sale of ₹ 8,500 to Mr. Deepak was recorded in the sales book correctly but while posting in ledger credited to his account.
- (ix) The total of "Discount Allowed" column in the cash for the month of December 2023 amounting to ₹ 3,800 was not posted.
- (x) Sale of old office table for ₹ 2,200 treated as sale of goods.

You are required to pass necessary journal entries with narrations to rectify the above errors. **(12 Marks)**

- (b) On 1st April, 2022, LMP Co. which depreciates its machinery @10% p.a. on diminishing balance method, had ₹ 9,72,000 to the debit of Machinery Account. On 1st October, 2022, part of machinery purchased on 1st April, 2020 for ₹ 80,000 was sold for ₹ 45,000.

Also, a new machinery at a cost of ₹ 1,50,000 was purchased on 1st October, 2022 and installed on the same date and installation charges being ₹ 8,000.

The company changed the method of depreciation from diminishing balance method to straight line method on 1st April, 2022. The rate of depreciation remains the same.

Show the Machinery Account and ascertain the amount chargeable to Profit and Loss Account as depreciation in the year 2022-23.

(8 Marks)

3. (a) The Receipts and Payments Account of Vandana Sports Club for the year ended 31st March, 2024 are as follows:

Receipts and Payments Account

Receipts	Amount (₹)	Payment	Amount (₹)
To Balance b/d		By Salaries	1,55,000
Cash in hand 5,200		By Rent & Electricity	69,750
Cash at Bank <u>35,500</u>	40,700	By Library Books	10,500
To Subscriptions	2,95,000	By Newspaper & Magazines	16,600
To Entrance fees	50,000	By Sports Equipment	28,500
To Miscellaneous	19,850	By Sundry Expenses	71,050
Income		By Balance c/d	
To Interest on	8,000	Cash in hand 8,750	
Investments		Cash at Bank <u>53,400</u>	<u>62,150</u>
	<u>4,13,550</u>		4,13,550

Details of other assets and liabilities are furnished as follows:

Particulars	31 st March 2023 (₹)	31 st March 2024 (₹)
Salaries Outstanding	10,200	12,400
Outstanding Rent & Electricity	6,500	7,600
Investment (8% Govt. Bonds)	1,00,000	1,00,000
Interest Accrued on Bonds	2,000	2,000
Subscription receivable	18,700	20,600
Subscription received in advance	7,000	8,400
Furniture	65,500	
Sports Equipment	41,500	
Library Books	22,000	

The closing values of furniture and sports equipment are to be determined after charging depreciation at 10% and 15% respectively inclusive of additions, if any during the year. The Club's library books are revalued at the end of every year and the value at the end of 31st March, 2024 was ₹ 30,000. 60% of the Entrance fee is to be capitalized.

You are required to prepare:

- (i) Income and Expenditure Account for the year ended 31st March, 2024
- (ii) Balance Sheet as on 31st March, 2024 **(12 Marks)**
- (b) P, Q and R were partners sharing profit & losses in the ratio of 3:2:1. They decided to dissolve the business as on 31st March, 2024 when their Balance Sheet was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c:		Land & Building	4,85,000

P	3,55,000		Machinery	1,88,000
Q	2,20,000		Furniture	1,05,000
R	<u>1,25,000</u>	7,00,000	Stock	55,800
General Reserve		1,50,000	Trade Debtors	1,56,000
Employees Provident Fund		60,000	Cash & Bank	44,200
Trade Creditors		1,24,000		
		10,34,000		10,34,000

The following information is given to you:

- There was an unrecorded investment which was sold for ₹ 30,000.
- One of the creditors agreed to take over some items of furniture of Book value ₹ 25,000 at ₹ 24,000. The rest of the creditors were paid at a discount of 5%.
- Out of the trade debtors ₹ 9,000 proved bad, remaining were fully realized.
- The other assets were realised as under:

Land & Building	₹ 5,25,000
Machinery	₹ 1,70,000
Furniture	Remaining taken over by P at ₹ 75,000
Stock	₹ 60,000

- Expenses of dissolution amounted to ₹ 18,700.
- There was an outstanding bill for repairs which had to be paid for ₹ 3,500.

You are required to prepare:

- Realisation A/c
- Cash & Bank A/c
- Partner's Capital A/c in the books of partnership firm. **(8 Marks)**

4. (a) Anu and Manu are carrying on business in partnership and sharing profits & losses in the ratio of 5:3. The firm's Balance Sheet as on 31st March, 2024 was as follows:

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts:		Building	3,80,000
Anu	2,80,000	Machinery	1,43,000
Manu	2,50,000	Furniture	85,000
Long Term Loan	2,00,000	Trade Receivables	1,64,000
Trade Payables	1,19,500	Inventories	48,400
Outstanding liabilities	16,200	Investments	15,200
		Cash & Bank	30,100
	8,65,700		8,65,700

They decided to admit Ranu as a partner with effect from 1st April, 2024 on the following terms:

- (i) Ranu will be paid 1/5 share in the future profits and new profit sharing ratio would be 5:3:2.
- (ii) Ranu will bring ₹ 1,00,000 as his capital.
- (iii) Goodwill of firms is to be valued at 2 years' purchase of average profit of past 3 years and Ranu will bring his share of goodwill in cash. The profits of past 3 years ending on 31st March were as under:

31 st March,2022	₹ 87,000
31 st March,2023	₹ 1,06,000
31 st March,2024	₹ 1,22,000

- (iv) It was also agreed that the partners will not withdraw their share of goodwill nor will the goodwill appear in the books of account.
- (v) It was also decided to value the assets:

Building is to be appreciated by ₹ 50,000 and Machinery is to be depreciated by 10%. Furniture is revalued at ₹ 80,000. Investments at ₹ 16,000 and Inventories at ₹ 47,500.

Provision for doubtful debts is to be created on debtors @ 5%.

You are required to prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm as on 1st April, 2024.

(12 Marks)

- (b) Harshit Traders are carrying on the retail business of electrical goods. They keep their books of account under single entry system. The Balance Sheet as on 31st March, 2023 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c	6,05,000	Motor Vehicle	1,10,000
Trade Creditors	75,200	Furniture	73,500
Salary payable	9,000	Stock in trade	1,70,800
		Trade Debtors	1,45,400
		6% Investments	60,000
		Cash in hand & at Bank	1,29,500
	6,89,200		6,89,200

The summary of Cash and Bank Book for the year ended 31st March, 2024 was given as below:

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand & at Bank on 1 st April,2023	1,29,500	Cash Purchases	9,48,400
Cash Sales	10,22,400	Payment to Trade Creditors	75,45,000
Receipts form Trade Debtors	85,52,000	Salaries	4,12,800
Interest on investments	3,600	Rent & taxes	2,51,600
		Sundry Expenses	1,38,400
		Drawings	2,40,000
		Cash in hand & at Bank on 31 st March,2024	1,71,300
	97,07,500		97,07,500

Additional Information:

- Gross Profit ratio of 12.5% on Sales is maintained throughout the year.
- During the year, discount allowed to Trade debtors was for ₹ 62,500 and discount received from Trade Creditors amounted to ₹ 35,000.
- As on 31st Mrch,2024. The closing balances to Trade Debtors and Trade Creditors were ₹2,20,500 and ₹ 1,05,600 respectively.
- On 31st March,2024 an amount of ₹ 14,800 was outstanding towards Salary.
- Depreciation @ 10% p.a. to be charged on Motor Vehicle and Furniture.

You are required to prepare Trading and Profit & Loss account for the year ended 31st March,2024 and Balance Sheet as n that date.

(8 Marks)

- Manish closed his books of account on 31stMarch, each year. Inventory taking for the year ended 31st March, 2024 was completed by 10th April, 2024 on which date value of the stock available in godown was of ₹ 4,50,000 at cost.

Following are the details of transactions that took place between 31st March, 2024 and 10th April, 2024:

- Goods sold to customers ₹ 1,10,000.
- Sales return ₹ 10,000.
- Purchases ₹ 85,000 (Including Cash Purchases ₹ 10,000).
- Purchases return amounted to ₹ 2,500.
- Goods costing 15,000 received in March, for sale on consignment basis, out of which 60% of goods had been sold by 10th April. These sales are not included in above sales.

- (vi) After the stock was taken, it was found that there was certain very old slow- moving items costing ₹ 14,850, which should be taken at ₹ 9,500 to ensure disposal to an interested customer.

Goods are sold at a profit margin of 25% on cost. Ascertain the value of inventory for inclusion in the final accounts for the year ended 31st March, 2024. **(5 Marks)**

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

- (i) Mr. Prakash runs a factory which produces Pressure Cookers. The following details were obtained about his manufacturing expenses for the year ended 31st March 2024:

	Amount (₹)
Opening Work-in – Progress	6,25,000
Closing Work-in Progress	7,15,000
Opening Inventory of Raw material	5,85,000
Closing Inventory of Raw material	4,70,000
Purchases	18,74,000
Purchase Returns	95,000
Indirect Material	1,88,000
Direct Wages	3,97,000
Indirect Wages	82,000
Power & Electricity	1,76,000
Repairs and Maintenance	2,65,000
Depreciation on Factory Shed	1,44,000
Depreciation on Plant & Machinery	1,62,000
Sale of scrap	36,000

You are required to prepare Manufacturing Account for the year ended 31st March, 2024. **(5 Marks)**

OR

- (ii) From the following particulars, prepare the Bank Reconciliation Statement of businessman as on 31st March, 2024:

Sl. No.	Particulars	₹
1	Bank Overdraft as per cash book	24,000
2	Cheque deposited as per bank statement but not recorded in cash book	4,000
3	Cash received from Exe was entered in bank column of cash book.	3,150
4	Debit side of the bank column casted short	1,000

5	A cheque for ₹ 9,000 deposited but collection as per bank statement	8,950
6	Bills sent to the bank for collection, collected by the bank but not recorded in cash book	4,200
7	Bank charges recorded twice in cash book	40
8	Noting charges debited in Pass-Book for discounted bill dishonoured	60
9	Cheques deposited on 25 th March, 2024 but collected by bank on 5 th April, 2024	4,800
10	Cheques issued on 26 th March, 2024 but presented for encashment on 6 th April, 2024	3,000

(5 Marks)

- (c) The following is the abstract of Balance Sheet Happy Ltd. as on 31st March, 2024:

	₹
Issued and paid up capital	
90,000 Equity shares of ₹ 10 each fully paid-up	9,00,000
Less: Calls-in-arrear (10,000 Equity shares of ₹ 2 each) <u>20,000</u>	8,80,000
40,000 Equity shares of ₹ 10 each, ₹ 4 cash paid up	1,60,000
<u>Reserves and Surplus:</u>	
Capital Reserve (realized in cash)	60,000
Capital Redemption Reserve	1,60,000
Securities Premium	1,00,000
General Reserve	1,20,000
Profit and Loss Account	7,00,000

On 1st April, 2024. The company makes final call @ 6 each on 40000 equity shares. The call money is duly received by 30th April, 2024.

On 1st May, 2024 the Board of Directors of the company decided:

- To forfeit the share on which final call of ₹ 2 each is due:
- To re- issue the forfeited share @ ₹ 11 each as fully paid up:
- To issue fully paid bonus shares in the ratio of one fully paid bonus share for every two fully paid shares held; and
- To use minimum balance of Profit and Loss Account.

Pass necessary journal entries in the books of the company on the basis of the above decisions.

(10 Marks)

6. (a) The following balances appeared in the Books of Mac Ltd. as on 31stDecember, 2023:

	Amount (₹)
80,000, 10% Preference shares of ₹ 100 each, ₹ 75 paid up	60,00,000
2,00,000 Equity share of ₹ 100 each fully paid up	2,00,00,000
Securities Premium	6,50,000
Capital Redemption Reserve	42,00,000
General Reserve	85,00,000

Under the terms of their issue, the preference shares are redeemable on 31st March,2024 at a premium of 5%. In order to finance the redemption, the company makes a right issue of 60,000 equity shares of ₹ 100 each at a premium of 10%, ₹ 25 being payable on application, ₹ 45 (including premium) on allotment and the balance on 1st August, 2024. The issue was fully subscribed and the allotment made on 1st March,2024. The amount due on allotment was duly received by 25th March,2024.

The preference shares were redeemed after fulfilling the necessary conditions of section 55 of the Companies Act, 2023.

You are required to pass the necessary Journal Entries (including narrations) to give effect to the above arrangement. Also prepare the Notes to accounts on Share Capital Reserves and Surplus relevant to the Balance Sheet immediately after the redemption of preference shares as on 31st March, 2024. Ignore date column in Journal.

(15 Marks)

- (b) What are the advantages of Subsidiary Books?

(5 Marks)

MODEL TEST PAPER 10
FOUNDATION COURSE
PAPER – 1: ACCOUNTING

Question No. 1 is compulsory.

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

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

Working Notes should form part of the answer.

(Time allowed: 3 Hours)

(100 Marks)

1. (a) State with reasons, whether the following statements are True or False:
 - (i) The rule of nominal accounts states that all expenses and losses are recorded on credit side.
 - (ii) Overhaul Expenses of a second-hand machinery purchased are Revenue Expenditure.
 - (iii) Valuation of inventory at cost or net realizable value is based on Principle of Conservatism.
 - (iv) A Promissory Note can be made payable to the Bearer.
 - (v) The Receipts and payment account for a non-profit organization follows the accrual concept of accounting.
 - (vi) Legal heirs of a deceased partner are entitled to his capital account balance only. **(6 x 2=12 Marks)**
- (b) Differentiate between Book-keeping and Accounting. **(4 Marks)**
- (c) Pass the necessary journal entries to rectify the following errors, using a Suspense Account:
 - (i) Goods of the value of ₹ 500 returned by Mr. A were entered in the Sales Day Book and posted there from to the credit of his account;
 - (ii) ₹ 250 entered in the Sales Returns Book, has been posted to the debit of Mr. R, who returned the goods;
 - (iii) A sale of ₹ 700 made to Mr. Q was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. S as ₹ 70;
 - (iv) The total of "Discount allowed" Column in the Cash Book for September amounting to ₹ 350 was not posted. **(4 Marks)**
2. (a) The cash book of Hari showed a debit balance of ₹ 1,36,800 as on 31.12.2023 which was in disagreement with balance as per pass book. Following discrepancies were noticed:
 - (i) Dividend of ₹ 18,000 was deposited in the bank of which Hari had no information
 - (ii) Cheque was issued to Suresh of ₹ 14,780 on 18.12.2023 which was recorded in cash book as ₹ 14,870.

- (iii) Cheques totaling of ₹ 55,000 were deposited into bank on 30.12.2023 which were not cleared until 31.12.2023.
- (iv) Mediciclaim premium of ₹ 14,160 was paid as per the standing instruction of Hari which was not recorded in cash book.
- (v) Goods amounting ₹ 1,60,000 were sold to Ajay in November 2023. He deposited cheque on 15.12.2023 after deducting 4% cash discount. This entry was missed while preparing cash book.
- (vi) Bank charges for issue of cheque book ₹ 150 was skipped while preparing cash book.
- (vii) Hari received a UPI of ₹ 1,000 on 29.12.2023 for sale of scrap which was not entered in cash book.
- (viii) Cheques amounting to ₹ 1,80,000 were issued during the month but cheques of ₹ 1,44,000 were only presented during the month for payment.

Prepare Bank Reconciliation Statement on 31.12.2023 and ascertain balance as per pass-book. **(10 Marks)**

- (b) Harry draws a bill on Sejal for ₹ 60,000 on 01.01.2023 for 3 months. Sejal accepts the bill and sends it back to Harry to get it discounted for ₹ 56,000. Harry remits 1/4th amount to Sejal. On the due date, Harry was unable to remit his share to Sejal, rather accepts a bill of ₹ 80,000 for a period of 3 months. This bill was discounted by Sejal for ₹ 74,600. Sejal after making the payment of first bill sent 3/4th of the amount remaining to Harry. On maturity of the bill, Harry became bankrupt and his estate paying 40 paise in the rupee.

Give journal entries in the books of Sejal. Also prepare ledger account of Harry. All workings should form part of the answer. **(10 Marks)**

3. (a) The following trial balance is the trial balance of a Proprietor as on March 31 2024. Prepare Trading and Profit & Loss Account for the year ending March 31st 2024 and a Balance Sheet as at that date.

Particulars	Amount (₹)	Particulars	Amount (₹)
Plant and Machinery	5,00,000	Capital	4,00,000
Office Furniture	26,000	Sundry Creditors	5,20,000
Opening Stock	4,80,000	Sales	48,00,000
Motor Van	1,20,000	Bills Payable	56,000
Sundry Debtors	4,57,000	Provision for Doubtful Debts	25,000
Cash in hand	4,000	Return Outwards	55,000
Cash at Bank	65,000	Discount Received	37,000
Wages	15,00,000		
Salaries	1,40,000		
Purchases	21,35,000		

Bills Receivable	72,000	
Return Inwards	93,000	
Drawings	70,000	
Advertisements	60,000	
Factory Rent	8,000	
Insurance	63,000	
General Expenses	10,000	
Bad debts	25,000	
Discount allowed	65,000	
	58,93,000	58,93,000

Additional Information to be considered:

- (i) Closing Stock on March 31st 2024 is ₹ 5,20,000.
 - (ii) During the year, plant and machinery was purchased for ₹ 3,00,000 but it was debited to purchase account.
 - (iii) 3 months factory rent is due but not paid ₹ 3,000.
 - (iv) Provide depreciation at 5% per annum on furniture and 10% on plant and machinery and motor van.
 - (v) Further bad debts ₹ 7,000.
 - (vi) Provision for doubtful debts to be increased to ₹ 30,000 at year-end.
 - (vii) Provision for discount on Debtors to be made at 2%. **(10 Marks)**
- (b) The following is the Balance Sheet of Krish and Bala, sharing profit and loss in the ratio 3: 2

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts:		Land & Buildings	28,000
Krish 25,000			
Bala <u>15,000</u>	40,000	Plant & Machinery	15,000
General Reserve	26,000	Stock	10,000
Workmen's Compensation Reserve	10,000		
Creditors	10,000	Debtors 25,000	
Employee's Provident Fund	8,000	Less: Provision for Doubtful debts <u>4,000</u>	21,000
		Bank	20,000
	94,000		94,000

On admission of Sobha for 1/6th share in the profits, it was decided that:

- (1) Value of land and buildings to be increased by ₹ 5,000.
- (2) Value of stock to be increased by ₹ 3,500.
- (3) Provision of doubtful debts to be increased by ₹ 1,500.
- (4) Liabilities of workmen's compensation reserve was determined to be ₹ 8,000.
- (5) Sobha was to bring in cash of ₹ 25,000 as her capital.
- (6) Sobha brought in her share of goodwill ₹ 12,000 in cash.

Prepare the Revaluation Account, the Capital Account and the Balance Sheet of the new firm. **(10 Marks)**

4. (a) X, Y and Z were in a firm sharing profit and loss as 3: 2: 1. Their Balance Sheet on 31st March, 2024 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
X's Capital	78,000	Goodwill	12,000
X's Capital	42,000	Patents	30,000
Z's Capital	31,000	Machinery	60,000
Investment		Investment (Market value ₹ 27,600)	25,000
Fluctuation Fund	6,000	Stock	30,650
Workmen's Compensation	12,000	Debtors 50,000	
Trade Creditors	31,000	Less: Provision for doubtful debts <u>4,000</u>	46,000
Employee's Provident Fund	12,000	Cash at Bank	8,350
	2,12,000		2,12,000

Z retired on the above date on the following terms:

- (1) Goodwill of the firm was valued at ₹ 60,000.
- (2) Value of patents was to be reduced by 20% and that of machinery to 90%.
- (3) Provision for doubtful debts was to be raised to 10%.
- (4) Liability on account of Provident fund was only ₹ 6,000.
- (5) Liability for workmen compensation to the extent of ₹ 6,000 is to be created.
- (6) Z took over the investment at market value.

- (7) Amount due to Z is to be settled on the following basis- 50% on retirement, 50% of the balance within one year and the balance by a bill of exchange (without interest) at 3 months.

You are required the following:

- (i) Show entries for the treatment of goodwill,
- (ii) Prepare Revaluation Account,
- (iii) Partner Capital Account, &
- (iv) Balance Sheet.

(10 Marks)

- (b) From the following Receipts and Payments Account of Delhi Club, prepare Income & Expenditure Account for the year ended 31.12.2023 and its Balance Sheet as on that date.

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand (Opening)	8,100	Salary	3,000
Cash in Bank (Opening)	15,000	Repair Expenses	500
Donations	7,000	Purchase of furniture	7,000
Subscriptions	10,000	Miscellaneous Expenses	500
Entrance fees	1,500	Purchase of Investments	6,000
Interest on Investments	100	Insurance Premium	300
Interest received from Bank	400	Billiards Table	10,000
Sale of Old Newspaper	250	Paper, Ink, etc.	250
Sale of Drama Tickets	1,250	Drama Expenses	500
		Cash in hand (Closing)	4,500
		Cash in Bank (Closing)	11,050
	43,600		43,600

Information:

- (1) Subscriptions in Arrear for 2023 ₹ 1,200, subscription in advance for 2024 ₹ 550.
- (2) Insurance Premium outstanding ₹ 80, Miscellaneous Expenses prepaid ₹ 90.
- (3) 50% of Donation is to be capitalized.
- (4) Entrance fee are to be treated as Revenue Income.
- (5) 8% Interest has accrued on Investments for 5 months.
- (6) Billiards Table costing ₹ 30,000 were purchased during the last year and ₹ 20,000 were paid for it.

(10 Marks)

5. (a) Physical verification of stock in a business was done on 23rd June, 2023. The value of the stock was ₹ 4,80,000. The following transactions took place between 23rd June, 2023 and 30th June, 2023:

- (i) Out of the goods sent on consignment, goods at cost worth ₹ 24,000 were unsold.
- (ii) Purchase of ₹ 40,000 were made out of which goods worth ₹ 16,000 were delivered on 5th July, 2023
- (iii) Sales were ₹ 1,36,000 which include goods worth ₹ 32,000 sent on approval. Half of these goods were returned before 30th June 2023, but no information is available regarding the remaining goods.
- (iv) Goods are sold at cost plus 25%. However, Goods costing ₹ 24,000 had been sold for ₹ 12,000.

Determine the value of stock on 30th June, 2023.

(5 Marks)

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

- (i) PQR associates bought a computer set on 01.04.2020 for ₹ 2,00,000 and charged depreciation @ 20% p.a. on diminishing balance method. They made further additions as follows:

Date	Amount
01.04.2021	₹ 1,50,000
01.04.2023	₹ 1,00,000

On 01.04.2023 it was decided to change the method to straight line basis and charge depreciation assuming the expected life of all the computers to be 8 years from 01.04.2023. Prepare Computers A/c for year ending 31.03.2024.

OR

- (ii) Following information relates to Mr. Prem who maintains his books under single entry system. He is not able to ascertain the amount of bad debts incurred by him and seeks your help.

Debtors as on 01.04.2023 ₹ 6,50,000

Debtors as on 31.03.2024 ₹ 8,50,000

Sale for Financial Year 2023-2024 is 16,00,000 out of which 80% is on credit.

Payment received during the year is ₹ 7,50,000 out of which cheques of ₹ 18,000 were dishonored. Bills of exchange accepted by customers ₹ 2,90,000

Discount allowed is 1% of the credit sale.

(5 Marks)

- (c) XYZ Ltd. an unlisted company issued 6000, 12% debentures of ₹ 100 each at a discount of 5% on 01.04.2021. Interest is payable annually on 31st March every year. The debentures are redeemable at premium of 10% in 3 equal annual installments beginning from 31.03.2022. The company invested in specified securities for the redemption of debentures. Entire loss on issue to be booked in the 1st year. You are required to pass journal entries for all the 3 years.

(10 Marks)

6. (a) P Limited issued 6,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share, payable as ₹ 3 on application, ₹ 5 on allotment (including premium) and the balance in two calls of equal amount. Applications were received for 8,00,000 shares and pro-rata allotment was made to all the applicants. The excess application money was adjusted towards allotment. Harish to whom 1600 shares were allotted failed to pay both calls and his shares were subsequently forfeited after second call. You are required to pass journal entries in the books of P Limited and prepare bank account. **(15 Marks)**
- (b) Differentiate between Periodic Inventory System and Perpetual Inventory System. **(5 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 31st 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 12th August 2023. M/s Baba Brick House has two Lorries of 5,000

brick capacity. On 12th 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 14th June, 2023. Sumit presented the cheque in his bank and his bank informed him on 19th 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 1st April 2006 to 28th June 2016. They were allotted shares in Jagannath Oils Limited first time on 1st July 2007 which were sold by them on 1st August 2016. After some time, on 1st 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 1st April 2006 to 28th 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 7th March 2023 by the fall of hammer in favour of the highest bidder X. The payment of auction price was made on 8th March 2023 followed by the delivery of goods on 10th 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 14th 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 16th 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 30th 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 4
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) (i) Rahul found a smart watch in a restaurant. He enquired about all the customers present there but the true owner could not be found. He handed over the same to the manager of the restaurant to keep till the true owner is found. After a week he went back to the restaurant to enquire about the smart watch. The manager refused to return it to Rahul, saying that it did not belong to Rahul. In the light of the Indian Contract Act, 1872, can Rahul recover it from the Manager?
(4 Marks)
- (ii) Mr. Vikas a businessman has been fighting a long-drawn litigation with Mr. Neeraj an industrialist. To support his legal campaign, he enlists the services of Mr. Manoj a Judicial officer stating that the amount of ₹10 lakhs would be paid to him if he does not take up the brief of Mr. Neeraj.

Mr. Manoj agrees but, at the end of the litigation Mr. Vikas refuses to pay to Mr. Manoj. Decide whether Mr. Manoj can recover the amount promised by Mr. Vikas under the provisions of the Indian Contract Act, 1872?
(3 Marks)
- (b) (i) Mr. Samyak was appointed as an employee of Moonlight Timber Private Limited on the condition that if he was to leave his employment, he will not solicit customers of the company. After some time, he was fired from the company. He set up his own business under proprietorship and undercut Moonlight Timber Private Limited's prices. On the legal advice from his legal consultant and to refrain from the provisions of breach of contract, he formed a new company under the name Nine Stars Timbers Private Limited. In this company, his wife and a friend of Mr. Samyak were the sole shareholders and directors. They took over Samyak's business and continued it. Moonlight Timber Private Limited files a suit against Nine Stars Timbers Private Limited for violation of contract. Nine Stars Timbers Private Limited argued that the contract was entered into between Mr. Samyak and Moonlight Timber Private Limited and as the company has separate legal entity, Nine Stars Timbers Private Limited has not violated the

terms of agreement. Explain with reasons, whether separate legal entity between Mr. Samyak and Nine Stars Timbers Private Limited will be disregarded? **(4 Marks)**

- (ii) Pacific Motors Limited is a government company. Rama Auto Private Limited is a private company having share capital of ten crores in the form of ten lacs shares of ₹ 100 each. Pacific Motors Limited is holding five lacs five thousand shares in Rama Auto Private Limited. Rama Auto Private Limited claimed the status of Government Company. Advise as legal advisor, whether Rama Auto Private Limited is government company under the provisions of Companies Act, 2013? **(3 Marks)**

- (c) (i) When the continuing guarantee can be revoked under the Indian Partnership Act, 1932? **(2 Marks)**

- (ii) With reference to the provisions of Indian partnership Act, 1932 explain the various effects of insolvency of a partner. **(4 Marks)**

2. (a) Mrs. Seema went to the local rice and wheat wholesale shop and asked for 100 kgs of Basmati rice. The Shopkeeper quoted the price of the same as ₹ 125 per kg to which she agreed. Mrs. Seema insisted that she would like to see the sample of what would be provided to her by the shopkeeper before she agreed upon such a purchase.

The shopkeeper showed her a bowl of rice as a sample. The sample exactly corresponded to the entire lot.

The buyer examined the sample casually without noticing the fact that even though the sample was that of Basmati Rice, it contained a mix of long and short grains.

The cook on opening the bags complained that the dish, if prepared with the rice would not taste the same as the quality of rice was not as per requirement of the dish.

Now Mrs. Seema wants to file a suit of fraud against the seller alleging him of selling a mix of good and cheap quality rice. Will she be successful?

Explain the basic law on sale by sample under Sale of Goods Act, 1930?

What would be your answer in case Mrs. Seema specified her exact requirement as to length of rice? **(7 Marks)**

- (b) (i) Explain listed company and unlisted company as per the provisions of the Companies Act, 2013. **(2 Marks)**

- (ii) Explain the classification of the companies on the basis of control as per the Companies Act, 2013. **(5 Marks)**

- (c) (i) Who are the individuals which shall not be capable of becoming a partner of a Limited Liability Partnership? **(3 Marks)**

(ii) What are the effects of registration of Limited Liability Partnership?

(3 Marks)

3. (a) (i) Mr. Ram and Mr. Raheem are working as teachers in Ishwarchand Vidhyasagar Higher Secondary School and also are very good friends. They jointly purchased a flat which was given on rent to Mr. John. It was decided between landlords and tenant that the rent would be ₹ 10,000 per month inclusive of electricity bill. It means electricity bill will be paid by landlords. The landlords, by mistake, did not pay the electricity bill for the month of March 2023. Due to this, the electricity department cut the connection. Mr. John has to pay the electricity bill of ₹ 2800 and ₹ 200 as penalty to resume the electricity connection. Mr. John claimed ₹ 3000 from Mr. Ram but Mr. Ram replied that he is liable only for ₹ 1500.

Mr. John said that Mr. Ram and Mr. Raheem are partners therefore he can claim the full amount from any of the partners. Explain, whether under the provision of Indian Partnership Act, 1932, Mr. Ram is liable to pay whole amount of ₹ 3000 to Mr. John?

(4 Marks)

- (ii) Explain in detail the circumstances which lead to liability of firm for misapplication by partners as per provisions of the Indian Partnership Act, 1932.

(3 Marks)

- (b) Mr. R, a manufacturer of toys approached MNO Private Limited for supply of raw material worth ₹ 1,50,000/-. Mr. R was offered a credit period of one month. Mr. R went to the company prior to the due date and met Mr. C, an employee at the billing counter, who convinced the former that the payment can be made to him as the billing-cashier is on leave.

Mr. R paid the money and was issued a signed and sealed receipt by Mr. C. After the lapse of due date, Mr. R received a recovery notice from the company for the payment of ₹ 1,50,000/-.

Mr. R informed the company that he had already paid the above amount and being an outsider had genuine reasons to trust Mr. C who claimed to be an employee and had issued him a receipt.

The Company filed a suit against Mr. R for non-payment of dues. Discuss the fate of the suit and the liability of Mr. R towards company as on current date in consonance with the provision of the Companies Act, 2013? Would your answer be different if a receipt under the company seal was not issued by Mr. C after receiving payment?

(7 Marks)

- (c) Define consideration. What are the legal rules regarding consideration under the Indian Contract Act, 1872? **(6 Marks)**
4. (a) (i) Mr. A, the employer induced his employee Mr. B to sell his one room flat to him at less than the market value to secure promotion. Mr. B sold the flat to Mr. A. Later on, Mr. B changed his mind and decided to sue Mr. A. Examine the validity of the contract as per the provisions of the Indian Contract Act, 1872. **(3 Marks)**
- (ii) Mr. S promises Mr. M to paint a family picture for ₹ 20,000 and assures to complete his assignment by 15th March, 2023. Unfortunately, Mr. S died in a road accident on 1st March, 2023 and his assignment remains undone. Can Mr. M bind the legal representative of Mr. S for the promise made by Mr. S? Suppose Mr. S had promised to deliver some photographs to Mr. M on 15th March, 2023 against a payment of ₹ 10,000 but he dies before that day. Will his representative be bound to deliver the photographs in this situation?
- Decide as per the provisions of the Indian Contract Act, 1872. **(4 Marks)**
- (b) Explain the Rules as to compensation payable in case of dishonour of promissory note, bill of exchange or cheque, by any party liable to the holder or any endorsee covered under the Negotiable Instruments Act, 1881. **(7 Marks)**
- (c) Write a short note on the following:
- (i) Ministry of Corporate Affairs (MCA)
- (ii) Ministry of Home Affairs **(6 Marks)**
5. (a) (i) Rachit arranges an auction to sale an antic wall clock. Deepa, being one of the bidders, gives the highest bid. For announcing the completion of sale, the auctioneer falls the hammer on table but suddenly hammer brakes and damages the watch. Deepa wants to avoid the contract. Can she do so under the provisions of the Sale of Goods Act, 1930? **(4 Marks)**
- (ii) X contracted to sell his car to Y. They did not discuss the price of the car at all. X later refused to sell his car to Y on the ground that the agreement was void being uncertain about price. Can Y demand the car under the Sale of Goods Act, 1930? **(3 Marks)**
- (b) “Partner indeed virtually embraces the character of both a principal and an agent”. Describe the said statement keeping in view of the provisions of the Indian Partnership Act, 1932. **(7 Marks)**
- (c) State the essential elements of a contract of bailment. **(6 Marks)**

6. (a) Shankar drew a cheque in favour of Surendar. After having issued the cheque, Shankar requested Surendar not to present the cheque for payment and gave a stop payment request to the bank in respect of the cheque issued to Surendar. Decide, under the provisions of the Negotiable Instruments Act, 1881 whether the said acts of Shankar constitute an offence? **(7 Marks)**
- (b) Define contract of indemnity and contract of guarantee and state the conditions when guarantee is considered invalid? **(6 Marks)**
- (c) (i) State the various essential elements involved in the sale of unascertained goods and their appropriation as per the Sale of Goods Act, 1930. **(4 Marks)**
- (ii) What are the consequences of the destruction of specified goods, before making of contract and after the agreement to sell under the Sale of Goods Act, 1930. **(3 Marks)**

MODEL TEST PAPER 5
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) (i) Mr. Chetan was travelling to Manali with his wife by bus of Himalayan Travels Pvt. Ltd. Due to some technical default in the bus, the driver has to stop the bus in a mid-way in cold night. The driver advised the passengers to get to the shelter in the nearest hotel which was at a distance of only one kilometer from that place. The wife of Mr. Chetan caught cold and fell ill due to being asked to get down and she had to walk in cold night to reach hotel. Mr. Chetan filed the suit against Himalayan Travels Pvt. Ltd. for damages for the personal inconvenience, hotel charges and medical treatment for his wife. Explain, whether Mr. Chetan would get compensation for which he filed the suit under the Indian Contract Act, 1872? **(4 Marks)**
- (ii) Sahil sells by auction to Rohan a horse which Sahil knows to be unsound. The horse appears to be sound, but Sahil knows about the unsoundness of the horse. Is this contract valid in the following circumstances under the Indian Contract Act, 1872:
- (A) If Sahil says nothing about the unsoundness of the horse to Rohan.
- (B) If Sahil says nothing about it to Rohan who is Sahil's son.
- (C) If Rohan says to Sahil "If you do not deny it, I shall assume that the horse is sound." Sahil says nothing. **(3 Marks)**
- (b) (i) ABC Limited has allotted equity shares with voting rights to XYZ Limited worth ₹ 15 Crores during the Financial Year 2023-24. After that the total Paid-up Equity Share Capital of ABC Limited is ₹ 100 Crores.
- Define the Meaning of Associate Company and comment on whether ABC Limited and XYZ Limited would be called Associate Company as per the provisions of the Companies Act, 2013? **(4 Marks)**
- (ii) MTK Private Limited is a company registered under the Companies Act, 2013 on 5th January 2022. The company did not start its business till 31st July 2024. Identify under which category MTK Private Limited company is classified. Explain the definition of the category of the company in detail. **(3 Marks)**

- (c) (i) What is the difference between partnership and co-ownership 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. Manoj was running a shop selling good quality washing machines. Mr. Vivek came to his shop and asked for washing machine which is suitable for washing woollen clothes. Mr. Manoj showed him a particular machine which Mr. Vivek liked and paid for it. Later on, when the machine was delivered to Mr. Vivek's house, it was found that it was the wrong machine and also unfit for washing woollen clothes. He immediately informed Mr. Manoj about the delivery of the wrong machine. Mr. Manoj refused to exchange the same, saying that the contract was complete after the delivery of the washing machine and payment of price. With reference to the provisions of the Sale of Goods Act, 1930, discuss whether Mr. Manoj is right in refusing to exchange the washing machine. **(7 Marks)**
- (b) (i) Mr. Sooraj sold his business of cotton production to a cotton production company, CPL Private Limited, in which he held all the shares except one which was held by his wife. He is also the creditor in the company for a certain amount. He also got the insurance of the stock of cotton of CPL Private Limited in his own name and not in the name of the company. After one month, all the stocks of the cotton of CPL Private Limited were destroyed by fire. Mr. Sooraj filed the claim for such loss with the Insurance company. State with reasons that whether the insurance company is liable to pay the claim? **(4 Marks)**
- (ii) Alfa school is a section 8 company which started imparting education on 1.4.2015, with the sole objective of providing education to children of weaker society either free of cost or at a very nominal fee depending upon the financial condition of their parents. However, on 31st March 2023, it came to the knowledge of the Central Government that the said school was operating by violating the objects of its objective clause due to which it was granted the status of a section 8 company under the Companies Act, 2013. Describe what powers can be exercised by the Central Government against the Alfa School, in such a case? **(3 Marks)**
- (c) What do you mean by Designated Partner? Whether it is mandatory to appoint Designated partner in a LLP? **(6 Marks)**
3. (a) M/s ABC & Associates, a partnership firm with A, B and C as senior partners engaged in the business of curtain manufacturing and exporting to foreign countries. On 25th August, 2022, they inducted Mr. P, an expert in the field of curtain manufacturing as their partner. On 10th January 2024, Mr. P was blamed for unauthorized activities and thus expelled from the partnership by approval of all of the remaining partners.

- (i) Examine whether action by the partners was justified or not?
 - (ii) What should have the factors to be kept in mind prior expelling a partner from the firm by other partners according to the provisions of the Indian Partnership Act, 1932? **(7 Marks)**
- (b) (i) Powertech Limited was registered as a public company. There are 230 members in the company as noted below:

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

The Board of Directors of Powertech Limited proposes to convert it into a private company. Also advise whether a reduction in the number of members is necessary. **(4 Marks)**

- (ii) Popular Products Ltd. is company incorporated in India, having a total Share Capital of ₹ 20 Crores. The Share capital comprises of 20 Lakh equity shares of ₹ 100 each. Delight Products Ltd. and Happy Products Ltd. hold 2,50,000 and 3,50,000 shares respectively in Popular Products Ltd. Another company, Cheerful Products Ltd. holds 2,50,000 shares in Popular Products Ltd. Jovial Ltd. is the holding company for all the above three companies namely Delight Products Ltd.; Happy Products Ltd. and Cheerful Products Ltd. Can Jovial Ltd. be termed as a subsidiary company of Popular Products Ltd.

State the related provision in favour of your answer, if Jovial Ltd. controls the composition of directors of Popular Products Ltd.

(3 Marks)

- (c) Who is considered as an agent under the Indian Contract Act, 1872, and what are the duties and obligations associated with this role? **(6 Marks)**
4. (a) (i) Mr. Om Kashyap was a big businessman of Pune City having two sons and one married daughter. He decided to gift his house to his daughter. For this purpose, he called his lawyer at his house and made a written document for such gift. The lawyer advised him to get the transfer document properly registered. When they both were going for registration of document, they met with an accident, and both of them died. Later, the daughter found the document and claimed the house on the basis of that document. Explain, whether she can get the house as gift under the Indian Contract Act, 1872?

(4 Marks)

- (ii) Due to urgent need of money amounting to ₹ 3,00,000, Pawan approached Raman and asked him for the money. Raman lent the money on the guarantee of Suraj and Tarun. Pawan makes default in payment and Suraj pays full amount to Raman. Suraj, afterwards, claimed contribution from Tarun but Tarun refused to contribute on the basis that there is no contract between Suraj and him. Examine referring to the provisions of the Indian Contract Act, 1872, whether Tarun can escape from his liability. **(3 Marks)**
- (b) State the Difference between promissory note and bill of exchange.” **(7 Marks)**
- (c) What do you understand by Law? Also, elaborate the procedure for making a law. **(6 Marks)**
5. (a) Simran 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. Simran 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 Jeweller to give her money back, but he refused for the same. Answer the following questions as per the Sale of Goods Act, 1930.
- (i) State with reasons whether Simran can recover the amount from the Jeweller.
- (ii) What would be your answer if Jeweller says that he can change the design, but he will charge extra cost for the same? **(7 Marks)**
- (b) (i) Subject to agreement by partners, state the rules that should be observed by the partners in settling the accounts of the firm after dissolution under the provisions of the Indian Partnership Act, 1932. **(4 Marks)**
- (ii) State the legal position of a minor partner under the Indian Partnership Act, 1932 after attaining majority:
- (A) When he opts to become a partner of the same firm.
- (B) When he decides not to become a partner. **(3 Marks)**
- (c) How is a contract is discharged under the Indian Contract Act, 1872 and what are the different ways in which the obligations created by a contract can come to an end? **(6 Marks)**
6. (a) (i) M owes money to N. Therefore, he makes a promissory note for the amount in favor of N, for safety of transmission he cuts the note in half and posts one half to N. He then changes his mind and calls

upon N to return half of the note which he had sent. N requires M to send the other half of the promissory note. Decide how rights of the parties are to be adjusted. **(4 Marks)**

(ii) Rama executes a promissory note in the following form, 'I promise to pay a sum of ₹10,000 after three months'. Decide whether the promissory note is a valid promissory note. **(3 Marks)**

(b) What constitutes a contingent contract under the Indian Contract Act, 1872, and what are its essential elements? **(6 Marks)**

(c) Describe in brief the rights of the buyer against the seller in case of breach of contract of Sale under the Sale of Goods Act, 1930.

(7 Marks)

MODEL TEST PAPER 6
FOUNDATION COURSE
PAPER 2: BUSINESS LAWS

Question No. 1 is compulsory.

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

QUESTIONS

Time Allowed: 3 Hours

Maximum Marks: 100

1. (a) (i) Ashok goes to super market to buy a Air Conditioner. He selects a branded Air Conditioner having a price tag of ₹ 40,000 after a discount of ₹ 3000. Ashok reaches at cash counter for making the payment, but cashier says, "Sorry sir, the discount was upto yesterday. There is no discount from today. Hence you have to pay ₹ 43,000." Ashok got angry and insists for ₹ 40,000. State with reasons whether under Indian Contract Act, 1872, Ashok can enforce the cashier to sell at discounted price i.e. ₹ 40,000.
- (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?
- (3 Marks)**
- (b) (i) Mr. Mohan had purchased some goods from Sunflower Limited on credit. A credit period of one month was allowed to Mr. Mohan. Before the due date, Mr. Mohan went to the company and wanted to repay the amount due from him. He found only Mr. Ramesh there, who was the factory supervisor of the company. Mr. Ramesh told Mr. Mohan that the Accountant and the cashier are on leave, he is in-charge of receiving money and he may pay the amount to him. Mr. Ramesh issued a money receipt under his signature. After two months, Sunflower limited issued a notice to Mr. Mohan for non-payment of the dues within the stipulated period. Mr. Mohan informed the company that he had already cleared the dues and he is no more responsible for the same. He also contended that Mr. Ramesh is an employee of the company whom he had made the payment and being an outsider, he trusted the words of Mr. Ramesh as duty distribution is a job of the internal management of the company. Analyse the situation and decide whether Mr. Mohan is free from his liability.
- (4 Marks)**

- (ii) Mike Limited is incorporated in India having Liaison office at Singapore. Explain in detail meaning of Foreign Company and analysis on whether Mike Limited would be called as Foreign Company as it established a Liaison office at Singapore as per the provisions of the Companies Act, 2013? **(3 Marks)**
- (c) Whether a minor may be admitted in the business of a partnership firm? Also, explain the rights of a minor in the partnership firm under the Indian Partnership Act, 1932. **(6 Marks)**
2. (a) (i) An auction sale of the certain goods was held on 7th March, 2024 by the fall of hammer in favour of the highest bidder X. The payment of auction price was made on 8th March, 2024 followed by the delivery of goods on 10th March, 2024. Based upon on the provisions of the Sale of Goods Act, 1930, decide when the auction sale is complete. **(3 Marks)**
- (ii) 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. **(4 Marks)**
- (b) Mr. Rajeev, an assessee, was a wealthy man earning huge income by way of dividend and interest. He formed three Private Companies and agreed with each to hold a bloc of investment as an agent for them. The dividend and interest income received by the companies was handed back to Mr. Rajeev as a pretended loan. This way, Mr. Rajeev divided his income into three parts in a bid to reduce his tax liability.
- Decide, for what purpose the three companies were established? Whether the legal personality of all the three companies may be disregarded. **(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) State giving reasons whether the following are partnerships as per the provisions under the Indian Partnership Act, 1932.
- (i) X, Y, and Z agree to divide the profits equally, but the loss, if any, is to be borne by X alone. Is it case of partnership? **(3 Marks)**
- (ii) X, a publisher, agrees to publish a book at his own expense written by Y and to pay Y, half of the net profit. Does this create a relationship of partnership between X and Y? Can paper dealer i.e. third party make Y liable for paper supplied to X? **(2 Marks)**
- (iii) A and B purchase a tea shop and incur additional expenses for purchasing utensils etc. each contributing half of the total

expense. The shop is leased out on daily rent which is divided between both. Does this arrangement constitute a partnership between A and B? **(2 Marks)**

(b) The State Government of X, a state in the country is holding 48 lakh shares of Y Limited. The paid up capital of Y Limited is ₹ 9.5 crore (95 lakh shares of ₹ 10 each). Y Limited directly holds 2,50,600 shares of Z Private Limited which is having share capital of ₹ 5 crore in the form of 5 lakh shares of ₹ 100 each. Z Private Limited claimed the status of a subsidiary company of Y Limited as well as a Government company. Advise as a legal advisor, whether Z Private Limited is a subsidiary company of Y Limited as well as a Government company under the provisions of the Companies Act, 2013? **(7 Marks)**

(c) “An anticipatory breach of contract is a breach of contract occurring before the time fixed for performance has arrived”. Also, discuss the effect of anticipatory breach of contracts under the Indian Contract Act, 1872. **(6 Marks)**

4. (a) (i) Mr. Gaurav and Mr. Vikas entered into a contract on 1st July, 2024, according to which Mr. Gaurav had to supply 100 tons of sugar to Mr. Vikas at a certain price strictly within a period of 10 days of the contract. Mr. Vikas also paid an amount of ₹ 70,000 towards advance as per the terms of the above contract. The mode of transportation available between their places is roadway only. Severe flood came on 2nd July, 2024 and the only road connecting their places was damaged and could not be repaired within fifteen days. Mr. Gaurav offered to supply sugar on 20th July, 2024 for which Mr. Vikas did not agree. On 1st August, 2024, Mr. Gaurav claimed compensation of ₹ 20,000 from Mr. Vikas for refusing to accept the supply of sugar, which was not there within the purview of the contract. On the other hand, Mr. Vikas claimed for refund of ₹ 70,000, which he had paid as advance in terms of the contract. Analyse the above situation in terms of the provisions of the Indian Contract Act, 1872 and decide on Mr. Vikas contention. **(4 Marks)**

(ii) R gives his umbrella to M during raining season to be used for two days during Examinations. M keeps the umbrella for a week. While going to R's house to return the umbrella, M accidentally slips and the umbrella is badly damaged. Who bear the loss and why under the provisions of the Indian Contract Act, 1872? **(3 Marks)**

(b) What is a cheque under the Negotiable Instruments Act, 1881, and who are the parties involved? What are the essential elements of a cheque?

(7 Marks)

(c) What is the structure of the Indian Judicial System, and what is the hierarchy of courts in India? **(6 Marks)**

5. (a) (i) Avyukt purchased 100 Kgs of wheat from Bhaskar at ₹30 per kg. Bhaskar says that wheat is in his warehouse in the custody of Kishore, the warehouse keeper. Kishore confirmed Avyukt that he

can take the delivery of wheat from him and till then he is holding wheat on Avyukt's behalf. Before Avyukt picks the goods from warehouse, the whole wheat in the warehouse has flowed in flood. Now Avyukt wants his price on the contention that no delivery has been done by seller. Whether Avyukt is right with his views under the Sale of Goods Act, 1930. **(4 Marks)**

(ii) Classify the following transactions under the Sale of Goods Act, 1930 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) When does dissolution of a partnership firm take place under the provisions of the Indian Partnership Act, 1932? Explain. **(7 Marks)**

(c) Define consideration. State the characteristics of a valid consideration under the Indian Contract Act, 1872. **(6 Marks)**

6. (a) (i) 'Nakul' made promissory note in favour of 'Sahdev' of ₹10,000 and delivered to him. 'Sahdev' indorsed the promissory note in favour of 'Arjun' but delivered to Arjun's agent. Subsequently, Arjun's agent died, and promissory note was found by 'Arjun' in his agent's table drawer. 'Arjun' sued 'Nakul' for the recovery of promissory note. Whether 'Arjun' can recover amount under the provisions of the Negotiable Instrument Act 1881? **(4 Marks)**

(ii) Utkarsh purchased some goods from Saksham for ₹ 50,000 on 14th August. Saksham drawn a bill of exchange on Utkarsh and sent to him for acceptance on the same day at 3:00 pm Utkarsh requested Saksham to allow him some time for acceptance. Saksham allowed him 48 hours for acceptance. Utkarsh could not accept till 16th August (3:00 pm). Saksham treated the bill as dishonoured for non-acceptance. Referring the provisions of the Negotiable Instruments Act, 1881, whether bill of exchange was dishonoured due to non-acceptance? **(3 Marks)**

(b) Explain the terms "Trafficking relating to public offices and titles" and "Stifling prosecution" as per the Indian Contract Act, 1872. **(6 Marks)**

(c) Explain any six circumstances in detail in which a non-owner can convey better title to the bona fide purchaser of goods for value under the Sale of Goods Act, 1930. **(7 Marks)**

MODEL TEST PAPER 7
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) Rahul owns an electronics store. Pankaj visited the store to buy a water purifier priced at ₹ 54,000/-. He specifically requested Rahul for a purifier with a copper filter. As Pankaj wanted to buy the purifier on credit, with the intention of paying in 9 equal monthly instalments, Rahul demands a guarantor for the transaction. Sooraj (a friend of Pankaj) came forward and gave the guarantee for payment of water purifier. Rahul sold Pankaj, a water purifier of a specific brand. Pankaj made payment for 4 monthly instalments and after that became insolvent. Explain with reference to the Indian Contract Act, 1872, the liability of Sooraj as a guarantor to pay the balance price of water purifier to Rahul.

What will be your answer, if Rahul sold the water purifier misrepresenting it as having a copper filter, while it actually has a normal filter? Neither Pankaj nor Sooraj was aware of this fact and upon discovering the truth, Pankaj refused to pay the price. In response to Pankaj 's refusal, Rahul filed the suit against Sooraj, the guarantor. Explain with reference to the Indian Contract Act, 1872, whether Sooraj is liable to pay the balance price of water purifier to Rahul?

(7 Marks)

- (b) A company, DEF limited as on 31.03.2024 had a paid-up capital of ₹ 1 lakh (10,000 equity shares of ₹ 10 each). In June 2024, DEF limited issued additional 10,000 equity shares of ₹ 10 each which was fully subscribed. Out of 10,000 shares, 5,000 of these shares were issued to MNO private limited company. MNO is a holding company of JKL private limited by having control over the composition of its board of directors.

Now, JKL private limited claims the status of being a subsidiary of DEF limited as being a subsidiary of its subsidiary i.e. MNO private limited. Examine the validity of the claim of JKL private limited.

State the relationship if any, between DEF limited & MNO Private Limited as per the provisions of the Companies Act, 2013.

(7 Marks)

(c) Referring to the provisions of the Indian Partnership Act, 1932, answer the following:

(i) "If a partner is otherwise expelled; the expulsion is null and void." Discuss. **(4 Marks)**

(ii) "The partner who is expelled will cease to be liable to the third party for the act of the firm done after expulsion." Analyse. **(2 Marks)**

2. (a) (i) Ashish, a trader, delivered a camera to Mohan on 'sale or return' basis. Mohan delivers the camera to Raj on the terms of 'sale for cash only or return'. Afterward, Raj delivered it to Vikas on a 'sale or return' basis without paying cash to Mohan. The camera, which was in possession of Vikas, was lost by theft though he exercised due care for its safety. Referring to the provisions of the Sale of Goods Act, 1930, analyse the situation and advise whether Mohan, Raj or Vikas are, jointly or severally, liable to pay the price of the camera to Ashish. **(4 Marks)**

(ii) Akash of Jaipur sold 100 smart TV set @ ₹ 50,000/- per set to Barun of Delhi. He delivered the TV sets to Chirag, a transport carrier for transmission to Barun. Barun further sold these 100 TV sets to Sarthak @ ₹ 60,000/- per set. On reaching the goods at the destination, Barun demanded the delivery but Chirag, wrongfully, refused to deliver the goods to Barun. That is why; he failed to deliver TV sets to Sarthak and suffered a huge loss on account of non-delivery. Akash came to know about this. He directed Chirag to stop the delivery to Barun and re-deliver the goods to him at Jaipur.

Answer the following questions under the provisions of the Sale of Goods Act, 1930:

(A) Whether Akash has the right to stop the goods in transit?

(B) Whether Barun can claim loss suffered due to non-delivery from Akash? **(3 Marks)**

(b) Ram wants to incorporate a company in which he will be the only member. According to provisions of the Companies Act, 2013, what type of company can be incorporated? What are the salient features of this type of company? **(7 Marks)**

(c) Referring to the provisions of the Limited Liability Partnership Act, 2008, answer the following:

(i) Under what circumstances a Limited Liability Partnership is compulsorily required to change its name? Also, explain the compliance requirement following the change of name and the consequences, if any, in case of default therein. **(4 Marks)**

(ii) What do you mean by a Small Limited Liability Partnership?

(2 Marks)

3. (a) Referring to the provisions of the Indian Partnership Act, 1932, answer the following:

(i) Ram and Shyam are partners in a partnership firm named as RS & Co. (the firm). Gaurav, a renowned businessman, is their common friend. Ram introduced Gaurav to Sahil, a supplier to the firm, as his newly joined partner. Gaurav knowing that he is not a partner preferred to keep quiet on such an introduction. This information about Gaurav, being a partner of the firm, was shared by Sahil with another businessman Madhav. Next day, Sahil supplied the raw material on credit and Madhav lent ₹ 5 lakhs to the firm for a short period on the understanding that Gaurav is a partner of the firm. On due dates, the firm failed to discharge its liability towards both. Advise Gaurav, whether he is liable to Sahil and Madhav for the aforesaid liability of the firm. **(4 Marks)**

(ii) On admission as a new partner, Ashwin agreed to be liable for the existing debts (referred to as the old debts) of the firm by an agreement signed by all partners including Ashwin. Examine, whether Ashwin will be liable in a suit filed by the creditor against the firm and all existing partners for recovery of the old debt of the firm. **(3 Marks)**

(b) (i) MN Limited borrowed a secured loan of ₹ 5 crore from Star Bank Limited (the bank) to meet its working capital requirement. However, the borrowing powers of the company, under its Memorandum of Association, were restricted to ₹ 1 crore. The bank released the loan amount in two instalments of ₹ 1 crore and ₹ 4 crore. On the due date for repayment of the loan, the company refused to accept the liability of ₹ 5 crore on the ground that the borrowing was ultra vires the company. The company's books of accounts show that the company has utilized the loan amount of ₹ 3 crore for repayment of its lawful debts. The utilization of the remaining ₹ 2 crore cannot be traced. Referring to the doctrine of ultra-vires under the Companies Act, 2013, examine the validity of the decision of the company denying the repayment of the loan and explore the remedy, if any, available to the bank for recovery of the loan. **(4 Marks)**

(ii) After incorporation of Unique Private Limited (the company) on 15th May, 2024 the share certificates were issued to Arnav, Sohail and Suman being subscribers to the Memorandum of Association of the company without affixing the common seal thereon and under the signature of Arnav and Sohail, the directors of the company. The company has yet to appoint a company secretary. On objection raised by Suman, a director, about the validity of the share certificate signed by other two directors, Arnav and Sohail, clarified that since the company has opted not to have the common

seal for the company the share certificates (i.e. the document) signed by two directors are valid. Referring to the provisions of the Companies Act, 2013, examine the correctness of the objection raised by one of the directors and in response, the clarification offered by other directors.

Would your answer be different, if the company had a company secretary? **(3 Marks)**

- (c) Explain the term Wagering agreement in the light of the Indian Contract Act, 1872. Also, explain some transactions resembling wagering transaction but which are not void. **(6 Marks)**

4. (a) (i) 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)**

- (ii) 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.

(A) Between X and Y

(B) Between X and W **(3 Marks)**

- (b) A promissory note, payable at a certain period after sight, must be presented to the maker thereof for payment. Under which scenarios, presentment for payment is not necessary and the instrument is dishonoured at the due date for presentment according to the provisions of the Negotiable Instrument Act, 1881? **(7 Marks)**

- (c) What do you understand by Law? Also, elaborate the procedure for making a law. **(6 Marks)**

5. (a) (i) Karan agreed to sell his laptop to Vishal for a price to be fixed by Kiran a hardware engineer. However, before the delivery of the laptop, Karan changed his mind and did not share any particulars and configuration of the laptop with Kiran, which made her unable to do the valuation. Kiran refused to do valuation.

Vishal needed laptop for his project, so he promised Karan that, if the laptop is delivered to him, he would pay a reasonable price for it. However, Karan decided not to sell his laptop to Vishal. Now, Vishal wants to know from you, being a legal expert, whether Karan is bound by his promise as he agreed earlier to deliver his laptop

to him at a reasonable price. If he does not agree to deliver what is the other remedy available to Vishal? Advise, referring to the provisions of the Sale of Goods Act, 1930. **(3 Marks)**

- (ii) Mrs. Meenu went to the local rice and wheat wholesale shop and asked for 100 kgs of Basmati rice. The Shopkeeper quoted the price of the same as ₹ 125 per kg to which she agreed. Mrs. Meenu insisted that she would like to see the sample of what would be provided to her by the shopkeeper before she agreed upon such a purchase.

The shopkeeper showed her a bowl of rice as a sample. The sample exactly corresponded to the entire lot.

Mrs. Meenu examined the sample casually without noticing the fact that even though the sample was that of Basmati Rice, but it contained a mix of long and short grains.

The cook on opening the bags complained that the dish if prepared with the rice would not taste the same as the quality of rice was not as per the requirement of the dish.

Now Mrs. Meenu wants to file a suit for fraud against the seller alleging him of selling a mix of good and cheap quality rice. Will she be successful?

Decide the fate of the case and options open to Mrs. Meenu for grievance redressal as per the provisions of Sale of Goods Act, 1930?

What would be your answer in case Mrs. Meenu specified her exact requirement as to the length of rice? **(4 Marks)**

- (b) "Indian Partnership Act, 1932 does not make the registration of firms compulsory nor does it impose any penalty for non-registration." In light of the given statement, discuss the consequences of non-registration of the partnership firms in India? **(7 Marks)**

- (c) (i) In case of breach of contract, the court may award compensation or damages. Explain the circumstances when court may award ordinary damages, special damages and liquidated damages under the provisions of the Indian Contract Act, 1872. **(3 Marks)**

- (ii) What are the conditions need to be fulfilled to make the following agreements valid without consideration as per the provisions of the Indian Contract Act, 1872?

(A) Agreement made based on natural love and affection

(B) Promise to pay time-barred debts

(3 Marks)

6. (a) Mr. Y issued a cheque for ₹ 10,000 to Mr. Z which was dishonoured by the Bank because Y did not have enough funds in his account and has no authority to overdraw. Examine as per the provisions of the Negotiable Instruments Act, 1881 whether-
- (i) Mr. Y is liable for dishonour of cheque, if yes, what are the consequences for such an offence?
 - (ii) What would be your answer if Y issued a cheque as a donation to Mr. Z? **(7 Marks)**
- (b) Explain the term 'Quasi Contracts' and state their characteristics. **(6 Marks)**
- (c) Distinguish between 'Sale' and 'Hire Purchase' under the Sale of Goods Act, 1930. **(7 Marks)**

MODEL TEST PAPER 8
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) (i) Mr. A was running an orphanage. His friend Mr. S, a philanthropist agreed to donate ₹ 2 lakh for treatment of a child, who was suffering from cancer. On emergency, Mr. A incurred ₹ 1.5 lakh on treatment of child. Now, Mr. S refused to pay. Whether Mr. A can claim ₹ 1.5 lakh from Mr. S with reference to provisions of the Indian Contract Act, 1872? **(3 Marks)**
- (ii) Mr. L let out his residential house to Mr. M for ₹ 50,000 p.m. for a period of one year. According to the Rent agreement, electricity bill will be paid by Mr. L. But Mr. L could not pay electricity dues up to 5 months, due to his financial hardships. The Electricity Board sent the notice of disconnection, if it is not paid within a week's time. To avoid all this, Mr. M paid the electricity bill of ₹ 50,000 with penalty. Later on, L refused to reimburse ₹ 50,000 and argued that he has paid bill voluntarily because of his own interest. Decide with reference to provisions of the Indian Contract Act, 1872 whether Mr. M is entitled to be reimbursed by Mr. L? **(4 Marks)**
- (b) (i) XYZ Ltd. was incorporated to hold the patent for a new product. The company is expecting to start its commercial production within the next two years. In the meanwhile, for timely installation, the company has placed the purchase order for plant and machinery with a down payment of ₹ 1 crore. Referring to the provisions of the Companies Act, 2013 examine, whether the company can go for acquiring the status of a dormant company? **(4 Marks)**
- (ii) Mike LLC incorporated in Singapore having an office in Pune, India. Analyze whether Mike LLC would be called a foreign company as per the provisions of the Companies Act, 2013? Also explain the meaning of foreign company. **(3 Marks)**
- (c) State the modes by which a partner may transfer his interest in the firm in favour of another person under the Indian Partnership Act, 1932. What are the rights of such a transferee? **(6 Marks)**

2. (a) Sony, a friend of Priya wanted to buy her two-wheeler. Priya agreed to sell her two-wheeler to Sony and it was decided that price of her two-wheeler will be fixed by Priya's father, who is an auto dealer. Priya immediately handed over the keys to Sony. However, Priya's father refused to fix the price as he did not want Priya to sell her vehicle. Priya expressed her inability to sell the two-wheeler to Sony and asked for return, but Sony refused to return the same. Explain-
- (i) Can Priya take-back the vehicle from Sony?
 - (ii) Will your answer be different, if Priya had not handed over the vehicle to Sony? **(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) A LLP is a new form of legal business entity with limited liability. It's an alternative corporate business vehicle that only gives the benefits of limited liability at low compliance cost but allows its partners the flexibility of organizing their internal structure as a traditional partnership. Keeping in view of above, define the following characteristics of LLP.
- (i) Body Corporate
 - (ii) Mutual Agency
 - (iii) Foreign LLPs
 - (iv) Artificial legal person **(6 Marks)**
3. (a) (i) P, Q and R formed a partnership agreement to operate motor buses along specific routes for a duration of 12 years. After operating the business for four years, it was observed that the business incurred losses each year. Despite this, P is determined to continue the business for the remaining Period. Examine with reference to the Indian Partnership Act, 1932, can P insist to continue the business? If so, what options are available to Q and R who are reluctant to continue operating the business? **(4 Marks)**
- (ii) A and B operate a textile merchant business in partnership. Mr. A finances the business and is a sleeping partner. In the regular course of business, B acquires certain fabric goods belonging to C. However, B is aware that these goods are stolen property. Despite this knowledge, B proceeds to purchase and sell some of these stolen goods. Moreover, B records proceeds from these sales in the firm's books. Now, A wants to avoid the liability towards C, on the grounds of misconduct by B. In the light of the provisions of the Indian Partnership Act, 1932 discuss the liability of A and B towards C. **(3 Marks)**
- (b) (i) XYZ is a company incorporated under the Companies Act, 2013. The paid up share capital of the company is held by others as on 31.03.2024 in as under:

- | | |
|--|-----|
| (1) Government of India | 20% |
| (2) Life Insurance Corporation of India (Public Institution) | 8% |
| (3) Government of Tamil Nadu | 10% |
| (4) Government of Rajasthan | 10% |
| (5) ABC Limited (owned by Government Company) | 15% |

As per above shareholding, state whether XYZ limited be called a Government Company under the provisions of the Companies Act, 2013. **(4 Marks)**

- (ii) M and N holding 70% and 30% of the shares in the company. Both died in an accident. Answer with reference to the provisions of the Companies Act, 2013, what will be the legal effect on the company as both the members have died? **(3 Marks)**
- (c) Explain in brief with reference to the provisions of the Indian Contract Act, 1872, what are the rights enjoyed by Surety against the Creditor, the Principal Debtor and Co-Sureties? **(6 Marks)**
4. (a) (i) Mr. J entered into an agreement with Mr. S to purchase his house for ₹ 20 lakh, within three months. He also paid ₹ 50,000/- as token money. In the meanwhile, in an anti-encroachment drive of the local administration, Mr. S's house was demolished. When Mr. J was informed about the incident he asked for the refund of token money. Referring to the relevant provisions of the Indian Contract Act, 1872 state whether Mr. J is entitled to the refund of the amount paid. **(4 Marks)**
- (ii) Rama directs Shyam to sell laptops for him and agrees to give Shyam eleven percent (11%) commission on the sale price fixed by Rama for each laptop. As Government of India put restrictions on import of Laptops, Rama thought that the prices of laptops might go up in near future and he revokes Shyam's authority for any further sale. Shyam, before receiving the letter at his end sold 5 laptops at the price fixed by Rama. Shyam asked for 11% commission on the sale of 5 Laptops for ₹ 1 lakh each. Explain under the provisions of the Indian Contract Act, 1872:
- (1) Whether sale of laptops after revoking Shyam's authority is binding on Rama?
- (2) Whether Shyam will be able to recover his commission from Rama, if yes, what will be the amount of such commission? **(3 Marks)**
- (b) What are Inchoate and Ambiguous Instruments under the Negotiable Instruments Act, 1881? **(7 Marks)**
- (c) Describe in brief about the following Regulatory bodies of the Government of India:

- (i) Securities and Exchange Board of India
 - (ii) Reserve Bank of India
 - (iii) Insolvency and Bankruptcy Board of India **(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 circumstances, in which a Court may, at the suit of the partner, dissolve a partnership firm under the provisions of the Indian Partnership Act, 1932. **(7 Marks)**
- (c) In accordance with the provisions of the Indian Contract Act, 1872, answer the following:
- (i) Rights of Bailor against any wrong doer (Third Party)
 - (ii) Duties of the Pawnee **(6 Marks)**
6. (a) Referring to the provisions of the Negotiable Instruments Act, 1881, answer the following in the given scenario:
- (i) Aman drew the bill of exchange (the bill) on Baban, who accepted it, payable to Magan or order. Magan indorsed the bill to Gagan. Gagan indorsed the bill to Akash to be delivered to him on the next day. However, on the death of Gagan on the same day, his only son Ankit delivered the bill to Akash on the next day as intended by his deceased father. On presenting the bill on the due date, Baban refused to pay. Explaining the importance of delivery in negotiation, decide, whether Akash can enforce the payment of the bill against Baban or the previous parties. **(4 Marks)**
 - (ii) Reliable Limited, an Indian company, is a global leader in Petrochemical products. For payment of the sale price of machinery imported from Alex Manufacturing Limited, a USA based company (the exporter), the Indian company drew a bill of exchange on Manish, a resident of Mumbai (India) who accepted the bill at Mumbai payable to the exporter in Los Angeles, USA. Decide,

whether the bill of exchange is an inland instrument or a foreign instrument. Assume that the bill of exchange was signed by the authorised person for the drawer company. **(3 Marks)**

(b) Answer the following as per the provisions of the Indian Contract Act, 1872:

(i) 'Agent cannot personally enforce, nor be personally bound by, contracts on behalf of the principal' however there are some exceptions to this general rule, explain. **(4 Marks)**

(ii) State the rights of Indemnity-holder when sued. **(2 Marks)**

OR

(b) What is the meaning of contingent contract? Write briefly its essentials. Also, explain any three rules relating to enforcement of a contingent contract. **(6 Marks)**

(c) J, a wholesaler of premium Basmati rice delivered on approval 100 bags of rice of 10 kg each to a local retailer, on sale or returnable basis within a month of delivery. The next day the retailer sold 5 bags of rice to a regular customer K. A week later K informed the retailer that the quality of rice was not as per the price.

The retailer now wants to return all the rice bags to J, including the 4 bags not used by K. Can the retailer do so?

Also briefly describe the provisions underlying in this context of the Sale of Goods Act, 1930, **(7 Marks)**

MODEL TEST PAPER 9
FOUNDATION COURSE
PAPER 2 : BUSINESS LAWS

Question No. 1 is compulsory.

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

Working notes should form part of the answers

(Time allowed: 3 Hours)

(100 Marks)

1. (a) R owns an electronics store. P visited the store to buy a water purifier priced at ₹54,000/-. He specifically requested R for a purifier with a copper filter. As P wanted to buy the purifier on credit, with the intention of paying in 9 equal monthly instalments, R demands a guarantor for the transaction. S (a friend of P) came forward and gave the guarantee for payment of water purifier. R sold P, a water purifier of a specific brand. P made payment for 4 monthly instalments and after that became insolvent. Explain with reference to the Indian Contract Act, 1872, the liability of S as a guarantor to pay the balance price of water purifier to R.

What will be your answer, if R sold the water purifier misrepresenting it as having a copper filter, while it actually has a normal filter? Neither P nor S was aware of this fact and upon discovering the truth, P refused to pay the price. In response to P's refusal, R filed the suit against S, the guarantor. Explain with reference to the Indian Contract Act 1872, whether S is liable to pay the balance price of water purifier to R?

(7 Marks)

- (b) A company, ABC limited as on 31.03.2023 had a paid-up capital of ₹ 1 lakh (10,000 equity shares of ₹ 10 each). In June 2023, ABC limited had issued additional 10,000 equity shares of ₹ 10 each which was fully subscribed. Out of 10,000 shares, 5,000 of these shares were issued to XYZ private limited company. XYZ is a holding company of PQR private limited by having control over the composition of its board of directors.

Now, PQR private limited claims the status of being a subsidiary of ABC limited as being a subsidiary of its subsidiary i.e. XYZ private limited. Examine the validity of the claim of PQR private limited.

State the relationship if any, between ABC limited & XYZ private limited as per the provisions of the Companies Act, 2013.

(7 Marks)

- (c) The Indian Partnership Act does not make the registration of firms compulsory, yet the consequences or disabilities of non-registration have a persuasive pressure for their registration. Still, there are some cases where non-registration of firm does not affect certain rights. Explain with reference to the provisions of the Indian Partnership Act, 1932.

(6 Marks)

2. (a) Sony, a friend of Priya wanted to buy her two-wheeler. Priya agreed to sell her two-wheeler to Sony and it was decided that price of her two-wheeler will be fixed by Priya's father, who is an auto dealer. Priya immediately handed over the keys to Sony. However, Priya's father refused to fix the price as he did not want Priya to sell her vehicle. Priya expressed her inability to sell the two-wheeler to Sony and asked for return, but Sony refused to return the same. Explain-
- (i) Can Priya take-back the vehicle from Sony?
 - (ii) Will your answer be different, if Priya had not handed over the vehicle to Sony? **(7 Marks)**
- (b) Ram wants to incorporate a company in which he will be the only member. According to provisions of the Companies Act, 2013, what type of company can be incorporated? What are the salient features of this type of company? **(7 Marks)**
- (c) A LLP is a new form of legal business entity with limited liability. It's an alternative corporate business vehicle that only gives the benefits of limited liability at low compliance cost but allows its partners the flexibility of organizing their internal structure as a traditional partnership. Keeping in view of above, define the following characteristics of LLP.
- (i) Body Corporate
 - (ii) Mutual Agency
 - (iii) Foreign LLPs
 - (iv) Artificial legal person **(6 Marks)**
3. (a) (i) P, Q and R formed a partnership agreement to operate motor buses along specific routes for a duration of 12 years. After operating the business for four years, it was observed that the business incurred losses each year. Despite this, P is determined to continue the business for the remaining Period. Examine with reference to the Indian Partnership Act, 1932, can P insist to continue the business? If so, what options are available to Q and R who are reluctant to continue operating the business? **(4 Marks)**
- (ii) A and B operate a textile merchant business in partnership. Mr. A finances the business and is a sleeping partner. In the regular course of business, B acquires certain fabric goods belonging to C. However, B is aware that these goods are stolen property. Despite this knowledge, B proceeds to purchase and sell some of these stolen goods. Moreover, B records proceeds from these sales in the firm's books. Now, A wants to avoid the liability towards C, on the grounds of misconduct by B. In the light of the provisions of the Indian Partnership Act, 1932 discuss the liability of A and B towards C. **(3 Marks)**

- (b) (i) XYZ is a company incorporated under the Companies Act, 2013.

The paid up share capital of the company is held by others as on 31.03.2024 in as under:

(1) Government of India	20%
(2) Life Insurance Corporation of India (Public Institution)	8%
(3) Government of Tamil Nadu	10%
(4) Government of Rajasthan	10%
(5) ABC Limited (owned by Government Company)	15%

As per above shareholding, state whether XYZ limited be called a government company under the provisions of the Companies Act, 2013. **(4 Marks)**

- (ii) M and N holding 70% and 30% of the shares in the company. Both died in an accident. Answer with reference to the provisions of the Companies Act, 2013, what will be the legal effect on the company as both the members have died? **(3 Marks)**

- (c) Explain in brief with reference to the provisions of the Indian Contract Act, 1872, what are the rights enjoyed by Surety against the Creditor, the Principal Debtor and Co-Sureties? **(6 Marks)**

4. (a) (i) Mr. J entered into an agreement with Mr. S to purchase his house for ₹ 20 lakh, within three months. He also paid ₹ 50,000/- as token money. In the meanwhile, in an anti-encroachment drive of the local administration, Mr. S's house was demolished. When Mr. J was informed about the incident he asked for the refund of token money.

Referring to the relevant provisions of the Indian Contract Act, 1872 state whether Mr. J is entitled to the refund of the amount paid. **(4 Marks)**

- (ii) Rama directs Shyam to sell laptops for him and agrees to give Shyam eleven percent (11%) commission on the sale price fixed by Rama for each laptop. As Government of India put restrictions on import of Laptops, Rama thought that the prices of laptops might go up in near future and he revokes Shyam's authority for any further sale. Shyam, before receiving the letter at his end sold 5 laptops at the price fixed by Rama. Shyam asked for 11% commission on the sale of 5 Laptops for ₹ 1 lakh each. Explain under the provisions of the Indian Contract Act, 1872:

- (1) Whether sale of laptops after revoking Shyam's authority is binding on Rama?
- (2) Whether Shyam will be able to recover his commission from Rama, if yes, what will be the amount of such commission?

(3 Marks)

- (b) A promissory note, payable at a certain period after sight, must be presented to the maker thereof for payment. Under which scenarios

presentment for payment is not necessary and the instrument is dishonoured at the due date for presentment according to the provisions of the Negotiable Instrument Act, 1881? **(7 Marks)**

(c) Describe in brief about the following Regulatory bodies of the Government of India: -

(i) Securities and Exchange Board of India

(ii) Reserve Bank of India

(iii) Insolvency and Bankruptcy Board of India **(6 Marks)**

5. (a) PTC Hotels in Bombay decided to sell their furniture by auction sale. For this purpose, they appointed RN & Associates as auctioneer. They invited top ten renowned Architects in Bombay for bidding. A right to bid was not notified by them. Furniture was put up in lots for sale. It was decided that for every lot of furniture there will be a reserve price. On 25th Feb 2024, Auction sale was started at 10.am in the lawn of PTC Hotels Bombay. For a special lot of furniture three parties came for bidding Mr. Neel, Mr. Raj and Mr. Dev on behalf of their respective companies. Bidding was as follows:

Mr. Neel	₹ 5.70 lakh
Mr. Raj	₹ 4.85 lakh
Mr. Dev	₹ 6.10 lakh

The sale was completed in favour of Mr. Neel by RN & Associates by fall of hammer. Mr. Dev's Bid was rejected on ground that Right to bid was reserved and company of Mr. Dev was not invited to bid.

For another bid of Italian Furniture was made by two parties as follows:

Mr. Dheer	₹ 15 lakh
Mr. Madhu (on behalf of R N & Associates)	₹ 15.20 lakh

Sale was completed in favour of Mr. Dheer instead of Mr. Madhu.

Mr. Dev and Mr. Madhu argued that auction sale was not lawful. Give your opinion with reference to provisions of the Sale of Goods Act, 1930 whether Auction Sale will be considered lawful or not? **(7 Marks)**

(b) "Dissolution of partnership doesn't mean dissolution of firm". Do you agree with this statement? State any three situations where court can dissolve the partnership firm. **(7 Marks)**

(c) Where a party to a contract refuses altogether to perform, or is disabled from performing his part of it, the other party has a right to rescind it. Discuss this statement and the effects of such refusal under the provisions of The Indian Contract Act, 1872. **(6 Marks)**

6. (a) Mr. Y issued a cheque for ₹ 10,000 to Mr. Z which was dishonoured by the Bank because Y did not have enough funds in his account and has no authority to overdraw. Examine as per the provisions of the Negotiable Instruments Act, 1881 whether-

- (i) Mr. Y is liable for dishonour of cheque, if yes, what are the consequences for such an offence?
 - (ii) What would be your answer if Y issued a cheque as a donation to Mr. Z?
(7 Marks)
- (b) Explain the term Wagering agreement in the light of the Indian Contract Act, 1872. Also, explain some transactions resembling with wagering transaction but which are not void.

OR

- (b) What is the meaning of contingent contract? Write briefly its essentials. Also, explain any three rules relating to enforcement of a contingent contract.
(6 Marks)
- (c) J, a wholesaler of premium Basmati rice delivered on approval 100 bags of rice of 10 kg each to a local retailer, on sale or returnable basis within a month of delivery. The next day the retailer sold 5 bags of rice to a regular customer K. A week later K informed the retailer that the quality of rice was not as per the price.

The retailer now wants to return all the rice bags to J, including the 4 bags not used by K. Can the retailer do so?

Also briefly describe the provisions underlying in this context of the Sale of Goods Act, 1930,
(7 Marks)

MODEL TEST PAPER 10
FOUNDATION COURSE
PAPER – 2: BUSINESS LAWS

Question No. 1 is compulsory.

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

Working notes should form part of the Answers.

(Time allowed: 3 Hours)

(100 Marks)

1. (a) (i) Mr. L let out his residential house to Mr. M for ₹ 50,000 p.m. for a period of one year. According to the Rent agreement, electricity bill will be paid by Mr. L. But Mr. L could not pay electricity dues up to 5 months, due to his financial hardships. The Electricity Board sent the notice of disconnection, if it is not paid within a week's time. To avoid all this, Mr. M paid the electricity bill of ₹ 50,000 with penalty. Later on, L refused to reimburse ₹ 50,000 and argued that he has paid bill voluntarily because of his own interest. Decide with reference to provisions of the Indian Contract Act, 1872 whether Mr. M is entitled to be reimbursed by Mr. L? **(3 Marks)**
- (ii) Mr. A offered to sell 25 chairs to Mr. B @ ₹ 1,500 per chair on 12.02.2024. A promised B that he would keep the offer open till 15.02.2024. However, on 13.02.2024, he sold those chairs to Mr. C @ ₹ 1,700 per chair without the knowledge of B. Mr. B communicated the acceptance of the above offer on 14.02.2024.
- Advise, with reference to provisions of the Indian Contract Act, 1872 whether Mr. B can claim damages from Mr. A? **(2 Marks)**
- (iii) Mr. A was running an orphanage. His friend Mr. S, a philanthropist agreed to donate ₹ 2 lakh for treatment of a child, who was suffering from cancer. On emergency, Mr. A incurred ₹ 1.5 lakh on treatment of child. Now, Mr. S refused to pay. Whether Mr. A can claim ₹ 1.5 lakh from Mr. S with reference to provisions of the Indian Contract Act, 1872? **(2 Marks)**
- (b) (i) Kamal, a Chartered Accountant started his e-commerce business by incorporating a One Person Company (the OPC) on 1st October, 2023. He, being a sole member of the OPC named his brother Sudhakar, with his consent, as his nominee in the Memorandum of Association of the OPC. Now, Kamal intends to replace Sudhakar and to nominate any one of the following short- listed friends as a nominee with effect from 1st January, 2024.
- (1) Robert, an Indian citizen, and a resident in India shifted his residence to the USA on 31st May, 2022 and has not returned to India till 1st January, 2024.
- (2) Dinkar, an Indian citizen, and non-resident in India came for employment in India on 1st April, 2023 and have been continuously staying in India since then.

Referring to the provisions of the Companies Act, 2013, advise Kamal regarding eligibility of his short-listed friends to be appointed nominee and the procedure to be followed for changing the name of the nominee as per the provisions of the Companies Act, 2013. **(4 Marks)**

- (ii) XYZ Ltd. was incorporated to hold the patent for a new product. The company is expecting to start its commercial production within the next two years. In the meanwhile, for timely installation, the company has placed the purchase order for plant and machinery with a down payment of ₹ 1 crore. Referring to the provisions of the Companies Act, 2013 examine, whether the company can go for acquiring the status of a dormant company?

(3 Marks)

- (c) Referring to the provisions of the Indian Partnership Act, 1932, answer the following:

- (i) "If a partner is otherwise expelled; the expulsion is null and void." Discuss. **(4 Marks)**
- (ii) "The partner who is expelled will cease to be liable to the third party for the act of the firm done after expulsion." Analyse.

(2 Marks)

2. (a) (i) M/s RK Traders (Buyer) made a contract with M/s CK Traders (Seller) for purchase of 2000 kg of basmati rice specifically grown in Chhattisgarh State should be packed in pink colour bags of 25 kg each to identify the place of origin by specifying the mode of packing of basmati rice. The seller agreed for specific packing of rice grown in Chhattisgarh State. However, by misunderstanding, staff of seller packed the quantity of 1800 kg of basmati rice grown in the State of Maharashtra in white colour bags of 30 kg each and the remaining quantity of 200 kg, grown in Chhattisgarh State, in pink colour bags of 25 kg each. Referring to the provisions of the Sale of Goods Act, 1930 analyse, whether the buyer has the right to reject the entire quantity of basmati rice supplied by the seller.

On the other hand what is the remedy available to buyer if he has to accept the entire quantity to fulfil his other contracts with other parties? **(4 Marks)**

- (ii) Kartik agreed to sell his laptop to Vasant for a price to be fixed by Kusum a hardware engineer. However, before the delivery of the laptop, Kartik changed his mind and did not share any particulars and configuration of the laptop with Kusum, which made her unable to do the valuation. Kusum refused to do valuation.

Vasant needed laptop for his project, so he promised Kartik that, if the laptop is delivered to him, he would pay a reasonable price for it. However, Kartik decided not to sell his laptop to Vasant. Now, Vasant wants to know from you, being a legal expert, whether Kartik is bound by his promise as he agreed earlier to deliver his

laptop to him at a reasonable price. If he does not agree to deliver what is the other remedy available to Vasant? Advise, referring to the provisions of the Sale of Goods Act, 1930. **(3 Marks)**

(b) Referring to the provisions of the Companies Act, 2013, answer the following:

(i) "Corporate veil sometimes fails to protect the members of the company from the liability connected to the company's actions." Explain any three instances. **(5 Marks)**

(ii) What is the effect of Memorandum and Articles when registered?

(2 Marks)

(c) Referring to the provisions of the Limited Liability Partnership Act, 2008, answer the following:

(i) Under what circumstances a Limited Liability Partnership is compulsorily required to change its name? Also, explain the compliance requirement following the change of name and the consequences, if any, in case of default therein. **(4 Marks)**

(ii) What do you mean by a Small Limited Liability Partnership?

(2 Marks)

3. (a) Referring to the provisions of the Indian Partnership Act, 1932, answer the following:

(i) Ram and Shyam are partners in a partnership firm styled as RS & Co. (the firm). Gopal, a renowned businessman, is their common friend. Ram introduced Gopal to Sundar, a supplier to the firm, as his newly joined partner. Gopal knowing that he is not a partner preferred to keep quiet on such an introduction. This information about Gopal, being a partner of the firm, was shared by Sundar with another businessman Madhav. Next day, Sundar supplied the raw material on credit and Madhav lent ₹ 5 lakhs to the firm for a short period on the understanding that Gopal is a partner of the firm. On due dates, the firm failed to discharge its liability towards both. Advise Gopal, whether he is liable to Sundar and Madhav for the aforesaid liability of the firm. **(3 Marks)**

(ii) On admission as a new partner, Amar agreed to be liable for the existing debts (referred to as the old debts) of the firm by an agreement signed by the all partners including Amar. Examine, whether Amar will be liable in a suit filed by the creditor against the firm and all existing partners for recovery of the old debt of the firm. **(2 Marks)**

(iii) Suman, having 10% share in the property of ₹ 200 lakh of a firm retires from the firm on 31st March, 2023. The firm continues with the business thereafter without final settlement of accounts between the existing and retired partners and earned profits of ₹ 10 lakh during the financial year ending 31st March, 2024. Suman, in her own interest and in the absence of any provision in

the partnership firm on this point, claimed ₹ 3 lakh from the firm toward the use of her share in the property and profit of the firm which was-rejected by the partners. There is no contract between the partners contrary to the provisions of the Act in this regard. Examine the validity of the amount claimed by Suman under the provisions of the Indian Partnership Act, 1932. **(2 Marks)**

- (b) (i) JV Limited borrowed a secured loan of ₹ 5 crore from Star Bank Limited (the bank) to meet its working capital requirement. However, the borrowing powers of the company, under its Memorandum of Association, were restricted to ₹ 1 crore. The bank released the loan amount in two instalments of ₹ 1 crore and ₹ 4 crore. On the due date for repayment of the loan, the company refused to accept the liability of ₹ 5 crore on the ground that the borrowing was ultra vires the company. The company's books of account show that the company has utilised the loan amount of ₹ 3 crore for repayment of its lawful debts. The utilisation of the remaining ₹ 2 crore cannot be traced. Referring to the doctrine of ultra-vires under the Companies Act, 2013, examine the validity of the decision of the company denying the repayment of the loan and explore the remedy, if any, available to the bank for recovery of the loan. **(4 Marks)**

- (ii) After incorporation of Goodwill Private Limited (the company) on 15th May, 2024 the share certificates were issued to Amit, Sumit and Sumati being subscribers to the Memorandum of Association of the company without affixing the common seal thereon and under the signature of Amit and Sumit, the directors of the company. The company has yet to appoint a company secretary. On objection raised by Sumati, a director, about the validity of the share certificate signed by other two directors, Amit and Sumit, clarified that since the company has opted not to have the common seal for the company the share certificates (i.e. the document) signed by two directors are valid. Referring to the provisions of the Companies Act, 2013, examine the correctness of the objection raised by one of the directors and in response, the clarification offered by other directors.

Would your answer be different, if the company had a company secretary? **(3 Marks)**

- (c) (i) In case of breach of contract, the court may award compensation or damages. Explain the circumstances when court may award ordinary damages, special damages and liquidated damages under the provisions of the Indian Contract Act, 1872. **(3 Marks)**
- (ii) What are the conditions need to be fulfilled to make the following agreements valid without consideration as per the provisions of the Indian Contract Act, 1872?
- (A) Agreement made based on natural love and affection
- (B) Promise to pay time-barred debts **(3 Marks)**

4. (a) (i) Raghav found gold and diamond studded wristwatch value approximately ₹ 1,00,000/- on the roadside. He picked it up and then advertised in the newspaper that the true owner thereof can take the watch after showing proper evidence. After waiting for a certain period of time, when the true owner did not turn up, he gifted that wristwatch to his son Mahesh. A few days later, Madhav, the true owner of watch, somehow noticed his watch on wrist of Mahesh. He approached him to collect the same, but Mahesh refused. In the evening, Raghav called Madhav and told him that he incurred ₹ 20,000 to find the true owner if he fails to reimburse him the lawful expenses incurred on finding out the true owner, he will sue him for recovery thereof or retain the possession of the watch with him till recovery. Even he can sell the watch for recovery of expenses. Advise whether the following actions of Raghav were lawful according to provisions of The Indian Contract Act, 1872:

- (A) Gifting the wristwatch to his son.
- (B) Warning Madhav to sue for recovery of lawful expenses incurred in finding true owner.
- (C) Retaining the possession of wristwatch till recovery of lawful expenses.
- (D) Selling of wristwatch for recovery of expenses. **(4 Marks)**

- (ii) Woollen Garments Limited entered into a contract with a group of women in July, 2023 to supply various woollen clothes for men, women and kids like sweaters, monkey caps, mufflers; woollen coats, hand gloves etc. before the commencement of the winter season. The agreement expressly provides that the woollen clothes shall be supplied by the end of October, 2023 before starting of winter season. However, due to the prolonged strike, women group could tender the supplies in March, 2024 when the winter season was almost over. Analysing the situation and answer the following questions in light of the provisions of the Indian Contract Act, 1872:

- (A) Whether company can reject the total supply by women group?
- (B) Whether company can accept the total supply on request of women group? **(3 Marks)**

- (b) (i) With reference to provisions of the Negotiable Instruments Act, 1881, tell the instances where a person shall be deemed to have committed an offence for dishonour of cheque and what are the conditions to be complied with for not constituting such an offence?

(4 Marks)

- (ii) (A) All cheques are bills while all bills are not cheques. Explain the additional features of a cheque which differentiate a cheque from bill as per the Negotiable Instruments Act, 1881.
- (B) Ambiguous instrument **(3 Marks)**

- (c) Explain the types of laws in the Indian Legal System considering the Indian Regulatory Framework. **(6 Marks)**

5. (a) (i) Ashok, a trader, delivered a camera to Mangesh on 'sale or return' basis. Mangesh delivers the camera to Rahul on the terms of 'sale for cash only or return'. Afterward, Rahul delivered it to Vishal on a 'sale or return' basis without paying cash to Mangesh. The camera, which was in the possession of Vishal was lost by theft though he exercised due care for its safety. Referring to the provisions of the Sale of Goods Act, 1930, analyse the situation and advise, whether Mangesh, Rahul or Vishal are, jointly or severally, liable to pay the price of the camera to Ashok. **(4 Marks)**

- (ii) Ansari of Jaipur sold 100 smart TV set @ ₹ 50,000/- per set to Baburam of Delhi. He delivered the TV sets to Chetan, a transport carrier for transmission to Baburam. Baburam further sold these 100 TV sets to Shayamlal @ ₹ 60,000/- per set. On reaching the goods at the destination, Baburam demanded the delivery but Chetan, wrongfully, refused to deliver the goods to Baburam. That is why; he failed to deliver TV sets to Shayamlal and suffered a huge loss on account of non-delivery. Ansari came to know about this. He directed Chetan to stop the delivery to Baburam and re-deliver the goods to him at Jaipur.

Answer the following questions under the provisions of the Sale of Goods Act, 1930:

- (A) Whether Ansari has right to stop the goods in transit?
(B) Whether Baburam can claim loss suffered due to non-delivery from Ansari? **(3 Marks)**
- (b) State the circumstances, in which a Court may, at the suit of the partner, dissolve a partnership firm under the provisions of the Indian Partnership Act, 1932. **(7 Marks)**
- (c) In accordance with the provisions of the Indian Contract Act, 1872, answer the following:

(i) Rights of Bailor against any wrong doer (Third Party)

(ii) Duties of the Pawnee

(6 Marks)

6. (a) Referring to the provisions of the Negotiable Instruments Act, 1881, answer the following in the given scenario:

- (i) Aman drew the bill of exchange (the bill) on Baban, who accepted it, payable to Magan or order. Magan indorsed the bill to Gagan. Gagan indorsed the bill to Akash to be delivered to him on the next day. However, on the death of Gagan on the same day, his only son Ankit delivered the bill to Akash on the next day as intended by his deceased father. On presenting the bill on the due date, Baban refused to pay. Explaining the importance of delivery in negotiation, decide, whether Akash can enforce the payment of the bill against Baban or the previous parties. **(4 Marks)**

- (ii) Reliable Limited, an Indian company, is a global leader in Petrochemical products. For payment of the sale price of machinery imported from Alex Manufacturing Limited, a USA based company (the exporter), the Indian company drew a bill of exchange on Manish, a resident of Mumbai (India) who accepted the bill at Mumbai payable to the exporter in Los Angeles, USA. Decide, whether the bill of exchange is an inland instrument or a foreign instrument. Assume that the bill of exchange was signed by the authorised person for the drawer company. **(3 Marks)**
- (b) Answer the following as per the provisions of the Indian Contract Act, 1872:
- (i) 'Agent cannot personally enforce, nor be personally bound by, contracts on behalf of the principal' however there are some exceptions to this general rule, explain. **(4 Marks)**
- (ii) State the rights of Indemnity-holder when sued. **(2 Marks)**

OR

- (i) Explain any four differences between Contract of Indemnity and Contract of Guarantee. **(4 Marks)**
- (ii) Whether the threat to commit suicide is coercion? **(2 Marks)**
- (c) (i) Explain the legal rules of auction sale relating to the following points as per provisions of the Sale of Goods Act, 1930:
- (A) Bid by seller with or without notification
- (B) Bidder to retract from his bid
- (C) Effect of pretending bidding **(4 Marks)**
- (ii) Explain the provisions relating to the delivery of the wrong quantity of goods as per the provisions of the Sale of Goods Act, 1930. **(3 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'?
- (a) B is the son of A
 - (b) A is the son of C
 - (c) B is the father of C
 - (d) 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:
- (a) 2:15
 - (b) 7:15
 - (c) 15:7
 - (d) 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 : $(1.1)^{10}=259734$]
- (a) ₹ 37,467
 - (b) ₹ 37,476
 - (c) ₹ 37,647
 - (d) ₹ 37,674
18. The Scarap value of machine valued at Rs,10,00,000 after 15 yaers of depreciation is 10% per annmum .
- (a) ₹ 215891.13
 - (b) ₹ 205891.13
 - (c) ₹ 225891.13
 - (d) None
19. The effective annual rate of interest corresponding to nominal rate 6% p.a. payable quaterly is:
- (a) 6.14%
 - (b) 6.07%
 - (c) 6.08%
 - (d) 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.
- (a) ₹ 37,000
 - (b) ₹ 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?
- ₹ 3473.86
 - ₹ 3108.60
 - ₹ 6265.38
 - 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:
- ₹ 30,000
 - ₹ 40,000
 - ₹ 35,000
 - ₹ 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 ?
- 16 years
 - 15 years
 - 20 years
 - None.
29. $\int 2^{3x} \cdot 3^{2x} \cdot 5^{2x} dx$
- $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(720)} + C$
 - $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(360)} + C$
 - $\frac{2^{3x} \cdot 3^{2x} \cdot 5^{2x}}{\log(1800)} + C$
 - $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(90)} + C$
30. $\int_1^4 (2x + 5) dx$ and the value is
- 10
 - 3
 - 30
 - none
31. The equation of the tangent to the curve, $x^3 - 2x + 3$, at the point (2, 7) is:
- $y = 2x - 13$
 - $y = 10x$
 - $y = 10x - 13$

(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:
- (a) $p + q + r$
 - (b) $p + q - r$
 - (c) $p - q - r$
 - (d) $p + q$
39. Find the numbers whose GM is 5 and AM is 7.5:
- (a) 12 and 13
 - (b) 13.09 and 1.91
 - (c) 14 and 11
 - (d) 17 and 19
40. If the sum of n terms of an A.P. be $2n^2 + 5n$, then its ' n ' term is:
- (a) $4n - 2$
 - (b) $3n - 4$
 - (c) $4n + 3$
 - (d) $3n + 4$
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 :
- (a) $5/2$
 - (b) 2
 - (c) $3/2$
 - (d) $1/2$
42. Find the sum of all natural numbers between 250 and 1,000 which are exactly divisible by 3 :
- (a) 1,56,375
 - (b) 1,56,357
 - (c) 1,65,375
 - (d) 1,65,357
43. On the set of lines, being perpendicular is a satisfies which property :
- (a) Reflexive
 - (b) Symmetric
 - (c) Transitive
 - (d) 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:
- (a) $\{(2, 2)(2, 4)(4, 2)(4, 4)(5, 2) (5, 4)\}$
 - (b) $\{(1, 2) (1, 4) (3, 2) (3, 4) (5, 2) (5, 4)\}$

- (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 $(f \circ g)(x)$:
- (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° in the clockwise direction and then again another turns with 180° in the same direction i.e. clockwise direction, after that he turns 270° 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° . 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 ?
- D
 - A
 - E
 - B
56. Eight leaders P, Q, R, S, T, U, V and W are sitting on a bench facing towards North.
- T is fourth to the left of P
 - S is fourth to the right of W
 - U and R are not sitting at the ends, but they are neighbours of T and Q respectively.
 - P is next to the right of W and but left of Q.
- Who are sitting at the extreme ends ?
- T and S
 - P and Q
 - U and R
 - None
57. If $\log_4(x^2 + x) - \log_4(x + 1) = 2$ then the value of x is
- 2
 - 3
 - 16
 - 8
58. If HEALTH is written as GSKZDG, then how will NORTH be written in that code?
- OPSUI
 - GSQNM
 - FRPML
 - IUSPO
59. In a certain code, TEACHER is written as VGCEJGT. How is CHILDREN written in that code ?
- EJKNEGTP
 - EGKNEITP
 - EJKNFGTO
 - 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) $\text{Mean} - \text{Median} = 3 (\text{Median} - \text{Mode})$
 - (b) $\text{Median} - \text{Mode} = 3 (\text{Mean} - \text{Median})$
 - (c) $\text{Mean} - \text{Mode} = 3 (\text{Mean} - \text{Median})$
 - (d) $\text{Mean} - \text{Median} = 3 (\text{Mean} - \text{Mode})$
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 15th 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

1. if α and β 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 invests 3 times as much as y invests and y invests two third of what z invests, then the ratio 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 reduce 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?

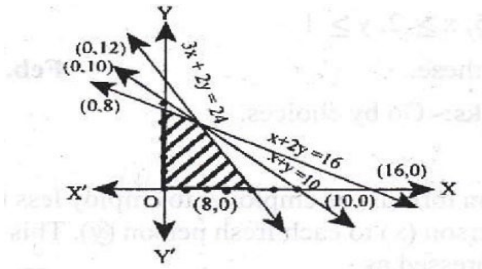
(a) 22

(b) 20

(c) 15

(d) 18

10. The shaded region represents:



- (a) $3x + 2y \leq 24, x + 2y \geq 16, x + y \leq 10, x \geq 0, y \geq 0$
- (b) $3x + 2y \leq 24, x + 2y \leq 16, x + y > 10, x \geq 0, y \geq 0$
- (c) $3x + 2y \leq 24, x + 2y \leq 16, x + y < 10, x > 0, y > 0$
- (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 if the interest rate is 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 an account paying interest 6% per year compounded monthly. What is the future value of an annuity after 10th 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 is ₹ 2688 in three years and ₹ 2784 in four years at the rate per annum equal to
- (a) 4%
 - (b) 6%
 - (c) 5%
 - (d) 7%
20. Ravi made an investment of ₹ 15,000 in a scheme and at 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 ₹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) ₹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 straight line is:
- (a) 185
 - (b) 175
 - (c) 115
 - (d) 105
28. Five bulbs of which three are defective are to be tried in two light-points in a dark-room. In how many trials 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 11th 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
- (a) $\sqrt{3}$
 - (b) $\sqrt{2}$
 - (c) 4
 - (d) 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
- (a) 3
 - (b) 2
 - (c) 4
 - (d) 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
- (a) 6,3
 - (b) 7,6
 - (c) 5,1

(d) 8,7

38. If $f(p) = \frac{1}{1-p}$, then f^{-1} is

(a) $1-p$

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

(c) $\frac{p}{p-1}$

(d) $\frac{1}{p}$

39. Determine $f(x)$, given that $f'(x) = 12x^2 - 4x$ and $f(-3) = 17$

(a) $f(x) = 4x^3 - 2x^2 + 143$

(b) $f(x) = 6x^3 - x^4 + 137$

(c) $f(x) = 3x^4 - x^3 - 137$

(d) $f(x) = 4x^3 - 2x^2 - 143$

40. $\int_0^1 x.e^x dx$

(a) -1

(b) 1

(c) e^1

(d) $1/e$

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.
- (a) North
 - (b) South
 - (c) South-East
 - (d) 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?
- (a) North-West
 - (b) South-East
 - (c) South-West
 - (d) Data inadequate
49. If South-West becomes North, then what will North-East be?
- (a) North

- (b) South-East
 - (c) South
 - (d) 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?
- (a) North-West
 - (b) South-East
 - (c) West
 - (d) 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?
- (a) Apurva
 - (b) Ankur
 - (c) Abhishek
 - (d) 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 ?
- (a) M
 - (b) R
 - (c) Q
 - (d) 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) A
 - (b) X
 - (c) S
 - (d) 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 ?
- (a) B is to the left of A.
 - (b) D is third to the left of E.
 - (c) B is to the right of E.

- (d) 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.
- (a) Q
(b) P
(c) P and Q
(d) 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?
- (a) Aunt
(b) Daughter-in-law
(c) Daughter
(d) 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?
- (a) $B+D\times C-A$
(b) $B-D\%A$
(c) $A-C+D\times B$
(d) $A+C\times D-B$

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
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 sampling
 - (b) The error committed in sample survey
 - (c) The error committed in estimating parameter
 - (d) Standard 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 σ , then the standard deviation of 11, 12, 13, 14,, 20 is:

- (a) 10σ
- (b) $10+\sigma$
- (c) σ
- (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 Deviation
 - (d) Quartile Deviation
73. Calculate the value of 3rd 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 mean and coefficient 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) $\frac{8}{15}$
(b) $\frac{2}{15}$
(c) $\frac{1}{2}$
(d) $\frac{7}{15}$

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 trial is 3:1. In a three independent trials, 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
- (a) 2.38

- (b) 6.76
- (c) 6.56
- (d) 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, $n =$
- (a) 11
- (b) 10
- (c) 9
- (d) 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
- (a) 300
- (b) 250
- (c) 600
- (d) 350
97. The Circular Test is known as:
- (a) $P_{01} \times P_{12} \times P_{20} = 1$
- (b) $P_{12} \times P_{01} \times P_{20} = 1$
- (c) $P_{20} \times P_{12} \times P_{01} = 1$
- (d) $P_{02} \times P_{21} \times P_{12} = 1$
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
- (a) 120
- (b) 30
- (c) 165
- (d) None of these
99. Laspyres index number is a weighted aggregate method by taking _____ as weights.
- (a) Quantity consumed in the base year
- (b) Quantity consumed in the current year
- (c) Value of items consumed in base year
- (d) Value 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

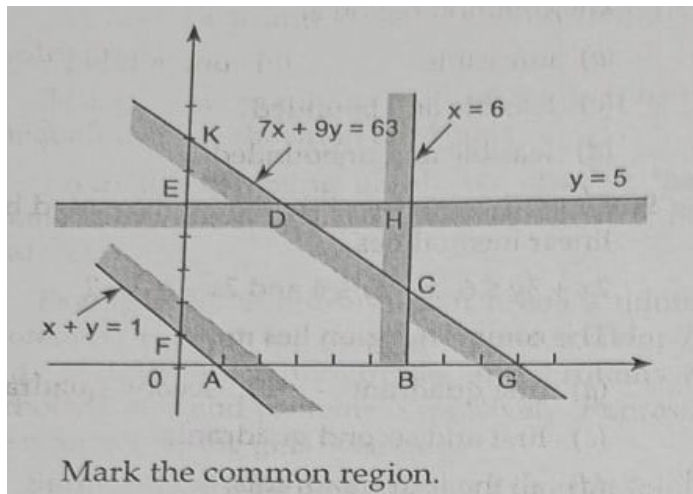
- (a) 151.21
- (b) 165.28
- (c) 157.26
- (d) 160.21

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) BCGB
(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 $f(2)$.
- (a) 8
 - (b) 10
 - (c) 12
 - (d) 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?
- (a) 90
 - (b) 120
 - (c) 48
 - (d) None of these
28. The number of times a particular item occurs in a given data is called its
- (a) Variation
 - (b) Frequency
 - (c) Cumulative frequency
 - (d) 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
- (a) 30.1
 - (b) 31.1
 - (c) 30
 - (d) 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?
- (a) $m + \frac{m+2}{2}$
 - (b) $L + \frac{m+L}{2}$
 - (c) $2m-L$
 - (d) $m - 2L$
31. The mean of the values of 1, 2, 3, n with respective frequencies $x, 2x, 3x, \dots, nx$ is
- (a) $\frac{n+1}{2}$

(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
- (a) 2
 - (b) -2
 - (c) 4
 - (d) 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 .
- (a) 7.50
 - (b) 8
 - (c) 8.50
 - (d) none of these
66. Two variables x and y are related by $5x + 2y + 5 = 0$ and $\bar{x} = 5$, then \bar{y} is
- (a) 10
 - (b) -10
 - (c) 15
 - (d) -15
67. Find Q_1 for the following observations: 7,9,5,4,10,15,14,18,6,20
- (a) 4.75
 - (b) 5.25
 - (c) 5.75
 - (d) 6.25
68. _____ is the entire upper part of the table which includes columns and sub-column numbers, unit(s) measurement.
- (a) Sub
 - (b) Box-head
 - (c) Body
 - (d) 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
- (a) $\frac{5}{12}$
 - (b) $\frac{7}{12}$
 - (c) $\frac{1}{2}$

(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 $2x$ and $3y - 7 = 0$ 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 cm². 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) $v(x) + v(y) - 2 v(x,y)$
 - (c) $v(x) + v(y) + 2 v(x,y)$
 - (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) $3/5$

(d) $3/4$

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) $6/255$

(b) $5/548$

(c) $7/429$

(d) $3/233$

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) $11/13$

(b) $2/13$

(c) $1/13$

(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 4

FOUNDATION COURSE

PAPER – 3: QUANTITATIVE APTITUDE

Time: 2 Hours

Marks: 100

1. P, Q and R three cities. The ratio of average temperature between P and Q is 11: 12 and that between P and R is 9:8. The ratio between the average temperature Q and R
 - (a) 22 : 27
 - (b) 27 : 22
 - (c) 32 : 33
 - (d) none of these
2. The third proportional between (a^2-b^2) and $(a+b)^2$ is :
 - (a) $\frac{a+b}{a-b}$
 - (b) $\frac{a-b}{a+b}$
 - (c) $\frac{(a-b)^2}{a+b}$
 - (d) $\frac{(a+b)^3}{a-b}$
3. If 8th term of an AP is 15, the Sum of the 15 its term is
 - (a) 15
 - (b) 0
 - (c) 225
 - (d) 225/2
4. For what values of x, the number $-\frac{2}{7}, x, -\frac{7}{2}$ are in G.P.?
 - (a) ± 1
 - (b) ± 3
 - (c) ± 2
 - (d) none of these
5. For what value of x; the sequence $x+1, 3x, 4x+2$ are in AP?
 - (a) 3
 - (b) 2

- (c) 4
- (d) 5
6. If $a^{1/x} = b^{1/y} = c^{1/z}$ and a, b, c are in GP then x, y, z are in
- (a) AP
- (b) GP
- (c) HP
- (d) AGP
7. The derivative of $e^x \log x$
- (a) $\frac{e^x}{x}(1 + x \log x)$
- (b) $\frac{e^x}{x}(1 + \log x)$
- (c) $(1 + \log x)$
8. If $y = \sqrt{\frac{1-x}{1+x}}$ then $(1-x^2) \frac{dy}{dx} =$
- (a) y
- (b) $-x$
- (c) $-y$
- (d) 0
9. Find the gradient of the curve $y = 3x^2 - 6x + 4$ at the point (1, 2)
- (a) 1
- (b) -1
- (c) 0
- (d) 2
10. The equation of the curve in the form $y = f(x)$ if the curve passes through the point (1, 0) and Find $f'(x) = 2x - 1$ is
- (a) $y = x^2 - x$
- (b) $x = y^2 - y$
- (c) $y = x^2$
- (d) none of these
11. $\int \frac{1}{x \log x} dx = ?$
- (a) $\log|x| + c$

- (b) $\log |\log x| + c$
(c) $(\log x)^2 + c$
(d) none of these
12. $\int_1^2 \frac{2x}{1+x^2} dx$ is equal to
(a) $\log_e(5/2)$
(b) $\log_e 5 - \log_e 2 + k$
(c) $\log_e(2/5)$
(d) none of these
13. Find $f \circ g$ for the functions $f(x) = x^8$, $g(x) = 2x^2 + 1$
(a) $x^8(2x^2 + 1)$
(b) x^8
(c) $2x^2 + 1$
(d) $(2x^2 + 1)^8$
14. The number of proper subsets of the set $\{3, 4, 5, 6, 7\}$ is
(a) 32
(b) 31
(c) 30
(d) 25
15. On the sets of lines in a plane the Relation "is perpendicular to" is
(a) Reflexive
(b) Symmetric
(c) Transitive
(d) none of these
16. In how many ways 3 prizes out of 5 can be distributed amongst 3 brothers equally
(a) 10
(b) 45
(c) 60
(d) 120
17. There 12 questions to be answered to be Yes or No. How Many ways this can be answered -
(a) 1021

- (b) 2048
- (c) 4096
- (d) None of the above

18. ${}^{15}C_{3r} = {}^{15}C_{r+3}$, then r is equal to

- (a) 2
- (b) 3
- (c) 4
- (d) 5

19. A polygon has 44 diagonals then the number of sides are

- (a) 6
- (b) 7
- (c) 8
- (d) 11

20. The number of ways of painting the six faces of a cube with six different given colours is

- (a) 1
- (b) 720
- (c) 30
- (d) 15

21. How many Six-digit telephone numbers can be formed by using 10 distinct digits

- (a) 10^8
- (b) 6^{10}
- (c) ${}^{10}C_9$
- (d) ${}^{10}P_6$

22. ${}^nC_1 + {}^nC_2 + {}^nC_3 + \dots =$

- (a) $2^n - 1$
- (b) 2^n
- (c) 2^{n+1}
- (d) none of these

23. The value of $\log_{0.1} 0.001 =$

- (a) 3
- (b) 2

- (c) 4
- (d) $\frac{1}{3}$

24. if $\log_4 x = -3/2$. Then x is

- (a) $\frac{1}{8}$
- (b) $\frac{1}{4}$
- (c) $\frac{1}{2}$
- (d) $\frac{1}{3}$

25. A number consists of two digits. The digits in tens place is 3 times the digit in the unit's place. If 54 is subtracted from the digits are reversed. The number is

- (a) 39
- (b) 92
- (c) 93
- (d) 94

26. The equation $x^2 - (P+4)x + 2P+5 = 0$ has equal roots

The value of p is

- (a) 2
- (b) -2
- (c) ± 2
- (d) 3

27.

x	5	6	7	8
y	11	13	15	17

In the above table corresponding values of two variable x and y have been given. Which of the following equations establishes the relationship between the two variables?

- (a) $y = 3x+2$
- (b) $y = 2x-1$
- (c) $y = 2x+1$
- (d) $y = 3x+1$

28. A manufacturer produces two items A and B. He has ₹ 10,000 to invest and a space to store 100 its ms. A table costs him ₹ 400 and a chair ₹ 100. Express this in the form of linear inequalities.

- (a) $x + y \leq 100$, $4x + y \leq 100$, $x \geq 0$, $y \geq 0$

- (b) $x + y \leq 1000$, $2x + 5y < 1000$, $x \geq 0$, $y \geq 0$
- (c) $x + y > 100$, $4x + y \geq 100$, $x \geq 0$, $y \geq 0$
- (d) none of these
29. The difference between compound and simple interest at 5% per annum for 4 years on ₹ 20,000 is -
- (a) 250
- (b) 277
- (c) 300
- (d) 310
30. In how many years will a sum of money double at 5% p.a compounded interest?
- (a) 15 years 3 months
- (b) 14 years 2 months
- (c) 14 years 3 months
- (d) 15 years 3 months
31. A machine worth ₹ 4,90,740 is depreciated at 15% of its opening value each year. When would its value reduce by 90%?
- (a) 11 years 6 months
- (b) 11 years 7 months
- (c) 11 years 8 months
- (d) 14 years 2 months approximately
32. Assuming, that discount rate is 7% per annum, how much would you pay to receive ₹ 50, growing at 5%, annually, forever.
- (a) 2500
- (b) 3000
- (c) 3500
- (d) 4000

33. Future value of Ordinary Annuity

(a) $A(n, i) = A \left[\frac{(1+i)^n - 1}{i} \right]$

(b) $A(n, i) = A \left[\frac{(1+i)^n + 1}{i} \right]$

$$(c) \quad A(n, i) = A \left[\frac{1 - (1+i)^{-n}}{i} \right]$$

$$(d) \quad A(n, i) = A \left[\frac{(1+i)^n - 1}{i(1+i)^n} \right]$$

34. Nominal rate of Interest 9.9% p.a. If Interest is compounded monthly. What will be the effective rate of Interest? (Given $\left(\frac{4033}{4000}\right)^{12} = 1.1036$)
- (a) 10.36 %
 - (b) 9.36%
 - (c) 11.36%
 - (d) 9.9 %
35. A machine worth of ₹ 4,90,740 is depreciated at 15% on its opening value each year. When its value reduces to ₹ 2,00,000
- (a) 4 years 6 months
 - (b) 4 years 7 months
 - (c) 4 years 5 months
 - (d) 5 years 7 months approximately
36. A sinking fund is created redeeming debentures worth ₹ 5,00,000 at the end of 25 years. How much provision need to be made out of profits each year provided sinking fund investments can earn at 4 % per annum
- (a) 12,006
 - (b) 12,040
 - (c) 12039
 - (d) 12035
37. Nominal Rate of Return =
- (a) Real Rate of Return – Inflation
 - (b) Real Rate of Return + Inflation
 - (c) Real Rate of Return / Inflation
 - (d) Real Rate of Return × Inflation
38. Net Present value ≥ 0 , then
- (a) Accept the Proposal
 - (b) Reject the proposal
 - (c) Not Feasible

- (d) None of the above
39. A sum of Money doubles itself at compound interest in 10 years. In how many years will it become eight times
- (a) 10
 - (b) 30
 - (c) 40
 - (d) 35
40. The time in which a sum of money will be doubled at 6% compound interest compounded interest compounded annually approximately.
- (a) 10 years
 - (b) 12 years
 - (c) 13 years
 - (d) 14 years
41. 18, 24, 21, 27, ?, 30, 27
- (a) 33
 - (b) 30
 - (c) 24
 - (d) 21
42. 5, 7, 11, ?, 35, 67
- (a) 23
 - (b) 28
 - (c) 30
 - (d) 19
43. If GARDEN is coded as 325764 and WATER as 92165, how can we code the word WARDEN in the same way?
- (a) 925764
 - (b) 295764
 - (c) 952764
 - (d) 957264
44. If F = 6, MAT=34, then how much is CAR?
- (a) 21
 - (b) 22
 - (c) 25

- (d) 28
45. Find next term of the series, 4, 9, 16, 25, 36, 49, ?
- (a) 1
(b) 9
(c) 20
(d) 64
46. Find odd man out of the series 16, 25, 36, 72, 144, 196, 225
- (a) 36
(b) 72
(c) 196
(d) 225
47. Raju starts from point A and walks 1 km towards south, turns left and walks 1 km. Then he turns left again and walks 1 km. now he is facing?
- (a) East
(b) West
(c) North
(d) South-West
48. Roopa starts from a point and walks 15 metre towards west, turns left and walks 12 metre, turns right again and walks. What is the direction she is now facing?
- (a) South
(b) West
(c) East
(d) North
49. A car travelling from south to north covers a distance of 8 kms, then turns right and runs another 9 kms and again turns to the right and was stopped. Which direction does it face now?
- (a) South
(b) North
(c) West
(d) East
50. There are five houses P, Q, R, S and T. P is right of Q and T is left of R and right of P. Q is right of S. Which house is in the middle?
- (a) P

(b) Q

(c) T

(d) R

51. Six friends A, B, C, D, E and F are sitting in a row facing towards North, C is sitting between A and E, D is not at the end, B is sitting at immediate right of E, F is not at the right end, but D is sitting at 3rd left of E. Which of the following is sitting to the left of D?

(a) A

(b) F

(c) E

(d) C

52. Six girls are standing in such a way that they form a circle, facing the centre. Subbu is to the left of Pappu, Revathi is between Subbu and Nisha, Aruna is between Pappu and Keerthana. Who is to the right of Nisha?

(a) Ravathi

(b) Aruna

(c) Subbu

(d) Keerthana

53. A is B's brother. C is D's father. E is B's mother. A and D are brothers. How is E related to C?

(a) Sister

(b) Sister-in-law

(c) Niece

(d) Wife

54. A is B's brother, C is A's mother, D is C's father, E is B's son, How is B related to D?

(a) Son

(b) Granddaughter

(c) Grandfather

(d) Great Grandfather

55. A is the mother of D and sister of B. B has a daughter C who is married to F. G is the husband of A. How is G related to D?

(a) Uncle

(b) Husband

(c) Son

- (d) Father
56. P and Q are brothers. R and S are sister. P's son is S's brother. How is Q related to R?
- (a) Uncle
(b) Brother
(c) Father
(d) Grandfather
57. Pointing out to a photograph, a man tells his friend, "She is the daughter of the only son of my father's wife." How is the girl in the photograph related to the man?
- (a) Daughter
(b) Mother
(c) Cousin
(d) Sister
58. A party consists of grandmother, father, mother, four sons and their wives and one son and two daughters to each of the sons. How many females are there in all?
- (a) 13
(b) 16
(c) 18
(d) 24
59. Shyam goes 5 km in the North from his school. Now, turning to the left, he goes to 10 km and again turns to left and goes to 5 km. How far he is from his school and in which direction?
- (a) 10 km, South from school
(b) 10 km, North from school
(c) 10 km, West from school
(d) 10 km, East from school
60. Rasik walked 20 m towards north. Then he turned right and walks 30 m. Then he turns right and walks 35 m. Then he turns left and walks 15 m. Finally, he turns left and walks 15 m. In which direction and how many metres is he from the starting position?
- (a) 15 m West
(b) 30 m East
(c) 30 m West

(d) 45 m East

61. The _____ is satisfied when $P_{ab} \times P_{bc} \times P_{ca} = 1$

- (a) Time reversal test
- (b) Factor reversal test
- (c) Circular Test
- (d) none of these

62. The index number of prices at a place in 2008 is 355 with 2003 as base. This means -

- (a) There has been on the average a 255% increase in prices.
- (b) There has been on the average a 355% increase in price.
- (c) There has been on the average a 250% increase in price.
- (d) None of these.

63. The number of tests of Adequacy

- (a) 2
- (b) 3
- (c) 4
- (d) 5

64. If two events A and B are independent, the probability that both will occur is given by

- (a) $P(A) \times P(B)$
- (b) $P(A) + P(B)$
- (c) $P(A) + P(B) - P(A \cup B)$
- (d) $P(A) + P(B) - P(A \cap B)$

65. If p: q is the odds in favor of an event, then the probability of that event is -

- (a) p/q
- (b) $\frac{q}{p+q}$
- (c) $\frac{p}{p+q}$
- (d) none of these

66. If $P(A) = 4/9$; then the odd against the event 'A' is

- (a) 4:9
- (b) 4:5
- (c) 5:4

- (d) 4:14
67. If two letters are taken at random from the word HOME, what is the Probability that none of the letters would be vowels?
- (a) $1/6$
(b) $1/2$
(c) $1/3$
(d) $1/4$
68. Equations of two lines of regression are $4x+3y+7 = 0$ and $3x+ 4y + 8 = 0$, the mean of x and y are
- (a) $5/7$ and $6/7$
(b) $-4/7$ and $-11/7$
(c) 2 and 4
(d) None of these
69. Correlation Co-efficient is _____ of the units of measurements
- (a) Independent
(b) Dependent
(c) Both
(d) none of these
70. 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
71. Statistics is concerned with
- (a) Qualitative information
(b) Quantitative information
(c) (a) or (b)
(d) Both (a) and (b).
72. The standard deviation of 25, 32, 43, 53, 62, 59, 48, 31, 24, 33 is
- (a) 13.23
(b) 12.33
(c) 11.33

- (d) none of these
73. The quartile deviation of a normal distribution with mean 10 and standard deviation 4 is
- (a) 0.675.
 - (b) 67.50.
 - (c) 2.70
 - (d) 3.20.
74. If the range of x is 2, what would be the range of $-3x + 50$?
- (a) 2
 - (b) 6
 - (c) -6
 - (d) 44
75. If the quartile deviation of a normal curve is 4.05, then its mean deviation is
- (a) 5.26
 - (b) 6.24
 - (c) 4.24
 - (d) 4.80
76. The mean of first 3 terms is 14 and the mean of next 2 terms is 18. The mean of 5 numbers is -
- (a) 14.5
 - (b) 15
 - (c) 14
 - (d) 15.6
77. The Standard deviation is independent of change of
- (a) Origin
 - (b) Scale
 - (c) Both
 - (d) none
78. If two variables are uncorrelated then regression lines are
- (a) Parallel
 - (b) Perpendicular
 - (c) Coincident
 - (d) Inclined at 45°

79. When 'p' = 0.5, the
- Asymmetrical.
 - Symmetrical.
 - Both of above.
 - None of above
80. In a normal distribution skewness is ____
- 0
 - >3
 - <3
 - <1
81. If mean and standard deviation of a binomial distribution is 10 and 2 respectively; q will be ____
- 1
 - 0.8
 - 0.6
 - 0.4
82. Which one is not a condition of Poisson model
- the probability of having failures in a small time interval is constant
 - the probability of having success more than one in a small time interval is very small
 - the probability of having success in this time interval is independent of time 't' as well as earlier success
 - the probability of having success in a small time interval (t, t+td) is Kt for a positive constant k.
83. In _____ distribution, mean = variance.
- Normal
 - Binomial
 - Poisson
 - none of these

84. The points of inflexion of the normal curve $f(t) = \frac{1}{4\sqrt{2\pi}} e^{-\frac{(t-10)^2}{32}}$ are
- 6, 14
 - 5, 15
 - 4, 16

- (d) none of these
85. The total area of the normal curve is the
- (a) one
 - (b) 50 percent
 - (c) 0.50
 - (d) any value between 0 and 1
86. 'Stub' of a table is the _____ part of the table describing the _____.
- (a) Left, Columns
 - (b) Right, Columns
 - (c) Right, Rows
 - (d) Left, Rows
87. The pair of averages whose value can be determined graphically.
- (a) Mean and Median
 - (b) Mode and Mean
 - (c) Mode and Median
 - (d) None of these

88. Find the Expected value of the following distribution

x	-20	-10	30	75	80
P(x)	3/20	1/5	1/2	1/10	1/20

- (a) 20.5
 - (b) 21.5
 - (c) 22.5
 - (d) 24.5
89. The tests of shifting bases are called ____
- (a) Unit test
 - (b) Time reversal test
 - (c) Circular test
 - (d) None of these
90. Purchasing power of money is stated as _____ price index?
- (a) Equal to
 - (b) Unequal to
 - (c) Reciprocal of

- (d) None of these
91. If $\sum P_0 Q_0 = 1360$, $\sum P_n Q_0 = 1900$, then the Laspyres Index number is
- (a) 71
 - (b) 139.70
 - (c) 175
 - (d) 180
92. The difference between the upper and lower limit of a class is called
- (a) Class Interval
 - (b) Mid Value
 - (c) Class Boundary
 - (d) Frequency
93. A man travels from Delhi to Agra at an average speed of 30km per hour and back at an average speed of 60 km per hour. What's the average Speed.
- (a) 48 Km/ hr
 - (b) 40 km/hr
 - (c) 45 km/hr
 - (d) 35 km/hr
94. If the mean of frequency distribution is 100 and coefficient of variation is 45% then standard deviation is.
- (a) 45
 - (b) 0.45
 - (c) 4.5
 - (d) 450
95. if the mean and SD of X are a and b respectively, then the S.D of $\frac{x-a}{b}$ is
- (a) a/b
 - (b) -1
 - (c) 1
 - (d) ab
96. If one regression coefficient is greater than one, then other will be:
- (a) More than one
 - (b) Equal to one
 - (c) Less than one

- (d) Equal to minus one
97. The maximum value of correlation coefficient is
- (a) 0
 - (b) 1
 - (c) -1
 - (d) none of these
98. What is exclusive Series
- (a) In which both upper and lower limit are not included in class frequency
 - (b) In which lower limit is not included class frequency
 - (c) In which upper limit is not included in class frequency
 - (d) None of the above
99. If the arithmetic mean between two numbers is 64 and the Geometric Mean between them is 16. The Harmonic mean between them is ____
- (a) 64
 - (b) 4
 - (c) 16
 - (d) 40
100. When the mean is 3.57 and mode is 2.13, then the value of median is ____
- (a) 3.09
 - (b) 5.01
 - (c) 5.01
 - (d) none of these.

MODEL TEST PAPER 5
FOUNDATION COURSE
PAPER 3: QUANTITATIVE APTITUDE

Time: 2 Hours

Marks: 100

1. What is the value of $\frac{p+q}{p-q}$ if $\frac{p}{q}=7$
 - (a) $2/3$
 - (b) $4/3$
 - (c) $2/6$
 - (d) $7/8$
2. If $2^{x+y} = 2^{x-y} = \sqrt{8}$, then the value of x and y are
 - (a) $1, \frac{1}{2}$
 - (b) $\frac{1}{2}, 1$
 - (c) $\frac{1}{2}, \frac{1}{2}$
 - (d) none of these
3. The equation $x^3 - 3x^2 - 4x + 12 = 0$ has three real roots, they are:
 - (a) $-2, 2, 3$
 - (b) $-2, -2, 3$
 - (c) $2, -2, -3$
 - (d) $-2, 2, -3$
4. If α and β are roots of the equation $x^2 - 8x + 12 = 0$ then $1/\alpha + 1/\beta =$ ____
 - (a) $2/3$
 - (b) $2/4$
 - (c) $3/4$
 - (d) $4/5$
5. The roots of the equation $x^2 - 7x + 10 = 0$ are:
 - (a) -2 and -5
 - (b) 2 and 5
 - (c) 2 and -5
 - (d) -2 and 5
6. Given that $\log_{10}2 = x$ and $\log_{10}3 = y$, the value of $\log_{10}120$ is expressed as
 - (a) $2x - y + 1$
 - (b) $2x + y + 1$
 - (c) $2x - y - 1$

(d) none of these

7. If four numbers $\frac{1}{2}, \frac{1}{3}, \frac{1}{5}, \frac{1}{x}$ are proportional then $x =$

(a) $\frac{6}{5}$

(b) $\frac{5}{6}$

(c) $\frac{15}{2}$

(d) none

8. If $x = 2 + \sqrt{3}$ and $y = 2 - \sqrt{3}$ then value of $x^2 + y^2 =$

(a) 14

(b) 4

(c) 2

(d) 6

9. If the ratio of the roots of the Equation $4x^2 - 6x + p = 0$ is 1:2 then the value of p is:

(a) 1

(b) 2

(c) -2

(d) -1

10. The ratio of number of boys and number of girls in a school is found to be 15:32. How many boys and equal number of girls should be added to bring the ratio to 2/3?

(a) 19

(b) 20

(c) 23

(d) 27

11. If $2x + 5 > 3x + 2$ and $2x - 3 \leq 4x - 5$, then x takes which of the following value ?

(a) 4

(b) -4

(c) 2

(d) -2

12. Solve for x of the Inequalities $2 \leq \frac{3x-2}{5} \leq 4$ where $x \in \mathbb{N}$

(a) {5,6,7}

(b) {3,4,5,6}

(c) {4,5,6}

- (d) {4,5,6,7}
13. The amount charged for a defined length of time for uses of principal, generally on year basis is known as
- (a) Balance
 - (b) Rate of Interest
 - (c) Principal
 - (d) EMI
14. The sum required to earn a monthly interest of ₹ 1200 at 18% p.a. Simple Interest is –
- (a) ₹ 50,000
 - (b) ₹ 60,000
 - (c) ₹ 80,000
 - (d) None of these
15. Sachin deposited ₹ 1,00,000 in his bank for 2 years at simple interest of 6%. How much interest would he earn? How much final value of deposit
- (a) ₹ 6,000, ₹ 1,06,000
 - (b) ₹ 15,000, ₹ 1,15,000
 - (c) ₹ 11,600, ₹ 1,11,600
 - (d) ₹ 12,000, ₹ 1,12,000
16. The ratio of principal and the compounded interest value for three years (Compounded annually) is 216:127. The rate of interest is:
- (a) 0.1777
 - (b) 0.1567
 - (c) 0.1666
 - (d) 0.1587
17. The Compounded interest ₹8000 for 6 months at 12% p.a payable quarterly is:
- (a) ₹ 487.20
 - (b) ₹ 480
 - (c) ₹ 380
 - (d) None of these
18. The annual birth and death rates per 1,000 are 39.4 and 19.4 respectively. The number of years in which the population will be doubled assuming there is no immigration or emigration is:
- (a) 35 years
 - (b) 30 years

- (c) 25 years
 - (d) none of these
19. The simple interest on 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:
- (a) 2:15
 - (b) 7:15
 - (c) 15.7
 - (d) 1:7
20. Nominal rate of Interest is 9.9 % p.a. If interest is compounded monthly, what will be effective rate of Interest.
- (a) 10.35%
 - (b) 9.36%
 - (c) 11.36%
 - (d) 9.9%
21. The population of a town increases by 2% of the population at the beginning of the year. The number of years by which the total increases in population would be 40% is:
- (a) 7 years
 - (b) 10 years
 - (c) 17 years
 - (d) 19 years
22. A stock pays annually an amount of ₹ 10 from 6th year onwards. What is the present value of perpetuity, if the rate of return is 20%
- (a) 20.1
 - (b) 19.1
 - (c) 21.1
 - (d) 22.1
23. A sum of money invested in compounded interest doubles itself in four years. In how many years it becomes 32 times of itself as the same rate of compound interest?
- (a) 12 years
 - (b) 16 years
 - (c) 20 years
 - (d) 24 years
24. Sinking fund factor is the reciprocal of ____
- (a) Present value of interest factor of a single cash flow

- (b) Present value interest factor of annuity
 - (c) Future value of Interest factor of annuity
 - (d) Future value of Interest factor of a single cash flow
25. If the nominal rate of growth is 17% and inflation is 9% for the five years. Let P be the Gross domestic Product (GDP) amount at the present year then the projected real GDP after 6 years is:
- (a) 1.587 P
 - (b) 1.921P
 - (c) 1.403P
 - (d) 2.51 P
26. If the interest rate on a loan as 1% per month, the effective annual rate of interest is:
- (a) 12%
 - (b) 12.36%
 - (c) 12.68%
 - (d) 12.84%
27. A user wants to create a password using 4 lowercase letters (a-z) and 3 uppercase letters (A-Z). No letter can be repeated in any form. In how many ways can the password be created if the password must start with an uppercase letter?
- (a) $26 \times 25 \times 24 \times 23 \times 22 \times 5 \times 21$
 - (b) $26 \times 25 \times 24 \times 23 \times 22 \times 2 \times 21$
 - (c) $26 \times 5 \times 25 \times 24 \times 23 \times 2 \times 22 \times 21$
 - (d) $6 \times 26 \times 25 \times 24 \times 23 \times 22 \times 21$
28. In how many ways can 5 boys and 3 girls sit in a row so that no two girls are together
- (a) 14,400
 - (b) 14,000
 - (c) 14,425
 - (d) 12,400
29. In how many ways the letters of the word "STADIUM" be arranged in such a way that the vowels all occur together?
- (a) $7! / 3!$
 - (b) $5! 4!$
 - (c) $5! 3!$
 - (d) $7! 3!$

30. How many ways can 5 different trophies can be arranged on a shelf if one particular trophy must always be in the middle?
- (a) 24
 - (b) 120
 - (c) 48
 - (d) 144
31. The 3rd term of a G.P is $\frac{2}{3}$ and 6th term is $\frac{2}{81}$, then the first term is
- (a) 6
 - (b) $\frac{1}{3}$
 - (c) 9
 - (d) 2
32. If the sum of n terms of an A.P. is $(3n^2 - n)$ and its common difference is 6, then its first term is:
- (a) 3
 - (b) 2
 - (c) 4
 - (d) 1
33. In a survey of 300 companies, the number of companies using different media- Newspapers (N), Radio (R) and Television (T) are as follows:
 $n(N) = 200$, $n(R) = 100$, $n(T) = 40$, $n(N \cap R) = 50$, $n(R \cap T) = 20$, $n(N \cap R) = 25$, and $n(N \cap R \cap T) = 5$,
Find the numbers of companies using none of these media:
- (a) 20 companies
 - (b) 250 companies
 - (c) 30 companies
 - (d) 50 companies
34. If $f(x) = x+2$, $g(x) = 7^x$, then $g \circ f(x) =$
- (a) $7^{x \cdot x+2}$
 - (b) 7^{x+2}
 - (c) $49(7^x)$
 - (d) None of these
35. The relation $R = \{(1,1), (2,2), (3,3), (1,2), (2,3), (1,3)\}$ on the set $A = \{1,2,3\}$ is:
- (a) reflexive but not symmetric
 - (b) reflexive but not transitive
 - (c) symmetric and transitive

- (d) neither symmetric nor transitive
36. If $f(x) = (x + 1)^{x+1}$ then find $f'(0)$
- (a) 0
(b) 1
(c) -1
(d) 2
37. if $f(x) = x(x^2-2)$ then $\frac{dy}{dx}$
- (a) $3x^2-2$
(b) $3x^2+2$
(c) x^2-3
(d) x^2
38. The equation of the curve which passes through the point (1,2) and has the slope $3x-4$ and the point of (x, y) is
- (a) $2y = 3x^2-8x+9$
(b) $y = 6x^2-8x+9$
(c) $y=x^2-8x+9$
(d) $2y= 3x^2-8x+c$
39. The slope of the tangent to the curve $y=x^2-x$ at the point where the line $y=2$ cuts the curve in the first quadrant is
- (a) 2
(b) 3
(c) -3
(d) none of these
40. $\int 2^{3x} \cdot 3^{2x} \cdot 5^x dx =$
- (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) $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(180)} + c$
(d) $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(90)} + c$
41. Find the missing value in the series: 51, 52, 60, 87, 151, _____, 492.

- (a) 195
 - (b) 276
 - (c) 317
 - (d) 420
42. Find missing term of the series ABD, DGK, HMS, MTB, SBL, ?
- (a) XKW
 - (b) ZAB
 - (c) ZKU
 - (d) ZKW
43. In a certain code TEACHER is written as VGCEJGT, how is CHILDREN written in that code.
- (a) EJKNEGTP
 - (b) EGKNFITP
 - (c) EJKNFGTO
 - (d) EJKNFTGP
44. In a certain code INACTIVE is written as VITCANIE, how is COMPUTER written in the same code
- (a) PMOCRETU
 - (b) ETUPMOCR
 - (c) UTEPMOOR
 - (d) MOCPETUR
45. Choose the odd numerical pair group
- (a) 34-43
 - (b) 55-62
 - (c) 62-71
 - (d) 83-92
46. Gopal started from the house towards West. After walking a distance of 30 metres, he turned towards right and walked 20 metres. He then turned left and moving a distance of 10 metres, turned to his left again and walked 40 metres. He now turned to the left and walked 5 metres. Finally, he turned to his left. In which direction was he walking now?
- (a) North
 - (b) South
 - (c) East
 - (d) South-West

47. Namita walks 40 metres towards west Namita walks 14 metres towards west, then turns to her right and walks 14 metres and then turns to her left and walks 10 metres. Again turning to her left she walks 14 metres. What is the shortest distance (in metres) between her starting point and the present position?
- (a) 38
 - (b) 28
 - (c) 10
 - (d) 24
48. The door of Aditya's house faces the East. From the back side of his house, he walks straight 50 m, then turns to the right and walks 50 m again. Finally, he turns towards left and stops after walking 25 m. Now, Aditya is in which direction from the starting point?
- (a) South-East
 - (b) North-East
 - (c) South-West
 - (d) North -East
49. Maya starts at point T, walks straight to point U which is 4 ft. away. She turns left, at 90° and walks to W which is 4 ft. away. turns 90° right and goes 3 ft. to P. turns 90° right and walks 1 ft. to Q, turns left at 90° and goes to V, which is 1 ft. away and once again turns 90° right and goes to R. 3 ft. away. What is the distance between T and R?
- (a) 4 feet
 - (b) 5 feet
 - (c) 7 feet
 - (d) 8 feet
50. There are four towns P, Q, R and T. Q is to the South-west of P, R is to the east of Q and South-east of P and T is to the north of R in line with QP. In which direction of P is T located?
- (a) East
 - (b) South-east
 - (c) North
 - (d) North-east
51. All the six members of a family A, B, C, D, E and F are travelling together. B is the son of C but C is not the mother of B. A and C are a married couple. E is the brother of C. D is the daughter of A. F is the brother of B. How many male members are there in the family?
- (a) 1
 - (b) 2
 - (c) 3

(d) 4

52. T, S and R are three brothers. T's son Q is married to K and they have one child Rahul blessed to them. M the son of S is married to H and this couple is blessed with a daughter Madhvi. R has daughter N who is married to P. This couple has one daughter Karuna born to them. How is Madhvi related to S?

(a) Daughter
(b) Niece
(c) Granddaughter
(d) None of these

53. Six persons M, N, O, P, Q and R are sitting in two rows with three persons in each row. Both the row 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 front N?

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

54. The length and breadth of a room are 8 metre and 6 metre respectively. A cat runs along all four walls and finally along diagonal order to catch a rat. How much total distance covered by the cat?

(a) 10
(b) 14
(c) 38
(d) 48

55. Ravi left home and cycled 10 km towards South, then turned right and cycled 5 km and then again turned right and cycled 10 km. After this he turned left and cycled 10 km. How many kilometers will he have to cycle to reach his home straight?

(a) 10Km
(b) 15km
(c) 12 km
(d) 17 km

56. If $A+B$ means B is the brother of A; $A \times B$ means B is the husband of A;

$A-B$ means A is the mother of B and $A \% B$ means A is the father of B, which of the following relations shows that Q is the grandmother of T?

(a) $Q-P+R \% T$
(b) $P \times Q \% R-T$
(c) $P \times Q \% R+T$

(d) $P+Q \% R-T$

57. Read the following instructions:

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

$P \# Q$ means P is the mother of Q;

$P * Q$ means P is the daughter of Q

If the code of family is $A \# B \$ C * D$, who is the father in them?

(a) D

(b) B

(c) C

(d) A

(58-59.) There are seven members A, C, D, E, F, G and H in a family. There are two fathers, one mother two sisters and four brothers. E is the sister-in-law of D. G is a daughter of C. F is the brother of E. A is a grandfather of G. E is a mother of H?

58. How is H related to A?

(a) Grandson

(b) Granddaughter

(c) Son

(d) Cannot be determined

59. How many male members in the family?

(a) 4

(b) 5

(c) 3

(d) Data Inadequate

60. A is B's sister. C is B's mother. D is C's father. E is D's mother. Then how A is related to D.

(a) Grandfather

(b) Grandmother

(c) Daughter

(d) Granddaughter

61. The following set of data cannot be presented in a table

(a) The heights of students described in centimetres

(b) The weights of candidates expressed in kilograms

(c) The amount of rainfall opined as "medium", "average", "heavy", etc.

(d) The number of bills per day cleared by an auditor in a month

62. According to the empirical rule, if the data form a "bell-shaped" distribution, then the maximum and minimum frequencies occur at _____ and _____ respectively.
- (a) Middle, left end
 - (b) Middle, right end
 - (c) End, middle
 - (d) Middle, ends
63. The Mean of a set of 20 observations on 18.3. The mean is reduced by 0.6 when a new observation is added to the set. The new observation is:
- (a) 17.6
 - (b) 18.0
 - (c) 5.7
 - (d) 24.6
64. In a graphical representation of data, the largest numerical value is 4 the smallest numerical value is 25. If classes desired are 4 then which class interval is
- (a) 45
 - (b) 5
 - (c) 20
 - (d) 7.5
65. Histogram is used for finding
- (a) Mode
 - (b) Mean
 - (c) First Quartile
 - (d) None
66. The median following numbers, which are given in ascending order is 25. Find the value of x
11, 13, 15, 19, $(x+2)$, $(x+4)$, 30, 35, 39, 46
- (a) 22
 - (b) 20
 - (c) 15
 - (d) 30
67. The mean salary of a group of 50 persons is ₹ 5850. Later on it is discovered that the salary of one has been wrongly taken as ₹8000 instead of RS. 7800. The corrected mean salary is
- (a) ₹ 5854

- (b) ₹ 5846
 - (c) ₹ 5640
 - (d) None
68. If the mode of a data is 18 and mean is 24, then median is
- (a) 18
 - (b) 24
 - (c) 22
 - (d) 21
69. If the first Quartile is 142 and semi-inter quartile range is 18, then the value of median is:
- (a) 151
 - (b) 160
 - (c) 178
 - (d) none of these
70. Origin is shifted by 5, what will happen
- (a) SD will increase by 5
 - (b) QD will increase by 5
 - (c) MD will increase by 5
 - (d) There will be no change in SD
71. The third decile for the numbers 15, 10, 25, 18, 111, 9 and 12 is
- (a) 13
 - (b) 10.70
 - (c) 11
 - (d) 11.50
72. The Harmonic mean H of two numbers is 4 and their arithmetic means A and the geometric mean G satisfy the equation $2A+G^2 = 27$, the numbers are:
- (a) (1,3)
 - (b) (9,5)
 - (c) (6,3)
 - (d) (12,7)
73. If mean and coefficient of variation of the marks of 10 students is 20 and 80 respectively. What will be the variance of them?
- (a) 256
 - (b) 16
 - (c) 25

- (d) none of these
74. If the same amount is added or subtracted from all the of an individual series then the standard deviation and variance both shall be ____
- (a) Changed
(b) Unchanged
(c) Same
(d) none of these
75. The algebraic sum of the deviations of set of values from their arithmetic mean is:
- (a) >0
(b) <0
(c) 0
(d) None of these
76. The AM of 15 observations is 9 and the AM of first 9 observations is 11 and then AM of remaining observations is
- (a) 11
(b) 6
(c) 5
(d) 9
77. Which of the following is not a type of sampling?
- (a) Probability
(b) Non- Probability
(c) Stand-alone
(d) Mixed
78. In connection with random experiment, it is found that $P(A) = 2/3$, $P(B) = 3/5$ and $P(A \cup B) = 5/6$
Find $P(A' \cap B)$
- (a) $13/18$
(b) $\frac{1}{2}$
(c) $13/20$
(d) $5/18$
79. If a card is drawn at random from a pack of 52 cards, what is the chance of getting spade or an ace?
- (a) $4/13$
(b) $5/13$
(c) 0.25

(d) 0.20

80. The chance of getting a sum of 10 in a simple single throw is

(a) $10/36$

(b) $1/12$

(c) $1/36$

(d) none of these

81. A random variable has the following probability distribution:

X	2	3	5
P	K	2K	2K

Find K

(a) $1/3$

(b) $2/5$

(c) $1/5$

(d) $2/3$

82. A number is selected at random from the set $\{1, 2, \dots, 99\}$. The probability that it is divisible by 9 or 11 is _____

(a) $19/100$

(b) $19/99$

(c) $10/100$

(d) $10/99$

83. A random variable X follows Binomial Distribution With $E(X) = 2$ and $V(x) = 1.2$, then the value of n is

(a) 8

(b) 2

(c) 5

(d) none of these

84. The mean of Poisson distribution is 4. The probability of two-successes in

(a) $8/e^4$

(b) $4/e^4$

(c) $16/e^4$

(d) $8/e^2$

85. The mean deviation about median of standard normal variate is

(a) 0.675

(b) 0.675

- (c) 0.80
 - (d) 0.80
86. If the Quartile Deviation of a normal distribution with mean 10 and SD 4 is
- (a) 0.675
 - (b) 67.50
 - (c) 2.70
 - (d) 3.20
87. If the two Quartiles $N(\mu, \sigma^2)$ are 14.6 and 25.4 respectively. What is the standard deviation of the distribution?
- (a) 9
 - (b) 6
 - (c) 10
 - (d) 8
88. When 'p' is large than 0.5, the Binomial Distribution is:
- (a) Asymmetrical
 - (b) Symmetrical
 - (c) Both
 - (d) None
89. A die is thrown 100 times if getting an even number is considered a success then the variance number of success.
- (a) 50
 - (b) 25
 - (c) 10
 - (d) 100
90. Two regression lines are perpendicular each other of $r =$
- (a) 0
 - (b) +1
 - (c) -1
 - (d) none of these
91. if $r = 0.6$, then the coefficient of non -determination is:
- (a) 0.4
 - (b) -0.6
 - (c) 0.36
 - (d) 0.64

92. The sum of the squares of differences in ranks of marks obtained in Physics and Chemistry by 10 students in a test is 150, then the coefficient of rank correlation by:
- (a) 0.849
 - (b) 0.091
 - (c) 0.909
 - (d) None of these
93. If one regression coefficient is _____ unity, the other must be _____ Unity
- (a) more than, more than
 - (b) less than, less than
 - (c) more than, less than
 - (d) Positive, Negative
94. For lines of regression $4x-2y=3$ and $2x-3y=5$, find b_{xy}
- (a) $1/8$
 - (b) $1/2$
 - (c) $1/12$
 - (d) none of these
95. if the coefficient of correlation between x and y is 0.5, the covariance is 16 and if the standard deviation of x is 4 then Standard deviation of y is:
- (a) 4
 - (b) 8
 - (c) 16
 - (d) 64
96. Fisher index number is _____ of Laspyres and Paasches Index Number
- (a) A.M
 - (b) G.M
 - (c) H.M
 - (d) None of these
97. Circular test is satisfied by which of the following index?
- (a) Laspeyres index
 - (b) Paasche's index
 - (c) Fisher's index
 - (d) Simple geometric mean of price relatives
98. $\sum P_0 Q_0 = 1360$, $\sum P_n Q_0 = 2000$, then the Laspyres Index number is:
- (a) 71

- (b) 147.50
 - (c) 175
 - (d) none of these
99. If Laspyres Index number is 250 and Paasches Index number is 160, then Fishers Index number is:
- (a) 200
 - (b) 400
 - (c) 250
 - (d) 196
100. If the prices of all commodities in the base year are twice the values of the respective commodities in the current year, then the Fisher's ideal index number is equal to:
- (a) 200
 - (b) 50
 - (c) 400
 - (d) 25

MODEL TEST PAPER 6
FOUNDATION COURSE
PAPER 3: QUANTITATIVE APTITUDE

Time: 2 Hours

Marks: 100

1. A bag contains 23 number of coins in the form of 1 rupee, 2 rupee and 5 rupee coins. The total sum of the coins is ₹43. The ratio between 1 rupee and 2 rupees coins is 3 : 2, Then the number of 1 rupee coins.
(a) 12
(b) 8
(c) 10
(d) 16
2. On 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
3. $(18)^{3.5} \div (27)^{3.5} \times 6^{3.5} = 2^x$, then the value of x is:
(a) 3.5
(b) 4.5
(c) 6
(d) 7
4. The value of $\frac{(243)^{0.13} \times (243)^{0.07}}{(7)^{0.25} \times (49)^{0.075} \times (343)^{0.2}}$ is:
(a) $\frac{3}{7}$
(b) $\frac{7}{3}$
(c) $1\frac{3}{7}$
(d) $2\frac{2}{7}$

5. The number of prime factors in $\frac{6^{12} \times (35)^{28} \times (15)^{16}}{(14)^{12} \times (21)^{11}}$ is :

- (a) 56
- (b) 66
- (c) 112
- (d) none of these

6. $\log \frac{a^2}{bc} - \log \frac{ca}{b^2} + \log \frac{c^2}{ab} =$

- (a) 0
- (b) 1
- (c) $\log a$
- (d) none of these.

7. $\frac{1}{\log_{xy}(xyz)} + \log_{xyz} yz + \frac{1}{\log_{xz}(xyz)} = ?$

- (a) 1
- (b) 2
- (c) 3
- (d) None of these

8. 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

9. If $n = m!$ where ('m' is a positive integer > 2) then the value of:

$$\frac{1}{\log_2^n} + \frac{1}{\log_3^n} + \frac{1}{\log_4^n} + \cdots \cdots + \frac{1}{\log_m^n}$$

- (a) 1
- (b) 0
- (c) -1
- (d) 2

10. Aman walks a certain distance with certain speed. If he walks $\frac{1}{2}$ km an hour faster, he takes 1 hour less. But, if he walks 1 km an hour slower, he takes 3 more hours. Find the distance covered by the man and his original rate of walking.

- (a) 36 km, 4 km/hr
- (b) 40 km, 10 km/hr

(c) 50 km, 20 km/hr

(d) None of these

11. If α ; β are the roots of the quadratic equation $3x^2 - 4x + 1 = 0$; the equation having roots $\frac{\alpha^2}{\beta}$; $\frac{\beta^2}{\alpha}$

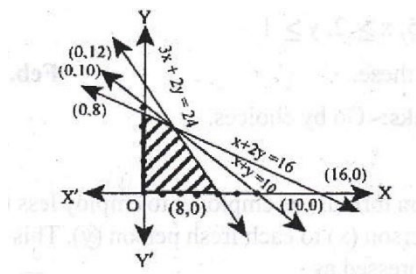
(a) $9x^2 - 28x + 3 = 0$;

(b) $9x^2 - 28x + 1 = 0$

(c) $9x^2 - 28x + 5 = 0$;

(d) None of these.

12. 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.

13. The solution of the inequality $\frac{(5-2x)}{3} \leq \frac{x}{6} - 5$ is

(a) $x > 8$

(b) $x \leq 8$

(c) $x = 8$

(d) none of these

14. The simple interest on a certain sum of 1 money is $\frac{1}{25}$ times of principal, the rate of interest when rate of interest and time are equal is

(a) 2%

(b) 3%

(c) 4%

(d) None

15. At what time a certain sum of money amounts to ₹ 400 at 10% p.a. S.I. and to ₹ 200 at 4% p.a. S.I.

(a) 10 Yrs.

(b) 30 Yrs.

- (c) 50 Yrs.
(d) None
16. ₹ 6,400 amounts to ₹ 7840 in two years at simple interest. How much will a sum of ₹ 84 invested at the same rate of simple interest amount in four years?
- (a) ₹11.20
(b) ₹112.20
(c) ₹ 120.80
(d) ₹ 121.80
17. A person gave a loan of ₹ 200 to Mr. X and recovered it at the rate of ₹ 35 for eight months, commencing from the end of first month. What is the effective rate of simple interest?
- (a) 10%
(b) 20%
(c) 40%
(d) 60%
18. If the compound Interest on a certain sum of money for 2 years at 4% p.a. be ₹510, then its simple Interest (S.I.) of same time at same rate of interest is
- (a) ₹500
(b) ₹510
(c) ₹1000
(d) None
19. On what sum will the difference between the S.I. and C.I. for 3 years at 6% p.a. amount to ₹ 13.77?
- (a) ₹1250
(b) ₹1150
(c) ₹1320
(d) None
20. Mr. X bought an electronic item for ₹1000. What would be the future value of the same item after two years, if the value is compounded semi-annually at the rate of 22% per annum ?
- (a) ₹ 1488.40
(b) ₹ 1518.07
(c) ₹2008.07
(d) ₹2200.00

21. The Partners A & B together lent ₹3903 at 4% p.a interest compounded annually. After a span of 7 years, A gets the same amount as B gets after 9 years. The share of A is sum of ₹3903/- would have been
- ₹ 875
 - ₹ 2280
 - ₹ 2028
 - ₹ 2820
22. If $X = \{a, b, c, d\}$; the elements of power set $P(X)$ are
- $\Phi, \{a\}, \{b\}, \{c\}, \{d\}, \{a, b\}, \{a, c\}, \{a, d\}, \{b, c\}, \{b, d\}, \{c, d\}$
 - $\{a, b, c\}, \{a, b, d\}, \{a, c, d\}, \{b, c, d\}$
 - $\{a, b, c, d\}$
 - None of the above
23. $X = \{x, y, w, z\}; Y = \{1, 2, 3, 4\}; H = \{(x, 1); (y, 2); (y, 3); (z, 4); (x, 4)\}$
- H is a function from x to y
 - H is not a function from x to y
 - H is a relation from y to x
 - None of these
24. 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?
- ₹ 58239.84
 - ₹ 4445.41
 - ₹ 68729.84
 - None of these
25. Invests ₹ 10,000 every year starting from today for next 10 years. Suppose interest rate is 8% per annum compounded annually calculate future value of the annuity Given that $(1 + 0.08)^{10} = 2.15892500$
- ₹ 156454.875
 - ₹ 156484.875
 - ₹ 144865.625
 - None of these
26. 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
- ₹ 3473.86
 - ₹ 3108.60
 - ₹ 114180.44

- (d) none of these
27. The value of the present value of a sequence of payments of ₹ 80 made at the end of each 6 months and continuity for ever, if money is worth 4% compounded semi-annually is....
- (a) ₹ 4,000
(b) ₹ 5,000
(c) ₹ 3,000
(d) None of these
28. Mr. X Invests ₹ 10,000 every year starting from today for next 10 years suppose: interest rate is 8% per annum compounded annually. Calculate future value of the annuity: [Given that $(1 + 0.08)^{10} = 2.15892500$]
- (a) ₹ 156454.88
(b) ₹ 144865.625
(c) ₹ 156554.88
(d) None of these
29. A company establishes a sinking fund to provide for the payment of ₹ 2,00,000 debt maturing in 20 years. Contributions to the fund are to be made at the end of every year. Find the amount of each annual deposit if interest is 5% per annum :
- (a) ₹ 6,142
(b) ₹ 6,049
(c) ₹ 6,052
(d) ₹ 6,159
30. A candidate is required to answer 6 out of 10 questions, which are divided into two groups each containing 5 questions and he is not permitted to attempt more than 4 from each group. In how many ways can he make up his choice?
- (a) 315
(b) 250
(c) 450
(d) 150
31. If $\frac{1}{9!} + \frac{1}{10!} = \frac{x}{11!}$ The value of x is
- (a) 211
(b) 122
(c) 1331
(d) none of these

32. The value of ${}^{n-1}p_r + r \cdot {}^{n-1}p_{r-1}$ is
- np_r
 - $\frac{n!}{(n-r)!}$
 - both
 - None of these
33. If ${}^nC_7 = {}^nC_5$, the value of 'n.' is
- 10
 - 14
 - 12
 - none of these
34. If ${}^{2n}C_3 : {}^nC_3 = 11:1$, the value of 'n.' is
- 6
 - 7
 - 5
 - none of these
35. The nth term of the series whose sum to n terms is $3n^2 + 2n$ is:
- $3n - 1$
 - $8n - 2$
 - $11n - 3$
 - $6n - 1$
36. What is the value of $\lim_{y \rightarrow 2} \frac{y^2 - 4}{y - 2}$
- 2
 - 4
 - 1
 - 0
37. Given $x = 2t + 5$; $y = t^2 - 2$, then $\frac{dy}{dx}$ is calculated as:
- t
 - $1/t$
 - $-1/t$
 - None

38. If $f'(x) = x - 1$, the equation of the curve $y = f(x)$ passing through the point $(1,0)$ is given by

- (a) $y = x^2 - 2x + 1$
- (b) $y = x^2/2 - x + 1/2$
- (c) $y = x^2/2 - x + 1$
- (d) none of these

39. $\int x^2 e^{3x} dx$ is:

- (a) $x^2 \cdot e^{3x} - 2x e^{3x} + 2e^{3x} + C$
- (b) $\frac{e^{3x}}{3} - \frac{x \cdot e^{3x}}{9} + 2e^{3x} + C$
- (c) $\frac{x^2 \cdot e^{3x}}{3} - \frac{2x \cdot e^{3x}}{9} + \frac{2}{27} e^{3x} + C$

(d) None of these

40. $\int_1^2 \frac{2x}{1+x^2} dx$:

- (a) $\log_e \frac{5}{2}$
- (b) $\log_e 5 - \log_e 2 + 1$
- (c) $\log_e \frac{2}{5}$
- (d) None of these

41. If $A = 26$, $SUN = 27$, then $CAT = ?$

- (a) 24
- (b) 27
- (c) 57
- (d) 58

42. In a certain code language PREMONITION is written as 68530492904, how will the word MONITOR be written that code language?

- (a) 12345567
- (b) 3029408
- (c) 3049208
- (d) 3049258

43. In a certain code language, '123' means 'bright little boy', '145' means 'tall big boy' and '637' means 'beautiful little flower'. Which digit in that language means 'bright' ?
- (a) 1
 - (b) 2
 - (c) 3
 - (d) 4
44. Find next term of the series 1, 3, 4, 8, 15, 27, ?
- (a) 37
 - (b) 44
 - (c) 50
 - (d) 55
45. Find next term of the series 1, 5, 14, 30, 55, 91, ?
- (a) 130
 - (b) 140
 - (c) 150
 - (d) 160
46. Q's mother is sister of P and daughter of M. S is daughter of P and sister of T. How is M related to T?
- (a) Father
 - (b) Grandmother
 - (c) Grandfather or Grandmother
 - (d) Grandfather
47. E is the son of A. D is the son of B. E is married to C. C is B's daughter. How is D related to E ?
- (a) Brother
 - (b) Uncle
 - (c) Father-in-Law
 - (d) Brother-in-law

(48-50) There are six persons A, B, C, D, E and F. C is the sister of F. B is the brother of E's husband. D is the father of A and grandfather of F. There are two fathers, three brothers and a mother in the group.

48. Which of the following is a group of brothers?
- (a) ABF
 - (b) BFC
 - (c) BDF

(d) ABD

49. How many male members are there in the group?

(a) One

(b) Two

(c) Three

(d) Four

50. How F is related to E

(a) Uncle

(b) Husband

(c) Son

(d) Daughter

(51-53) Read the information given below to answer these questions A, B, C, D, E, F, G H and J are nine houses C is 2 km east of B. A is 1 km north of B and H is 2 km south of A, G is 1 km west of H while D is 3 km east of G and F is 2 km north of G. I is situated just in the middle of B and C while E just in middle of H and D.

51. Distance between E and I is _____.

(a) 4 km

(b) 2 km

(c) 1 km

(d) 3 km

52. Distance between E and G is _____.

(a) 1 km

(b) 1.5 km

(c) 2 km

(d) 5 km

53. Distance between A and F is _____

(a) 1 km

(b) 1.41 km

(c) 2 km

(d) 3 km

54. Seven villages A, B, C, D E, F and G are situated as follows:

E is 2 km to the west of B

F is 2 km to the north of A

C is 1 km to the west of A

D is 2 km to the south of G

G is 2 km to the east of C

D is exactly in the middle of B and E.

Which two villages are the farthest from one another?

- (a) F and E
- (b) D and C
- (c) F and B
- (d) G and E

55. If 'South-east' is called 'East', 'North-west' is called 'West', 'South-west' is called 'South' and so on, what will 'North' be called?

- (a) East
- (b) North-east
- (c) North-west
- (d) South

(56-58) A, B, C, D, E, F and G are sitting in a row facing North.

- (i) F is to the immediate left of G
- (ii) E is 4th to the right of G
- (iii) C is the neighbour of B and D
- (iv) Person who is third to the left of D is at one of the ends.

56. Who are the neighbours of B ?

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

57. What is the position of A ?

- (a) Between E and D
- (b) Extreme left
- (c) centre
- (d) Extreme right

58. who are the left of C

- (a) only B
- (b) G, B and D
- (c) G and B
- (d) D, E, F and A

(59-60) 8 persons E, F, G, H, I, J, K and L are seated around a square table two on each side. There are 3 ladies who are not seated next to each other.

1. J is between L and F and G is between I and F.
 2. H, a lady member is second to the left of J.
 3. F, a male member is seated opposite to E, a lady member.
 4. There is a lady member between F and I.
59. Who among the following is to the immediate left of F ?
- (a) G
 - (b) I
 - (c) J
 - (d) H
60. How many persons are seated between K and F
- (a) 1
 - (b) 2
 - (c) 3
 - (d) 4
61. For a moderately skewed distribution, quartile deviation and the standard deviation are related by:
- (a) $S.D. = \frac{2}{3} Q.D$
 - (b) $S.D. = \frac{3}{4} Q.D$
 - (c) $S.D. = \frac{4}{3} Q.D$
 - (d) $S.D. = \frac{3}{2} Q.D$
62. Data are said to be _____ if the investigator if the investigator himself responsible for collection of data
- (a) Primary data
 - (b) Secondary data
 - (c) Mixed primary and Secondary data
 - (d) none of these
63. Which of the following is suitable for cumulative frequency distribution?
- (a) Ogive
 - (b) Histogram
 - (c) GM

(d) AM

64. The left part of the table providing the description of row is called.

(a) Caption

(b) Box-head

(c) Stub

(d) Body

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

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

How many students got marks more than 30 ?

(a) 65

(b) 50

(c) 35

(d) 43

66. The probability of a blue-chip company is showed by ____

(a) Bell Shape Curve

(b) U shape Curve

(c) J shape Curve

(d) Mixed curve

67. if all the observations are increased by 6, then the variance of the series will be

(a) Increased

(b) Decreased

(c) Unchanged

(d) None of these

68. if the mode of the data is 18 and mean is 24, then median is ,

(a) 18

(b) 24

(c) 22

(d) 21

69. If the first Quartile is 142 and semi-Inter quartile range is 18, then the value of median is

(a) 151

(b) 160

- (c) 178
 - (d) None of these
70. Which measures of dispersions is not affected by the presence of extreme observations?
- (a) Range
 - (b) Mean deviation
 - (c) Standard deviation
 - (d) Quartile deviation
71. If the SD of x is 3, what us the variance of $(5-2x)$?
- (a) 36
 - (b) 6
 - (c) 1
 - (d) 9
72. If x and y are related by $y = 2x + 5$ and the SD and AM of x are known to be 5 and 10 respectively, then the coefficient of variation is:
- (a) 25
 - (b) 30
 - (c) 40
 - (d) 20.
73. If the relationship between two variables u and v are given by $2u + v + 7 = 0$ and if the AM of u is 10, then the AM of v is
- (a) 17
 - (b) -17
 - (c) -27
 - (d) 27.
74. If x and y are related by $x - y - 10 = 0$ and mode of x is known to be 23, then the mode of y is
- (a) 20
 - (b) 13
 - (c) 3
 - (d) 23.
75. There are two boxes containing 5 white and 6 blue balls and 3 white and 7 blue balls respectively. If one of the boxes is selected at random and a ball is drawn from it, then the probability that the ball is blue is
- (a) $115/227$
 - (b) $83/250$

- (c) 137/220
- (d) 127/250
76. A box contains 5 white and 7 black balls. Two successive drawn of 3 balls are made (i) with replacement (ii) without replacement. The probability that the first draw would produce white balls and the second draw would produce black balls are respectively.
- (a) 6/321 and 3/926
- (b) 1/20 and 1/30
- (c) 35/144 and 35/108
- (d) 7/968 and 5/264
77. If $P(A) = 1/2$, $P(B) = 1/3$ and $P(A \cap B) = 1/4$, , what is $P\left(\frac{A'}{B'}\right)$?
- (a) 1/2
- (b) 7/8
- (c) 5/8
- (d) 2/3
78. X and y are stand in a line with 6 people. What is the probability that there are three persons between them ?
- (a) 1/5
- (b) 1/6
- (c) 1/7
- (d) 1/3
79. For two events A and B, $P(A \cup B) = P(A) + P(B)$ only when
- (a) A and B are equally likely events
- (b) A and B are exhaustive events
- (c) A and B are mutually independent
- (d) A and B are mutually exclusive.
80. If x is a binomial variable with parameters n and p, then x can assume
- (a) any value between 0 and n.
- (b) any value between 0 and n, both inclusive.
- (c) any whole number between 0 and n, both inclusive.
- (d) any number between 0 and infinity.
81. The probability density function of a normal variable x is given by

(a) $f(x) = \frac{1}{\sqrt{2\pi}} \cdot e^{\frac{1}{2}\left(\frac{x-\mu}{\sigma}\right)^2}$ for $-\mu < x < \mu$.

$$(b) \quad f(x) = \frac{1}{\sigma\sqrt{2\pi}} \cdot e^{-\frac{(x-\mu)^2}{2\sigma^2}} \text{ for } 0 < x < \mu.$$

$$(c) \quad f(x) = \frac{1}{\sqrt{2\pi}} \cdot e^{-\frac{(x-\mu)^2}{2\sigma^2}} \text{ for } -\mu < x < \mu.$$

(d) none of these.

82. What is the first quartile of X having the following probability density function?

$$f(x) = \frac{1}{\sqrt{72\pi}} e^{-(x-10)^2/72} \text{ for } -\mu < x < \mu$$

(a) 4

(b) 5

(c) 5.95

(d) 6.75

83. The average weekly food expenditure of a group of families has a normal distribution with mean ₹ 1,800 and standard deviation ₹ 300. What is the probability that out of 5 families belonging to this group, at least one family has weekly food expenditure in excess of ₹ 2,100? Given $f(1) = 0.84$.

(a) 0.418

(b) 0.582

(c) 0.386

(d) 0.614

84. X is a binomial variable such that $2 P(X = 2) = P(X = 3)$ and mean of X is known to be $10/3$. What would be the probability that X assumes at most the value 2?

(a) $16/81$

(b) $17/81$

(c) $47/243$

(d) $46/243$

85. For a standard normal distribution, the points of inflexion are given by

(a) $m - s$ and $m + s$.

(b) $-s$ and s .

(c) -1 and 1 .

(d) 0 and 1 .

86. If two random variables x and y are related by $y = 2 - 3x$, then the SD of y is given by

(a) $-3 \times \text{SD of } x$

- (b) $3 \times \text{SD of } x$.
 - (c) $9 \times \text{SD of } x$
 - (d) $2 \times \text{SD of } x$.
87. Probability of getting a head when two unbiased coins are tossed simultaneously is
- (a) 0.25
 - (b) 0.50
 - (c) 0.20
 - (d) 0.75
88. If x and y are random variables having expected values as 4.5 and 2.5 respectively, then the expected value of $(x-y)$ is
- (a) 2
 - (b) 7
 - (c) 6
 - (d) 0
89. The interval $(m - 3s, m + 3s)$ covers
- (a) 95% area of a normal distribution.
 - (b) 96% area of a normal distribution.
 - (c) 99% area of a normal distribution.
 - (d) all but 0.27% area of a normal distribution
90. What is spurious correlation?
- (a) It is a bad relation between two variables.
 - (b) It is very low correlation between two variables.
 - (c) It is the correlation between two variables having no causal relation.
 - (d) It is a negative correlation.
91. The two lines of regression become identical when
- (a) $r = 1$
 - (b) $r = -1$
 - (c) $r = 0$
 - (d) (a) or (b).
92. The two lines of regression are given by $8x + 10y = 25$ and $16x + 5y = 12$ respectively. If the variance of x is 25, what is the standard deviation of y ?
- (a) 16
 - (b) 8
 - (c) 64

- (d) 4
93. 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) $(2, 3)$
94. If $y = 3x + 4$ is the regression line of y on x and the arithmetic mean of x is -1 , what is the arithmetic mean of y ?
- (a) 1
 - (b) -1
 - (c) 7
 - (d) none of these
95. When the product of price index and the quantity index is equal to the corresponding value index then the test that holds is
- (a) Unit Test
 - (b) Time Reversal Test
 - (c) Factor Reversal Test
 - (d) none holds
96. The formula for conversion to current value
- (a) Deflated value $= \frac{\text{Price Index of the current year}}{\text{previous value}}$
 - (b) Deflated value $= \frac{\text{Current Value}}{\text{Price Index of the current year}}$
 - (c) Deflated value $= \frac{\text{Price Index of the previous year}}{\text{previous value}}$
 - (d) Deflated value $= \frac{\text{Price Index of the previous year}}{\text{previous value}}$
97. If the index number of prices at a place in 2018 is 280 with 2008 as base year, then the prices have increased on average by
- (a) 280%
 - (b) 180%
 - (c) 380%
 - (d) None of these.

98. In 1980, the net monthly income of the employee was ₹ 800/- p. m. The consumer price index number was 160 in 1980. It rises to 200 in 1984. If he has to be rightly compensated. The additional D. A. to be paid to the employee is
- (a) ₹ 175/-
 - (b) ₹ 185/-
 - (c) ₹ 200/-
 - (d) ₹ 125.
99. Consumer price index number goes up from 110 to 200 and the Salary of a worker is also raised from ₹ 325 to ₹ 500. Therefore, in real terms, to maintain his previous standard of living he should get an additional amount of :
- (a) ₹ 85
 - (b) ₹ 90.91
 - (c) ₹ 98.25
 - (d) None of these.
100. The prices of a commodity in the year 1975 and 1980 were 25 and 30 respectively taking 1980 as base year the price relative is :
- (a) 109.78
 - (b) 110.25
 - (c) 113.25
 - (d) 83.33

MODEL TEST PAPER 7
FOUNDATION COURSE
PAPER 3: QUANTITATIVE APTITUDE

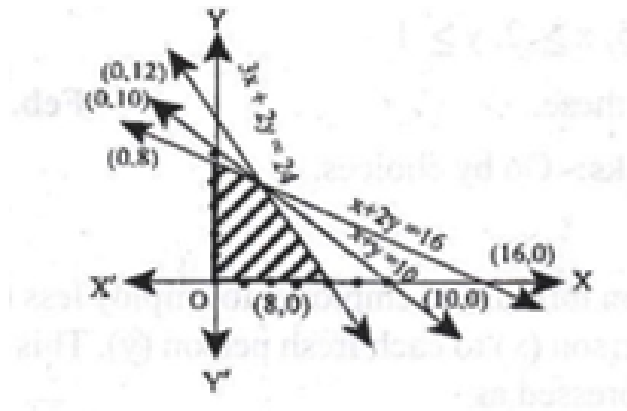
Time: 2 Hours

Marks: 100

1. $\log_4(x^2 + x) - \log_4(x + 1) = 2$. find x .
 - (a) 16
 - (b) 0
 - (c) -1
 - (d) None of these
2. If $x = \log_{24} 12$; $y = \log_{36} 24$; $z = \log_{48} 36$ then $xyz + 1 = ?$
 - (a) $2xy$
 - (b) $2zx$
 - (c) $2yz$
 - (d) 2
3. In a two digits number; the digit in the ten's place is twice the digit in the unit's place. If 18 be subtracted from the number the digits are reversed. Find the number.
 - (a) 63
 - (b) 21
 - (c) 42
 - (d) None of these
4. For a certain commodity the demand equation giving "y" units for a price "p" in rupees per unit is $y = 100(10 - p)$. The supply equation giving the supply z units for a price "p" in rupees per unit is $z = 75(p - 3)$. The market price is such at which demand equals supply. Find the market price and quantity that will be brought and sold.
 - (a) ₹ 7; 300 units
 - (b) ₹ 8; 400 units
 - (c) ₹ 5; 200 units
 - (d) None

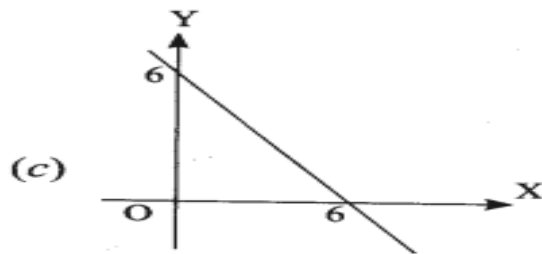
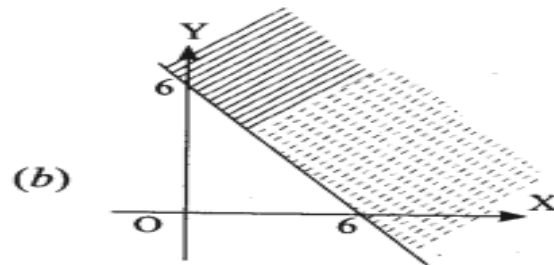
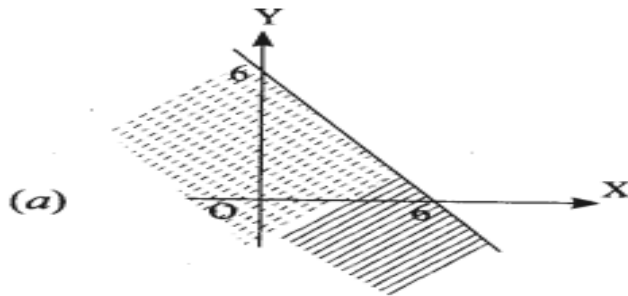
5. The age of a person is 8 years more than thrice the age of the sum of his two grandsons who were twins. After 8 years his age will be 10 years more than twice the sum of the ages of his grandsons. Then the age of the person when the twins were born is:
 - (a) 86 years
 - (b) 73 years
 - (c) 68 years
 - (d) 63 years
6. Roots of the equation $3x^2 - 14x - k = 0$ will be reciprocal of each other if:
 - (a) $k = -3$
 - (b) $k = 0$
 - (c) $k = 3$
 - (d) $k = 14$
7. If roots of equation $x^2 + x + r = 0$ are ' α ' and ' β ' and $\alpha^3 + \beta^3 = -6$. Find the value of ' r '?
 - (a) $-5/3$
 - (b) $7/3$
 - (c) $-4/3$
 - (d) 1
8. Find the value of: $[1 - \{1 - (1 - x^2)^{-1}\}^{-1}]^{-1/2}$ is
 - (a) $1/x$
 - (b) x
 - (c) 1
 - (d) none of these
9. The value of $(3^{n+1} + 3^n) / (3^{n+3} - 3^{n+1})$ is equal to:
 - (a) $1/5$
 - (b) $1/6$
 - (c) $1/4$
 - (d) $1/9$
10. If $u^{5x} = v^{5y} = w^{5z}$ and $u^2 = vw$ then $xy + zx - 2yz$
 - (a) 0
 - (b) 1
 - (c) 2
 - (d) None of these

11. The shaded region represents



- (a) $3x + 2y \leq 24$, $x + 2y \geq 16$, $x + y \leq 10$, $x \geq 0$, $y \geq 0$
- (b) $3x + 2y \leq 24$, $x + 2y \leq 16$, $x + y \geq 10$, $x \geq 0$, $y \geq 0$
- (c) $3x + 2y \leq 24$, $x + 2y \leq 16$, $x + y \leq 10$, $x \geq 0$, $y \geq 0$
- (d) None of these.

12. Which of the following graph represents the inequality $x + y \leq 6$ is



- (d) None of these

13. The time by which a sum of money is 8 times of itself if it double itself in 15 years.
- (a) 42 years
 - (b) 43 years
 - (c) 45 years
 - (d) 46 years
14. What is the rate of simple interest if a sum of money amount ₹ 2,784 in 4 years and ₹ 2,688 in 3 years ?
- (a) 1%p.a.
 - (b) 4%p.a.
 - (c) 5%p.a.
 - (d) 8%p.a.
15. In how many years, a sum will become double at 5% p.a. compound interest.
- (a) 14.0 years
 - (b) 14.1 years
 - (c) 14.2 years
 - (d) 14.3 years
16. Mr. X bought an electronic item for ₹ 1000. What would be the future value of the same item after two years, if the value is compounded semi-annually at the rate of 22% per annum ?
- (a) ₹ 1488.40
 - (b) ₹ 1518.07
 - (c) ₹ 2008.07
 - (d) ₹ 2200.00
17. The difference between simple and compound interest on a sum of ₹ 10000 for 4 years at the rate of interest 10% per annum is
- (a) 650
 - (b) 640
 - (c) 641
 - (d) 600
18. How much will ₹ 25,000 amount to in 2 years at compound interest if the rates for the successive years are 4% and 5% per year:
- (a) ₹ 27,000
 - (b) ₹ 27,300
 - (c) ₹ 27,500
 - (d) ₹ 27,900

19. 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
20. The 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
21. If $p \cdot i^2 = 96$, and $R = 8\%$ compounded annually then $P =$
- (a) ₹ 14,000
 - (b) ₹ 15,000
 - (c) ₹ 16,000
 - (d) ₹ 17,000
22. If a bank pays 6% interest compounded quarterly what equal deposit have to be made at the end of the each quarter for 3 years if you want to have ₹ 1500 at the end of 3 years?
- (a) ₹ 117.86
 - (b) ₹ 115.01
 - (c) ₹ 150.50
 - (d) None of these
23. 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
24. 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

25. A company establishes a sinking fund to provide for the payment of ₹ 2,00,000 debt maturing in 20 years. Contributions to the fund are to be made at the end of every year. Find the amount of each annual deposit if interest is 5% per annum :
- (a) ₹ 6,142
 - (b) ₹ 6,049
 - (c) ₹ 6,052
 - (d) ₹ 6,159
26. 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
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 straight line, is:
- (a) 185
 - (b) 175
 - (c) 115
 - (d) 105
28. A boy has 3 library tickets and 8 books of his interest in the library. Of these 8, he does not want to borrow Mathematics part-II unless Mathematics part - 1 is also borrowed? In how many ways can he choose the three books to be borrowed?
- (a) 41
 - (b) 51
 - (c) 61
 - (d) 71
29. An examination paper consists of 12 questions divided into two parts A and B. Part A contains 7 questions and part B contains 5 questions. A candidate is required to attempt 8 questions selecting at least 3 from each part. In how many maximum ways can the candidate select the questions ?
- (a) 35
 - (b) 175
 - (c) 210
 - (d) 420

30. In how many ways can the letters of the word FAILURE be arranged so that the consonants may occupy only odd positions?
- (a) 576
(b) 476
(c) 376
(d) 276
31. 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
32. The sum of the series: $0.5 + 0.55 + 0.555 + \dots$ to n terms is:
- (a) $\frac{5n}{9} + \frac{5}{9}[1 - (0.1)^n]$
(b) $\frac{5n}{9} - \frac{5}{81}[1 - (0.1)^n]$
(c) $\frac{5n}{9} + \frac{5}{81}[1 - (0.1)^n]$
(d) $\frac{5n}{9} + \frac{5}{81}[1 + (0.1)^n]$
33. $(x + 1)$, $3x$, $(4x + 2)$ are in A.P. Find the value of x .
- (a) 2
(b) 3
(c) 4
(d) 5
34. The 4th term of an A.P. is three times the first and the 7th term exceeds twice the third term by 1. Find the first term 'a' and common difference 'd'.
- (a) $a = 3$, $d = 2$
(b) $a = 4$, $d = 3$
(c) $a = 5$, $d = 4$
(d) $a = 6$, $d = 5$

35. There are 40 students, 30 of them passed in English, 25 of them passed in Maths and 15 of them passed in both. Assuming that every Student has passed atleast in one subject. How many student's passed in English only but not in Maths.
- 15
 - 20
 - 10
 - 25
36. If $A = (1, 2, 3, 4, 5)$, $B = (2, 4)$ and $C = (1, 3, 5)$ then $(A - C) \times B$ is:
- $\{(2, 2)(2, 4)(4, 2)(4, 4)(5, 2) (5, 4)\}$
 - $\{(1, 2) (1, 4) (3, 2) (3, 4) (5, 2) (5, 4)\}$
 - $\{(2, 2) (4, 2) (4, 4) (4, 5)\}$
 - $\{(2, 2) (2, 4) (4, 2) (4, 4)\}$
37. If $A = \{1, 2, 3\}$ then the relation $R = \{(1, 1), (2, 3), (2, 2), (3, 3), (1, 2)\}$ on A is:
- Reflexive
 - Symmetric
 - Transitive
 - Equivalence
38. The cost function for the production of x units of a commodity is given by $C(x) = 2x^3 - 15x^2 + 36x + 15$, The cost will be minimum when 'x' equal to:
- 3
 - 2
 - 1
 - 4
39. A seller makes an offer of selling certain articles that can be described by the equation $x = 25 - 2y$ where x is price per unit and y denotes the No. of units. The cost price of the article is ₹ 10 per unit. The maximum quantity that can be offered in single deal to avoid loss is:
- 6
 - 7
 - 8
 - 9
40. $xe^x dx$ is:
- $(x-1)e^x + C$
 - $x.e^x + C$
 - $\log x + x.e^x + C$

- (d) None of these
41. Find odd man out of the following:
- (a) 295
 - (b) 381
 - (c) 552
 - (d) 729
42. In a certain code, TEACHER is written as VGCEJGT. How is CHILDREN written in that code ?
- (a) EJKNEGTP
 - (b) EGKNEITP
 - (c) EJKNFGTO
 - (d) EJKNFTGP
43. If HEALTH is written as GSKZDG, then how will NORTH be written in that code?
- (a) OPSUI
 - (b) GSQNM
 - (c) FRPML
 - (d) IUSPO
44. If HONEY is coded as JQPGA, which word is code as VCTIGVU ?
- (a) CARPETS
 - (b) TRAPETS
 - (c) TARGETS
 - (d) UMBRELU
45. Which of the following is odd one?
- (a) CEHL
 - (b) KMPT
 - (c) OQTX
 - (d) NPSV
46. 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° . In which direction was she moving finally?
- (a) South
 - (b) South-West
 - (c) North-East
 - (d) North-West

47. A man is facing East, then he turns left and goes to 10 metres then turns right and goes 5 metres then goes 5 metres to the South and from there 5 metres to West. In which direction is he from his original place?
- (a) East
 - (b) West
 - (c) North
 - (d) South
48. 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
49. 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
50. A person is facing towards North. He moves 70° clock-wise direction. Again he is moving 300° clock-wise direction. Now, in which direction is he presently facing ?
- (a) North-West
 - (b) South-East
 - (c) North-East
 - (d) South-West
51. 8 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&S
- (b) P&Q
- (c) U&R
- (d) None

Directions (52-53): Read the following informations carefully to answer these questions:

- (i) Six flats on a floor in two rows facing North and South are allotted to P, Q, R, S, T and U.
- (ii) Q gets a North facing flat and is not next to S.
- (iii) S and U get diagonally opposite flats.
- (iv) R, next to U, gets a South facing flat and T gets a North facing flat.

52. The flats of which of the other pairs than SU, are diagonally opposite to each other ?

- (a) QP
- (b) PT
- (c) QR
- (d) TS

53. Which of the following combinations gets South facing flats ?

- (a) UPT
- (b) URP
- (c) QTS
- (d) Data inadequate

54. 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

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. A prisoner introduced a boy who came to visit him to the jailor as "Brothers and sisters, I have none, he is my father's son's son". Who is the boy ?
- (a) Nephew
 - (b) Son
 - (c) Cousin
 - (d) Uncle
57. Pointing to a man in a photograph, a woman said, "the father of his brother is the only son of my grandfather", how is the woman related to the man in the photograph?
- (a) Mother
 - (b) Aunt
 - (c) Daughter
 - (d) Sister

(Directions 58-59) R is the father of P, who is son in law of M and S is the mother of G. S is a sister of K, who is a brother in law of P and H is the daughter of T, Who is a grandmother of G ?

58. How is G is related to P ?
- (a) Son
 - (b) Daughter
 - (c) Grand daughter
 - (d) Cannot be determined
59. If M is a Female, then How is H is related to M ?
- (a) Son-in-Law
 - (b) Daughter-in-law
 - (c) Mother-in-law
 - (d) Father-in-law
60. There are two couples in a family. K has two children. M is wife of O, who is brother of B. F is daughter of K. U is sister of S, who is son of O. T is son of B, who is a male How is U related to T?
- (a) Mother
 - (b) Brother
 - (c) Sister
 - (d) Cousin
61. The graphical representation of a cumulative frequency distribution is called.
- (a) Histogram

- (b) Ogive
 - (c) Both
 - (d) None of these
62. A table has _____ parts:
- (a) Four
 - (b) Two
 - (c) Five
 - (d) None
63. Out of 1000 persons, 25 per cent were industrial workers and the rest were agricultural workers. 300 persons enjoyed world cup matches on T.V. 30 per cent of the people who had not watched world cup matches were industrial workers. What is the number of agricultural workers who had enjoyed world cup matches on TV ?
- (a) 230
 - (b) 250
 - (c) 240
 - (d) 260
64. The column headings of a table are known as:
- (a) Body
 - (b) Stub
 - (c) Box-head
 - (d) Caption
65. Arrange the dimensions of Bar diagram, Cube diagram, Pie diagram in sequence
- (a) 1, 2, 3
 - (b) 2, 1, 3
 - (c) 2, 3, 2
 - (d) 3, 2, 1
66. In a class of 11 students, 3 students were failed in a test. 8 students who passed secured 10,11,20,15,12,14,26 and 24 marks respectively. What will be the median marks of the students
- (a) 12
 - (b) 15
 - (c) 13
 - (d) 13.5

67. 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) $2/3$
68. Out of these, which is not a probability sampling?
- (a) cluster sampling
 (b) stratified sampling
 (c) quota sampling
 (d) simple random sampling
69. With the increase in sample size, the error also _____
- (a) decreases
 (b) increases
 (c) remains same
 (d) all of the above
70. For a moderately skewed distribution, which of the following relationship holds?
- (a) $\text{Mean} - \text{Median} = 3 (\text{Median} - \text{Mode})$
 (b) $\text{Median} - \text{Mode} = 3 (\text{Mean} - \text{Median})$
 (c) $\text{Mean} - \text{Mode} = 3 (\text{Mean} - \text{Median})$
 (d) $\text{Mean} - \text{Median} = 3 (\text{Mean} - \text{Mode})$
71. If mean and coefficient of variation of the marks of n students is 20 and 80 respectively. What will be variance of them
- (a) 256
 (b) 16
 (c) 25
 (d) None of these
72. A company's past 10 years average earnings is ₹ 40 crores. To have the same average earning for 11 years including these 10 years, how much earning must be made by the company in the eleventh year ?
- (a) ₹ 40 crores
 (b) ₹ $\frac{40 \times 10}{11}$ crores
 (c) More than Rs. 40 crores

- (d) None of these
73. Origin is shifted by 5, then
- (a) SD will increase by 5
 - (b) QD will increase by 5
 - (c) MD will increase by 5
 - (d) There will be no change in SD
74. Two unbiased dice are thrown. The expected value of sum of numbers on the upper side is
- (a) 3.5
 - (b) 7
 - (c) 12
 - (d) 6
75. An example of bi-parametric continuous probability distribution.
- (a) Binomial
 - (b) Poisson
 - (c) Normal
 - (d) (a) and (b)
76. If 5 is subtracted from each observation of some certain item then its coefficient of variation is 10% and if 5 is added to each item then its coefficient of variation is 6%. Find original coefficient of variation.
- (a) 8%
 - (b) 7.5%
 - (c) 4%
 - (d) None of these
77. A bag contains 3 white and 5 black balls and second bag contains 4 white and 2 black balls. If one ball is taken from each bag, the probability that both balls are white is _____
- (a) $\frac{1}{3}$
 - (b) $\frac{1}{4}$
 - (c) $\frac{1}{2}$
 - (d) None of these
78. If the difference between mean and mode is 63, then the difference between Mean and Median will be _____
- (a) 63
 - (b) 31.5
 - (c) 21

- (d) None of the above
79. A lady travel at a speed of 20km/h and returned at quicker speed. If her average speed of the whole journey is 24km/h, find the speed of return journey (in km/h)
- (a) 25
(b) 30
(c) 35
(d) 38
80. 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
81. 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) $P(A \cup B) = P(A) + P(B) - P(A \cap B)$
82. In a non-leap year, the probability of getting 53 Sundays or 53 Tuesdays or 53 Thursdays is :
- (a) $4/7$
(b) $2/7$
(c) $3/7$
(d) $1/7$
83. A card is drawn from a well shuffled pack of 52 cards. Let E_1 , "a king or a queen is drawn" & E_2 : "a queen or a jack is drawn", then:
- (a) E_1 and E_2 are not independent
(b) E_1 and E_2 are mutually exclusive
(c) E_1 and E_2 are independent
(d) None of these
84. 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
85. A manufacturer, who produces medicine bottles, finds that 0.1 % of the bottles are defective. The bottles are packed in boxes containing 500 bottles. A drug manufacturer buys 100 boxes from the producer of bottles. Using Poisson distribution, find how many boxes will contains at least two defectives: [Given: $e^{-0.5} = 0.6065$]
- (a) 7
(b) 13
(c) 9
(d) 11
86. The probability than a man aged 45 years will die within a year is 0.012. What is the probability that of 10 men, at Least 9 will reach their 46th birthday? [Given: $e^{-0.12} = 0.88692$]
- (a) 0.0935
(b) 0.9934
(c) 0.9335
(d) 0.9555
87. Shape of Normal Distribution Curve:
- (a) Depends on its parameters
(b) Does not depend on its parameters
(c) Either (a) or (b)
(d) Neither (a) nor (b)
88. The mean of Binomial distribution is 20 and Standard deviation is 4 then;
- (a) $n = 100, p = 1/5, q = 4/5$
(b) $n = 50, p = 2/5, q = 2/5$
(c) $n = 100, p = 2/5, q = 4/5$
(d) $n = 100, p = 1/5, q = 3/5$
89. In a Poisson distribution if $P(x = 4) = P(x = 5)$ then the parameter of Poisson distribution is :
- (a) 45
(b) 54
(c) 4
(d) 5

90. If the rank correlation co-efficient between marks in Management and Mathematics for a group of students is 0.6 and the sum of the squares of the difference in rank is 66. Then what is the number of students in the group ?
- (a) 9
 - (b) 10
 - (c) 11
 - (d) 12
91. Correlation coefficient between X and Y will be negative when
- (a) X and Y are decreasing
 - (b) X is increasing, Y is decreasing
 - (c) X and Y are increasing
 - (d) None of these
92. Two variables X and Y are related as $4x + 3y = 7$ then correlation between x and y is _____
- (a) Perfect positive
 - (b) Perfect negative
 - (c) Zero
 - (d) None of these
93. Given the regression equations as $3x + y = 13$ and $2x + 5y = 20$. Find regression equation of y on x.
- (a) $3x + y = 13$
 - (b) $2x + Y = 20$
 - (c) $3x + 5y = 13$
 - (d) $2x + 5y = 20$
94. Regression coefficient are _____
- (a) dependent of change of origin and of scale.
 - (b) independent of both change of origin and of scale.
 - (c) dependent of change of origin but not of scale.
 - (d) independent of change of origin but not of scale
95. If one of regression coefficient is _____ unity, the other must be _____ unity.
- (a) more than, more than
 - (b) Less than, Less than
 - (c) more than, less than
 - (d) Positive, Negative

96. Circular test is satisfied by which index number?
- (a) Laspeyre's
 - (b) Paasche's
 - (c) Fisher's
 - (d) Simple Geometric mean of price Relatives and the aggregative with Fixed weights.
97. Which of the following statement is true ?
- (a) Paasche's index number is based on base year quantity
 - (b) Fisher's index satisfies the circular test
 - (c) Arithmetic mean is the most appropriate average for constructing the index number
 - (d) Splicing means constructing one continuous series from two different indices on the basis of common base.
98. Monthly salary of an employee was ₹ 10,000 in the year 2000 and it was increased to ₹ 20,000 in the year 2013 while the consumer price index number is 240 in year 2013 with the base year 2000, what should be his salary in comparison of consumer price index in the year 2013 ?
- (a) 2,000
 - (b) 16,000
 - (c) 24,000
 - (d) None of these
99. Purchasing power of money is _____
- (a) Reciprocal of price index number
 - (b) Equal to price index number
 - (c) Unequal to price index number
 - (d) None of these
100. In the year 2010 the monthly salary was ₹ 24,000. The consumer price index number was 140 in the year 2010 which rises to 224 in the year 2016. If he has to be rightly compensated what additional monthly salary to be paid to him
- (a) ₹ 14,400
 - (b) ₹ 38,400
 - (c) ₹ 7,200
 - (d) None of these

MODEL TEST PAPER 8
FOUNDATION COURSE
PAPER – 3: QUANTITATIVE APTITUDE

Time: 2 hours

Marks: 100

1. The ratio of the prices of two Fans was 16: 23. Two years later when the price of the first has increased by 10% and that of the second by ₹ 477, the ratio of the prices becomes 11: 20. Find the original prices of the two Fans.
 - (a) ₹ 848, ₹ 1,219.
 - (b) ₹ 838, ₹ 1,119.
 - (c) ₹ 828, ₹ 1,219.
 - (d) ₹ 848 ₹ 1,229.
2. If $a : b = 3 : 4$, the value of $(2a+3b) : (3a+4b)$ is
 - (a) 54: 25
 - (b) 8: 25
 - (c) 17: 24
 - (d) 18: 25
3. The third proportional to 49 and 21
 - (a) 6
 - (b) 9
 - (c) 12
 - (d) 28
4. Given that $\log_{10} 2 = x$ and $\log_{10} 3 = y$, the value of $\log_{10} 60$ is expressed as
 - (a) $x - y + 1$
 - (b) $x + y + 1$
 - (c) $x - y - 1$
 - (d) none of these
5. What should be added to $4x^2+4x$, so that it becomes perfect square?
 - (a) 4
 - (b) 2
 - (c) 1
 - (d) $1/2$

6. The sum of two numbers is 62 and their product is 960. The sum of their reciprocals is
- (a) $\frac{31}{480}$
- (b) $\frac{29}{480}$
- (c) $\frac{61}{960}$
- (d) $\frac{41}{960}$
7. Three persons Mr. Roy, Mr. Paul and Mr. Singh together have ₹ 51. Mr. Paul has ₹ 4 less than Mr. Roy and Mr. Singh has got ₹ 5 less than Mr. Roy. They have the money as.
- (a) (₹ 20, ₹ 16, ₹ 15)
- (b) (₹ 15, ₹ 20, ₹ 16)
- (c) (₹ 25, ₹ 11, ₹ 15)
- (d) none of these
8. The roots of the quadratic equation $x^2 - 4x + k = 0$ are coincident if
- (a) $k = 4$
- (b) $k = 3$
- (c) $k = 2$
- (d) $k = 1$
9. The three roots of the cubic equation $x^3 + 9x^2 - x - 9 = 0$ is
- (a) -1, +1, and 9
- (b) -1, +1 and -9
- (c) -1, +1 and $\frac{1}{9}$
- (d) -1, +1 and $\frac{1}{9}$
10. Given the quadratic equation $2x^{\frac{1}{3}} + 2x^{-\frac{1}{3}} = 5$. Its roots are.
- (a) 2 and $\frac{1}{2}$
- (b) 4 and $\frac{1}{4}$
- (c) 8 and $\frac{1}{8}$
- (d) 16 and $\frac{1}{16}$
11. The wages of 8 men and 6 boys amount to ₹ 33. If 4 men earn ₹ 4.50 more than 5 boys determine the wages of each man and boy.
- (a) (₹ 1.50, ₹ 3)

- (b) (₹ 3, ₹ 1.50)
 - (c) (₹ 2.50, ₹ 2)
 - (d) (₹ 2, ₹ 2.50)
12. The roots of the equation $x^2 + (2p-1)x + p = 0$ are real if.
- (a) $p \geq 1$
 - (b) $p \leq 4$
 - (c) $p \geq 1/4$
 - (d) $p \leq 1/4$
13. On solving the inequalities $2x + 5y \leq 20$, $3x + 2y \leq 12$, $x \leq 0$, $y \leq 0$, we get the following situation
- (a) (0, 0), (0, 4), (4, 0) and (20/11, 36/11)
 - (b) (0, 0), (10, 0), (0, 6) and (20/11, 36/11)
 - (c) (0, 0), (0, 4), (4, 0) and (2, 3)
 - (d) (0, 0), (10, 0), (0, 6) and (2, 3)
14. On the average experienced person does 5 units of work while a fresh one 3 units of work daily but the employer has to maintain an output of at least 30 units of work per day. This situation can be expressed as,
- (a) $5x + 3y \leq 30$
 - (b) $5x + 3y > 30$
 - (c) $5x + 3y \geq 30$ $x \geq 0$, $y \geq 0$
 - (d) none of these
15. A sum of ₹ 46,875 was lent out at simple interest and at the end of 1 year 8 months the total amount was ₹ 50,000. Find the rate of interest percent per annum.
- (a) 5%
 - (b) 6%
 - (c) 4%
 - (d) 8%
16. $A = ₹ 5,200$, $R = 5\%$ p.a., $T = 6$ years, P will be
- (a) ₹ 2,000
 - (b) ₹ 3,880
 - (c) ₹ 3,000
 - (d) none of these
17. The time by which a sum of money would treble itself at 8% p. a C. I is
- (a) 14.28 years
 - (b) 14 years

- (c) 12 years
(d) none of these.
18. The present value of an annuity of ₹ 80 for 20 years at 5% p.a is [Given $(1.05)^{20} = 2.6533$]
(a) ₹ 997 (appx.)
(b) ₹ 900
(c) ₹ 1,000
(d) none of these
19. A person bought a house paying ₹ 20,000 cash down and ₹ 4,000 at the end of each year for 25 yrs. at 5% p.a. C.I. The cash down price is [Given $(1.05)^{25} = 3.386355$]
(a) ₹ 75,000
(b) ₹ 76,000
(c) ₹ 76,375.80
(d) none of these.
20. A man purchased a house valued at ₹ 3,00,000. He paid ₹ 2,00,000 at the time of purchase and agreed to pay the balance with interest at 12% per annum compounded half yearly in 20 equal half yearly instalments. If the first instalment is paid after six months from the date of purchase then the amount of each instalment is.
(a) ₹ 8,718.45
(b) ₹ 8,769.21
(c) ₹ 7,893.13
(d) none of these
21. A person desires to create a fund to be invested at 10% CI per annum to provide for a prize of ₹ 300 every year. Using $V = a/i$ find V and V will be
(a) ₹ 2,000
(b) ₹ 2,500
(c) ₹ 3,000
(d) none of these.
22. A person invests ₹ 500 at the end of each year with a bank which pays interest at 10% p.a C.I. annually. The amount standing to his credit one year after he has made his yearly investment for the 12th time is.[Given $(1.1)^{12} = 3.1384$]
(a) ₹ 11,761.36
(b) ₹ 10,000
(c) ₹ 12,000

- (d) none of these
23. A machine depreciates at 10% of its value at the beginning of a year. The cost and scrap value realized at the time of sale being ₹ 23,240 and ₹ 9,000 respectively. For how many years the machine was put to use?
- (a) 7 years
(b) 8 years
(c) 9 years
(d) 10 years
24. The compound interest on half-yearly rests on ₹ 10,000 the rate for the first and second years being 6% and for the third year 9% p.a. is
- (a) ₹2,200
(b) ₹2,287
(c) ₹ 2,285
(d) ₹2290.84
25. The present value of ₹ 10,000 due in 2 years at 5% p.a. compound interest when the interest is paid on half-yearly basis is
- (a) ₹ 9,070
(b) ₹ 9,069
(c) ₹ 9,060
(d) None
26. The effective rate of interest corresponding to a nominal rate 3% p.a payable half yearly is
- (a) 3.2% p.a
(b) 3.25% p.a
(c) 3.0225% p.a
(d) none of these
27. The number of ways the letters of the word 'COMPUTER' can be rearranged is
- (a) 40,320
(b) 40,319
(c) 40,318
(d) none of these
28. 5 persons are sitting in a round table in such way that Tallest Person is always on the right-side of the shortest person; the number of such arrangements is
- (a) 6

- (b) 8
 - (c) 24
 - (d) none of these
29. An examination paper with 10 questions consists of 6 questions in Algebra and 4 questions in Geometry. At least one question from each section is to be attempted. In how many ways can this be done?
- (a) 945
 - (b) 100
 - (c) 1000
 - (d) none of these
30. If 12 school teams are participating in a quiz contest, then the number of ways the first, second and third positions may be won is
- (a) 1,230
 - (b) 1,320
 - (c) 3,210
 - (d) none of these
31. Three numbers are in AP and their sum is 21. If 1, 5, 15 are added to them respectively, they form a G. P. The numbers are:
- (a) 5, 7, 9
 - (b) 9, 5, 7
 - (c) 7, 5, 9
 - (d) none of these.
32. The sum of three numbers in G.P. is 70. If the two extremes be multiplied each by 4 and the mean by 5, the products are in AP. The numbers are
- (a) 12, 18, 40
 - (b) 10, 20, 40
 - (c) 40, 20, 15
 - (d) none of these
33. The first and the last term of an AP are -4 and 146 . The sum of the terms is 7171 . The number of terms is
- (a) 101
 - (b) 100
 - (c) 99
 - (d) none of these
34. $(A \cup B)'$ is equal to
- (a) $(A' \cap B)'$

- (b) $A' \cap B'$
 (c) $A' \cup B'$
 (d) none of these
35. If $f(x) = \frac{x}{1-x}$ and $g(x) = \frac{x-1}{x}$, then $g \circ f(x)$ is
 (a) $x-1$
 (b) x
 (c) $1/x$
 (d) none of these
36. A town has a total population of 50,000. Out of it 28,000 read the newspaper X and 23,000 read Y while 4,000 read both the papers. The number of persons not reading X and Y both is
 (a) 2,000
 (b) 3,000
 (c) 2,500
 (d) none of these
37. $\int e^{ax} dx$
 (a) $e^x + c$
 (b) $\frac{e^{ax}}{a} + c$
 (c) $\log x + c$
 (d) $e^{ax} + c$
38. The gradient of the curve $y = 2x^3 - 5x^2 - 3x$ at $x = 0$ is
 (a) 3
 (b) -3
 (c) $1/3$
 (d) none of these
39. Evaluate $\int_1^4 (2x + 5) dx$ and the value is
 (a) 3
 (b) 10
 (c) 30
 (d) None of these.
40. If $f(x) = x^2 - 6x + 8$ then $f'(5) - f'(8)$ is equal to
 (a) $f'(2)$

- (b) 3. $f'(2)$
 - (c) 2. $f'(2)$
 - (d) none of these.
41. Find the wrong term of the series 121, 143, 165, 186, 209
- (a) 143
 - (b) 165
 - (c) 186
 - (d) 209
42. Find missing term 7, 26, 63, 124, 215, 342?
- (a) 391
 - (b) 421
 - (c) 481
 - (d) 511
43. Find odd man out of the series 145, 197, 257, 325, 399
- (a) 145
 - (b) 399
 - (c) 257
 - (d) 325
44. Find missing term of the alphabet series ABD, DGK, HMS, MTB, SBL?
- (a) XKW
 - (b) ZAB
 - (c) ZKU
 - (d) ZKW
45. In a certain language, FLOWER is coded UOLDVI, then how is TERMINAL coded in that language?
- (a) FLKPMROZ
 - (b) GVINRMZO
 - (c) RVNIGLKA
 - (d) MNIVGYEO
46. Pointing to a lady, a man said, "The son of her only brother is the brother of my wife". How is lady is related to man?
- (a) Mother's sister
 - (b) Grandmother
 - (c) Sister of father-in-law
 - (d) Maternal Aunt

47. A family has a man, his wife, their four sons and their wives. The family of every son also 3 sons and one daughter. Find out the total number of male members in the whole family?
- (a) 4
 - (b) 8
 - (c) 12
 - (d) 17
48. Given that
- 1. A is mother of B.
 - 2. C is son of A.
 - 3. D is brother of E.
 - 4. E is daughter of B.
- The grandmother of D is
- (a) A
 - (b) B
 - (c) C
 - (d) E
49. Read the following information and answer the question
- 'A+B' means 'A is the daughter of B'.
- 'A × B' means 'A is the son of B'.
- 'A – B' means 'A is the wife of B'.
- If $P \times Q - S$, which of the following is true
- (a) S is wife of B
 - (b) S is father of P
 - (c) P is daughter of Q
 - (d) Q is father of P
50. In a certain code, TELEPHONE is written as ENOHPELET. How is ALIGATOR written
- (a) ROTAGILA
 - (b) ROTAGAIL
 - (c) ROTAGILE
 - (d) ROTEGILA

Read the following information. (51-52)

- I. In a family six members A,B,C, D, E and F , there are two married couples.
- II. D is the Grand mother of A and mother B.

III. C is wife of B and mother of F

IV. F is grand daughter of E

51. Who is C to A

- (a) Daughter
- (b) Grandmother
- (c) Mother
- (d) Cannot be determined

52. How many male members are in the family

- (a) Two
- (b) Three
- (c) Four
- (d) Cannot be determined

53-55. Read the following information carefully and then answer the questions 53,54 and 55.

Six friends A, B, C, D, E and F are sitting on a bench, facing towards North.

- I. A is sitting next to B.
- II. C is sitting left to D.
- III. D is not sitting with E.
- IV. E is on the left end of the bench.
- V. C is third position from right.
- VI. A is on the right side of B and to the right side of E.
- VII. A and C are sitting together.
- VIII. F is sitting Right of D.

53. At what position A is sitting?

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

54. What is position of B?

- (a) Second from right
- (b) Centre
- (c) Extreme left
- (d) Second from left

55. What is position of D?
- (a) Extreme from left
 - (b) Extreme right
 - (c) Third from left
 - (d) Second from right.
56. Six Children A, B, C, D, E and F are sitting in a row facing towards North. C is sitting between A and E, D is not at the end. B is sitting immediate right of E, F is not at the right of end, but D is sitting 3rd left of E. Which of the following is right of D.
- (a) A
 - (b) F
 - (c) E
 - (d) C
57. A man is facing towards East and turns through 45° clockwise again 180° clock wise and then turns through 270° anti-clock wise. In which direction is he facing now?
- (a) West
 - (b) North- East
 - (c) South
 - (d) South-West
58. Facing towards North, Ravi walks 35 m. He then turns left and walks 55 m. He again turns left and walks 35 m. How far is from original position and towards which direction.
- (a) 30 m, North
 - (b) 20 m, East
 - (c) 55 m, West
 - (d) 20 m, South
59. Ram start moving from a point, facing in East direction. After walking 15 m, he turned to his left and walked 25m, before turning to his right. Then, he walked a distance of 35 m, then turned to his right and stop after walking further a distance of 25 m. Find how far Ram is from his starting point.
- (a) 20 m
 - (b) 50 m
 - (c) 15 m
 - (d) 25 m

60. Five Friends are sitting on a bench. A is to the left of B but on the right of C, D is to the right of B but one the left of E. Who are at the extremes?
- (a) A, B
 - (b) A, D
 - (c) C, E
 - (d) B, D

61. Find the number of observations between 250 and 300 from the following data:

Value:	More than 200	More than 250	More than 300	More than 350
No. of observations:	56	38	15	0

- (a) 56
 - (b) 23
 - (c) 15
 - (d) 8
62. The difference between Upper limit and lower limit of a class is called
- (a) Class Interval
 - (b) Class boundaries
 - (c) Mid-Value
 - (d) Frequency

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

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

How many students got marks more than 30?

- (a) 65
 - (b) 50
 - (c) 35
 - (d) 43
64. Median of a distribution can be obtained from
- (a) Frequency polygon
 - (b) Histogram
 - (c) Less than type ogives
 - (d) None of these.
65. For open-end classification, which of the following is the best measure of central tendency?
- (a) AM

- (b) GM
 - (c) Median
 - (d) Mode
66. In case of an even number of observations which of the following is median?
- (a) Any of the two middle-most value
 - (b) The simple average of these two middle values
 - (c) The weighted average of these two middle values
 - (d) Any of these
67. Standard Error can be described as
- (a) The error committed in sampling
 - (b) The error committed in a sample survey
 - (c) The error committed in estimating parameter.
 - (d) Standard deviation of statistic.
68. Two variables x and y are given by $y = 2x - 3$. If the median of x is 20, what is the median of y ?
- (a) 20
 - (b) 40
 - (c) 37
 - (d) 35
69. If the relationship between two variables u and v are given by $2u + v + 7 = 0$ and if the AM of u is 10, then the AM of v is
- (a) 17
 - (b) -17
 - (c) -27
 - (d) 27
70. The appropriate measure of dispersion for open-end classification is
- (a) Standard deviation
 - (b) Mean deviation
 - (c) Quartile deviation
 - (d) All these measures
71. If R_x and R_y denote ranges of x and y respectively where x and y are related by $3x + 2y + 10 = 0$, what would be the relation between x and y ?
- (a) $R_x = R_y$
 - (b) $2 R_x = 3 R_y$
 - (c) $3 R_x = 2 R_y$

(d) $R_x = 2 R_y$

72. If x and y are related by $2x+3y+4 = 0$ and SD of x is 9, then SD of y is

(a) 22

(b) 6

(c) 5

(d) 24

73. The quartiles of a variable are 45, 52 and 75 respectively. Its quartile deviation is

(a) 15

(b) 20

(c) 25

(d) 8.30

74. If x and y are related as $3x+4y = 20$ and the quartile deviation of x is 16, then the quartile deviation of y is

(a) 16

(b) 14

(c) 10

(d) 12

75. If x and y are related by $y = 2x+ 5$ and the SD and AM of x are known to be 5 and 10 respectively, then the coefficient of variation of y is

(a) 25

(b) 30

(c) 40

(d) 20

76. What is spurious correlation?

(a) It is a bad relation between two variables.

(b) It is very low correlation between two variables.

(c) It is the correlation between two variables having no causal relation.

(d) It is a negative correlation.

77. When $r = 1$, all the points in a scatter diagram would lie

(a) On a straight line directed from lower left to upper right

(b) On a straight line directed from upper left to lower right

(c) On a straight line

(d) Both (a) and (b).

78. If the coefficient of correlation between two variables is 0.8 then the percentage of variation unaccounted for is
- (a) 70%
 - (b) 30%
 - (c) 51%
 - (d) 36%
79. 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
80. If the relation between x and u is $3x + 4u + 7 = 0$ and the correlation coefficient between x and y is -0.6 , then what is the correlation coefficient between u and y ?
- (a) -0.6
 - (b) 0.8
 - (c) 0.6
 - (d) -0.8
81. Three events A , B and C are mutually exclusive, exhaustive and equally likely.
- What is the probability of the complementary event of A ?
- (a) $1/3$
 - (b) $2/3$
 - (c) $3/7$
 - (d) 1
82. What is the chance of picking a spade or an ace not of spade from a pack of 52 cards?
- (a) $4/13$
 - (b) $2/13$
 - (c) $3/26$
 - (d) $3/18$
83. Find the probability that a four-digit number comprising the digits 2, 5, 6 and 7 would be divisible by 4.
- (a) $1/4$

- (b) $1/3$
 - (c) $1/2$
 - (d) 1
84. The probability that an Accountant's job applicant has a B. Com. Degree is 0.85, that he is a CA is 0.30 and that he is both B. Com. and CA is 0.25 out of 500 applicants, how many would be B. Com. or CA?
- (a) 0.25
 - (b) 0.30
 - (c) 0.10
 - (d) 0.90
85. Rupesh is known to hit a target in 5 out of 9 shots whereas David is known to hit the same target in 6 out of 11 shots. What is the probability that the target would be hit once they both try?
- (a) $79/99$
 - (b) $10/13$
 - (c) $14/26$
 - (d) $13/18$
86. In connection with a random experiment, it is found that $P(A) = 2/3$, $P(B) = 3/5$ and $P(A \cup B) = 5/6$, find $P(A/B)$
- (a) $7/18$
 - (b) $1/13$
 - (c) $5/18$
 - (d) $13/18$
87. In a business venture, a man can make a profit of ₹ 50,000 or incur a loss of ₹ 20,000. The probabilities of making profit or incurring loss, from the past experience, are known to be 0.75 and 0.25 respectively. What is his expected profit?
- (a) ₹ 33,500
 - (b) ₹ 34,500
 - (c) ₹ 35,500
 - (d) ₹ 32,500
88. Find the probability of a success for the binomial distribution satisfying the following relation
 $4 P(x = 4) = P(x = 2)$ and having the parameter n as six.
- (a) $1/3$
 - (b) $1/2$

- (c) $1/5$
(d) $1/8$
89. An experiment succeeds thrice as often as it fails. If the experiment is repeated 5 times, what is the probability of having no success at all?
- (a) $1/1023$
(b) $1/1024$
(c) $1/1005$
(d) $1/1008$
90. If the two quartiles of a normal distribution are 47.30 and 52.70 respectively, what is the mode of the distribution? Also find the mean deviation about median of this distribution.
- (a) 3.80
(b) 3.40
(c) 3.20
(d) 4.20
91. X follows normal distribution with mean as 50 and variance as 100. What is $P(X \geq 60)$? [Given $\phi(1) = 0.8413$]
- (a) 0.20
(b) 0.40
(c) 0.16
(d) 0.30
92. Number of misprints per page of a thick book follows:
- (a) Normal distribution
(b) Poisson distribution
(c) Binomial distribution
(d) Standard normal distribution
93. If for a Poisson variable X , $f(2) = 3 f(4)$, what is the variance of X ?
- (a) 2
(b) 4
(c) $\sqrt{2}$
(d) 3
94. If the points of inflexion of a normal curve are 40 and 60 respectively, then its mean deviation is:
- (a) 40
(b) 45

- (c) 50
 - (d) 60
95. Fisher's index number satisfies the _____ tests
- (a) Time Reversal Test
 - (b) Factor Reversal Test
 - (c) both
 - (d) none
96. Fisher's ideal index number is:
- (a) The Median of Laspeyre's and Paasche's index numbers
 - (b) The Arithmetic Mean of Laspeyre's and Paasche's index numbers
 - (c) The Geometric Mean of Laspeyre's and Paasche's index numbers
 - (d) None of these
97. If $r = 0.6$ then coefficient of non-determination is:
- (a) 0.4
 - (b) -0.6
 - (c) 0.36
 - (d) 0.64
98. The Cost-of-Living Index (CLI) is always
- (a) Weighted Index
 - (b) Price Index
 - (c) Quantity Index
 - (d) None of these
99. The Paasches and Fishers index numbers are 169 and 156 respectively, then Laspyre's Index number is:
- (a) 144
 - (b) 152
 - (c) 148
 - (d) 151.5
100. The whole sale price index number of agricultural commodities in a given region at a given date is 280. The percentage increase in prices of agricultural commodities over the base year is:
- (a) 380
 - (b) 280
 - (c) 180
 - (d) 80

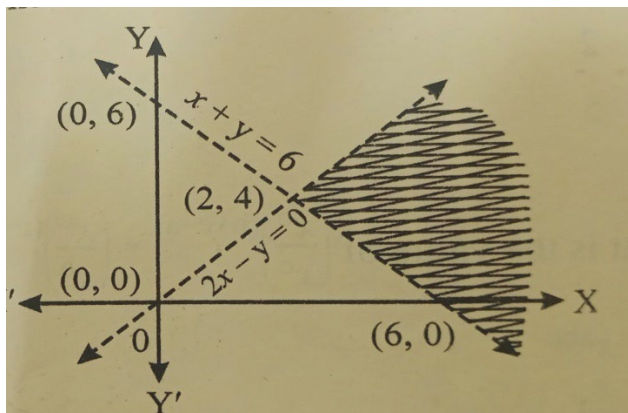
MODEL TEST PAPER 9
FOUNDATION COURSE
PAPER 3: QUNTITATIVE APTITUDE

Time: 2 Hours

Marks: 100

1. The ratio of income of A and B is 5: 4 and their expenditure is 3: 2. If at the end of year each saves 1,600, then the income of A is:
(a) ₹ 3,400
(b) ₹ 3,600
(c) ₹ 4,000
(d) ₹ 4,400
2. The mean proportional between $12x^2$ and $27y^2$ is:
(a) $18xy$
(b) $81xy$
(c) $8xy$
(d) $19.5xy$
3. $\log_2 \log_2 \log_4 256 + 2 \log_{\sqrt{2}} 2$ is equal to:
(a) 2
(b) 3
(c) 5
(d) 7
4. What is the value of $\left(\frac{x^b}{x^c}\right)^{(b+c-a)} \times \left(\frac{x^c}{x^a}\right)^{(c+a-b)} \times \left(\frac{x^a}{x^b}\right)^{(a+b-c)} = ?$
(a) $x^{(abc)}$
(b) $x^{(a+b+c)}$
(c) -1
(d) 1
5. A number consists of two digits. The digits in the ten's place is 3 times the digit in the unit's place. If 54 is subtracted from the number, then the digits are reversed. The number is;
(a) 39
(b) 62
(c) 93
(d) 31

6. A person purchased 2 apples and 5 bananas at the cost of ₹ 90. Later he visited to another shop where shopkeeper told him that if you give me ₹ 50 and one banana, I can give you 3 apples. He agreed to the deal. What is the cost of one apple and one banana?
- (a) (15,10)
 (b) (10, 15)
 (c) (10,20)
 (d) (20,10)
7. If one of the root of the equation $x^2 - 3x + k = 0$ is 1, then the value of 'k' is:
- (a) 2
 (b) 1
 (c) -2
 (d) -1
8. If one of the root of the cubic equation $3x^3 - 5x^2 - 11x - 3 = 0$ is $-1/3$. then other two roots are: -
- (a) 1 & 3
 (b) -1 & 3
 (c) 1 & -3
 (d) -1 & -3
9. The shaded area is represented by which of the following option?



- (a) $x + y > 6$; $2x - y > 0$; $x > 0$
 (b) $x + y < 6$; $2x - y > 0$; $x < 0$
 (c) $x + y > 6$; $2x - y < 0$; $x > 0$
 (d) $x + y > 6$; $2x - y > 0$; $x < 0$
10. A dietician recommends mixture of two kinds of foods to a person so that mixture contains at least 45 units of carbs, 25 units of protein, 15 units of fat and 15 units of fibre. The above contents of nutrients are available in the foods as below:

	Carbs	Protein	Fat	Fibre
Food-1	20	5	3	2
Food-2	10	2	4	5

If 'x' units of food-1 is mixed with 'y' units of food-2, how dietician recommendation can be expressed?

- (a) $20x + 10y \leq 45$; $5x + 2y \geq 25$; $3x + 4y \leq 15$; $2x + 5y \geq 15$; $x \geq 0$; $y \geq 0$
- (b) $20x + 10y \leq 25$; $5x + 2y \geq 45$; $3x + 4y \leq 15$; $2x + 5y \geq 15$; $x \geq 0$; $y \geq 0$
- (c) $20x + 10y \geq 45$; $5x + 2y \geq 25$; $3x + 4y \geq 15$; $2x + 5y \geq 15$; $x \geq 0$; $y \geq 0$
- (d) $20x + 10y \leq 45$; $5x + 2y \leq 25$; $3x + 4y \leq 15$; $2x + 5y \leq 15$; $x \geq 0$; $y \geq 0$

11. The sum required to earn a monthly interest of ₹ 1,200 at 18% per annum simple interest is:

- (a) ₹50,000
- (b) ₹ 60,000
- (c) ₹ 80,000
- (d) ₹ 66,000

12. The compound interest on ₹ 40,000 at 12% per annum compounded quarterly for 6 months is:

- (a) ₹ 2,643
- (b) ₹ 2,463
- (c) ₹ 2,364
- (d) ₹ 2,436

13. At a certain rate of interest per annum, the difference between the compound interest and simple interest on ₹ 3,00,000 for two years is ₹ 480, then the rate of interest per annum is:

- (a) 2%
- (b) 4%
- (c) 6%
- (d) 8%

14. The value of a machine depreciates every year at the rate of 10% per annum, on its value at the beginning of that year. If the present value of the machine is ₹ 72,900, then machine's worth 3 years ago was:

- (a) ₹ 94,710
- (b) ₹ 80,000
- (c) ₹1,00,000
- (d) ₹ 75,087

15. What is the effective rate of interest when principal amount of ₹ 50,000 deposited in a nationalized bank for one year, corresponding to a nominal rate of interest 6% per annum half yearly?
- (a) 6.06%
 (b) 6.07%
 (c) 6.08%
 (d) 6.09%
16. Kanta wants to accumulate ₹ 4,91,300 in her savings account after three years. The rate of interest offered by bank is $6\frac{1}{4}\%$ per annum compounded annually How much amount should she invest today to achieve her target amount?
- (a) ₹ 4,09,600
 (b) ₹ 4,37,500
 (c) ₹ 46,900
 (d) ₹ 49,600
17. Mr. X makes a deposit of ₹ 12,000 in a bank where the amount doubles at compound interest in 5 years, then what will be the total amount he will have after twenty years?
- (a) ₹ 96,000
 (b) ₹ 1,20,000
 (c) ₹ 1,24,000
 (d) ₹ 1,92,000
18. The Earning Per Share (EPS) of a company for five years is given below :

Year	2019	2020	2021	2022	2023
EPS	40	25	40	60	90

Calculate the Compounded Annual Growth Rate (CAGR) of EPS.

- (a) 24.47%
 (b) 23.47%
 (c) 22.47%
 (d) 21.47%
19. In an account paying interest @ 9% per year compounded monthly, 200 is invested at the end of each month. What is the future value of this annuity after 10th payment? {Where $(1.0075)^{10} = 1.0775$ }
- (a) ₹ 1,022
 (b) ₹ 2,066
 (c) ₹ 2,044

- (d) ₹ 2,155
20. What is the present value of ₹ 1,000 to be received after two years compounded annually at 10% interest rate?
- (a) ₹ 800
(b) ₹ 826
(c) ₹ 836
(d) ₹ 835
21. What is the annual contribution required by an organization to accumulate ₹ 20,00,000 in ten years for the construction of a new manufacturing plant, utilizing a sinking fund with an annual interest rate of 6% compounded annually? (Where $A(10, 0.06) = 13.180785$)
- (a) ₹ 1,51,736.03
(b) ₹ 1,67,440.90
(c) ₹ 1,75,433.60
(d) ₹ 1,83,714.28
22. An investor intends to purchase a three-year ₹ 1,000 par value bond having nominal interest rate of 10%. At what price the bond may be purchased now, if it matures at par and the investor requires a rate of return of 14%?
- (a) ₹ 904
(b) ₹ 907.125
(c) ₹ 905.25
(d) ₹ 909
23. A loan of ₹ 16,550 is to be paid in three equal annual instalments at compound interest. The value of annual instalment, if the rate of interest is 10% per annum is:
- (a) ₹ 6,655
(b) ₹ 1,243
(c) ₹ 6,565
(d) ₹ 1,343
24. A Perpetuity has a cash flow of ₹ 625 and a required rate of return of 8%. If the cash flow is expected to grow at a constant rate of 4% per year, then the intrinsic value of this perpetuity (present value of growing perpetuity) is:
- (a) ₹ 15,625
(b) ₹ 13,000
(c) ₹ 14,250
(d) ₹ 16,667

25. In a class of 4 boys and 3 girls, they are required to sit in a row in such a way that no two girls can sit together. Compute, in how many different ways they can sit together.
- (a) 60
 - (b) 480
 - (c) 720
 - (d) 1,440
26. How many total combinations can be formed of different counters marked as 1, 2, 3, 4, 5, 6, 7 & 8, taking 4 counters at a time and there being at least one odd and one even numbered counter in each combination?
- (a) 68
 - (b) 66
 - (c) 64
 - (d) 62
27. In a party every person shakes hands with every other person. If there are 105 handshakes in total, find the number of persons in the party.
- (a) 14
 - (b) 15
 - (c) 21
 - (d) 22
28. A selection is to be made for one post of Principal and two posts of Vice-Principal. Amongst the six candidates called for the interview, only two are eligible for the post of Principal, while they all six are eligible for the post of Vice-Principal. The number of possible combinations for the selection is:
- (a) 4
 - (b) 12
 - (c) 18
 - (d) 20
29. A roadside tea stall merchant borrows ₹ 9,000 at 2.76% Simple Interest per annum. The principal and the interest are to be paid in 10 monthly instalments. If each instalment is double than the preceding one, find the value of the last instalment.
- (a) 1,024
 - (b) 4,608
 - (c) 9,207
 - (d) 4,096

30. If for an infinite geometric progression, first term is 'a', common ratio is 'r', the sum is 8 and the second term is $\frac{7}{8}$ then:

(a) $a = 3$ & $r = \frac{7}{24}$

(b) $a = 4$ & $r = \frac{7}{16}$

(c) $a = 7$ & $r = \frac{1}{8}$

(d) $a = 2$ & $r = \frac{7}{32}$

31. The numbers x, 8, y are in G.P. and the numbers x, y, 8 are in A.P. The values of x and y respectively shall be:

(a) 16, 4

(b) 4, 16

(c) 4, 8

(d) 8, 4

32. If fourth term of A.P. series is zero, then what is the ratio of twenty-fifth term to eleventh term ?

(a) 5

(b) 4

(c) 3

(d) 2

33. Let $A = \{1, 2, 3\}$ and consider the relation $R = \{(1, 1), (2, 2), (3, 3), (1, 2), (2, 3), (1, 3)\}$ then R is

(a) Reflexive but not transitive

(b) Reflexive but not symmetric

(c) Symmetric and Transitive

(d) Neither symmetric nor transitive

34. If $f(x) = x^2 + x - 1$ and $4f(x) = f(2x)$ then find the value of 'x'.

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

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

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

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

35. If a set contains n elements, then the total number of proper subsets of set is:

(a) 2^n

(b) $2^n - 1$

(c) 2^{n-1}

(d) $2^n - 2$

36. A town has a total population of 50,000. Out of it 28,000 read the newspaper 'X' and 23,000 read newspaper 'Y', while 4,000 read both the newspapers. The number of persons not reading any of the two newspapers are:

(a) 2,000

(b) 3,000

(c) 2,500

(d) 5,000

37. if $x^y \times y^x = 16$, then the value of $\frac{dy}{dx}$ at (2, 2) is:

(a) -1

(b) 0

(c) 2

(d) -2

38. If $x = t^2$ and $y = t^3$ then $\frac{d^2y}{dx^2}$ is equal to:

(a) $\frac{3t}{2}$

(b) $\frac{3}{4t}$

(c) $\frac{3}{2t}$

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

39. $\int \log_e x \, dx$ is equal to:

(a) $x \log_e (ex) + c$

(b) $x \log_e \left(\frac{x}{e} \right) + c$

(c) $x \log_e \left(\frac{e}{x} \right) + c$

(d) $\log_e \left(\frac{x}{e} \right) + c$

40. Evaluate the following integral of $\int \left(\left(\frac{1}{x(x^5+1)} \right) dx \right)$.

(a) $\log \left(\frac{x^5}{x^5+1} \right) + c$

(b) $\frac{1}{5} \log \left(\frac{x^5}{x^5+1} \right) + c$

(c) $\log \frac{1}{3} \log \left(\frac{x^5}{x^5+1} \right) + c$

(d) $\log \frac{1}{3} \log \left(\frac{x^5+1}{x^5} \right) + c$

41. Find the next number in the series 2, 5, 11, 23, 47, ...

(a) 84

(b) 95

(c) 98

(d) 105

42. If TAP is coded as SZO in a language, then how is FRIEND coded in same language? 15

(a) CMDHQE

(b) QEDHCM

(c) EQIENE

(d) EQHDMC

43. Find the odd man out from the following series: 7, 23, 47, 119, 171, 287

(a) 119

(b) 171

(c) 287

(d) 7

44. In a certain code, RIPPLE is written as 613382 and LIFE is written as 8192. How is PILLER written in that code?

(a) 318826

(b) 318286

(c) 618826

(d) 338816

45. AZ, GT, MN,....., YB, EV. The value at blank space (.....) will be:
- (a) JH
 - (b) SH
 - (c) SK
 - (d) TS
46. In a multi-storey building on one floor there are six flats in two rows facing East and West and they are allotted to A, B, C, D, E, and F. B gets an East facing flat, which is not next to D. F and D gets diagonally opposite flat. A gets a West facing flat and E gets an East facing flat. Whose flat is between A and F?
- (a) B
 - (b) C
 - (c) D
 - (d) F
47. Balkrishna is Ritik's neighbour, and his house is 200 meters away in the north-west direction from Ritik's house. Jayendra is Ritik's neighbour, and his house is located 200 meters away in the south-west direction from Ritik's house. Girdhari is Jayendra's neighbour, and he stays 200 meters away in the south-east direction from Jayendra's house. Ritik is Girdhari's neighbour, and his house is located 200 meters away in north-east direction from Girdhari's house. Then where is the position of Ritik's house in relation to Balkrishna's?
- (a) South-East
 - (b) South-West
 - (c) North
 - (d) North-East
48. If Ajay stands on his head with his face towards North, in which direction will his left-hand point ?
- (a) North-East
 - (b) North
 - (c) East
 - (d) North-West
49. One morning after sunrise, A and B were talking to each other face to face very closely at a crossing point. If B's shadow was exactly to the right of A, in which direction B was facing?
- (a) East
 - (b) West
 - (c) North
 - (d) South

50. If Kiran put her time-piece on the table in such a way that at 6:00 PM, hour hand points to East. In which direction the minute hand will be at 9:30 PM ?
- (a) South -East
 - (b) North-West
 - (c) East
 - (d) West
51. Six persons A. B. C. D. E and Pare sitting in a row in a straight line. B is between F & D. E is between A & C. A does not sit next to F or D; C does not sit next to D. F is between which of the following persons?
- (a) B & E
 - (b) B & C
 - (c) B & D
 - (d) B & A
52. In a school cultural committee meeting, four girls Dipti. Aruna, Chandra, Bindu and four boys Gautam, Faneesh, Harendra, Eshaan are sitting in a circle around a table, facing each other as under:
- (i) No two girls or boys are sitting side by side.
 - (ii) Chandra, who is sitting between Gautam and Eshaan, is facing Dipti.
 - (iii) Faneesh is between Dipti and Aruna and facing Gautam.
 - (iv) Harendra is to the right of Bindu.
- Identify the person whom Eshaan is facing.
- (a) Faneesh
 - (b) Bindu
 - (c) Gautam
 - (d) Harendra

Note: Read the following information carefully and answer the questions (53 to 54) given below:

Six persons B, D, C, M, J and K are split into groups of three each and are made to stand in two rows in such a way that a person in one row is exactly facing a person in the other row. M is not at the ends of any row and is to the right of J, who is facing C. K is to the left of D, who is facing M.

53. Who is to the immediate left of B?
- (a) M
 - (b) J
 - (c) D
 - (d) K

54. Which of the following persons are in the same row?
- (a) BDC
 - (b) BMJ
 - (c) MJK
 - (d) MJD
55. During an interview, seven applicants sitting in a row are awaiting their turn. Chandresh is sitting left to Kuldeep but on the right to Diksha, Reshma is sitting right to Kuldeep, Priyanka is sitting right to Gayatri but left to Diksha. Himani is sitting left to Gayatri. The person sitting in the middle must be:
- (a) Chandresh
 - (b) Diksha
 - (c) Gayatri
 - (d) Priyanka
56. A is B's Father. C is B's mother. D is C's Son. E is A's mother. Then how is A related to D?
- (a) Uncle
 - (b) Grandson
 - (c) Granddaughter
 - (d) Father
57. Pointing to man in photograph, a woman said, "The father of his brother is only son of my grandfather", then how is that woman related to the man in photograph?
- (a) Daughter
 - (b) Sister
 - (c) Mother
 - (d) Aunt
58. A family consists of six members P, Q, R, S, T & U. There are two married couples. Q is a doctor and father of T; U is grandfather of R and is a contractor; S is grandmother of T and is a house-wife. There is one doctor, one contractor, one Professor, one house-wife and two students in the family. Find who is the husband of P.
- (a) T
 - (b) S
 - (c) R
 - (d) Q

59. P is the son of Q while Q & R are sisters to one another. T is the mother of R. If S is son of T, how S is related to P?
- (a) Brother
 - (b) Cousin
 - (c) Maternal uncle
 - (d) Nephew
60. Sandhya is the daughter-in-law of Shailesh and sister-in-law of Rajan. Manak is son of Shailesh and only brother of Rajan. Then, how Sandhya is related to Manak?
- (a) Sister-in-law
 - (b) Aunty
 - (c) Cousin
 - (d) Wife
61. The Secondary data is collected by:
- (a) International source like World Bank.
 - (b) Observation method.
 - (c) Interview method.
 - (d) Mailed questionnaire method.
62. Exit polls are an example of which method of collecting data?
- (a) Random sampling
 - (b) Investigation
 - (c) Census
 - (d) Quota sampling
63. The distribution of commuters coming to a Metro station from early morning hours to peak morning hours follows which type of frequency curve?
- (a) Bell shaped curve
 - (b) J-shaped curve
 - (c) U-shaped curve
 - (d) Mixed curve
64. What is the range of a data set?
- (a) The difference between the highest and lowest values in the data set
 - (b) The difference between the mean and median of the data set
 - (c) The number of data points in the data set
 - (d) The standard deviation of the data set

65. Series in which frequencies are continuously added corresponding to each class interval in the series:
- (a) Frequency
 - (b) Cumulative frequency series
 - (c) Deviation
 - (d) Mid value
66. The Ogive can be used for making
- (a) short term projection
 - (b) medium term projection
 - (c) long term projection
 - (d) group frequency distribution
67. Numerical data presented in descriptive form are called:
- (a) Classified presentation
 - (b) Tabular presentation
 - (c) Textual presentation
 - (d) Graphical presentation
68. What type of data is most appropriate for representing using a Pie chart?
- (a) Continuous data
 - (b) Categorical data
 - (c) Ordinal data
 - (d) Interval data
69. If the class intervals of certain data are 10-14, 15-19, 20-24, then the first class boundaries is
- (a) 9.5-14.5
 - (b) 10-14
 - (c) 10-15
 - (d) 10.5-15.5
70. What is the purpose of stratified random sampling?
- (a) To ensure that every individual in the population has an equal chance of being selected.
 - (b) To divide the population into subgroups and then randomly sample from each subgroup.
 - (c) To select individuals based on their availability and convenience.
 - (d) To select a fixed percentage of the population without any specific criteria.

71. The mean of a group X is 70 and the mean of group Y is 85. If the number of observations in group Y is five times that of group X, then the combined mean of both the groups is:
- (a) 75
 - (b) 80
 - (c) 77.5
 - (d) 82.5

72. The Median of the following frequency distribution is:

x	0-10	10-20	20-30	30-40	40-50
f(x)	8	30	40	12	10

- (a) 33
 - (b) 22.5
 - (c) 23
 - (d) 24
73. If the mean and median of a moderately asymmetrical series are 70.8 and 68.6 respectively, then the most probable mode is:
- (a) 64.2
 - (b) 75.2
 - (c) 63.4
 - (d) 72.5
74. For a moderately-skewed distribution which of the following relationship holds?
- (a) Mean-Mode = 3 (Mean - Median)
 - (b) Median-Mode = 3 (Mean - Median)
 - (c) Mean-Median = 3 (Mean - Mode)
 - (d) Mean-Median = 3 (Median - Mode)
75. What is the coefficient of range for the observations 20, 28, 32, 41, 48, 60?
- (a) 50
 - (b) 20
 - (c) 40
 - (d) 200
76. In which of the following there is no impact of presence of extreme observations?
- (a) Quartile deviation
 - (b) Range

(c) Standard deviation

(d) Variance

77. If each observation of a set is divided by 10, then the Standard Deviation of the new observation is:

(a) $\frac{1}{10}$ th of Standard Deviation of original observation.

(b) $\frac{1}{100}$ th of Standard Deviation of original observation.

(c) 100 times of Standard Deviation of original observation.

(d) 10 times of Standard Deviation of original observation

78. The Standard Deviation of the series 3, 6, 9, 12, 15 is:

(a) 4.24

(b) 6.36

(c) 4.12

(d) 3.28

79. The quartile deviation of the distribution of the following data is:

x	2	3	4	5	6
F(x)	2	4	8	4	1

(a) 0

(b) 1

(c) $\frac{1}{4}$

(d) $\frac{1}{2}$

80. Which of the following pairs of events are mutually exclusive?

(a) A: The student studies in a school

B: He studies Geography.

(b) A: Archana was born in India.

B: She is a fine lawyer.

(c) A: Sita is 16 years old.

B: She is a good folk dancer.

(d) A: Imran is under 15 years of

B: He is a voter of Delhi.

81. Which one holds correct for any two events A and B ?

(a) $P(A-B) = P(A) - P(B)$

(b) $P(A-B) = P(A) - P(A \cap B)$

- (c) $P(A-B) = P(B) - P(A \cap B)$
- (d) $P(A-B) = P(B) + P(A \cap B)$
82. Eight labourers are working at a construction site with the following wages for each day of working (in `): 500, 620, 400, 700, 450, 560, 320, 450
- If one of the workers is selected at random, what is the probability that his wage would be less than the average wage?
- (a) 0.625
- (b) 0.375
- (c) 0.500
- (d) 0.450
83. A box contains shoe pairs of same pattern of different sizes numbered from 1 to 12. If a shoe pair is selected at random, what is the probability that the number on the shoe pair will be a multiple of 5 or 6?
- (a) 0.33
- (b) 0.25
- (c) 9.20
- (d) 0.375
84. Two cards are drawn at random from a pack of 52 cards. The probability of getting either both the red cards or both Kings cards is:
- (a) 0.2488
- (b) 0.4288
- (c) 0.8248
- (d) 0.8428
85. The probability of success of three students in CA Foundation examination are $\frac{1}{5}$, $\frac{1}{4}$ and $\frac{1}{3}$ respectively. Find the probability that at least two students will get success.
- (a) $\frac{2}{5}$
- (b) $\frac{3}{4}$
- (c) $\frac{1}{6}$
- (d) $\frac{1}{5}$
86. If $P(A)=0.65$ and $P(B) = 0.15$, then $P(A) + P(B)$ is:
- (a) 1.5
- (b) 1.2
- (c) 0.8
- (d) 0.35

87. The quartile deviation of a normal distribution with Mean of 10 and Standard Deviation of 4 is:
- (a) 2.70
 - (b) 3.20
 - (c) 0.675
 - (d) 6.75
88. If X and Y are 2 independent normal variables with mean as 10 and 12 and Standard Deviation (S.D.) as 3 and 4 respectively, then $(X + Y)$ is normally distributed with:
- (a) Mean=22 and S. D = 7
 - (b) Mean= 22 and S. D = 25
 - (c) Mean = 22 and S. D = 5
 - (d) Mean = 22 and S. D = 49
89. The number of accidents in a year attributed to taxi drivers in a locality follows Poisson distribution with average 2. Out of 500 taxi drivers of that area, what is the number of drivers with at least 3 accidents in a year? (Given that $e = 2.718$)
- (a) 162
 - (b) 180
 - (c) 201
 - (d) 190
90. In a class of 100 students, the mean marks was 50 with standard deviation 14.9. Assuming the distribution of marks to be normal, find the number of students who obtained more than 70% marks [at $Z = 1.34$ area = 0.4099].
- (a) 10
 - (b) 9
 - (c) 8
 - (d) 7
91. If a random variable X follows Poisson distribution such that $P(X = 1) = P(X = 2)$, then the mean of the distribution is:
- (a) 2
 - (b) 1
 - (c) 0
 - (d) $1/2$
92. Which one of the following statement is correct regarding limit of the two regression coefficients?
- (a) No limit.

- (b) Must be positive.
 - (c) One positive and the other negative.
 - (d) Product of the regression coefficients must be numerically less than unity.
93. In case of "Insurance companies' profits" and "The number of claims they have to pay", there exists a:
- (a) Positive correlation
 - (b) Negative correlation
 - (c) No correlation
 - (d) It cannot be predicted
94. The variance of two variables 'x' and 'y' are 16 and 25 and covariance between 'x' and 'y' is 18.5. Another two variables 'u' and 'v' are defined as $u = (x-3)/2$ and $v = (y-2)/3$, then coefficient of correlation between 'u' and 'v' is:
- (a) 0.85
 - (b) 0.875
 - (c) 0.90
 - (d) 0.925
95. Which of the following statement is correct?
- (a) If one of the regression coefficients is greater than unity (1), the other must be less than unity.
 - (b) Regression coefficients are independent of origin and scale.
 - (c) The regression lines of two independent variables are parallel to each other.
 - (d) If two regression lines coincide with each other, there is no correlation between the variates.
96. The value index is equal to
- (a) The total sum of the values of a given year multiplied by the sum of the values of the base year.
 - (b) The total sum of the values of a given year plus the sum of the values of the base year.
 - (c) The total sum of the values of a given year divided by the sum of the values of the base year.
 - (d) The total sum of the values of a given year minus the sum of the values of the base year.
97. During a certain period the cost of living index goes up from 110 to 200 and the salary of a worker is also raised from 330 to 500, then in the real terms, the raise in salary is effectively-
- (a) Gain by ₹ 50

- (b) Gain by ₹ 75
 - (c) Loss by ₹ 90
 - (d) Loss by ₹ 50
98. Which one of the following test of adequacy is concerned with the measurement of price changes over a period of years, when it is desirable to shift the base?
- (a) Unit test
 - (b) Time Reversal test
 - (c) Circular test
 - (d) Factor Reversal test
99. The consumer price index for the year 2023 is 273 with 2010 as base year. The average monthly wages of industrial worker in year 2023 is 8,190. What is the real wage ?
- (a) ₹ 2,800
 - (b) ₹ 3,000
 - (c) ₹ 3,200
 - (d) ₹ 3,400
100. Time Reversal test is satisfied by:
- (a) Laspeyre's method but not Fisher's method
 - (b) Paasche's method but not Laspeyre's method
 - (c) Fisher's method
 - (d) Laspeyre's method and Fisher's method

MODEL TEST PAPER 10
FOUNDATION COURSE
PAPER 3: QUNTITATIVE APTITUDE

Time: 2 Hours

Marks: 100

1. The ratio of two numbers are 3 : 4. The difference of their squares is 28. Greater number is:
(a) 8
(b) 12
(c) 24
(d) 64
2. The price of scooter and moped are in the ratio 7 : 9. The price of moped is ₹ 1600 more than that of scooter. Then the price of moped is:
(a) ₹ 7200
(b) ₹ 5600
(c) ₹ 800
(d) ₹ 700
3. $\log_{0.01} 10,000 = ?$
(a) 2
(b) - 2
(c) 4
(d) - 4
4. Value of $\left[9^{n+\frac{1}{4}} \cdot \frac{\sqrt{3 \cdot 3^n}}{3 \cdot \sqrt{3^{-n}}} \right]^{\frac{1}{n}}$
(a) 9
(b) 27
(c) 81
(d) 3
5. Roots of the equation $x^3+9x^2 - x - 9 = 0$.
(a) 1, 2, 3
(b) 1, - 1, - 9
(c) 2, 3, - 9
(d) 1, 3, 9

6. $\frac{2x+5}{10} + \frac{3x+10}{15} = 5$, then value of x
- (a) 10.58
 - (b) 9.58
 - (c) 9.5
 - (d) None of these
7. Find value of $x^2 - 10x + 1$, if $x = \frac{1}{5-2\sqrt{6}}$
- (a) 25
 - (b) 1
 - (c) 0
 - (d) 49
8. Find the value of k in $3x^2 - 2kx + 5 = 0$, if $x = 2$.
- (a) 17/4
 - (b) -7/14
 - (c) 4/17
 - (d) -4/17
9. $6x + y \geq 18$, $x + 4y \geq 12$, $2x + y \geq 10$, On solving the inequalities; we get:
- (a) (0, 18), (12, 0), (4, 2) & (7, 6)
 - (b) (3, 0), (0, 3), (4, 2) & (7, 6)
 - (c) (5, 0), (0, 10), (4, 2) & (7, 6)
 - (d) (0, 18), (12, 0), (4, 2), (0, 0) & (7, 6)
10. A man invests ₹ 12,000 at 10% p.a. and another sum of money at 20% p.a for one year. The total investment earns at 14% p.a. simple interest the total investment is:
- (a) ₹ 8,000
 - (b) ₹ 20,000
 - (c) ₹ 14,000
 - (d) ₹ 16,000
11. The difference in simple interest of a sum invested of ₹ 1,500 for 3 years is ₹ 18. The difference in their rates is:
- (a) 0.4
 - (b) 0.6
 - (c) 0.8
 - (d) 0.10

12. Find the effective rate of interest on ₹ 10,000 on which interest is payable half yearly at 5% p.a.
- (a) 5.06%
 - (b) 4%
 - (c) 0.4%
 - (d) 3%
13. 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%
14. What will be the population after 3 years when present population is 25,000 and population increases at the rate of 3% in 1st year, at 4% in 2nd year and at 5% in 3rd year?
- (a) 28,119
 - (b) 29,118
 - (c) 27,000
 - (d) 30,000
15. The value of scooter is ₹ 10,000. Find its value after 7 years if rate of depreciation is 10% p.a.
- (a) ₹ 4,782.96
 - (b) ₹ 4,278.69
 - (c) ₹ 42,079
 - (d) ₹ 42,000
16. $SI = 0.125 P$ at 10% p.a. Find Time.
- (a) 1.25 years
 - (b) 25 years
 - (c) 0.25 years
 - (d) None of these
17. How much amount is required to be invested every year as to accumulate ₹ 6,00,000 at the end of 10 years, if interest is compounded annually at 10% rate of interest [Given : $(1+0.1)^{10} = 2.59374$].
- (a) ₹ 37,467
 - (b) ₹ 37,476
 - (c) ₹ 37,647

- (d) ₹ 37,674
18. The difference between the CI and SI for 2 year is 21. If the rate of interest is 5%, the final principal is:
- (a) ₹ 8,200
(b) ₹ 4,800
(c) ₹ 8,000
(d) ₹ 8,400
19. 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) 20,500
20. Mr. X lent some amount of money at 4% S.I. and he obtained ₹ 520 less than he lent in 5 years. The sum lent is
- (a) ₹ 620
(b) ₹ 650
(c) ₹ 750
(d) None of these
21. ₹ 8,829 is invested into three different sectors in such a way that their amounts at 4% p.a. S.I. after 5 years; 6 and 8 years are equal. Find each part of the sum.
- (a) ₹ 3,069, ₹ 2,970; ₹ 2,790
(b) ₹ 3,089, ₹ 2,970; ₹ 2,790
(c) ₹ 3,609, ₹ 2,970; ₹ 2,790
(d) ₹ 3,069, ₹ 2,960; ₹ 2,760
22. A ₹1000 bond paying annual dividends at 8.5% will be redeemed at par at the end of 10 years. Find the purchase price of this bond if the investor wishes a yield rate of 8%
- (a) ₹ 907.135
(b) ₹ 1033.54
(c) ₹ 945.67
(d) None of these
23. Mr. X invest ₹ 10,000 every year starting from today for next: 10 years suppose interest rate is 8% per annual compounded annually. Calculate future value of the annuity.
- (a) ₹ 1,56,454.88

- (b) ₹ 1,56,554.88
(c) ₹ 1,44,865.625
(d) None of these
24. Three girls and five boys are to be seated in a row so that no two girls sit together. Total No. of arrangements are:
(a) 14,400
(b) 120
(c) $5P_3$
(d) $3! \times 5!$
25. How many numbers can be formed with the help of 2, 3, 4, 5, 6, 1 which is not divisible by 5, given that it is a five digit number and digits are not repeating?
(a) 1200
(b) 400
(c) 600
(d) 1400
26. How many different groups of 3 people can be formed from a group of 5 people?
(a) 5
(b) 6
(c) 10
(d) 9
27. In how many ways can 4 people be selected at random from 6 boys and 4 girls if there are exactly two girls?
(a) 90
(b) 360
(c) 92
(d) 480
28. ${}^nP_3 : {}^nP_2 = 2 : 1$
(a) 4
(b) $7/2$
(c) 5
(d) $2/7$
29. Sum lying from 100 to 300 which is divisible by 4 and 5 is
(a) 2000
(b) 2100

- (c) 2200
(d) 2300
30. Sum of x terms of two AP's are in the ratio $(3x + 5) : (5x + 3)$ then ratio of their 10th term is
(a) 31 : 49
(b) 30 : 49
(c) 28 : 49
(d) None of these
31. 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 at least in any one of the subjects :
(a) 63
(b) 53
(c) 73
(d) None of these
32. Let $A = \{1, 2, 3\}$, then the relation $R = \{(1, 1), (2, 3), (2, 2), (3, 3), (1, 2)\}$ is:
(a) Symmetric
(b) Transitive
(c) Reflexive
(d) Equivalence
33. Let A be the set of squares of natural numbers and let $x \in A, y \in A$ then
(a) $X + Y \in A$
(b) $X - Y \in A$
(c) $\frac{x}{y} \in A$
(d) $xy \in A$
34. If 5th term of G.P. is 32 and 3rd term of G.P. is 8 then 6th term of G.P. is
(a) 4
(b) 16
(c) 32
(d) 6
35. Which term of The sequence 2, 4, 8, 16 is 2048 ?
(a) 9
(b) 10
(c) 11

- (d) None of these
36. The number of proper sub set of the set $\{3, 4, 5, 6, 7\}$ is
- (a) 32
(b) 31
(c) 30
(d) 25
37. $\int_0^1 (e^x + e^{-x}) dx$ is
- (a) $e - e^{-1}$
(b) $e^{-1} - e$
(c) $e + e^{-1}$
(d) None of these
38. If $f(x) = x^k$ and $f'(1) = 10$, then the value of k is :
- (a) 10
(b) -10
(c) $1/10$
(d) None of these
39. If $y = ae^{nx} + be^{-nx}$, then $\frac{d^2y}{dx^2}$ is equal to _____ .
- (a) n^2y
(b) $-n^2y$
(c) ny
(d) None of these
40. $\int 2^{3x} \cdot 3^{2x} \cdot 5^x \cdot dx =$ _____
- (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) $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(180)} + c$
(d) $\frac{2^{3x} \cdot 3^{2x} \cdot 5^x}{\log(90)} + c$
41. Find the missing term of the following series : 3, 15, ?, 63, 99, 143
- (a) 27
(b) 35
(c) 45

- (d) 56
42. Find the missing term of the following series : 7, 26, 63, 124, 215, 342, ?
- (a) 391
(b) 421
(c) 481
(d) 511
43. Find the missing term of the following series : 3, 7, 15, ?, 63, 127
- (a) 30
(b) 31
(c) 47
(d) 52
44. Find odd man out of the following series 3, 4, 10, 32, 136, 685, 4116
- (a) 10
(b) 32
(c) 136
(d) 4116
45. 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
46. Neha 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
47. 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° . In which direction was she moving finally?
- (a) South
(b) South-West
(c) North-East

(d) North-West

48. Varun faces towards north. Turning to his right, he walks 25 metres. He then turns to his left and walks 30 metres. Next, he moves 25 metres to his right. He then turns to his right again and walks 55 metres. Finally he turns to the right and moves 40 metres. In which direction is he now from his starting point?
- (a) South-East
(b) South-West
(c) South
(d) North-West
49. Pankaj is facing west. He turns 45° in the clockwise direction and then again another turns with 180° in the same direction i.e. clockwise direction, after that he turns 270° in the anticlockwise direction. Which direction is he facing now?
- (a) North-West
(b) West
(c) South-West
(d) South
50. A man is facing north. He turns 45 degree in the clockwise direction and then another 180 degree in the same direction and then 45 degree in the anticlockwise direction. Find which direction he is facing now?
- (a) North
(b) East
(c) West
(d) South
51. 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) A
(b) X
(c) S
(d) Z
52. A, B, C, D and E are sitting on a bench. A is sitting next to B, C is sitting next to D, D is not sitting with E who is on the left end of the bench. C is on the second position from the right. A is to the right of B and E. A and C are sitting together. In which position A is sitting?
- (a) Between B and D
(b) Between B and C
(c) Between E and D
(d) Between C and E

53. 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.
- (a) Q
 - (b) P
 - (c) P and Q
 - (d) None of these
54. Six persons A,B,C,D,E and F are standing in a circle.B is between D and C.A is between E and C.F is to the right of D.Who is between A and F?
- (a) B
 - (b) C
 - (c) D
 - (d) E
55. Five persons are standing in a line. One of the two persons at the extreme ends is a professor and the other a businessman. An advocate is standing to the right of a student. An author is to the left of the businessman. The student is standing between the professor and the advocate. Counting from the left, the advocate is at which place ?
- (a) 1st
 - (b) 2nd
 - (c) 3rd
 - (d) 5th
56. P is Q's daughter, Q is R's mother, S is R's brother. How is S related to P?
- (a) Father
 - (b) Grandfather
 - (c) Brother
 - (d) Son
57. If X is brother of son of Y's son, then how is X related to Y ?
- (a) Brother
 - (b) Cousin
 - (c) Grandson
 - (d) Son
58. If P is the husband of Q and R is the mother of S and Q. What is R to P?
- (a) Mother
 - (b) Sister
 - (c) Aunt

- (d) Mother-in-law
59. 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?
- (a) Aunt
(b) Daughter-in-law
(c) Daughter
(d) Nephew
60. X and Y are the children of A. A is the father of X but Y is not his son. How is Y related to A?
- (a) Son
(b) Daughter
(c) Sister
(d) Brother
61. The number of times a particular items occurs in a class interval is called its:
- (a) Mean
(b) Cumulative Frequency
(c) Frequency
(d) None of the above
62. An Ogive is a graphical representation of:
- (a) Cumulative Frequency distribution
(b) Ungrouped Data
(c) A frequency distribution
(d) None of the above
63. From the following data, cumulative frequency for the class 20 – 30 is

Class	Frequency
0 – 10	4
10 – 20	6
20 – 30	20
30 – 40	8
40 – 50	3

- (a) 26
(b) 10
(c) 41
(d) 30

64. Histogram can be shown as:

- (a) Ellipse
- (b) Rectangle
- (c) Hyperbola
- (d) Circle

65. _____ series is continuous.

- (a) Open ended
- (b) Exclusive
- (c) Close ended
- (d) Unequal Class Intervals

66. Ogive graph is used for finding:

- (a) Quartiles
- (b) Deciles
- (c) Median
- (d) All of these

67. Histogram is useful to determine graphically the value of:

- (a) Arithmetic Mean
- (b) Mode
- (c) Median
- (d) None of these

68. 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 of these

69. 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

70. The AM of 15 observations is 9 and the AM of first 9 observations is 11 and then AM of remaining observations is:

- (a) 11

- (b) 6
- (c) 5
- (d) 9

71. In a moderately skewed distribution the values of mean and median are 12 and 8 respectively. The value of mode is:

- (a) 0
- (b) 12
- (c) 15
- (d) 30

72. Which of the following is positional average?

- (a) Median
- (b) GM
- (c) HM
- (d) AM

73. For a symmetric distribution:

- (a) Mean = Median = Mode
- (b) Mode = 3 Median – 2 Mean
- (c) Mode = $\frac{1}{3}$ Median = $\frac{1}{2}$ Mean
- (d) None

74. For the distribution

x	f
1	6
2	9
3	10
4	14
5	12
6	8

The value of median is:

- (a) 3.5
- (b) 3
- (c) 4
- (d) 5

75. The QD of six numbers 15, 8, 36, 40, 38, 41 is equal to:

- (a) 12.5

- (b) 25
 - (c) 13.5
 - (d) 37
76. SD of first five consecutive natural numbers is:
- (a) $\sqrt{10}$
 - (b) $\sqrt{8}$
 - (c) $\sqrt{3}$
 - (d) $\sqrt{2}$
77. If the profit of a company remain same for the last 10 months then the SD of profit of the company would be:
- (a) Positive
 - (b) Negative
 - (c) Zero
 - (d) either (a) or (c)
78. Coefficient of Quartile Deviation is $1/4$ then $Q_3/Q_1 = ?$
- (a) $5/3$
 - (b) $4/3$
 - (c) $3/4$
 - (d) $3/5$
79. 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) $a + b + 4$
80. What is the mean of X having the following density function? $f(x) = \frac{1}{\sqrt[4]{2\pi}} e^{-\frac{(x-10)^2}{32}}$ for $-\infty < x < \infty$
- (a) 4
 - (b) 10
 - (c) 40
 - (d) None of these
81. 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
82. 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
83. Area between -1.96 to +1.96 in a normal distribution is :
- (a) 95.45%
 - (b) 95%
 - (c) 96%
 - (d) 99%
84. 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
85. If a coin is tossed 5 times then the probability of getting Tail and Head occurs alternatively is:
- (a) $\frac{1}{8}$
 - (b) $\frac{1}{16}$
 - (c) $\frac{1}{32}$
 - (d) $\frac{1}{64}$
86. When 2 dice are thrown simultaneously then the probability of getting at least one 5 is:
- (a) $\frac{11}{36}$
 - (b) $\frac{5}{36}$
 - (c) $\frac{8}{15}$
 - (d) $\frac{1}{7}$

87. The probability that a leap year has 53 Wednesday is:

- (a) $\frac{2}{7}$
- (b) $\frac{3}{5}$
- (c) $\frac{1}{7}$
- (d) $\frac{2}{3}$

88. 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) $\frac{3}{11}$

89. The probability that a student is not a swimmer is $\frac{1}{5}$, then the probability that out of five students four are swimmers is:

- (a) $\left(\frac{4}{5}\right)^4 \left(\frac{1}{5}\right)$
- (b) ${}^5C_1 \left(\frac{1}{5}\right)^4 \left(\frac{4}{5}\right)$
- (c) ${}^5C_4 \left(\frac{4}{5}\right)^4 \left(\frac{1}{5}\right)$
- (d) None of these

90. If the two lines of regression are $x + 2y - 5 = 0$ and $2x + 3y - 8 = 0$, then the regression line of y on x is:

- (a) $x + 2y - 5 = 0$
- (b) $x + 2y = 0$
- (c) $2x + 3y - 8 = 0$
- (d) $2x + 3y = 0$

91. If the two regression lines are $3X = Y$ and $8Y = 6X$ then the value of correlation coefficient is:

- (a) -0.5
- (b) 0.5
- (c) 0.75
- (d) -0.80

92. AM of regression coefficient is:
- (a) Equal to r
 - (b) Greater than or equal to r
 - (c) half of r
 - (d) None of these
93. If the regression line of y on x is given by $y = x + 2$ and Karl Pearson's coefficient of correlation is 0.5 then $\frac{\sigma_y^2}{\sigma_x^2} = \underline{\hspace{2cm}}$.
- (a) 3
 - (b) 2
 - (c) 4
 - (d) None of these
94. Which is not satisfied by Fisher's Ideal Index Number?
- (a) Factor Reversal Test
 - (b) Time Reversal Test
 - (c) Circular Test
 - (d) None of the above

95. The prices and quantities of 3 commodities in base and current years are as follows:

P_0	P_1	Q_0	Q_1
12	14	10	20
10	8	20	30
8	10	30	10

The Laspyre's Price Index Number is:

- (a) 118.13
 - (b) 107.14
 - (c) 120.10
 - (d) None of these
96. The cost of living index number in year 2015 and 2018 were 97.5 and 115 respectively. The salary of a worker in 2015 was 19500. How much additional salary was required for him in 2018 to maintain the same standard of living as in 2015?
- (a) 3000
 - (b) 4000
 - (c) 3500
 - (d) 4500

97. The number of test adequacy is
- (a) 2
 - (b) 5
 - (c) 3
 - (d) 4
98. Laspyers method and Paasches method do not satisfy
- (a) Unit Test
 - (b) Time Reversal Test
 - (c) Factor Reversal Test
 - (d) b and c
99. The coviraiance between two variables is
- (a) Strictly positive
 - (b) Strictly negative
 - (c) Always zero
 - (d) Either positive or negative or zero
100. When two lines of regression become identical when
- (a) $r = 1$
 - (b) $r = -1$
 - (c) $r = 0$
 - (d) (a) or (b)

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

Time: 2 Hours

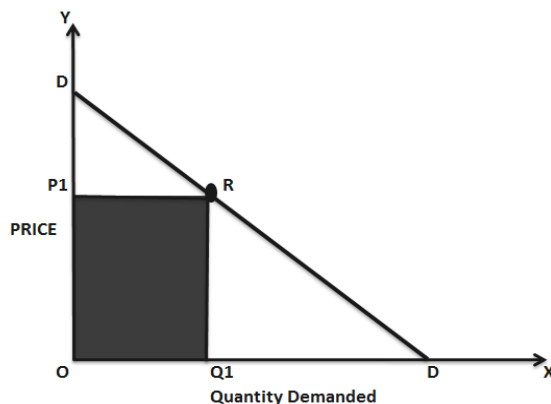
Marks: 100

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 _____.
 (a) more of one of the goods
 (b) less of at least one of the goods
 (c) more of at least one of the goods and less of the other good.
 (d) 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 _____.
 (a) more, inelastic demand
 (b) less, elastic demand
 (c) same, inelastic demand
 (d) 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 _____.



- (a) Total Revenue (TR)
 (b) Marginal Revenue (MR)
 (c) Total Cost (TC)
 (d) None of these
21. Marginal revenue of a firm is constant throughout under:
 (a) Perfect Competition
 (b) Monopolistic Competition
 (c) Oligopoly
 (d) All the above
22. Monopolistic competition constitutes:
 (a) 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 – 1: BUSINESS ECONOMICS

Time: 2 Hours

Marks: 100

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) Safe guard 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 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) $GNP - \text{Depreciation}$
 - (b) $GNP - \text{Factor payments}$
 - (c) $GNP - \text{Inflation}$
 - (d) $GNP + \text{Factor Payments}$
70. GDP deflator:
- (a) $\text{Nominal GDP} / \text{Real GDP} \times 100$
 - (b) $\text{Real GDP} / \text{Nominal GDP} \times 100$
 - (c) $\text{Nominal GDP} + \text{Real GDP} / \text{Real GDP} \times 100$
 - (d) $\text{Nominal GDP} - \text{Real GDP} / \text{Nominal GDP} \times 100$
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 liberalisation
 - (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

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

Time: 2 Hours

Marks: 100

1. Scarcity of resources exist at:
 - (a) Micro level
 - (b) Macro level
 - (c) Micro as well as Macro
 - (d) None of these
2. Central Problems of an Economy:
 - (a) What to Produce
 - (b) How to Produce
 - (c) For Whom to Produce
 - (d) All the above
3. The Characteristics of Production Possibility Curve:
 - (a) Slopes downwards from left to right
 - (b) PPC is concave to the origin
 - (c) Both A and B
 - (d) None of these
4. Problem of choice is the basis of:
 - (a) Economic Problem
 - (b) Social Problem
 - (c) Political Problem
 - (d) None of these
5. Marginal Utility is ____ when total utility diminishes.
 - (a) Positive
 - (b) Negative
 - (c) Zero
 - (d) Infinity
6. Budget Line indicates:
 - (a) Income Ratio
 - (b) Price Ratio
 - (c) Cost Ratio
 - (d) None of these

7. Availability of close Substitutes makes the demand:
- (a) more elastic
 - (b) less elastic
 - (c) Parallel to Y Axis
 - (d) None of these
8. When Total product is 100 and units of variable factor are 4, average product will be:
- (a) 400
 - (b) 25
 - (c) 104
 - (d) None of these
9. When average cost (AC) is falling:
- (a) $MC < AC$
 - (b) $MC > AC$
 - (c) $MC = AC$
 - (d) None of these
10. Which of the following describe a Typical Business Cycle?
- (a) Economic Expansions are followed by Contraction's.
 - (b) Inflation is followed by rising Income and Unemployment.
 - (c) Economic Expansion are followed by economic growth and development.
 - (d) Stagflation is followed by Inflationary growth.
11. Law of Production does not include ____
- (a) least Cost Combination of factors
 - (b) Law of variable proportion
 - (c) Law of diminishing returns to a factor
 - (d) Return to scale
12. Demand Curve in the monopolistic competition is ____
- (a) Infinitely elastic
 - (b) Downward sloping and highly inelastic
 - (c) Downward sloping and more elastic demand curve.
 - (d) None of these.
13. The Stages in law of variable proportion is:
- (a) 1
 - (b) 2

- (c) 3
 - (d) 4
14. The Price in Collusive Oligopoly is decided by:
- (a) The Firm
 - (b) Price leader
 - (c) The Industry
 - (d) None of these
15. Rationale of the law of demand is:
- (a) Price effect of a fall in price
 - (b) Different uses
 - (c) Arrival of new consumers
 - (d) All of these
16. The Pure monopolist in the long run can make pure profit due to:
- (a) High Selling Price
 - (b) Advertising
 - (c) Low LAC Cost
 - (d) Blocked entry
17. Which of the following is the exception to the law of demand:
- (a) Speculative goods
 - (b) Conspicuous necessities
 - (c) Future expectation about prices
 - (d) Income effect
18. Innovation theory is propounded by:
- (a) Schumpeter
 - (b) Nicholas Kaldor
 - (c) Keynes
 - (d) None of these
19. Globalization indicate rapid ____ between Countries:
- (a) Competition
 - (b) Investment
 - (c) Integration
 - (d) None of these
20. Which is not the External Causes of business cycle:
- (a) Technology shock
 - (b) Population Growth

- (c) Money Supply
 - (d) Technology Shock
21. GDP includes:
- (a) neither intermediate nor final goods.
 - (b) both intermediate and final goods.
 - (c) intermediate, but not final, goods.
 - (d) final, but not intermediate, goods.
22. 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
23. Transfer payments are:
- (a) excluded when calculating GDP because they only reflect inflation.
 - (b) excluded when calculating GDP because they do not reflect current production.
 - (c) included when calculating GDP because they are a category of investment spending.
 - (d) included when calculating GDP because they increase the spending of recipients.
24. Value added refers to:
- (a) any increase in GDP that has been adjusted for adverse environmental effects.
 - (b) the excess of gross investment over net investment.
 - (c) the difference between the value of a firm's output and the value of the inputs it has purchased from others.
 - (d) the portion of any increase in GDP that is caused by inflation as opposed to an increase in real output.
25. Personal income is most likely to exceed national income:
- (a) when gross and net investment are equal.
 - (b) during a period of recession or depression.
 - (c) when gross investment exceeds net investment.
 - (d) during a period of extended inflation.
26. Indian financial system is skewed towards Commercial Banks with no interdependence on NBFCs:
- (a) Yes
 - (b) No

- (c) Partly Right
 - (d) None of the above
27. Among the following canons of taxation which one has been given by Adam Smith?
- (a) Canon of Uniformity
 - (b) Canon of productivity
 - (c) canon of diversity
 - (d) canon of equity
28. 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.
29. 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
30. The condition for pure competition to be fulfilled are –
- (a) large numbers of buyers and sellers
 - (b) products are homogeneous
 - (c) firms are free from entry and exit from the market
 - (d) all the above
31. The concept of price rigidity in Sweezy's model is related to which market form:
- (a) oligopoly market
 - (b) perfect competition market
 - (c) monopoly market
 - (d) monopolistic market
32. The Relationship between AR, MR and Price Elasticity –
- (a) $MR = AR \times e^{-1} \div e$
 - (b) $AR = MR \times e^{-1} \div e$
 - (c) $AR - MR = e^{-1} \div e$
 - (d) None of these

33. The relationship between price and quantity supplied in law of supply is:
- (a) proportionate
 - (b) homogenous
 - (c) inverse
 - (d) direct
34. The Government offer minimum assured price to the farmers to purchase their output is called:
- (a) market Price
 - (b) support Price
 - (c) equilibrium Price
 - (d) ceiling Price
35. Under which system Freedom of choice is an advantage:
- (a) Capitalism
 - (b) Mixed economy
 - (c) Socialism
 - (d) None of these
36. For Giffen good the Engel curve is:
- (a) Positive sloped
 - (b) Vertical
 - (c) horizontal
 - (d) Negative sloped
37. If the monopolist incur losses in the short run then in the long run:
- (a) It will stay in the business
 - (b) Go out of business
 - (c) Will break even
 - (d) Any of the above is possible
38. 'Time' element in market was conceived by:
- (a) Alfred Marshall
 - (b) Pigou
 - (c) Allen
 - (d) None of these
39. Full Capacity is utilized in the which market condition_____.
- (a) Perfect Competition
 - (b) Monopoly
 - (c) Oligopoly

- (d) None of these
40. The regulatory mechanism of the market system is:
- (a) Self interest
 - (b) Private property
 - (c) Competition
 - (d) Specialization
41. 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
42. Consider the following statements and select the correct answer from the given options:
- Assertion (A): Demand curve is vertical when elasticity of demand is zero.
- Reason (R): Marginal utility of a product is increasing
- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
 - (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
 - (c) (A) is true but (R) is false
 - (d) (A) is false but (R) is true
43. The oldest approach to the theory of demand is _____.
- (a) the total utility approach
 - (c) the cardinal utility approach
 - (c) the ordinal utility approach
 - (d) None of these
44. Which one of the following is not an internal economies of scale?
- (a) Technical economies
 - (b) Financial economies
 - (c) Economies due to localization of industries
 - (d) Marketing economies
45. 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

46. Peak is the _____ stage of expansion.
- (a) Later
 - (b) Earlier
 - (c) Either (A) or (B)
 - (d) None of the above
47. Which of the following statements is correct regarding business cycles?
- (a) Business cycles are contagious and international in character.
 - (b) Business cycles begin in one country and spread to other countries through trade relations.
 - (c) Business cycles have serious consequences on well-being of the societies.
 - (d) All of the above
48. X, Y and Z are confused with the formula for defining TC:
- (a) X Says: $TC = TVC + TFC$
 - (b) Y Says: $TC = AC \times \text{output}$
 - (c) Z Says: $TC = ZMC + TFC$
- Identify who amongst them is correct.
- (a) X
 - (b) Y
 - (c) Z
 - (d) All of them
49. Interest on own capital is a _____.
- (a) Explicit Cost
 - (b) Implicit Cost
 - (c) Future Cost
 - (d) None of these
50. Consumers get maximum variety of goods under:
- (a) Perfect Competition
 - (b) Monopolistic Competition
 - (c) Monopoly
 - (d) Pure Competition
51. "The increase in demand of a commodity due to the fact that others are also consuming the same commodity" is known as _____.
- (a) Veblen effect
 - (b) Bandwagon effect
 - (c) Snob effect

- (d) Demonstration effect
52. In the Cobb-Douglas production function given as: $Q = A L^a K^{1-a}$ the share of labour in total production is:
- (a) a
 - (b) $1 - a$
 - (c) A
 - (d) $a \cdot L$
53. The budget line is also known as:
- (a) Production Possibility Curve
 - (b) Consumption Possibility Curve
 - (c) Iso Utility Curve
 - (d) None of these
54. Secular Period is also known as:
- (a) Short Period
 - (b) Very Long Period
 - (c) long Period
 - (d) Very short Period
55. At the Point of Inflexion:
- (a) Total Product is maximum
 - (b) Average Product is maximum
 - (c) Marginal Product is maximum
 - (d) Marginal Product is zero
56. The Firm and Industry are same in:
- (a) Duopoly
 - (b) Monopoly
 - (c) Oligopoly
 - (d) None of these
57. Cost Incurred which has no relevance to future planning is called:
- (a) Marginal cost
 - (b) Sunk cost
 - (c) Average cost
 - (d) None of these
58. If the price of a commodity raised by 12% and E_d is $(-) 0.63$, the expenditure made on the commodity by a consumer will _____
- (a) Decrease

- (b) Increase
 - (c) Remain same
 - (d) Can't Say
59. 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
60. 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
61. Most tariffs have:
- (a) only revenue effects
 - (b) only protective effects
 - (c) both protective and revenue effects
 - (d) neither protective or revenue effects
62. 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
63. 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
64. A production function with constant returns to scale for capital alone implies that:
- (a) there are increasing returns to scale for all factors of production taken together
 - (b) if all inputs are doubled then output will more than double
 - (c) smaller firms are more efficient than larger firms
 - (d) both A) and B)

65. Macro-Prudential Policy Measures can help to overcome:
- (a) Systemic Risk
 - (b) Credit Risk
 - (c) Inflation risk
 - (d) None of these
66. Foreign Portfolio Investment (FPI) involves:
- (a) Investment in tangible assets in a foreign country
 - (b) Investment in financial assets such as stocks and bonds of foreign companies
 - (c) Establishing subsidiaries or acquiring stakes in foreign companies
 - (d) Long-term commitment to a foreign market
67. Which of the following is/are the components of the Fiscal Deficit?
- 1. Budgetary Deficit
 - 2. Market Borrowings
 - 3. Expenditure made from Pradhan Mantri Rahat Kosh
- (a) Only 1
 - (b) Only 2
 - (c) Only 3
 - (d) All 1, 2 and 3
68. Which of the following is key operational target in a Budget?
- (a) Fiscal Deficit
 - (b) Revenue Deficit
 - (c) The General Government Debt
 - (d) The Central Government Debt
69. If a Ministry falls short of approved budget in a scheme, what is the process to get additional budget through Parliament?
- (a) Supplementary
 - (b) Re-appropriation
 - (c) Transfer of balances
 - (d) Vote on account
70. Budget of the government generally impacts.
- (a) The resource allocation in the economy
 - (b) Redistribution of income and enhance equity.
 - (c) Stability in the economy by measures to control price fluctuations.
 - (d) All of the above

71. Short -term credit from the Reserve bank to state government:
- (a) RBI credit to states
 - (b) Commercial credit of RBI
 - (c) Ways and Means Advances
 - (d) Short term facility
72. Which of the following is/are the components of Public Debt?
- 1. Market Loans
 - 2. External Loans
 - 3. Outstanding against saving schemes/ provident funds
- (a) only 1
 - (b) only 2
 - (c) Both 1 and 2
 - (d) only 3
73. The External Debt has been shown at the exchange rate applicable at the time of:
- (a) Contracting the debt.
 - (b) Expanding the debt.
 - (c) Both a & b
 - (d) None of the above
74. Which of the followings is not an element of good public expenditure management?
- (a) Elasticity
 - (b) Economy
 - (c) Productivity
 - (d) Deficit
75. The share of agriculture in India's national income has _____ over the years.
- (a) Remained constant.
 - (b) Decreased.
 - (c) Increased.
 - (d) First decreased and then increased.
76. FEMA stands for:
- (a) Foreign Exchange Management Act.
 - (b) Founds Exchange Management Act.
 - (c) Finance Enhancement Monetary Act.
 - (d) Future Exchange Management Act.

77. Broad money refers to:

- (a) M_1
- (b) M_2
- (c) M_3
- (d) M_4

78. The effect of increase CRR will be reduced or nullified if:

- (a) Bank rate is reduced.
- (b) Securities are sold in the open market.
- (c) SLR is increased.
- (d) People do not borrow from non-banking institutions.

79. The pre-condition for privatization to be successful requires:

- (a) Liberalization and de-regulation of the economy.
- (b) Capital markets should be sufficiently developed.
- (c) None of the above.
- (d) (a) & (b) both.

80. During depression, it is advisable to:

- (a) Lower Bank Rate and purchase securities in the market.
- (b) Increase Bank Rate and purchase securities in the open market.
- (c) Decrease Bank Rate and sell securities in the open market.
- (d) Increase Bank Rate and sell securities in the open market.

81. 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

82. Which one is included in three-sector model?

- (a) Family
- (b) Firm
- (c) Government
- (d) All of these

83. Ricardo explained the law of comparative advantage on the basis of:

- (a) opportunity costs
- (b) economies of scale

- (c) the labour theory
 - (d) None of these
84. Factor abundance is considered to be part of international trade:
- (a) Heckscher Ohlin theory of international trade
 - (b) Comparative cost advantage theory
 - (c) New Trade theory
 - (d) Factor Equalization theorem
85. 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
86. 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
87. Nationalization means:
- (a) Selling of government stake to private sector
 - (b) Selling of government companies to private sector
 - (c) Government purchasing 26% shares in private companies
 - (d) Taking of full control and management from Private Sector by the Government
88. The 'Diamond Water' controversy is explained by:
- (a) Total utility
 - (b) Marginal utility
 - (c) Price offered
 - (d) Quantity supplied
89. Which of the following is an implication of the imposition of price ceiling below the equilibrium price?
- (a) Shortages in the market
 - (b) Problem of allocation of limited supplies among large number of consumer.
 - (c) Black marketing

- (d) All of the above
90. In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45-degree line indicates the:
- (a) level of full employment income.
 - (b) less than full employment level of income.
 - (c) equilibrium level of income which may or may not be full employment level of income.
 - (d) autonomous level of income which may not be full employment level of income.
91. 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
92. At the shut-down point:
- (a) $P = AVC$
 - (b) $TR = TVC$
 - (c) the total losses of the firm equal TFC
 - (d) all of the above.
93. If the income elasticity of demand is greater than 1, the commodity is:
- (a) a necessity,
 - (b) a luxury,
 - (c) an inferior good, or
 - (d) a nonrelated good.
94. What can be the minimum value of investment multiplier?
- (a) 10
 - (b) 1
 - (c) infinity
 - (d) 0
95. Which one is included in National Income?
- (a) Transfer Earnings
 - (b) Sale proceeds of Shares and Bonds
 - (c) Black Money
 - (d) None of the Above

96. 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
97. "If the price of oranges falls due to good crop from ₹ 20 per dozen to ₹ 10 per dozen, the household that was purchasing 3 dozen oranges may now afford to purchase 6 dozen oranges by spending the same amount of money."
- The above statement is depicting -
- (a) Income effect
 - (b) Substitution effect
 - (c) Price effect
 - (d) Both (A) and (C)
98. "Returns to a factor" refers to the effect on total output of changes in:
- (a) One factor only
 - (b) Various inputs separately
 - (c) All the inputs simultaneously
 - (d) None of the above
99. Which one of the following is not an internal economies of scale?
- (a) Technical economies
 - (b) Financial economies
 - (c) Economies due to localization of industries
 - (d) Marketing economies
100. The firm can attain its equilibrium in _____ stage of the law of variable proportion.
- (a) 1st
 - (b) 2nd
 - (c) 3rd
 - (d) Any of the above

MODEL TEST PAPER 5
FOUNDATION COURSE
PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours

Marks: 100

1. If a farmer sells wheat to miller for ₹ 600 and miller sells flour to baker for ₹ 800. The baker sells bread to consumer for ₹ 1300, then the total value added in the process is:
 - (a) ₹ 600
 - (b) ₹ 800
 - (c) ₹ 700
 - (d) ₹ 1200
2. Which investment is made without any reference to level of income or profits?
 - (a) Induced
 - (b) Autonomous
 - (c) Inventory
 - (d) Gross
3. The Value of National Income adjusted for inflation is called?
 - (a) Disposable income
 - (b) Per capita income
 - (c) Inflation adjusted income.
 - (d) Real national Income
4. Which of the following fiscal policy measures would be suitable for addressing a deflationary gap or deficient demand?
 - (a) Reduction in Taxes
 - (b) Increase in Govt. Expenditure
 - (c) Reduction in Public Debt
 - (d) All of these
5. What is the value of Investment Multiplier when saving function is represented as $S = -60 + 0.2Y$?
 - (a) 2
 - (b) 5
 - (c) 4
 - (d) 0.2
6. "What could be the cause of the increase in Aggregate Demand within an economy?"

- (a) Increase in Imports
 - (b) Decrease in Govt. Expenditure
 - (c) Rise in Investment Expenditure
 - (d) Decrease in Exports
7. Which of the following will cause a leakage in the National Income of an economy?
- (a) Decrease in Expenditure
 - (b) Decrease in Taxation
 - (c) Increase in Imports
 - (d) Both a & c
8. The Government adopting Progressive taxation system to tax people on the level of their income is an example of which function of public finance?
- (a) Redistribution Function
 - (b) Allocation Function
 - (c) Normative Function
 - (d) Stabilization
9. The increase in cost of food, fuel and fertilizers in countries due to production of weapons in the war between Russia & Ukraine results in which type of externality?
- (a) Positive Production Externality
 - (b) Negative Production Externality
 - (c) Positive Consumption Externality
 - (d) Negative Consumption Externality
10. 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
11. Which of the following is not true regarding The Minimum Support Price (MSP) mechanism in India?
- (a) MSP works on the principle of Price Ceiling
 - (b) MSP works on the principle of Price Flooring
 - (c) At the price fixed, there exists excess supply
 - (d) Govt. procures the excess supply of farmers.

12. 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
13. The per capita income in country Y increased from ₹ 50,000 to ₹ 65,000 while the per capita consumption increased from ₹ 37,500 to ₹ 48,750. Calculate the spending multiplier for this economy.
- (a) 5
 - (b) 4
 - (c) 2.5
 - (d) 8
14. Which of the following is used to counter recession as part of Expansionary Fiscal Policy?
- (a) Increase in interest rate.
 - (b) Decrease in Taxes
 - (c) Deficit Financing
 - (d) Both b & c
15. Mr. A, who is self-employed decided to keep more money in his savings account, considering the prevailing economic & political conditions. What is the motive for such a move by A?
- (a) Transactions Motive
 - (b) Speculative Motive
 - (c) Precautionary Motive
 - (d) Conservative Motive
16. Which of the following is true with regards to Liquidity Trap?
- (a) Speculative Demand is parallel to X-Axis.
 - (b) Desire to hold bond is infinity.
 - (c) Ineffective Monetary Policy
 - (d) Both a & c
17. Among the following identified by Friedman, which one is not one of the four determinants of demand for money?
- (a) Average return on five asset classes
 - (b) Price level in the economy

- (c) Inflation Rate
 - (d) Forex Trade
18. According to whom, rational behaviour induces individuals to hold an optimally structured wealth portfolio which is comprised of both bonds and money?
- (a) Tobin
 - (b) Baumol
 - (c) Keynes
 - (d) Alfred Marshall
19. Which of the following monetary instruments are indirect instruments of Monetary Policy?
- (a) Cash Reserve Ratio
 - (b) Open Market Operations
 - (c) Repo Rate
 - (d) Both (b) & (c)
20. Which of the following is a disadvantage of international trade?
- (a) Increased choice for consumers
 - (b) Risk of dependence on imports
 - (c) Increased specialization
 - (d) None of the above
21. Which of the following is an example of a local content requirement?
- (a) A limit on the quantity of imports
 - (b) A subsidy for domestic producers
 - (c) A requirement that a certain percentage of a product be produced domestically.
 - (d) All of these
22. 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
23. The central bank of a country is concerned about the high level of household debt and its potential impact on the economy. Which of the following actions can it take to address the issue?
- (a) Increase the reserve requirement ratio to reduce lending.

- (b) Decrease the reserve requirement ratio to increase lending.
 - (c) Increase the interest rate on loans to discourage borrowing.
 - (d) Decrease the interest rate on loans to encourage borrowing.
24. ONGC Videsh Limited has been incorporated by its parent entity ONGC for oil and gas acreages, involving exploration, development and production of oil and gas outside India. Which type of foreign investment is it?
- (a) Joint Venture
 - (b) Brownfield Investment
 - (c) Greenfield Investment
 - (d) Licensing
25. The First Order Condition for the Profit of a firm to be maximum?
- (a) $AC = MR$
 - (b) $MC = MR$
 - (c) $MR = AR$
 - (d) $AC = AR$
26. 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.
27. Which organization is accountable for calculating the Gross Domestic Product of India?
- (a) Indian Statistical Institute
 - (b) Reserve Bank of India
 - (c) National Statistical Office
 - (d) Ministry of Commerce and Industry
28. The survival and success of any business depends on sound_____
- (a) Mind
 - (b) Environment
 - (c) Decisions
 - (d) None of these
29. In economics, generally the classification of the markets is made on the basis of:
- (a) Time

- (b) Geographic area
 - (c) Both (a) and (b)
 - (d) None of these
30. During an expansion phase of the business cycle, which of the following is likely to occur?
- (a) Decrease in consumer spending.
 - (b) Increase in business bankruptcies.
 - (c) Increase in job opportunities.
 - (d) Decrease in government spending.
31. Which of the following phases of the business cycle is characterized by increasing economic activity, rising employment, and growing consumer spending?
- (a) Expansion.
 - (b) Recession.
 - (c) Trough.
 - (d) Recovery.
32. Post war reconstruction:
- (a) will push the economy to slow down because of excess external debts.
 - (b) will cause pickup in economic activities as the reconstruction pushes up effective demand & in turn employment and income.
 - (c) can cause boom or recession depending upon the policies for reconstruction adopted by govt.
 - (d) None of these
33. _____ is concerned with welfare proposition.
- (a) Normative Economics
 - (b) Positive Economics
 - (c) Both (a) and (b)
 - (d) None of these
34. Under Monopoly, selling costs are incurred for:
- (a) Persuading customers for not buying competitor's product
 - (b) Informative purpose
 - (c) Promoting sales of the product
 - (d) None of these
35. Which of the following is incorrect formula?
- (a) $TC = AC \times Q$

- (b) $\sum MC = TC$
 - (c) $\sum MC = TVC$
 - (d) $\sum MC + TFC = TC$
36. Diminishing returns are due to _____ and increasing returns are due to _____.
 (a) Internal diseconomies, Internal economies
 (b) Internal economies, Internal diseconomies
 (c) External diseconomies, Internal economies
 (d) Internal diseconomies, external economies
37. 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
38. "If Americans today, for example were to content to live at the level of the Indian middle class people, all their wants would be fully satisfied with their available resources and capacity to produce."
 On the basis of the above statement, which of the following conclusion can be made?
 (a) The possession of goods and services by USA has enormously increased to exceed their wants.
 (b) The affluent and developed countries of USA and Western Europe face the problem of scarcity even today as their present wants to remain a head of their increased resources and capacity to produce.
 (c) The affluent and developed countries are not facing the problem of scarcity.
 (d) None of these
39. A firm reaches a break-even point (normal profit position) where,
 (a) Marginal revenue curve cuts the horizontal axis.
 (b) Marginal cost curve intersects the average variable cost curve.
 (c) Total revenue equals total variable cost.
 (d) Total revenue and total cost are equal.
40. In an economy $C = 300 + 0.5Y$ and $I = ₹ 600$ (where C is consumption, Y is income or investment). The Equilibrium level of income will be:
 (a) 1800
 (b) 1500
 (c) 1400

- (d) None of these
41. When Investment in an economy increases from ₹ 10000 crores to ₹ 14000 crores and as a result of this national income rises ₹ 80000 to ₹ 92000 crores, Investment Multiplier will be:
- (a) 5
(b) 3
(c) 2
(d) None of these
42. Calculate National Income from the following data:
- | | ₹ in Crores |
|----------------------|-------------|
| Consumption | 1000 |
| Investment | 500 |
| Government Purchases | 200 |
| Exports | 200 |
| Imports | 400 |
- (a) 1500
(b) 1800
(c) 600
(d) None of these
43. Firms cooperate with each other in determining price or output or both. It is a feature of:
- (a) Pure Oligopoly
(b) Non-Collusive Oligopoly
(c) Imperfect Oligopoly
(d) Collusive Oligopoly
44. Microeconomics deals primarily with:
- (a) comparative statics, general equilibrium, and positive economics
(b) comparative statics, partial equilibrium, and normative economics
(c) dynamics, partial equilibrium, and positive economics
(d) comparative statics, partial equilibrium, and positive economics.
45. When both the price of a substitute and the price of a complement of commodity X rise, the demand for X:
- (a) rises
(b) falls
(c) remains unchanged

- (d) all of the above are possible.
46. A consumer who is below the personal budget line (rather than on it):
- (a) is not spending all personal income
 - (b) is spending all personal income
 - (c) may or may not be spending all personal income
 - (d) is in equilibrium.
47. When the law of diminishing returns begins to operate, the TVC curve begins to:
- (a) fall at an increasing rate
 - (b) rise at a decreasing rate
 - (c) fall at a decreasing rate
 - (d) rise at an increasing rate
48. Which of the following is not an essential condition of pure competition?
- (a) large number of buyers and sellers
 - (b) homogeneous product
 - (c) freedom of entry
 - (d) absence of transport cost
49. In the case of an inferior good the income elasticity of demand is:
- (a) positive
 - (b) zero
 - (c) negative
 - (d) infinite
50. The share of concessional debt in total external debt of India has:
- (a) remained the same
 - (b) doubled
 - (c) reduced
 - (d) increased
51. The Indian industry faced the process of retrogression and deceleration because of:
- (a) unsatisfactory performance of agriculture
 - (b) slackening of real investment in public sector
 - (c) narrow market for industrial goods, especially in rural areas
 - (d) all the above.
52. _____ is an implicit cost of production.
- (a) Wages of the labour.

- (b) Charges for electricity.
 - (c) Interest on owned money capital.
 - (d) Payment for raw material.
53. Export led growth strategy does not include:
- (a) outward oriented growth
 - (b) export promotion
 - (c) import restrictions
 - (d) emphasising comparative advantage
54. In both the Chamberlin and kinked demand curve models, the oligopolists
- (a) recognize their independence
 - (b) do not collude
 - (c) tend to keep prices constant
 - (d) all the above
55. _____ depicts complete picture of consumer's tastes and preferences
- (a) Budget line
 - (b) Average cost curve
 - (c) Indifference map
 - (d) Marginal revenue curve
56. Budgetary deficit can be expressed as:
- (a) the excess of public expenditure over public revenue
 - (b) the sum of deficit on revenue account and deficit on capital account
 - (c) that portion of government expenditure which is financed through the sale of 91 days Treasury Bills and drawing down of cash balances
 - (d) all the above
57. The degree of monopoly power is measured in terms of difference between:
- (a) Marginal cost and the price
 - (b) Average cost and average revenue
 - (c) Marginal cost and average cost
 - (d) Marginal revenue and average cost
58. The MC curve cuts the AVC and ATC curves:
- (a) at different points
 - (b) at the falling parts of each curve
 - (c) at their respective minimas
 - (d) at the rising parts of each curve

59. Firm's supply curve is the _____ part of the _____ starting from above the point minimum AVC.
- (a) rising; AC curve
 - (b) falling; AC curve
 - (c) rising; MC curve
 - (d) falling; MC curve
60. Under monopoly condition, the firm is able to sell more units of output_____.
- (a) at the same price
 - (b) at higher price
 - (c) at constant price
 - (d) None of these
61. What is hedging?
- (a) Protection against extreme weather condition
 - (b) Protection against risk related to variation in Price movement in an asset.
 - (c) When exchange rate is unlocked for future supplies of foreign exchange
 - (d) None of these
62. What is economic planning?
- (a) It refers to Central planning authority.
 - (b) It refers the planning of agricultural production.
 - (c) It means development in the seller's market.
 - (d) A process through which targets are being achieved as per need & means of the economy
63. What is the merit of Capitalism?
- (a) It promotes self-interest & economic growth.
 - (b) It leads economic balance in the country
 - (c) It leads to equitable distribution of wealth.
 - (d) It leads to equitable distribution of wealth
64. Agrarian reforms in Agriculture brought:
- (a) Institutional reforms
 - (b) Technical reforms
 - (c) Land reforms
 - (d) All the three mentioned
65. Interest Rate Policy is a part of:
- (a) Fiscal Policy

- (b) Industrial Policy
 - (c) Monetary Policy
 - (d) None of the above
66. What is the expansion of the term NITI in NITI Aayog?
- (a) National Institution for Transforming India
 - (b) National Institution for Total Improvement
 - (c) National Institution for Technological Improvement
 - (d) None of these
67. One of the reasons mentioned below doesn't justify imposition of tariffs:
- (a) It will enhance consumer sovereignty
 - (b) It helps in curbing BoP deficit.
 - (c) It raises government revenue.
 - (d) It is used to protect domestic industry from subsidized imports.
68. _____ refers to that portion of total deposits that a commercial bank is required to keep with RBI in the forms of reserves.
- (a) Compulsory Reserve Ratio
 - (b) Statutory Liquid Ratio
 - (c) Legal Reserve Ratio
 - (d) Cash Reserve Ratio
69. Which one makes GDP an improper index of welfare?
- (a) Non-monetary transaction
 - (b) Externalities
 - (c) Composition & distribution of GDP
 - (d) All of these
70. Interest on national debt is treated as:
- (a) Transfer payment
 - (b) Domestic payment
 - (c) Govt. payment
 - (d) None of these
71. Are fiscal & monetary policies opposite of each other?
- (a) Yes, they are opposite to each other
 - (b) Fiscal policy is superior to monetary policy.
 - (c) No, these policies are complementary to each other.
 - (d) None of these

72. The level of consumption at which marginal utility of a commodity reaches zero is called:
- Point of Satiation
 - Point of Equilibrium
 - Point of breakeven
 - None of these
73. Following is not a factor affecting price elasticity of demand:
- Price level
 - Cost of Production
 - Availability of substitutes
 - Time period
74. Under monopoly condition, the firm is able to sell more units of output_____.
- at the same price
 - at higher price
 - at constant price
 - at lower price
75. Which of the following statements is false:
- When MP rises, TVC increases at an increasing rate.
 - When MP rises, TVC increases at a diminishing rate.
 - When MP becomes constant, TVC increases at a constant rate.
 - When MP falls, TVC increases at a increasing rate.
76. "A firm can earn only normal profits in long the run." It is an implication of following feature.
- Large number of buyers & sellers.
 - Free entry and exit
 - Availability of substitutes
 - Full or partial control over price
77. Calculate M1 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) 9,32,874 Cr
 - (b) 3,306,510 Cr
 - (c) 9,25,858 Cr
 - (d) 7,05,246Cr
78. Banks 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
79. Under which union they have or follow a common monetary policy and fiscal policy:
- (a) Economic Union
 - (b) Custom Union
 - (c) Perfect Competition
 - (d) None of these
80. New Industrial Policy was announced on _____.
- (a) 24th July 1991
 - (b) 15th August 1990
 - (c) 10th January 1995
 - (d) None of these
81. Measure of fiscal reforms includes:
- (a) Ensuring better tax compliance
 - (b) Encouraging private sector participation
 - (c) Reduction in subsidies and abolition of unnecessary subsidies
 - (d) All of these
82. As per the economic survey 2023-24 the contribution of service sector is _____.
- (a) 55%
 - (b) 60%
 - (c) 45%
 - (d) None of these
83. Quantitative easing is the common name for?
- (a) Asset selling by a Central Bank
 - (b) Asset purchasing by a Central Bank

- (c) Lowering at the interest rate for commercial bank lending
 - (d) None of these
84. Parallel economy emerges because of what?
- (a) Tax Estimation
 - (b) Tax Compliance
 - (c) Tax Avoidance
 - (d) Tax Evasion
85. Which among the following shows a correct descending order of liquidity of M_1 , M_2 , M_3 ?
- (a) $M_1 > M_2 > M_3$
 - (b) $M_2 > M_1 > M_3$
 - (c) $M_3 > M_2 > M_1$
 - (d) $M_1 > M_3 > M_2$
86. Which of the following is not a money market instrument?
- (a) Treasury bills
 - (b) Commercial Paper
 - (c) Certificate of Deposit
 - (d) Equity Share
87. Dumping Refers to:
- (a) Reducing tariffs
 - (b) Sale of goods abroad at a lower price below their cost and price in their home market
 - (c) Buying goods at low prices abroad and selling at higher price locally
 - (d) Expenditure goods selling for low prices
88. Which of the following theories suggests that firms seek to penetrate new markets over time?
- (a) Theory of comparative advantage
 - (b) Product Market theory
 - (c) Imperfect Market theory
 - (d) None of these
89. Who Propounded the Price Equalization Theorem?
- (a) Paul Samuelson
 - (b) Alfred Marshall
 - (c) Irving Fisher
 - (d) Marx

90. On all points of rectangular hyperbola demand curve, elasticity of demand is:
- (a) equal to unity
 - (b) zero
 - (c) less than unity
 - (d) greater than unity
91. Imposition of GST, shifts the supply curve:
- (a) to the left
 - (b) to the right
 - (c) to the right as well as the left
 - (d) None of these
92. Normative economics is also known as -
- (a) Prescriptive Economics
 - (b) Positive Economics
 - (c) Applied Economics
 - (d) None of these
93. Implicit cost added in _____ cost
- (a) Economic
 - (b) Simple
 - (c) Accounting
 - (d) None of the above
94. The World Trade Organization (WTO) was established to implement the final act of round agreement of GATT.
- (a) Geneva
 - (b) Uruguay
 - (c) Tokyo
 - (d) None of these
95. The Government accounts are maintained namely in :
- (a) Consolidated fund of India
 - (b) Contingency fund of India
 - (c) Public Account
 - (d) All of these
96. By convention in an election year the budget may be presented:
- (a) Twice
 - (b) Once

- (c) Thrice
 - (d) Quarterly
97. Deficit financing includes:
- (a) Borrowing from the central bank
 - (b) Issues of new currency by the Government
 - (c) Withdrawal of past accumulated cash balance by the Government
 - (d) All the above
98. Primary deficit means:
- (a) Fiscal deficit -- interest payment
 - (b) Fiscal deficit + revenue deficit
 - (c) Budgetary deficit
 - (d) Revenue deficit -- interest payments
99. The most important aim of fiscal policy in a developing country is :
- (a) economic stability
 - (b) economic development
 - (c) regional balance
 - (d) None of these
100. Which economic indicator is required to predict the turning point of business cycle?
- (a) Leading Indicator
 - (b) Lagging Indicator
 - (c) Coincident
 - (d) All of the above

MODEL TEST PAPER 6
FOUNDATION COURSE
PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours

Marks: 100

1. Which aspect of taxation involves Normative Economics?
 - (a) the incidence of the tax
 - (b) the effect of the tax on incentives to work
 - (c) the “fairness” of the tax
 - (d) all the above.
2. When the price of a substitute of commodity X falls, the demand for X:
 - (a) rises
 - (b) falls
 - (c) remains unchanged
 - (d) any of the above
3. If the quantity of a commodity demanded remains unchanged as its price changes, the coefficient of price elasticity of demand is:
 - (a) >1
 - (b) $= 1$
 - (c) < 1
 - (d) 0
4. A consumer who is below the personal budget line:
 - (a) is not spending all personal income
 - (b) is spending all personal income
 - (c) may be spending all personal income
 - (d) is in equilibrium
5. If the income elasticity of demand is greater than 1, the commodity is:
 - (a) a necessity
 - (b) a luxury
 - (c) an inferior good
 - (d) a non-related good

6. The substitution effect for a fall in the price of a commodity (*ceteris paribus*) is given by:
- (a) a movement up a given IC
 - (b) a movement from a higher to a lower IC
 - (c) a movement down a given IC
 - (d) any of the above
7. If the MRTSLK equals 2, then the MPK/MPL is:
- (a) 2
 - (b) 1
 - (c) 2
 - (d) 4
8. The MC curve reaches its minimum point before the AVC curve and the AC curve. In addition, the MC curve intersects the AVC curve and the AC curve at their lowest point. The above statements are both true:
- (a) always
 - (b) never
 - (c) often
 - (d) sometimes
9. At the shut-down point:
- (a) $P = AVC$
 - (b) $TR = TVC$
 - (c) the total losses of the firm equal TFC
 - (d) all the above.
10. If the monopolist incurs losses in the short run, then in the long run:
- (a) the monopolist will go out of business
 - (b) the monopolist will stay in business
 - (c) the monopolist will break even
 - (d) any of the above
11. In monopolistic competition, we have:
- (a) few firms selling a differentiated product
 - (b) many firms selling a homogeneous product
 - (c) few firms selling a homogeneous product
 - (d) many firms selling a differentiated product
12. In both the Chamberlin and the kinked demand curve models, the oligopolists:
- (a) recognize their interdependence

- (b) do not collude
 - (c) tend to keep prices constant
 - (d) all the above.
13. Who gave the theory of price discrimination?
- (a) Marshall
 - (b) Pigou
 - (c) Cournot
 - (d) Simon
14. If a good has a price elasticity of demand greater than 1, it is considered:
- (a) Price inelastic
 - (b) Price elastic
 - (c) Unit price elastic
 - (d) Price neutral
15. The income elasticity of demand measures:
- (a) The responsiveness of quantity demanded to change in price
 - (b) The responsiveness of quantity demanded to change in income
 - (c) The responsiveness of quantity supplied to change in price
 - (d) The responsiveness of quantity supplied to change in income
16. Which of the following factors does NOT influence supply?
- (a) Production costs
 - (b) Technological advancements
 - (c) Prices of inputs
 - (d) Consumer preferences
17. In a market economy, resource allocation is primarily determined by:
- (a) Central planning by the government
 - (b) Consumer demand and supply in the marketplace
 - (c) The decisions of a few large corporations
 - (d) International trade agreements
18. During a recession, the economy experiences:
- (a) A decrease in prices and inflation
 - (b) High levels of economic growth and expansion
 - (c) A decline in employment and economic activity
 - (d) Increased business investments and consumer spending

19. 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
20. Which of the following is a lagging economic indicator?
- (a) Consumer confidence Index
 - (b) Stock market performance
 - (c) Unemployment rate
 - (d) New housing starts
21. Price Elasticity of Demand of a good is $(-)$ 3. It shows that:
- (a) When price falls by 1%, demand rises by 3%
 - (b) When price rises by 1%, demand falls by 3%
 - (c) Either (a) or (b)
 - (d) Neither (a) nor (b)
22. The demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively:
- (a) Proportionately large fall in quantity demanded
 - (b) No change in quantity demanded
 - (c) Proportionately small fall in quantity demanded
 - (d) Infinite change in quantity demanded
23. Which of the following is not a reason for operation of increasing returns to a factor?
- (a) Better utilisation of fixed factor
 - (b) Limitation of fixed factor
 - (c) Increase in efficiency of variable factor
 - (d) Indivisibility of fixed factor
24. At the Point of Inflexion:
- (a) Total Product is maximum
 - (b) Average Product is maximum
 - (c) Marginal Product is maximum
 - (d) Marginal Product is zero

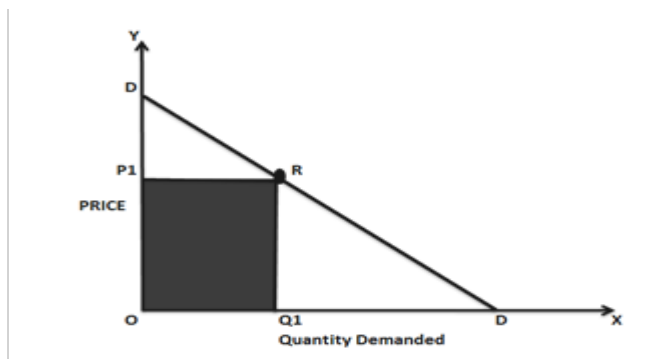
25. Cost function is a _____ concept:
- (a) Economical
 - (b) Functional
 - (c) Financial
 - (d) Technical
26. Demand curve of a firm under monopoly is:
- (a) Downward sloping
 - (b) Indeterminate
 - (c) Upward sloping
 - (d) Perfectly elastic
27. Demand curve under Oligopoly is:
- (a) Less elastic
 - (b) Perfectly elastic
 - (c) Highly elastic
 - (d) Indeterminate
28. In a commodity market, excess demand exists when:
- (a) market price is greater than equilibrium price
 - (b) equilibrium price is greater than market price
 - (c) equilibrium price is not equal to market price
 - (d) government fixes the price
29. A few Big sellers is a Characteristics of:
- (a) Perfect Competition
 - (b) Monopolistic Competition
 - (c) Oligopoly
 - (d) None of the above
30. The cost curve, which is Inversely S-shaped is:
- (a) Average Cost Curve
 - (b) Total Fixed Cost Curve
 - (c) Total Variable Cost Curve
 - (d) Marginal Cost Curve
31. Fiscal deficit can be remedied by:
- (a) Borrowing money
 - (b) Printing Currency
 - (c) Both (a) and (b)

- (d) Neither (a) nor (b)
32. The cost which is never zero even when production is stopped is known as:
- (a) Supplementary Cost
 - (b) Prime Cost
 - (c) Explicit cost
 - (d) None of these
33. Demand curve of perfectly competitive market form is a horizontal straight line parallel to X-Axis. It happens because:
- (a) Selling costs are zero
 - (b) There is freedom of entry and exit
 - (c) Firm is a price-taker
 - (d) None of these
34. Which of these countries is a purely socialist economy?
- (a) USSR
 - (b) China
 - (c) Vietnam
 - (d) None of these
35. According to Hawtrey trade cycle is a ____
- (a) Monetary phenomenon
 - (b) Unplanned phenomenon
 - (c) Fiscal phenomenon
 - (d) All the above
36. Dynamic fare charged by Indian railways is an example of:
- (a) Pure Monopoly
 - (b) Discriminating Monopoly
 - (c) Perfect Competition
 - (d) None of these
37. The Interest on own capital is:
- (a) Implicit Cost
 - (b) Future Cost
 - (c) Explicit Cost
 - (d) None of these
38. The Firm and Industry are same in:
- (a) Duopoly

- (b) Monopoly
 - (c) Oligopoly
 - (d) None of these
39. 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.
40. Assertion (A): An iso-cost line is a straight line.
Reason (R): The market rate of exchange between the two inputs is constant.
- (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
41. If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of:
- (a) 0
 - (b) > 0 but < 1
 - (c) 1
 - (d) > 1
42. _____ is concerned with welfare proposition.
- (a) Normative Economics
 - (b) Positive Economics
 - (c) Both (a) and (b)
 - (d) None of these
43. Economy's historical performance was reflected by:
- (a) Lagging indicator
 - (b) Leading indicator
 - (c) Either (a) or (b)
 - (d) None of these
44. Collectively peaks and troughs together is known as:
- (a) Turning Points
 - (b) Contraction
 - (c) Expansion

- (d) None of these
45. In Oligopoly the firms may collude in order to:
- (a) Increase Competition
 - (b) Prisoner dilemma for buyers
 - (c) To raise the price of the good they offer
 - (d) None of these
46. 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
47. By way of an optimal choice, a consumer tends to:
- (a) save money
 - (b) purchase large quantity
 - (c) None of these
 - (d) maximize satisfaction subject to constraints like tastes and preferences.
48. The economist 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
49. 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
50. 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
51. Which of the following groups of goods have inelastic demand?
- (a) Salt, Smart phone
- (b) School uniform, branded goggles and smart phone
- (c) Salt, school uniform and medicine
- (d) Medicine, branded sports shoes and diamond ring
52. If the price of a commodity is raised by 12% and E_d is $(-) 0.63$, the expenditure made on the commodity by a consumer will ____.
- (a) decrease
- (b) Increase
- (c) remain same
- (d) can't Say
53. A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has ____.
- (a) more of one of the goods
- (b) less of at least one of the goods
- (c) more of at least one of the goods and less of the other good.
- (d) more of at least one of the goods and no less of the other good.
54. 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 ____.
- (a) more, inelastic demand
- (b) less, elastic demand
- (c) same, inelastic demand
- (d) same, elastic demand
55. In the below figure, if DD is the demand curve and R is a given point on it then the area of shaded portion OP₁RQ₁ is ____.



- (a) Total Revenue (TR)
 - (b) Marginal Revenue (MR)
 - (c) Total Cost (TC)
 - (d) None of these
56. Which of the following is not the mandatory Statement under FRBM Act 2003?
- (a) Macro Economic Framework Statement
 - (b) Medium Term Fiscal Policy Statement
 - (c) Debt Statement
 - (d) None of these
57. Secular Period is also known as:
- (a) long period
 - (b) Short period
 - (c) Very long period
 - (d) None of these
58. An Industry comprised of a very large number of sellers producing a standardized product is known as:
- (a) Pure competition
 - (b) Pure monopoly
 - (c) Monopolistic competition
 - (d) None of these
59. Cost Incurred which has no relevance to future planning is called:
- (a) Marginal cost
 - (b) Sunk cost
 - (c) Average cost
 - (d) None of these
60. Being ____ utility varies with different persons:
- (a) Subjective
 - (b) Absolute
 - (c) Objective
 - (d) None of these
61. Kinked demand was propounded by?
- (a) Paup K. Sweezy
 - (b) Marshall
 - (c) Adam Smith

- (d) None of these.
62. Average revenue curve is also known as –
- (a) Indifference Curve
 - (b) Demand Curve
 - (c) Average Cost Curve
 - (d) None of these
63. Which one is not a tool of Fiscal Policy:
- (a) Taxation
 - (b) Public Expenditure
 - (c) Interest Rate
 - (d) Public Debt
64. In a Public good context, it is difficult to measure impact of real income because:
- (a) Public goods are generally free to the Public
 - (b) They make up a small percentage of total GDP
 - (c) It is hard to measure how people value to public good
 - (d) Inflation decreases the value of the good
65. The Cobweb theory was propounded by –
- (a) Nicholas Kaldor
 - (b) Adam Smith
 - (c) J M Keynes
 - (d) None of these.
66. The nominal and real GDP respectively of a country in a particular year are ₹ 3000 cr. and ₹ 4500 cr respectively. The GDP deflator will be:
- (a) 55.55
 - (b) 66.66
 - (c) 44.45
 - (d) None of these.
67. An increase in investment by 600 cr leads to increase in national income by 1800 cr. The MPC will be –
- (a) 3
 - (b) 4
 - (c) 5
 - (d) None of these

68. Consumption expenditure according to Keynes is determined by:
- (a) Disposable income
 - (b) Level of interest rate
 - (c) Extent of government taxes and subsidies
 - (d) None of these
69. Macro- economic stability is said to exist when:
- (a) When inflation is low and stable
 - (b) The economy's total spending matches its total output
 - (c) The economy's labour resources are fully exposed
 - (d) All the above
70. Statutory Grants in aid from the Union to certain states is based on the constitutional provisions as:
- (a) Article 275
 - (b) Article 282
 - (c) Article 293
 - (d) Article 270
71. Government failure occurs when -
- (a) Government intervention is ineffective and produces fresh and more serious problem
 - (b) A government is unable to get re-elected
 - (c) Both (a) and (b)
 - (d) None of these
72. The Institution responsible for management of external debt is:
- (a) RBI
 - (b) Ministry of Finance
 - (c) SEBI
 - (d) All of above.
73. The Cambridge approach to quantity theory is also known as:
- (a) Classical approach
 - (b) Cash balance approach
 - (c) Fisher's theory of money
 - (d) None of these

74. _____ considered demand for money is an application of a more general theory of demand for capital assets.
- (a) Baumol
 - (b) Milton Friedman
 - (c) J M Keynes
 - (d) None of these
75. If commercial banks reduce their holdings of excess reserves:
- (a) The money supply increases
 - (b) The money base falls
 - (c) The money supply falls
 - (d) None of these
76. RBI provides financial accommodation to the commercial banks through repos/ reverse repos under:
- (a) Statutory Liquidity Ratio (SLR)
 - (b) Market stabilisation scheme (MSC)
 - (c) Liquidity adjustment facility (LAF)
 - (d) None of these
77. Ricardo explained the law of comparative advantage on the basis of-
- (a) Economies of scale
 - (b) The labour theory of value
 - (c) Opportunity costs
 - (d) None of these
78. Escalated tariffs refer to:
- (a) Nominal tariff rate on raw materials which are greater than tariffs on mfg. product
 - (b) A tariff which is escalated to prohibit imports of a particular good to protect domestic Industries
 - (c) Normal tariff rate on mfg. products which are greater than tariffs on raw material
 - (d) None of these
79. The most controversial topic in the yet to conclude Doha Agenda is:
- (a) Trade in agricultural goods
 - (b) Trade in manufactured goods
 - (c) market access to goods from developed countries

- (d) None of these
80. "Vehicle currency" refer to
- (a) A currency that is widely used to denominate international contracts made by parties even when it is not the national currency of either of the parties.
 - (b) a currency that is traded internationally and therefore is in high demand
 - (c) either a or b
 - (d) None of these
81. Creation of fresh assets and production are included in which type of FDI:
- (a) Strategic Alliance
 - (b) Merger and Acquisition
 - (c) Brownfield Investment
 - (d) Greenfield Investment
82. Characteristic of Oligopoly market is ----
- (a) Strategic Independence
 - (b) Importance of Advertising and selling costs
 - (c) Group Behaviour
 - (d) All of above
83. The growth rate of population is higher than the rate of economic growth there will be ___ in the economy.
- (a) Lesser savings
 - (b) More savings
 - (c) No effect on savings
 - (d) None of these
84. Inferior goods are those whose income effect is:
- (a) Positive
 - (b) Zero
 - (c) Negative
 - (d) None of these
85. Availability of close substitute makes the demand:
- (a) more elastic
 - (b) Less elastic
 - (c) Parallel to X axis

- (d) None of these
86. When output increases from 10 units to 12 units and TR increases from 300 to 330 then MR will be:
- (a) 30
(b) 20
(c) 15
(d) None of these.
87. _____ is the exception to law of demand.
- (a) Income
(b) Price
(c) Giffen Good
(d) Fashions
88. The IIInd Stage in Law of Returns to Scale is :
- (a) Positive Returns
(b) Constant Return
(c) Negative return
(d) None of these
89. Nationalization means:
- (a) Selling of government stake to private sector
(b) Selling of government companies to private sector
(c) Government purchasing 26% shares in private companies
(d) Taking of full control and management from Private Sector by the Government
90. Huge selling costs are incurred in which form of market?
- (a) Monopolistic competition
(b) Perfect competition
(c) Monopoly
(d) None of these
91. What is 'price ceiling'?
- (a) Minimum price that can be charged for a good
(b) Maximum price that can be charged for a good
(c) Minimum support price
(d) Both (a) and (b)

92. Government of India recently launched 'Make in India' programme. What will be its impact on Aggregate Demand of India?
- (a) Likely to increase
 - (b) Likely to fall
 - (c) No impact
 - (d) None of these
93. Which of the following does not cause inflation:
- (a) Easy finance facility
 - (b) Growth of Black Money
 - (c) Decrease in public i.e. government expenditure
 - (d) High growth rate of population
94. PSUs are mainly driven by:
- (a) Profit
 - (b) Industrialization
 - (c) Social welfare
 - (d) None of these
95. Who are the normal residents of the country?
- (a) A resident who has own house in that country
 - (b) A resident with a bank account in that country
 - (c) Ordinary residents with economic interest lying in that country
 - (d) None of these
96. Suppose in a country investment increases by ₹ 100 crores and consumption is given by $C = 10 + 0.6Y$. How much increase will there take place in income?
- (a) 250
 - (b) 200
 - (c) 150
 - (d) None of these
97. Which of the following Policy instruments RBI normally resorts to for managing inflation in the economy
- (a) Bank Rate
 - (b) Cash Reserve Ratio
 - (c) Statutory liquidity Ratio
 - (d) Repo rate

98. A chemical factory has full information regarding the risks of a product but continues to sell it. This is possible because of:
- (a) moral hazard
 - (b) Free riding
 - (c) asymmetric information
 - (d) None of these
99. Which of the following is not a criterion for determining distribution of Central taxes among the states for 2021-2026 period:
- (a) Infrastructure performance
 - (b) Forest and ecology
 - (c) Tax and fiscal efforts
 - (d) Demographic performance
100. Suppose the price of a commodity X increases from ₹ 2000 per unit to ₹ 2100 per unit and consequently the quantity supplied rises from ₹ 2500 to ₹ 3000 units. Calculate the elasticity of supply.
- (a) 4
 - (b) 6
 - (c) 8
 - (d) None of these

MODEL TEST PAPER 7
FOUNDATION COURSE
PAPER – 4: BUSINESS ECONOMICS

Time: 2 Hours

Marks: 100

1. Which of the following is key operational target in a Budget?
 - (a) Fiscal Deficit
 - (b) Revenue Deficit
 - (c) The General Government Debt
 - (d) The Central Government Debt
2. The External Debt has been shown at the exchange rate applicable at the time of:
 - (a) Contracting the debt.
 - (b) Expanding the debt.
 - (c) Both a & b
 - (d) None of the above
3. Which of the following is not a classification of public expenditure?
 - (a) Functional classification
 - (b) Revenue and Capital
 - (c) Voted and Charged
 - (d) Plan and Non Plan
4. Which of the following curve cannot be u-shaped?
 - (a) Average total cost
 - (b) Average variable cost
 - (c) Average fixed cost
 - (d) Marginal cost
5. Which of the following assumptions is correct in connection with oligopoly?
 1. If an oligopolist increases his price his rivals will follow.
 2. If an oligopolist increases his price his rivals will not follow.
 3. If an oligopolist increases his price his rivals will lower their prices.
 4. If an oligopolist decreases his price his rivals will not react.
 - (a) 1 only

- (b) 2 only
 - (c) 1 & 3 only
 - (d) 4 only
6. Business cycle emerge in ____.
- (a) Socialist economy
 - (b) Free market economy
 - (c) Mixed economic system
 - (d) None of the above
7. Which of the following does not enter the calculation of national income?
- (a) Exchange of previously produced goods
 - (b) Exchange of second-hand goods
 - (c) Exchange of stocks and bonds
 - (d) All the above
8. In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45-degree line indicates the :
- (a) level of full employment income.
 - (b) less than full employment level of income.
 - (c) equilibrium level of income which may or may not be full employment level of income
 - (d) autonomous level of income which may not be full employment level of income
9. Which of the following is an implication of the imposition of price ceiling below the equilibrium price?
- (a) Shortages in the market
 - (b) Problem of allocation of limited supplies among large number of consumers
 - (c) Black marketing
 - (d) All of the above
10. Nationalization means:
- (a) Selling of government stake to private sector
 - (b) Selling of government companies to private sector
 - (c) Government purchasing 26% shares in private companies
 - (d) Taking of full control and management from Private Sector by the Government

11. While drawing budget line of a consumer consuming Nachos chips and Pepsi, if the quantity of Nachos taken on Y-axis and quantity of Pepsi on X-axis. The slope of budget line will be-
- (a) $\frac{P_P}{P_N}$
 - (b) $\frac{P_N}{P_P}$
 - (c) $\frac{M}{P_N}$
 - (d) $\frac{M}{P_P}$

[Where, P_P – Price of Pepsi, P_N - Price of Nachos & M – Money income of consumer]

12. Net domestic expenditure is consumption expenditure plus
- (a) Net foreign investment
 - (b) Net foreign investment plus net domestic investment
 - (c) Net domestic investment
 - (d) Replacement expenditure
13. Which of the following measures of meeting deficit in a budget, leads to an increase in money supply in the economy.
- (a) Disinvestment
 - (b) Loan from World Bank
 - (c) Deficit Financing
 - (d) All of these
14. With fall in price of commodity, demand of the commodity increases as it becomes relatively cheaper in comparison to other commodities. This effect is known as:
- (a) Substitution Effect
 - (b) Income Effect
 - (c) Law of Demand
 - (d) Law of diminishing Returns
15. Which of the following conditions would violate the consumer equilibrium in a two-good world?
- (a) The marginal rate of substitution between the two goods equals the ratio of their prices.
 - (b) The marginal utility per dollar spent on each good is equal.

- (c) The consumer's indifference curve is steeper than the budget line at the chosen bundle.
- (d) The consumer is spending their entire budget.

16. **Assertion (A):** Consumer surplus is the difference between the potential price and actual price.

Reason (R): There exists an inverse relationship between the price and consumer surplus.

Codes:

- (a) Both A and R are true, and R is the correct explanation of A
 - (b) Both A and R are true, but R is not the correct explanation of A
 - (c) A is true but R is false
 - (d) A is false but R is true
17. The point at which the total product curve begins to flatten out indicates:
- (a) The onset of diminishing marginal returns
 - (b) Maximum efficiency in production
 - (c) A decrease in fixed costs
 - (d) The end of increasing returns to scale

18. **Assertion (A):** Sunk costs are not relevant in economic decisions.

Reason (R): The opportunity cost of such resources is zero.

Codes:

- (a) Both A and R are true, and R is the correct explanation of A
 - (b) Both A and R are true, but R is not the correct explanation of A
 - (c) A is true but R is false
 - (d) A is false but R is true
19. In an oligopoly, price determination is often influenced by:
- (a) The actions of a single firm
 - (b) The collective behavior of a few dominant firms
 - (c) Government-imposed price floors
 - (d) The elasticity of supply alone
20. In a monopoly, the lack of close substitutes for the product typically results in:
- (a) Perfect elasticity of demand
 - (b) A downward-sloping demand curve for the monopolist
 - (c) Constant returns to scale
 - (d) The ability to practice price discrimination

21. Which of the following is NOT included in the calculation of GDP using the expenditure approach?
- (a) Consumption expenditure
 - (b) Government purchases
 - (c) Business investment
 - (d) Transfer payments
22. Which organization is primarily responsible for compiling and publishing regional accounts data in India?
- (a) Reserve Bank of India (RBI)
 - (b) National Sample Survey Organization (NSSO)
 - (c) Central Statistical Office (CSO)
 - (d) Ministry of Finance
23. Which of the following components is used to assess the regional economic performance in India?
- (a) Poverty Ratio
 - (b) Employment Rate
 - (c) Per Capita Income
 - (d) All of the above
24. If government wants to contribute to capital formation, then revenue surplus should be :
- (a) Negative
 - (b) Positive
 - (c) Zero
 - (d) None of the above
25. What is the primary purpose of the Finance Commission in India?
- (a) To formulate monetary policy
 - (b) To allocate central taxes to state governments
 - (c) To recommend measures for economic planning
 - (d) To audit the accounts of the government
26. What is the purpose of a debt-to-GDP ratio in public debt management?
- (a) To measure the government's annual revenue
 - (b) To evaluate the proportion of debt relative to the country's economic output
 - (c) To assess the level of inflation in the economy
 - (d) To determine the amount of currency in circulation

27. In the Cambridge equation for money demand, what does "k" represent?
- (a) The velocity of money
 - (b) The money supply
 - (c) The income elasticity of money demand
 - (d) The proportion of income held as money
28. Which measure of the money supply includes M1 and all other forms of near money that are less liquid than M1?
- (a) M3
 - (b) M2
 - (c) L
 - (d) M0
29. Most Favoured Nation (MFN) clause was introduced by:
- (a) WTO
 - (b) GATT
 - (c) ADB
 - (d) IBRD
30. Which term describes the movement of capital from one country to another to exploit investment opportunities?
- (a) Foreign Direct Investment (FDI)
 - (b) Foreign Portfolio Investment (FPI)
 - (c) Exchange Rate Speculation
 - (d) Capital Flight
31. What is the primary objective of the Indian government's "Make in India" initiative?
- (a) To increase imports from other countries
 - (b) To promote local manufacturing and attract foreign investment
 - (c) To reduce domestic production costs
 - (d) To expand the agricultural sector
32. Which of the following is NOT a function of NITI Aayog?
- (a) Formulating five-year plans
 - (b) Promoting sustainable development
 - (c) Facilitating cooperative federalism
 - (d) Providing policy and technical advice to the central and state governments

33. The Indian government's policy of "Import Substitution Industrialization" (ISI) primarily aimed to:
- (a) Increase imports to stimulate economic growth
 - (b) Reduce dependence on foreign goods by promoting domestic industries
 - (c) Encourage foreign investment in local industries
 - (d) Expand the agricultural sector for export
34. Which economic indicator is commonly used to measure inflation in India?
- (a) Gross Domestic Product (GDP)
 - (b) Consumer Price Index (CPI)
 - (c) Producer Price Index (PPI)
 - (d) Index of Industrial Production (IIP)
35. In a mixed economy resources are used as a result of:
- (a) The decisions of consumers
 - (b) The decisions of firms only
 - (c) The decisions of consumers and firms
 - (d) The decisions of consumers and firms and government
36. If students' expenditures on airline travel increase as a consequence of more heavily discounted fares, students' demand for airline travel must be:
- (a) income elastic.
 - (b) income inelastic.
 - (c) price elastic.
 - (d) price inelastic
37. Shift in demand is caused by changes in the.....
- (A) non-price factors
 - (B) price of a good alone
 - (C) cost of production
 - (D) raw material prices
38. Let $QX = \frac{1500}{P_X}$, the elasticity of demand of the good X when its price falls from \$ 8 to \$ 2 per unit, will be-
- (a) greater than one
 - (b) less than one
 - (c) equal to one
 - (d) can't say

39. With reference to Arc elasticity measures the responsiveness of demand _____ on the demand curve.
- (a) at one given point
 - (b) at intercepts on X-axis & Y-axis
 - (c) between two points
 - (d) Any of the above
40. According to British economist J. M. Keynes _____ was the main cause of massive decline in income and employment during Great Depression of 1930.
- (a) Lower aggregate expenditure in the economy.
 - (b) Banking crises and low money supply.
 - (c) Overdebttness.
 - (d) Lower profits & pessimism
41. 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.
42. Which of the following elasticities measure a movement along a curve rather than a shift in the curve?
- (a) The price elasticity of demand.
 - (b) The cross elasticity of demand.
 - (c) The income elasticity of demand.
 - (d) The price elasticity of supply.
43. If only part of the labour force employed by a firm can be dismissed at any time and without pay, the total wages and salaries paid out by the firm must be considered:
- (a) a fixed cost
 - (b) a variable cost
 - (c) partly a fixed and partly a variable cost
 - (d) any of the above.
44. When the law of diminishing returns begins to operate, the TVC curve begins to:
- (a) fall at an increasing rate
 - (b) rise at a decreasing rate
 - (c) fall at a decreasing rate
 - (d) rise at an increasing rate.

45. At the shut-down point:
- (a) $P = AVC$,
 - (b) $TR = TVC$,
 - (c) the total losses of the firm equal TFC ,
 - (d) all of the above
46. When the industry is in long-run equilibrium, the monopolistic competitor will produce at the lowest point on its LAC curve:
- (a) Always,
 - (b) never,
 - (c) sometimes,
 - (d) cannot say.
47. In both the Chamberlin and the kinked demand curve models, the oligopolists:
- (a) recognize their interdependence,
 - (b) do not collude,
 - (c) tend to keep prices constant,
 - (d) all of the above.
48. In India agricultural income is calculated by :
- (a) Income method
 - (b) Output method
 - (c) Expenditure method
 - (d) None of them.
49. Savings represent
- (a) An injection to the circular flow of income
 - (b) A withdrawal into the circular flow
 - (c) Both an injection and a withdrawal
 - (d) None of the above.
50. In Heckscher Ohlin theory factors of production are---in number.
- (a) one
 - (b) two
 - (c) three
 - (d) four
51. A period of expansion and contraction measured by real GDP is called:
- (a) Business cycle
 - (b) Expansion

- (c) Recession
 - (d) Contraction
52. Who maintains a buffer stock of foodgrains in India ?
- (a) FCI
 - (b) NAFED
 - (c) Ministry of Agriculture
 - (b) None of these
53. The minimum support price is declared by :
- (a) Ministry of Agriculture
 - (b) Ministry of Finance
 - (c) The Cabinet Committee on economic affairs
 - (d) None of these
54. Atal Tinkering lab is an initiative by which of the following institution ?
- (a) Niti Aayog
 - (b) CBSE
 - (c) National Ayush Mission
 - (d) Reserve bank of India
55. Which of the following are the major taxes in India?
- (a) Corporation Tax
 - (b) Stamp Duty and Registration
 - (c) Customs duty
 - (d) None of these
56. Fiscal Policy is formulated by _____ in India?
- (a) Finance Ministry
 - (b) RBI
 - (c) Different Banks
 - (d) None of these
57. A Substantial increase in capital expenditure or revenue expenditure leads to _____
- (a) Fiscal deficit
 - (b) Budgetary deficit
 - (c) Primary deficit
 - (d) None of these

58. Tax reforms are concerned with the reforms in the government taxation and public expenditure policies which are collectively known as its ____
- (a) Financial reform
 - (b) Fiscal Policy
 - (c) Financial Policy
 - (d) None of these
59. Goods and services tax (GST) was enacted by parliament vide ____ Constitutional Amendments Act 2016.
- (a) 103rd
 - (b) 105th
 - (c) 101
 - (d) None of these
60. When some people start investing money in share market then many people start following the same without considering its advantage and disadvantages is called:
- (a) Demonstration effect
 - (b) Snob effect
 - (c) Veblen effect
 - (d) None of these
61. Which of the following cost curve is never U Shaped?
- (a) Marginal cost curves
 - (b) Average cost curve
 - (c) Average fixed cost curve
 - (d) None of these
62. The most important function of an entrepreneur is to:
- (a) Innovate
 - (b) Bear the sense of responsibility
 - (c) Finance
 - (d) None of these
63. Game theory is oligopoly was developed by:
- (a) Von Neumann and Oskar Morgenstern
 - (b) Maltas
 - (c) Adam Smith
 - (d) Robinson

64. If the growth rate of population is higher than the rate of economic growth, there will be ____ in the economy:
- (a) more saving
 - (b) lesser saving
 - (c) no effects on saving
 - (d) None of these
65. Macroeconomic stabilization may be achieved through:
- (a) Free market economy
 - (b) Fiscal Policy
 - (c) Monetary Policy
 - (d) Both (b) & (c)
66. Fiscal Federalism refers to:
- (a) Organising and Implementing development plan
 - (b) The management of Fiscal Policy by a nation
 - (c) Division of economic functions and resources among different layers of the government
 - (d) None of these
67. The major reason for market failure:
- (a) Market Power
 - (b) Externalities
 - (c) Public Good
 - (d) All the above
68. The Public debt management cell was created in:
- (a) 2016
 - (b) 2015
 - (c) 2020
 - (d) 1995
69. Which of the following policies is likely to shift the economy's aggregate demand curve to the right?
- (a) Increase in government spending
 - (b) Increase in taxes
 - (c) A tax cut along with increase in public expenditure
 - (d) All the above

70. ____ considered demand for money is an application of a more general theory of demand for capital assets
- (a) Baumol
 - (b) Milton Friedman
 - (c) J M Keynes
 - (d) None of these
71. The ratio that relates the change in the money supply to a given change in the monetary base is called the:
- (a) required reserve ratio
 - (b) money multiplier
 - (c) Deposit ratio
 - (d) None of these
72. Which of the following holds that a country can increase its wealth by encouraging exports and discouraging imports:
- (a) Capitalism
 - (b) Socialism
 - (c) Mercantilism
 - (d) None of these
73. Which of the following is not a non-tariff barrier:
- (a) Complex documentation requirement
 - (b) Countervailing duties charged by importing country
 - (c) Pre -Shipment product inspection and certification on requirements
 - (d) None of these
74. At any point of time all markets tend to have the same exchange rate for a given currency due to:
- (a) Hedging
 - (b) Arbitrage
 - (c) Speculation
 - (d) None of these
75. Inflationary gap:
- (a) raises the level of output
 - (b) does not impact the level of output
 - (c) raises the general price level
 - (d) both (b) and (c)

76. Which of the following component of monetary policy can be adopted to correct excess demand?
- (a) Increase in repo rate
 - (b) Increase in CRR
 - (c) Increase in margin requirement
 - (d) All of these
77. Reverse repo rate:
- (a) generate interest income
 - (b) is increased to curb inflation
 - (c) is not a policy rate
 - (d) both (a) & (b)
78. The RBI is mandated to Publish a monetary policy report every:
- (a) Six months
 - (b) Three months
 - (c) Twelve months
 - (d) None of these
79. The argument for education subsidy is based on:
- (a) Education is costly
 - (b) The ground that education is merit good
 - (c) Education creates positive externalities
 - (d) (b) & (c)
80. Public financial management system in the central government and matters connected with state finance is managed by:
- (a) The department of expenditure
 - (b) The department of financial services
 - (c) The department of economic affairs
 - (d) None of these
81. The Liquidity Trap is the extreme effect of:
- (a) Monetary Policy
 - (b) Fiscal Policy
 - (c) Either (a) or (b)
 - (d) None of these
82. Which of the following is an intermediate good?
- (a) The Purchase of gasoline for a ski trip to colorado
 - (b) The Purchase of Pizza by a college student

- (c) The Purchase of baseball uniform by a professional baseball team
 - (d) The Purchase of Jogging Shoes by a Professor
83. National Income accountants can avoid multiple counting by:
- (a) including transfers in their calculation
 - (b) only counting final goods
 - (c) counting both intermediate and final Good
 - (d) only counting intermediate goods
84. 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
85. If an oligopolist incur losses in the short run then in the long run:
- (a) The oligopolist will go out of the business
 - (b) The oligopolist will stay in business
 - (c) The Oligopolist will break even
 - (d) any of the above is possible
86. In the long run, all production costs are
- (a) Fixed
 - (b) Sunk
 - (c) Variable
 - (d) Marginal
87. Assertion (A). New Economic Policy is to expand the economic wings of the country. Reason
- (R): Due to economic liberalisation or relaxation in the import tariffs, deregulation of markets or opening the markets for private and foreign players, and reduction of taxes a. Both Assertion
- (a) and Reason(R) are true, and Reason (R) is the correct explanation of Assertion (A).
 - (b) Both Assertion (A) and Reason(R) are true, and Reason(R) is not the correct explanation of Assertion (A).
 - (c) Assertion (A) is true, but Reason (R) is false.
 - (d) Assertion (A) is false but Reason(R) are is true.
88. Given Consumption Function is $C = 300 + 0.75 Y$; Investment = ₹ 800; Net Imports = ₹ 100. The equilibrium level of output is:
- (a) 4000

- (b) 5000
(c) 8000
(d) None of these
89. What is the value of Investment Multiplier when saving function is represented as $S = -60 + 0.2Y$?
- (a) 2
(b) 5
(c) 4
(d) 0.2
90. If a bank has deposits of INR 50,00,000 and a reserve requirement of 10%, what is its excess reserves?
- (a) INR 55,00,000
(b) INR 30,00,000
(c) INR 45,00,000
(d) INR 5,00,000
91. What will be the value of Credit Multiplier when the Required Reserve ratio is 50%?
- (a) 4
(b) 2
(c) 3
(d) 1
92. 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

93. From the following data, calculate "Gross value added at factor cost".

S. No.	Particulars	₹ In Crore
1.	Sale	180
2.	Rent	5
3.	Subsidy	10
4.	Change in Stock	15
5.	Purchase of Raw Material	100

- (a) 105
 - (b) 210
 - (c) 185
 - (d) None of these
94. 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) 2.40
95. Money Supply is directly proportional to:
- (a) Cash reserve ratio (r)
 - (b) Monetary base (H)
 - (c) currency deposit ratio (k)
 - (d) Money Multiplier (m)
96. 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
97. 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
98. The terms revaluation is applied to:
- (a) Flexible exchange rate
 - (b) Fixed exchange rate
 - (c) Gold
 - (d) ECB

99. 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
100. 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

MODEL TEST PAPER 8
FOUNDATION COURSE
PAPER – 4: BUSINESS ECONOMICS

Time: 2 hours

Marks: 100

1. Which of the following is NOT a function of public finance?
 - (A) Allocation of resources for public goods
 - (B) Income redistribution to achieve social equity
 - (C) Providing tax relief to corporates to boost economic growth
 - (D) Stabilization of the economy through fiscal measures
2. Which of the following is NOT a part of the money supply in an economy?
 - (A) Currency held by the central bank
 - (B) Demand deposits in commercial banks
 - (C) Saving accounts in commercial banks
 - (D) Time deposits in commercial banks
3. Which of the following is NOT a typical tool of monetary policy used by a central bank?
 - (A) Open market operations
 - (B) Changing the reserve requirements of commercial banks
 - (C) Adjusting the tax rates in the economy
 - (D) Changing the discount rate
4. Which of the following is the most effective monetary policy tool for managing short-term fluctuations in the economy?
 - (A) Open market operations
 - (B) Changing tax rates
 - (C) Changing government expenditure
 - (D) Price control measures
5. According to the Heckscher-Ohlin theory, a country will have a comparative advantage in the production of goods that:
 - (A) Require labour-intensive techniques if the country has a surplus of capital.

- (B) Utilize abundant factors of production that the country has in large supply.
 - (C) Require advanced technology in which the country is technologically superior.
 - (D) Require high labour costs in a country with low wages.
6. Which of the following is the main motivation for companies to engage in Foreign Direct Investment (FDI)?
- (A) To reduce foreign competition in domestic markets
 - (B) To gain access to new markets and resources
 - (C) To avoid taxes in the home country
 - (D) To lower labour costs by outsourcing to developing countries
7. Which of the following would be an effect of a revaluation of a country's currency?
- (A) Increased demand for the country's exports
 - (B) A decrease in the cost of imports for consumers
 - (C) Increased competitiveness of the country's exports in the global market
 - (D) A higher cost of living for consumers due to decreased purchasing power
8. In the context of trade negotiations, the term "Most-Favoured-Nation (MFN)" status refers to:
- (A) A preferential treatment granted to one country over others in trade agreements.
 - (B) The obligation to trade exclusively with a particular country.
 - (C) A policy that allows countries to impose tariffs on imports from specific nations.
 - (D) A requirement to offer the same trade terms to all trading partners.
9. Which of the following is a primary objective of India's Five-Year Plans?
- (A) To regulate and control foreign trade
 - (B) To promote balanced economic growth across all regions
 - (C) To discourage the private sector in favour of public enterprises
 - (D) To ensure foreign aid and capital inflows into the country
10. The Green Revolution in India focused primarily on increasing the production of:
- (A) Oilseeds
 - (B) Food grains, especially wheat and rice
 - (C) Fruits and vegetables

- (D) Cash crops like cotton and sugarcane
11. Which of the following policies has the Indian government adopted to promote small-scale industries?
- (A) Granting subsidies to large multinational corporations
 - (B) Providing financial and technical assistance to small businesses
 - (C) Encouraging imports of capital goods for industrial use
 - (D) Abolishing labour laws to increase industrial output
12. Which of the following is the most important source of India's foreign exchange earnings?
- (A) Industrial exports
 - (B) Remittances from Indians working abroad
 - (C) Tourism
 - (D) Services exports, especially IT and software
13. The current account deficit (CAD) in India refers to the excess of:
- (A) Imports over exports
 - (B) Exports over imports
 - (C) Total investment over savings
 - (D) Government expenditure over revenue
14. Which of the following is a correct measure of unemployment in India?
- (A) Labour force participation rate
 - (B) Gross Domestic Product per capita
 - (C) Inflation rate
 - (D) Poverty headcount ratio
15. Which of the following is the primary objective of India's fiscal policy?
- (A) To regulate foreign exchange rates
 - (B) To control inflation through market mechanisms
 - (C) To manage government expenditure and tax collection to influence the economy
 - (D) To encourage high savings rates among citizens
16. Which of the following is a major issue associated with the fiscal deficit in India?
- (A) Increased foreign exchange reserves
 - (B) Higher government borrowing leading to inflation

- (C) Reduced taxation leading to a decrease in government revenue
 - (D) Increase in foreign direct investments
17. Which of the economists below most likely advocated activist government policies?
- (A) Milton Friedman
 - (B) John Maynard Keynes
 - (C) Robert Lucas
 - (D) Thomas Sargent
18. Which of the following refers to the study of the total or aggregate level of output, income, employment, consumption, investment, and prices for the economy viewed as a whole?
- (A) Managerial economics
 - (B) Microeconomics
 - (C) Macroeconomics
 - (D) Econometrics
19. Implicit cost is equal to:
- (A) business profit minus economic profit.
 - (B) business profit plus economic profit.
 - (C) economic profit minus business profit.
 - (D) economic profit minus explicit cost.
20. If the demand curve for a firm's output is perfectly elastic, then the firm is:
- (A) a monopolist.
 - (B) perfectly competitive.
 - (C) an oligopolist.
 - (D) monopolistically competitive.
21. The type of industry organization that is characterized by recognized interdependence and nonprice competition among firms is called:
- (A) monopoly
 - (B) perfect competition.
 - (C) oligopoly.
 - (D) monopolistic competition.
22. Short-run average variable cost is equal to:
- (A) total variable cost divided by output.

- (B) average total cost minus average fixed cost.
 - (C) the cost per unit of the variable input divided by the average product of the variable input.
 - (D) All of the above are correct.
23. The restaurant industry has a market structure that comes closest to:
- (A) monopolistic competition.
 - (B) oligopoly
 - (C) perfect competition.
 - (D) monopoly.
24. Which of the following statements is true?
- (A) NDP is greater than GDP if prices are falling
 - (B) NDP is greater than GDP if prices are rising
 - (C) NDP can be greater than GDP but only if the economy is growing
 - (D) NDP cannot be greater than GDP
25. The difference between gross domestic investment and net domestic investment is equal to:
- (A) unwanted inventory changes
 - (B) the difference between NDP and national income
 - (C) the addition to the capital stock
 - (D) the difference between GDP and NDP
26. Which of the following marks the beginning of a contraction in the business cycle:
- (A) Peak
 - (B) Expansion
 - (C) Recession
 - (D) Trough
27. A recession can manifest itself with:
- (A) a decrease in industrial production.
 - (B) a decrease in consumer spending.
 - (C) a lengthy period of falling GDP.
 - (D) all the above.
28. Economic globalization has seen:
- (A) business cycles in the rest of the world synchronize with those of India.

- (B) financial markets become more integrated over time.
 - (C) financial disruptions spread more easily among countries.
 - (D) all the above.
29. Which one of the following is not an assumption of law of variable proportion?
- (A) Technology of production remains unchanged.
 - (B) Only physical inputs & output are considered.
 - (C) All units of variable factors are different.
 - (D) There must be some inputs whose quantity is kept fixed.
30. Which of the following is an example of market failure?
- (A) Perfect competition in the economy
 - (B) Non-exclusion in public goods
 - (C) All firms making profits in a perfectly competitive market
 - (D) Optimal allocation of resources by private individuals
31. When a market fails to allocate resources efficiently, leading to overproduction or underproduction of goods, it is called:
- (A) Monopoly
 - (B) Externalities
 - (C) Public Goods
 - (D) Market Equilibrium
32. In the budget-making process, what is the term used to describe the government's planned expenditure exceeding its expected revenue?
- (A) Budget surplus
 - (B) Budget deficit
 - (C) Balanced budget
 - (D) National Debt
33. Which of the following is the correct sequence of stages in the budget-making process?
- (A) Presentation, Drafting, Execution, Approval
 - (B) Drafting, Presentation, Approval, Execution
 - (C) Execution, Presentation, Approval, drafting
 - (D) Presentation, Approval, Execution, drafting
34. Which of the following is a tool of expansionary fiscal policy?
- (A) Increasing taxes

- (B) Cutting government spending
 - (C) Reducing subsidies on essential goods
 - (D) Increasing government spending to stimulate demand
35. 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
36. Which one is a component of profit?
- (A) Dividend
 - (B) Undistributed Profit
 - (C) Corporate Profit Tax
 - (D) All of these
37. Which of the following is the most accurate representation of the government's role in resource allocation according to the fiscal function of public finance?
- (A) The government maximizes profits by privatizing public goods.
 - (B) The government ensures the efficient distribution of resources in competitive markets.
 - (C) The government allocates resources to public goods like defence and infrastructure.
 - (D) The government avoids intervening in resource allocation to maintain market efficiency.
38. Which of the following situations best demonstrates a market failure due to asymmetric information?
- (A) A monopolist exploiting market power by reducing supply
 - (B) Consumers buying substandard products because they lack information about quality
 - (C) The government providing public goods like street lighting
 - (D) A natural monopoly where economies of scale drive market concentration
39. Which of the following budget types specifically aims to reduce the deficit by either increasing taxes or reducing government spending?
- (A) Balanced budget
 - (B) Expansionary budget
 - (C) Contractionary budget

- (D) Surplus budget
40. Which of the following would be an example of a counter-cyclical fiscal policy during a period of recession?
- (A) Increasing taxes and reducing government spending
 - (B) Cutting taxes and increasing government expenditure
 - (C) Reducing the public debt by increasing savings
 - (D) Avoiding changes in taxes and government spending
41. Which of the following government interventions is most appropriate to correct the market failure caused by positive externalities?
- (A) Implementing taxes on consumption of the good
 - (B) Subsidizing the production of the good
 - (C) Imposing strict regulations on production
 - (D) Reducing government spending on the good
42. Which of the following factors does NOT directly affect the demand for money?
- (A) Interest rates
 - (B) The level of income or output
 - (C) The price level in the economy
 - (D) The government's fiscal deficit
43. The transaction motive for holding money implies that money is held to:
- (A) Make speculative investments in financial markets
 - (B) Provide liquidity for daily transactions and purchases
 - (C) Protect wealth against inflationary risks
 - (D) Save for future investment in assets
44. In an economy, a change in the reserve ratio will directly affect the:
- (A) Level of interest rates in the market
 - (B) Supply of money in circulation
 - (C) Demand for money at different income levels
 - (D) Government's budgetary balance
45. Which of the following is the primary objective of monetary policy in a country?
- (A) To reduce government expenditure
 - (B) To regulate the money supply to achieve macroeconomic goals like controlling inflation

- (C) To provide interest-free loans to the private sector
 - (D) To balance the national budget
46. According to the Quantity Theory of Money, if the money supply increases while the velocity of money and output remain constant, the general price level will:
- (A) Decrease
 - (B) Increase proportionately
 - (C) Stay the same
 - (D) Increase, but unpredictably
47. If the central bank implements an expansionary monetary policy by lowering the reserve requirement, the immediate effect on the money supply will be:
- (A) A decrease in the money supply
 - (B) An increase in the money supply
 - (C) No change in the money supply
 - (D) A reduction in interest rates without affecting money supply
48. Which of the following actions would the central bank most likely take to combat inflationary pressure in the economy?
- (A) Decrease the interest rate
 - (B) Increase the money supply
 - (C) Raise the reserve ratio for commercial banks
 - (D) Lower the statutory liquidity ratio
49. If the central bank wants to decrease the money supply, which of the following tools of monetary policy is most likely to be used?
- (A) Lowering the discount rate
 - (B) Conducting open market purchases of government bonds
 - (C) Increasing the reserve requirement for commercial banks
 - (D) Reducing taxes to increase consumer spending
50. Which of the following is NOT a key assumption of Ricardo's theory of comparative advantage?
- (A) Two countries, each specializing in the good it can produce most efficiently, will both gain from trade.
 - (B) Resources are immobile between countries but mobile within a country.
 - (C) Trade occurs only due to differences in technology between countries.
 - (D) Both countries in trade can benefit even if one country is less efficient in producing both goods.

51. Which of the following is a potential benefit of Foreign Direct Investment (FDI) for the host country?
- (A) Increased inflation due to higher government expenditure
 - (B) Reduction in technological transfer to local industries
 - (C) Creation of employment opportunities and skill development
 - (D) Increased dependence on foreign companies for resources
52. If a country's currency is depreciating, it means that:
- (A) The domestic currency is increasing in value relative to foreign currencies.
 - (B) The country's exports will become more expensive to foreign buyers.
 - (C) The country's exports become cheaper for foreign buyers, potentially boosting trade.
 - (D) The central bank is actively increasing the supply of money.
53. In international trade negotiations, which of the following is the most common objective for countries involved in multilateral trade talks?
- (A) To increase tariffs and protect domestic industries
 - (B) To reduce trade barriers and promote free trade
 - (C) To restrict foreign competition through quotas
 - (D) To enhance domestic subsidies for agricultural sectors
54. Which of the following is an example of a multilateral trade agreement?
- (A) North American Free Trade Agreement (NAFTA)
 - (B) European Union (EU) Trade Policies
 - (C) World Trade Organization (WTO) agreements
 - (D) Bilateral Trade Agreement between two countries
55. Which of the following is the primary objective of bilateral trade agreements?
- (A) To create trade barriers between the two countries involved
 - (B) To establish free trade between two countries by eliminating tariffs and restrictions
 - (C) To focus on mutual military cooperation between the countries
 - (D) To standardize monetary policies between two countries
56. 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
57. Which of the following is considered a major challenge to the Indian agricultural sector?
- (A) Over-reliance on capital-intensive machinery
 - (B) Low level of technological adoption and irrigation facilities
 - (C) Excessive imports of agricultural products
 - (D) Lack of foreign investments in the sector
58. Which of the following sectors saw the highest growth rate after the economic reforms of 1991 in India?
- (A) Agriculture
 - (B) Industrial Sector
 - (C) Services Sector
 - (D) Mining and Quarrying
59. Which of the following is the most accurate reason for the persistence of poverty in India despite economic growth?
- (A) Low level of foreign investment in rural areas
 - (B) High inequality in the distribution of income and resources
 - (C) Limited development in urban sectors
 - (D) Lack of a social security system for the working population
60. With reference to Arc elasticity measures the responsiveness of demand _____ on the demand curve.
- (A) at one given point
 - (B) at intercepts on X-axis & Y-axis
 - (C) between two points
 - (D) Any of the above
61. Which of the following is not a merit of socialist economy?
- (A) It provides equal access to health care and education
 - (B) Workers are no longer exploited because they own the means of production
 - (C) Profits are not spread equitably among all workers according to their individual contributions.
 - (D) Natural resources are preserved for the good of the whole.

62. Which of the following is a primary objective of India's monetary policy?
- (A) To reduce the overall level of taxation in the economy
 - (B) To control the money supply and curb inflation
 - (C) To promote export-led growth through currency devaluation
 - (D) To ensure a balanced budget for the government
63. 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
64. In describing a given production technology, the short run is best described as lasting:
- (A) Up to six months from now.
 - (B) Up to five years from now.
 - (C) As long as all inputs are fixed.
 - (D) As long as at least one input is fixed.
65. Which of the following is NOT dealt with in microeconomics?
- (A) the effect of agricultural subsidies on the price of milk
 - (B) differences between the market for skilled labour versus the market for unskilled labour
 - (C) issues related to the structure and performance of the health care sector
 - (D) policies that affect the level of aggregate consumption
66. Which of the following areas of study refers to the application of economic theory and the tools of analysis of decision science to examine how an organization can achieve its aims or objectives most efficiently?
- (A) Business economics
 - (B) Microeconomics
 - (C) Macroeconomics
 - (D) Econometrics
67. Assertion (A): An iso-cost line is a straight line.
Reason (R): The market rate of exchange between the two inputs is constant.

- (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
68. Assume that corn and wheat are substitutes in production; that is, the same inputs can be used to produce either one of these two commodities. Also assume that the laws of supply and demand apply in both markets. If the demand for one of these commodities increases, what will likely happen in the other market?
- (A) The demand will increase.
 - (B) The demand will decrease.
 - (C) The supply will increase.
 - (D) The supply will decrease.
69. 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.
70. For Giffen good the angle Curve is:
- (A) Vertical
 - (B) Horizontal
 - (C) Negatively Sloped
 - (D) Positively Sloped
71. The Pure monopolist in the long run can make pure profit due to:
- (A) High Selling Price
 - (B) Advertising
 - (C) Low LAC Cost
 - (D) Blocked entry
72. The management of firm A observed that every time there is an increase in the price charged by firm B, the level of sales of firm A declines. But when firm C increases its price, the level of sales of firm A increases. From this we can conclude that:
- (A) firms A and B produce substitutes in consumption.
 - (B) firms A and C produce substitutes in consumption.

- (C) firms A and B produce unrelated in consumption products.
 - (D) firms A and C produce unrelated in consumption products
73. A cartel which is market sharing will reach the monopoly situation:
- (A) Always when the product is homogenous
 - (B) Always when the product is differentiated
 - (C) Sometime
 - (D) None of these
74. According to Hawtrey trade cycle is a ____
- (A) Monetary phenomenon
 - (B) Unplanned phenomenon
 - (C) Fiscal phenomenon
 - (D) All the above
75. Which of the following statements is incorrect?
- (A) In a recession, normal goods manufacturers are expected to have reductions in the demand.
 - (B) In a recession, inferior goods manufacturers are not expected to have reductions in the demand.
 - (C) All producers are going to be negatively affected in a recession.
 - (D) None of the above is correct.
76. At the Point of Inflexion:
- (A) Total Product is maximum
 - (B) Average Product is maximum
 - (C) Marginal Product is maximum
 - (D) Marginal Product is zero
77. Which of the following is not a determinant of the demand for a good?
- (A) Its cost of production
 - (B) Expectations
 - (C) The prices of related products
 - (D) Preferences
78. Why is the supply of eggs inelastic?
- (A) eggs cannot be stored
 - (B) eggs are perishable
 - (C) Both (A) and (B)

- (D) None of these
79. If the price of a good increases, then:
- (A) the demand for complementary goods will increase.
 - (B) the demand for the good will increase.
 - (C) the demand for substitute goods will increase.
 - (D) the demand for the good will decrease.
80. Firms in an industry that produces a differentiated product:
- (A) are either monopolists or oligopolists.
 - (B) are either monopolistically competitive or perfectly competitive.
 - (C) are either monopolistically competitive or oligopolists
 - (D) are either perfectly competitive or oligopolists.
81. If an input is owned and used by a firm, then its:
- (A) explicit cost is zero.
 - (B) implicit cost is zero.
 - (C) opportunity cost is zero
 - (D) economic cost is zero.
82. Short-run average variable cost is equal to:
- (A) total variable cost divided by output.
 - (B) average total cost minus average fixed cost.
 - (C) the cost per unit of the variable input divided by the average product of the variable input.
 - (D) All of the above are correct.
83. 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 labour.
 - (D) All of the above are correct.
84. Economies of scope refers to the decrease in average total cost that can occur when a firm:
- (A) produces more than one product.
 - (B) has monopoly power in world markets.
 - (C) controls the raw materials used as inputs.

- (D) narrows the scope of its regional markets.
85. 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.
86. If the market demand curve for a commodity has a negative slope, then the market structure must be:
- (A) perfect competition.
 - (B) monopoly.
 - (C) imperfectly competitive.
 - (D) The market structure cannot be determined from the information given.
87. If a firm sells its output on a market that is characterized by many sellers and buyers, a homogeneous product, unlimited long-run resource mobility, and perfect knowledge, then the firm is:
- (A) a monopolist.
 - (B) an oligopolist.
 - (C) a perfect competitor.
 - (D) a monopolistic competitor.
88. If a firm sells its output on a market that is characterized by many sellers and buyers, a differentiated product, and unlimited long-run resource mobility, then the firm is :
- (A) a monopolist.
 - (B) an oligopolist.
 - (C) a perfect competitor.
 - (D) a monopolistic competitor.
89. Which of the following is not a barrier to entry that typically results in monopoly?
- (A) The firm controls the entire supply of a raw material.
 - (B) Production of the industry's product is subject to economies of scale over a broad range of output.
 - (C) Production of the industry's product requires a large initial capital investment.
 - (D) The firm holds an exclusive government franchise.

90. 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
91. Which of the following factors does NOT contribute to economic growth?
- (A) the availability of resources such as labour and capital
 - (B) increases in the size of the population
 - (C) the availability of new and better technology
 - (D) increased knowledge gained through education or work experience
92. A consumption function of the form $C = C_0 + c YD$ has a positive vertical intercept C_0 , which indicates that:
- (A) some consumption is unaffected by changes in disposable income
 - (B) the MPC will increase as disposable income increases
 - (C) the APC will always increase as disposable income increases
 - (D) the APC will always be less than the MPC
93. Economic indicator of contraction and expansionary phase by measuring real GDP is:
- (A) Business cycle
 - (B) Technical indicator
 - (C) Leading indicator
 - (D) Lagging indicator
94. National income accountants can avoid multiple counting by:
- (A) Counting both intermediate and final goods.
 - (B) Only counting final goods.
 - (C) Only counting intermediate goods.
 - (D) Including transfers in their calculations.
95. In a business cycle, a period from peak to trough may be referred to as:
- (A) an expansion.
 - (B) a recurrence.
 - (C) a contraction.
 - (D) a stagflation.

96. In the Cobb Douglas functions the change in Output due to increase in one additional unit of an input is called?
- (A) Elasticity
 - (B) Return to scale
 - (C) Total Product
 - (D) Marginal Revenue
97. When goods are complementary the Indifference Curve is:
- (A) Is a straight line
 - (B) Is Convex to the origin
 - (C) Consist of two straight lines with a right angle bent.
 - (D) None of these
98. Long Run Average Cost (LAC) is:
- (A) U Shaped
 - (B) Is also called envelope curve
 - (C) Both a and b
 - (D) None of These
99. Price discrimination is possible when
- (A) The Seller should have some control over the supply of the Product
 - (B) The Price elasticity of the Product should be different in different sub market
 - (C) The seller should be able to divide his market into two or more Submarket
 - (D) None of these
100. A dealer sells only two brands of Motorcycle- Royal and Hero. It was observed that when the price of royal rises by 10% the demand for Hero increases by 15%. What is the cross elasticity of Hero against the Price of Royal?
- (A) + 1.5
 - (B) -1.5
 - (C) 2.5
 - (D) None of these

MODEL TEST PAPER 9
FOUNDATION COURSE
PAPER-4 BUSINESS ECONOMICS

Time: 2 Hours

Marks: 100

1. Price in capitalist economy is determined by:
 - (A) Small private firms
 - (B) Big corporates
 - (C) Market forces of demand and supply
 - (D) Government
2. Sarah, runs a lemonade stall, her decision-making process involves assessing the demand for her lemonade, pricing strategies, and maximizing her profit within the limited scope of her small business. Which level of the economy does Sarah's lemonade stall represent ?
 - (A) Macro Economy
 - (B) Global Economy
 - (C) Micro Economy
 - (D) National Economy
3. In which economy, the material means of production i.e. factories, capital, mines, etc. are owned by the whole community represented by the State ?
 - (A) Socialist Economy
 - (B) Capitalist Economy
 - (C) Mixed Economy
 - (D) Communist Economy
4. Which of the following is related with the total arrangements for the production and distribution of goods and services in a society?
 - (A) Economic Problem
 - (B) Economic Choice
 - (C) Economic System
 - (D) Economic Institution
5. Business Economics is basically concerned with:
 - (A) Applied Economics
 - (B) Managerial Economics
 - (C) Micro Economics
 - (D) Macro Economics

6. Suppose the price elasticity of demand of a firm for its product is -1.2. If the price of the product is increased by 5%, then it is most probable that:
- (A) Both total revenue and profit would increase.
 - (B) Both total revenue and profit would decrease,
 - (C) Total revenue would decrease but profit may increase.
 - (D) Total revenue would increase but profit may decrease.
7. The demand function of a product X (in kg.) is expressed as $Q = 1000 - 50P$, where Q is the quantity demanded and P is the price of the product. When price of X is 10 per kg., it's price elasticity will be:
- (A) -1
 - (B) 1
 - (C) -2
 - (D) 2
8. With respect to the properties of indifference curve which of the following statement is false ?
- (A) Higher indifference curve represents higher level of satisfaction.
 - (B) Indifference curve is a negatively sloped line.
 - (C) Intersecting point of two indifference curves represents highest level of satisfaction.
 - (D) An indifference curve is convex to the origin.
9. The price of a commodity is 10 per unit. At this price quantity supplied is 500 units. Price elasticity of supply of the commodity is 1.25. At what price the quantity to be supplied would be 20% more?
- (A) ₹ 8.40
 - (B) ₹ 11.60
 - (C) ₹ 12.50
 - (D) ₹ 7.50
10. Mr. X and Mr. Y are rich rivals and, in a party, Mr. X wears an expensive dress and on seeing it Mr. Y who also has the same dress decided to reject the use of the same dress further. Rather Mr. Y will try to use an even more expensive one. Which effect affects Mr. Y?
- (A) Bandwagon Effect
 - (B) Demonstration Effect
 - (C) Snob Effect
 - (D) Veblen Effect
11. If the income elasticity of a specific types of goods is greater than one, what does it suggest about the goods?
- (A) It is an inferior goods.

- (B) It is a normal goods.
 - (C) It is a necessity goods.
 - (D) It is a luxury goods.
12. An increase in consumer surplus is likely to occur when:
- (A) There is a rise in price of goods.
 - (B) There is a fall in price of goods.
 - (C) Demand decreases.
 - (D) Supply increases.
13. Which tool does the ordinal utility approach uses to analyse consumer behaviour and is based on consumer preferences ?
- (A) Indifference Curve Analysis
 - (B) Law of Diminishing Marginal Utility
 - (C) Elasticity of Demand
 - (D) Consumer Surplus
14. The price of 1 kg. of tea is price of coffee rises from ₹ 50. At this price, 10 kg. of tea is demanded. If the ₹ 30 to ₹ 40 per kg., the quantity demanded of tea rises from 10 kg. to 15 kg. What will be the cross price elasticity of tea ?
- (A) +1
 - (B) 1.5
 - (C) +1.5
 - (D) -1
15. If change in quantity demanded is 60% and change in advertisement expenditure is 20% then what will be the advertisement elasticity?
- (A) 3
 - (B) 0.33
 - (C) 6
 - (D) 20
16. At higher levels of output average total cost curve and average variable cost curve come closer because:
- (A) Average fixed cost remains constant.
 - (B) Average variable cost remains constant.
 - (C) Average fixed cost accounts for relatively smaller percentage of average total cost.
 - (D) Average variable cost accounts for relatively smaller percentage of average total cost

17. A firm produces 5 units of output at average fixed cost of 4 per unit. For production of 10 units of output average cost is 7 per unit. Average variable cost for producing 10 units of output is:
- (A) ₹ 4
(B) ₹ 5
(C) ₹ 6
(D) ₹ 10
18. How is production in the economic sense distinguished from non-market activities performed within a household ?
- (A) Involvement of love and affection
(B) Exchange in the market
(C) Voluntary nature of the activity
(D) Intangible outputs

Use the following information to answer questions 19-20.

Hours of labour	Total Product	Average Product	Marginal Product
0	-	-	-
1	20	20	-
2	50	-	-
3	90	-	40
4	-	30	-

19. What is the marginal product of the second hour of labour?
- (A) 10
(B) 20
(C) 30
(D) 40
20. What is the average product for the third hour of labour?
- (A) 25
(B) 30
(C) 35
(D) 40
21. When does the Law of Variable Proportions, or the Law of Diminishing Returns, become relevant?
- (A) In the long run
(B) In the short run
(C) In both the short and long run

- (D) Only when all factors are variable
22. What is the primary characteristic of Decreasing Returns to Scale?
- (A) Total output increases at an increasing rate
 (B) Total output increases at a decreasing rate
 (C) Total output remains constant
 (D) Total output decreases
23. What term is used to describe costs that remain fixed over a certain range of output but suddenly jump to a new higher level when output goes beyond a given limit?
- (A) Variable cost
 (B) Semi-variable cost
 (C) Stair-step variable cost
 (D) Sunk cost
24. Which of the following expenses is included in cost of production and termed as accounting cost?
- (A) Wages paid to workers employed in the factory.
 (B) Expenses incurred on Research & Development.
 (C) Expenses incurred on advertising.
 (D) Common costs incurred for general operation of business.
25. What will be the total amount of sunk cost on the basis of following information?

Particulars	Amount (₹) Crores
Fuel and Power	1000
Research and Development	150
Rent	9
Wages	10
Advertisement	5

- (A) ₹ 1,150 crores
 (B) ₹ 155 crores
 (C) ₹ 159 crores
 (D) ₹ 164 crores
26. The supply curve of a perfectly competitive firm in the short run is
- (A) the portion of the Marginal Cost curve which lies below the minimum point of Average Variable Cost curve.
 (B) the portion of the Marginal Cost curve which lies above the minimum point of Average Variable Cost curve.

- (C) the portion of the Average Cost curve which lies below the minimum point of Average Variable Cost curve.
 - (D) the part of the Average Cost curve which lies above the Marginal Cost curve.
27. Three major smartphone manufacturers, Alpha Tech, Beta Mobile, and Gamma Gadgets, dominate the smartphone market. These companies are in constant competition for market share and innovation. Which type of the market structure has been described in this scenario?
- (A) Monopoly
 - (B) Oligopoly
 - (C) Perfect Competition
 - (D) Monopolistic Competition
28. If Marginal Revenue (MR) for Unit 1 is 10, for Unit 2 is 5, and for Unit 3 is 3 then what will be the amount of Total Revenue (TR)?
- (A) ₹15
 - (B) ₹ 10
 - (C) ₹ ₹8
 - (D) ₹ 18
29. Which market covers a wider area such as a few adjacent cities, parts of states, or a cluster of states ?
- (A) Regional Market
 - (B) National Market
 - (C) International Market
 - (D) Local Market
30. When should a competitive firm consider shutting down its operations?
- (A) When the price is above Total Variable Costs (TVC).
 - (B) When the price is below Average Variable Costs (AVC).
 - (C) When the price is equal to Total Revenue (TR).
 - (D) When the price is constant.
31. What happens to the equilibrium price when there is a decrease in supply with no change in demand? 3
- (A) Equilibrium price goes down.
 - (B) Equilibrium price remains constant.
 - (C) Equilibrium price goes up.
 - (D) Equilibrium quantity increases.

32. In the case of demand decreasing and supply increasing, what is the expected impact on equilibrium price?
- (A) Equilibrium price rises
 - (B) Equilibrium price falls
 - (C) Equilibrium price remains constant
 - (D) Equilibrium price remains uncertain
33. In Ricardo's view, what does "Exchange Value" represent?
- (A) The cost of production of a commodity
 - (B) The subjective preferences of individuals
 - (C) Power in exchange over purchasable commodities in general
 - (D) The quantity of labour embodied in a commodity
34. Talcum powder market is an example of which of the following market ?
- (A) Collusive Oligopoly
 - (B) Imperfect Oligopoly
 - (C) Open Oligopoly
 - (D) Close Oligopoly
35. A software company engages in price discrimination for its product. The company identifies different market segments and charges different prices based on perceived differences in willingness to pay. This is possible under which situation?
- (A) Monopolistic competition
 - (B) A Monopoly
 - (C) Perfect competition
 - (D) Oligopoly competition
36. According to the Kinked demand curve hypothesis, why does the demand curve facing an oligopolist have a 'Kink' at the prevailing price level?
- (A) To create confusion among competitors
 - (B) To make the demand curve visually interesting
 - (C) The segment above price is highly elastic, and below it is inelastic
 - (D) It is a graphical error in the representation
37. A market structure in which there is only a single buyer and a single seller is known as:
- (A) Monopsony
 - (B) Bilateral Monopoly
 - (C) Oligopoly
 - (D) Duopoly

38. Monopolistic Competition is characterized by
- (A) Many sellers selling identical products to many buyers.
 - (B) Many sellers selling differentiated products to many buyers.
 - (C) Few sellers selling identical products to many buyers.
 - (D) Few sellers selling competing products to selective buyers.
39. Condition for equilibrium of firm under perfect competition:
- (A) Where Marginal Revenue (MR) is equal to the Marginal Cost (MC).
 - (B) Where Average Revenue (AR) is equal to the Average Cost (AC).
 - (C) MC curve cuts MR curve from below.
 - (D) Where MR MC and also MC curve cuts MR curve from below.
40. A market structure in which all firms individually are price takers is known as:
- (A) Monopolistic competition
 - (B) Monopoly
 - (C) Perfect competition
 - (D) Oligopoly
41. The ratio between nominal GDP and real GDP is known as:
- (A) Inflation Rate
 - (B) Gross Domestic Product deflator
 - (C) Gross National Product
 - (D) Net National Product
42. If the GDP Deflator of a country in the year 2020 is 140.75 and in the year 2021 is 157.33, then what is the inflation rate in the year 2021?
- (A) 9.09%
 - (C) 11.78%
 - (B) 10.97%
 - (D) 12.34%
43. If GDP at market price is ₹ 6,700 crore and depreciation is ₹ 530 crore, then what will be the NDP at market price?
- (A) ₹ 6,200 crore
 - (B) ₹ 6,170 crore
 - (C) ₹ 7,230 crore
 - (D) ₹ 6,690 crore
44. Suppose the consumption of an economy is given by $C = 30 + 0.5Y$ and investment $I = 12 + 0.15Y$. What will be the equilibrium level of National Income?
- (A) 120
 - (B) 115

- (C) 105
 - (D) 112
45. Which of the following refers to the mixed income of the self-employed?
- (A) Combined factor payments which are not distinguishable
 - (B) Wages due to non-economic activities
 - (C) Net profits received by self-employed
 - (D) Outside wages received by self-employed
46. What does Disposable Personal Income (DPI) represent?
- (A) The total income earned by individuals before taxes
 - (B) The income individuals have for consumption or saving
 - (C) The total savings accumulated by individuals
 - (D) The total income of a country's government
47. What are the phases included in the circular flow of income?
- (A) Production, Saving and Expenditure
 - (B) Production, Income and Taxation
 - (C) Production, Distribution and Disposition
 - (D) Income, Saving and Investment
48. Which of the following is not the limitation in the computation of the national income?
- (A) Issue of transfer payments
 - (B) Services of durable goods
 - (C) Difficulty of incorporating the distribution of income
 - (D) Quality improvements due to technological innovations
49. Which method measures the contribution of each producing enterprise in the domestic territory of a country over an accounting year by consolidating production of each industry less intermediate purchases from all other industries?
- (A) Income Disposal Method
 - (B) Value Added Method
 - (C) Income Method
 - (D) Expenditure Method
50. In the three-sector model of a closed economy (neglecting foreign trade), what are the three components of aggregate demand?
- (A) Consumption, Savings, and Investment
 - (B) Consumption, Exports, and Government Spending
 - (C) Consumption, Investment, and Government Spending

- (D) Consumption, Imports, and Exports
51. According to the Keynesian theory of income and employment, national income depends upon:
- Aggregate Effective Supply
 - Aggregate Effective Savings
 - Aggregate Effective Demand
 - Aggregate Effective Production
52. Which of the following is not a correct formula to calculate NNPMP?
- $NNP_{MP} = GNP_{MP} - \text{Depreciation}$
 - $NNP_{MP} = NDP_{MP} + \text{Net Factor Income from Abroad}$
 - $NNP_{MP} = GDP_{MP} + \text{Net Factor Income from Abroad} - \text{Depreciation}$
 - $NNP_{MP} = NDP_{MP} - \text{Depreciation}$
53. The state-level estimates are typically prepared by the State Income Units of the respective states. Which organization is primarily responsible for this task?
- Directorates of Economics and Statistics (DESS)
 - Central Statistical Organization (CSO)
 - Ministry of Finance
 - Reserve Bank of India
54. What will be the Total Income if the value of Average Propensity to Consume (APC) is 0.45 and Total Consumption = ₹ 900 crores ?
- ₹ 2,500 crores
 - ₹ 2,000 crores
 - ₹ 2,050 crores
 - ₹ 2,100 crores
55. What will be the GDP at market price (GDPMP) on the basis of following information?

Particulars	Amount (₹) crores
GNP_{MP}	1100
Net Factor Income from Abroad	200
Depreciation	50
Net Indirect Tax	100

- ₹ 1,000 crores
- ₹ 1,050 crores
- ₹ 900 crores
- ₹ 1,300 crores

56. When there is fall in the levels of investment and employment, producers do not instantaneously recognise the pulse of the economy. What is indicated by this situation?
- (A) Peak
 - (B) Expansion
 - (C) Contraction
 - (D) Trough and Depression
57. What is the term for the lowest point of economic activity in a business cycle, where unemployment is high, and production is at its lowest?
- (A) Prosperity
 - (B) Trough and Depression
 - (C) Peak
 - (D) Expansion
58. Business whose fortune is closely linked to the rate of economic growth is referred to as:
- (A) Cyclical Business
 - (B) Seasonal Business
 - (C) Static Business
 - (D) Dynamic Business
59. During what time, the production of weapons and arms, etc. increase and most of the resources of the country are diverted for their production?
- (A) Post-War
 - (B) Pre-War
 - (C) War
 - (D) Peace
60. In Recovery phase of business cycle, the process of reversal is initially felt in the:
- (A) Capital market
 - (C) Agriculture market
 - (B) Labour market
 - (D) Financial market
61. Sarah is considering purchasing a used car from a private seller named John. John claims that the car is in excellent condition and has never been in an accident. However, John is aware that the car had significant damage in the past due to an accident, but he has repaired it without disclosing this information to Sarah. Based on the case described, what concept of economics does this scenario illustrate ?
- (A) Moral Hazard

- (B) Lemons Problem
 - (C) Market Power
 - (D) Government Interventions
62. If the primary deficit is country are 3,500 crores 20,500 crores and the net interest liabilities of a then what will be the fiscal deficit?
- (A) 17,000 crores
 - (B) 21,500 crores
 - (C) 19,500 crores
 - (D) 24,000 crores
63. Which Articles of the Indian Constitution contain specific provisions regarding the distribution of finances among states ?
- (A) Articles 356 to 369
 - (B) Articles 248 to 257
 - (C) Articles 268 to 281
 - (D) Articles 292 to 304
64. Richard Musgrave introduced a three-branch taxonomy describing the role of government in a market economy. What are these branches ?
- (A) Resource allocation, income generation, and price stability
 - (B) Resource allocation, income redistribution, and macro economic stabilization
 - (C) Production efficiency, income equality, and fiscal sustainability
 - (D) Price regulation, employment generation, and fiscal responsibility
65. Under which Supreme Court verdict do the Union and State Legislatures have "equal, simultaneous and unique powers" to make laws on Goods and Services Tax (GST)?
- (A) June 2020 verdict
 - (B) July 2021 verdict
 - (C) Feb. 2022 verdict
 - (D) May 2022 verdict
66. Under institutional responsibility for public debt management, external debt is the responsibility of:
- (A) Reserve Bank of India
 - (B) Ministry of Finance
 - (C) Department of Economic Affairs
 - (D) State Government
67. What actions can be taken during Inflation?
- (A) Introduce subsidies and reduce tax rates.

- (B) Implement austerity measures and reduce government spending.
 - (C) Levy new taxes and raise the rates of existing taxes.
 - (D) Increase government borrowing and stimulate demand.
68. Which of the following are considered tools of fiscal policy ?
- (A) Taxes, subsidies and tariffs
 - (B) Taxes, government expenditure, public debt and the budget
 - (C) Monetary policy, interest rates and inflation targeting
 - (D) Exchange rates, capital controls and quantitative easing
69. The following figures relate to country A for a particular financial year:

Particulars	Amount (₹) in crores
Revenue deficit	10,000
Fiscal deficit	24,000
Net interest liability	2,000
Borrowing	6,000
Expenditure on revenue account	3,000

- What will be the primary deficit of country 'A'?
- (A) ₹ 8,000 crores
 - (B) ₹ 22,000 crores
 - (C) ₹ 18,000 crores
 - (D) ₹ 21,000 crores
70. All revenues received, loans raised and all moneys received by the government in repayment of loans are credited to the:
- (A) Consolidated fund of India
 - (B) Contingency fund of India
 - (C) Public provident fund of India
 - (D) Public Account
71. In an economy, the money supply (M) is ₹ 500 crores, the velocity of money (V) is 5 and the total number of transactions (T) is 10,000. Calculate the average price level (P) in the economy.
- (A) ₹ 25 thousand
 - (B) ₹ 25 lakhs
 - (C) ₹ 50 lakhs
 - (D) ₹ 50 thousand

72. If the monetary base in an economy is ₹ 250 crores through an open market operation by the central bank, and the money supply is ₹ 1,000 crores, calculate the money multiplier.
- (A) 0.25
 - (B) 1
 - (C) 4
 - (D) 0.40
73. If the reserve ratio (R) is 0.10 and there is an increase in the reserves by 1,000, what will be the change in the money supply?
- (A) ₹10,000
 - (B) ₹ 1,000
 - (C) ₹ 100
 - (D) ₹ 10
74. Which of the following is NOT a function of money?
- (A) Providing a common measure of value
 - (B) Acting as a medium of exchange
 - (C) Serving as a unit of account
 - (D) Easily reproducible by people
75. The concept of "aversion of risk" is propounded by:
- (A) James Tobin
 - (B) Milton Friedman
 - (C) John Maynard Keynes
 - (D) Alfred Marshall
76. What type of currency is issued by the central bank ?
- (A) Commodity money
 - (B) Digital money
 - (C) Fiat money
 - (D) Representative money
77. Which of the following is the correct formula to calculate Excess Reserves?
- (A) $\text{Excess Reserves} = \text{Total reserves} - \text{Required reserves}$
 - (B) $\text{Excess Reserves} = \text{Total reserves} + \text{Required reserves}$
 - (C) $\text{Excess Reserves} = \text{Total reserves} / \text{Required reserves}$
 - (D) $\text{Excess Reserves} = \text{Total reserves} \times \text{Required reserves}$

78. What does RBI publish every six months, providing explanations of the sources of inflation and forecasts for the upcoming period of six to eighteen months?
- (A) Economic Outlook Report
 - (B) Financial Stability Report
 - (C) Monetary Policy Report
 - (D) Inflation Targeting Framework
79. Reverse Repo rate is linked to repo rate in the following way:
- (A) $\text{Reverse Repo Rate} = \text{Repo Rate} + 1$
 - (B) $\text{Reverse Repo Rate} = \text{Repo Rate} - 1$
 - (C) $\text{Reverse Repo Rate} = \text{Repo Rate} \times 0.1\%$
 - (D) $\text{Reverse Repo Rate} = \text{Repo Rate} \times 0.01\%$
80. Real money refers to:
- (A) Real national income
 - (B) Money demanded at given rate of interest
 - (C) Nominal GNP divided by price level
 - (D) Nominal money adjusted to the price level
81. As of 1 February 2021, how many Regional Trade Agreements (RTAs) were in force worldwide ?
- (A) 239 RTAS
 - (B) 339 RTAS
 - (C) 439 RTAS
 - (D) 539 RTAS
82. Suppose the exchange rate between INR and EUR changes from 1 EUR = 80 INR to 1 EUR = 85 INR. What can be said about the change in the value of the INR relative terms to the EUR?
- (A) INR has appreciated against EUR.
 - (B) INR has depreciated against the EUR.
 - (C) EUR has no effect against INR.
 - (D) EUR has depreciated against INR.
83. What does the principle of Absolute Advantage refer to ?
- (A) The ability to produce a greater quantity of a goods using fewer resources
 - (B) The ability to produce a greater quantity of a goods using the same amount of resources as competitors
 - (C) The ability to produce a lesser quantity of a goods using the same amount of resources as competitors

- (D) The ability to produce a greater variety of goods than competitors
84. The North American Free Trade Agreement (NAFTA), is a trade agreement signed between :
- (A) United States of America and Canada
 - (B) United States of America, Canada, and Mexico
 - (C) United States of America and Mexico
 - (D) Canada and Mexico
85. What does TRIPS stand for?
- (A) Trade-Related Agreements on Investment Policies
 - (B) Trade-Related Aspects of Intellectual Property Rights
 - (C) Transnational Regulations for International Product Standards
 - (D) Trade Regulations for International Patent Systems
86. What term is used for the rate between currencies Y and Z, which is derived from the given rates of another set of two pairs of currency (say, X and Y, and, X and Z)?
- (A) Bid rate
 - (C) Spot rate
 - (B) Ask rate
 - (D) Cross rate
87. What is the main difference between Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI)?
- (A) FDI creates physical assets, while FPI involves only financial assets.
 - (B) FDI involves financial assets, while FPI creates physical assets.
 - (C) Both FDI and FPI create physical assets.
 - (D) Both FDI and FPI involve only financial assets.
88. Foreign corporations invest in India to benefit from the country's particular investment privileges such as tax breaks and comparatively lower salaries. This type of investment is an example of:
- (A) Foreign Portfolio Investment
 - (B) Joint Venture
 - (C) Foreign Direct Investment
 - (D) Strategic Alliance
89. A tariff which a WTO member binds itself with a legal commitment not to raise tariff rate above a certain level is known as:
- (A) Applied tariff
 - (B) Bound tariff

- (C) Specific tariff
 - (D) Most-favoured nation tariffs
90. Which of the following is covered under Technical Barriers to Trade (TBT) ?
- (A) Only food products.
 - (B) Only non-food traded products.
 - (C) Only technical standard products.
 - (D) Both food and non-food traded products.
91. Transportation and storage, real estate service, public administration and education are the activities in India which are covered by:
- (A) Primary sector
 - (B) Secondary sector
 - (C) Tertiary sector
 - (D) Private sector
92. Which of the following is a feature of green revolution ?
- (A) Grow more crops by redistributing land to landless people
 - (B) Use of soil friendly green manure to preserve fertility of soil
 - (C) Diversification to horticulture
 - (D) Use of high yielding varieties of seeds and scientific cultivation
93. On which date was the 'New Industrial Policy' announced by Government of India?
- (A) 15th August 1947
 - (B) 24th July 1991
 - (C) 26th January 1950
 - (D) 5th September 1992
94. On which date was the apex policy-making body, the Planning Commission, replaced by the National Institution for Transforming India (NITI) Aayog ?
- (A) 1st April 2015
 - (B) 1st July 2015
 - (C) 1st January 2015
 - (D) 1st July 2016
95. Which government scheme supports and promotes organic farming, as well as the improvement of soil health?
- (A) National Rural Employment Guarantee Act (NREGA)
 - (B) Rashtriya Krishi Vikas Yojana (RKVY)
 - (C) Pradhan Mantri Fasal Bima Yojana (PMFBY)
 - (D) Paramparagat Krishi Vikas Yojana (PKVY)

96. Which initiative aims at the empowerment of Micro Small and Medium Enterprises (MSMEs)?
- (A) Udyami Bharat
 - (B) Start-up India
 - (C) Make in India
 - (D) Digital India
97. The India Development Update (IDU) report published in November 2022 is published by:
- (A) United Nations Development Programme (UNDP)
 - (B) International Monetary Fund (IMF)
 - (C) World Bank
 - (D) Asian Development Bank (ADB)
98. What is the full form of DPIIT?
- (A) Department for Promotion of Industry and International Trade
 - (B) Department for Promotion of Industrial and Internal Trade
 - (C) Directorate for Promotion of Industry and Internal Trade
 - (D) Department for Promotion of Industry and Internal Trade
99. Which of the following is not the aim of 'Methanol Economy' programme?
- (A) Converting coal reserves and municipal solid waste into methanol.
 - (B) Reducing Greenhouse gas (GHG) emissions.
 - (C) Reducing India's oil import bill.
 - (D) Converting industrial waste into methanol.
100. Which of the following statement is true in relation to the object of The National Data and Analytics Platform (NDAP)?
- (A) To ensure data security.
 - (B) To facilitate and improve access to Indian government data.
 - (C) To convert all government data in electronic form.
 - (D) To formulate a national cyber security law.

MODEL TEST PAPER 10
FOUNDATION COURSE
PAPER 4: BUSINESS ECONOMICS

Time: 2 Hours

Marks: 100

1. The Book "The Wealth of Nations" is written by:
 - (a) Adam Smith
 - (b) Arthur Pigou
 - (c) Robinson
 - (d) Ragnar Nurske
2. The Nature of Business Economics:
 - (a) Business Economics is a Science
 - (b) Incorporate elements of Macro Analysis
 - (c) Interdisciplinary in Nature
 - (d) All the above
3. Which of these country is a purely socialist economy?
 - (a) USSR
 - (b) China
 - (c) Vietnam
 - (d) None of these
4. Rational Decision making requires that:
 - (a) One's Choice be arrived at logically and without error.
 - (b) One's Choice be consistent with one's goal.
 - (c) One's Choice never vary.
 - (d) The consumer Plan's to attain the highest possible level of satisfaction.
5. The Substitution effect will be stronger when:
 - (a) The goods are closer Substitute
 - (b) There is lower cost of Switching to the Substitute good.
 - (c) There is lower inconvenience while switching to the Substitute good.
 - (d) All the above
6. What are the Internal causes of Business Cycle _?
 - (a) Fluctuations in effective demand.
 - (b) Macroeconomic Policies
 - (c) Money Supply
 - (d) All the above

7. According to Hawtrey trade cycle is a _
- (a) Monetary Phenomenon
 - (b) Unplanned Phenomenon
 - (c) Fiscal Phenomenon
 - (d) All the above
8. Which of the following describe a Typical Business Cycle?
- (a) Economic Expansions are followed by Contraction's.
 - (b) Inflation is followed by rising Income and Unemployment.
 - (c) Economic Expansion are followed by economic growth and development.
 - (d) Stagflation is followed by Inflationary growth.
9. A Relative Price is:
- (a) Price expressed in terms of money.
 - (b) The ratio of One money Price to another
 - (c) Equal to money price.
 - (d) None of these.
10. In case of Substitute Product:
- (a) The Demand Curve Slope upwards.
 - (b) The Demand Curve Slope downwards
 - (c) The Demand Curve is Perfectly Elastic
 - (d) None of these.
11. A dealer sells only two brands of Motorcycle- Royal and Hero. It was observed that when the price of royal rises by 10% the demand for Hero increases by 15%. What is the cross elasticity of Hero against the Price of Royal?
- (a) + 1.5
 - (b) -1.5
 - (c) 2.5
 - (d) None of these
12. When $e = 0$, elasticity of demand is :
- (a) Perfectly elastic
 - (b) Unitary
 - (c) Inelastic
 - (d) Perfectly inelastic demand
13. A rise in Price will –
- (a) Increase in Consumer Surplus
 - (b) Decrease in Consumer Surplus

- (c) No Change in Consumer Surplus
 - (d) None of these
14. Marginal Product is the slope of –
- (a) Marginal product Curve
 - (b) Average Product Curve
 - (c) Total Product Curve
 - (d) Implicit Product Curve
15. Law of Production does not include _
- (a) least Cost Combination of factors
 - (b) Law of variable proportion
 - (c) Law of diminishing returns to a factor
 - (d) Return to scale
16. Which of the following Statements is correct concerning the relationship among the firm's Cost Function:
- (a) $TC = TVC - TFC$
 - (b) $TFC = TC - TVC$
 - (c) $TC = TFC - TVC$
 - (d) $TVC = TFC - TC$
17. In the Cobb Douglas function the change in Output due to increase in one additional unit of an input is called?
- (a) Elasticity
 - (b) Return to scale
 - (c) Total Product
 - (d) Marginal Revenue
18. The Condition for pure competition to be fulfilled are –
- (a) large numbers of buyers and sellers
 - (b) Products are homogeneous
 - (c) Firms are free from entry and exit from the market
 - (d) All the above
19. When the firm is in the long run equilibrium in perfect competition which of the following is true –
- (a) $AC = MR$
 - (b) $TR = TC$
 - (c) The firm are earning supernormal profit
 - (d) None of these

20. The opportunity cost of a good is :
- (a) The loss of interest in using savings
 - (b) The time lost in finding it.
 - (c) The quality of other goods sacrificed to get another unit of that good.
 - (d) None of these
21. Which is not the Characteristics of Monopolistic Competition:
- (a) Large number of sellers
 - (b) Homogeneous Product
 - (c) Freedom of entry and exit
 - (d) Non Price Discrimination
22. Demand Curve in the monopolistic competition is –
- (a) Infinitely elastic
 - (b) Downward sloping and highly inelastic
 - (c) Downward sloping and more elastic demand curve.
 - (d) None of these.
23. The Concept of Price rigidity in Sweezy's Model is related to which market form:
- (a) Oligopoly market
 - (b) Perfect Competition market
 - (c) Monopoly market
 - (d) Monopolistic market
24. Which of the following Statement is incorrect ?
- (a) There is no difference between a firm and an Industry
 - (b) The Monopolist may raise the price and restrict the output
 - (c) Heterogeneous product are offered for sale in Perfect Competition
 - (d) In Monopolistic competition product differentiation is peculiar.
25. Foreign Exchange market is an example of –
- (a) Perfect Competition
 - (b) Oligopoly
 - (c) Monopoly
 - (d) Monopolistic Competition
26. Under which market form price discrimination cannot persist –
- (a) Oligopoly
 - (b) Monopolistic Competition
 - (c) Monopoly
 - (d) Perfect competition

27. The Relationship between AR, MR and Price Elasticity –
- (a) $MR = AR \times e^{-1}$ divided by e
 - (b) $AR = MR \times e^{-1}$ divided by e
 - (c) $AR - MR = e^{-1}$ divided by e
 - (d) None of these
28. The Price elasticity for Monopolistic Firm is :
- (a) $E > 1$
 - (b) $E < 1$
 - (c) $E = 1$
 - (d) None of these
29. Dynamic Fare charged by Indian Railways is an example of :
- (a) Pure Monopoly
 - (b) Discriminating Monopoly
 - (c) Perfect Competition
 - (d) None of these
30. Price discrimination is possible when
- (a) The Seller should have some control over the supply of the Product
 - (b) The Price elasticity of the Product should be different in different sub market
 - (c) The seller should be able to divide his market into two or more Sub market
 - (d) None of these
31. When a small change in price leads to a large change in demand the demand is
- (a) Inelastic
 - (b) Elastic
 - (c) Stagnant
 - (d) Fixed
32. The relationship between price and quantity supplied in law of supply is :
- (a) Proportionate
 - (b) Homogenous
 - (c) Inverse
 - (d) Direct
33. The Stages in law of variable proportion is :
- (a) 1
 - (b) 2

- (c) 3
 - (d) 4
34. Certain Benefit an Industry gets when it expands its scale of production is Known as
- (a) Internal Economies
 - (b) Diseconomies
 - (c) External economies
 - (d) Profit
35. The Interest on own capital is :
- (a) Implicit cost
 - (b) Future cost
 - (c) Explicit Cost
 - (d) Past Cost
36. The Shape of TR Curve of the Monopolist is :
- (a) U Shaped
 - (b) Inverted U Shaped
 - (c) Downward sloping
 - (d) None of these.
37. The Distinction between Selling Cost and Production cost was made by :
- (a) Chamberlin
 - (b) Sweezy
 - (c) Mrs. Joan Robinson
 - (d) None of these
38. The Firm and Industry are same in:
- (a) Duopoly
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) None of these
39. For Luxuries goods the income elasticity is:
- (a) $E > 1$
 - (b) $E < 1$
 - (c) $E = 0$
 - (d) None of these
40. Long Run Average Cost (LAC) is :
- (a) U Shaped

- (b) Is also called envelope curve
 - (c) Both a and b
 - (d) None of These
41. Under Perfect Competition the Supply Curve is derived from :
- (a) MC Curve
 - (b) AC curve
 - (c) TC Curve
 - (d) None of these.
42. When goods are complementary the Indifference Curve is :
- (a) Is a straight line
 - (b) Is Convex to the origin
 - (c) Consist of two straight line with a right angle bent.
 - (d) None of these
43. The Consumer is in equilibrium when :
- (a) The budget line is tangent to the Indifference Curve
 - (b) Marginal rate of Substitution of one good for another must be equal to the Price ratio of the two goods
 - (c) Either a or b
 - (d) None of these
44. When average cost is equal to average revenue of a firm, it gets _____.
- (a) Sub normal profit
 - (b) Normal profit
 - (c) Abnormal profit
 - (d) Super profit
45. Demand for factor of production is
- (a) Supplementary demand
 - (b) Intermediate goods
 - (c) Derived demand
 - (d) Complementary demand
46. The producer's demand for a factor of production is governed by the ____ of that factor.
- (a) Price b)
 - (b) Marginal Productivity
 - (c) Availability
 - (d) (d) Profitability

47. A rise in supply and demand in equal proportion will result in
- (a) Increase in equilibrium price and decrease in equilibrium quantity
 - (b) Decrease in equilibrium price and increase in equilibrium quantity
 - (c) No change in equilibrium price and increase in equilibrium quantity
 - (d) Increase in equilibrium price and no change in equilibrium quantity
48. The Slope of Isoquant is :
- (a) upward to the left
 - (b) Downward to the right
 - (c) downward to the left
 - (d) upward to the right
49. The Cross elasticity between Tea and Coffee is :
- (a) Infinite
 - (b) Positive
 - (c) Zero
 - (d) Negative
50. When the Output increases from 20 to 30 units and TR increases from Rs 400 to Rs 500 then MR is
- (a) 20
 - (b) 10
 - (c) 15
 - (d) None of these
51. In case of Diminishing Return to a factor :
- (a) Marginal Product Diminishes
 - (b) Total Product increase at increasing rate
 - (c) Total Product increases at diminishing rate
 - (d) Both a and b
52. Break even point indicate which of the following ?
- (a) $TR = TC$
 - (b) $TR > TC$
 - (c) $TR = TVC$
 - (d) None of these
53. Negative Return sets in at the stage when :
- (a) MP is negative
 - (b) MP is diminishing
 - (c) MP is rising

- (d) none of these
- 54. The Problem what to produce relates to :
 - (a) The Choice of goods and Services
 - (b) Distribution of Income
 - (c) The Choice of Technique
 - (d) market value of goods and services
- 55. When violation of law of demand occurs :
 - (a) Substitution effect is negative
 - (b) Income effect is negative
 - (c) Negative income effect is less than substitution effect
 - (d) Negative income effect is greater than substitution effect
- 56. Average revenue curve is more elastic under monopolistic competition than monopoly due to
 - (a) Low degree of governmental control
 - (b) lack of close Substitute
 - (c) Availability of close Substitute
 - (d) None of these
- 57. The Producer reduces supply from 100 units to 50 units. When the Price falls from Rs 20 to Rs 10, the Price elasticity of supply will be :
 - (a) 1
 - (b) 2
 - (c) 4
 - (d) None of these
- 58. The Government offer minimum assured price to the farmers to purchase their Output is called
 - (a) Market Price
 - (b) Support Price
 - (c) Equilibrium Price
 - (d) Ceiling Price
- 59. The Price in Collusive Oligopoly is decided by :
 - (a) The Firm
 - (b) Price leader
 - (c) The Industry
 - (d) None of these

60. The Marginal Utility from the last Unit Consumed of Commodity Y = 50 Units and $MU_m = 10$. The Consumer is in equilibrium and consuming commodity y only. Find the Price of Commodity Y—
- (a) 5
 - (b) 10
 - (c) 40
 - (d) None of these
61. Which of the following is NOT a function of public finance?
- (a) Allocation of resources for public goods
 - (b) Income redistribution to achieve social equity
 - (c) Providing tax relief to corporates to boost economic growth
 - (d) Stabilization of the economy through fiscal measures
62. Which of the following is the primary aim of fiscal policy in a country with high unemployment?
- (a) Reducing inflation
 - (b) Achieving full employment
 - (c) Maximizing government revenue
 - (d) Managing the public debt
63. Which of the following is an example of market failure?
- (a) Perfect competition in the economy
 - (b) Non-exclusion in public goods
 - (c) All firms making profits in a perfectly competitive market
 - (d) Optimal allocation of resources by private individuals
64. When a market fails to allocate resources efficiently, leading to overproduction or underproduction of goods, it is called:
- (a) Monopoly
 - (b) Externalities
 - (c) Public Goods
 - (d) Market Equilibrium
65. In the budget-making process, what is the term used to describe the government's planned expenditure exceeding its expected revenue?
- (a) Budget surplus
 - (b) Budget deficit
 - (c) Balanced budget
 - (d) National Debt

66. Which of the following is the correct sequence of stages in the budget-making process?
- (a) Presentation, Drafting, Execution, Approval
 - (b) Drafting, Presentation, Approval, Execution
 - (c) Execution, Presentation, Approval, Drafting
 - (d) Presentation, Approval, Execution, Drafting
67. Which of the following is a tool of expansionary fiscal policy?
- (a) Increasing taxes
 - (b) Cutting government spending
 - (c) Reducing subsidies on essential goods
 - (d) Increasing government spending to stimulate demand
68. Which of the following is NOT typically used as a fiscal policy measure to control inflation?
- (a) Increasing government expenditure
 - (b) Raising taxes
 - (c) Reducing public sector investments
 - (d) Increasing interest rates
69. A fiscal policy aimed at reducing budget deficits and controlling inflation is known as:
- (a) Expansionary fiscal policy
 - (b) Contractionary fiscal policy
 - (c) Neutral fiscal policy
 - (d) Redistributive fiscal policy
70. Which of the following is the most accurate representation of the government's role in resource allocation according to the fiscal function of public finance?
- (a) The government maximizes profits by privatizing public goods.
 - (b) The government ensures the efficient distribution of resources in competitive markets.
 - (c) The government allocates resources to public goods like defense and infrastructure.
 - (d) The government avoids intervening in resource allocation to maintain market efficiency.
71. Which of the following situations best demonstrates a market failure due to asymmetric information?
- (a) A monopolist exploiting market power by reducing supply
 - (b) Consumers buying substandard products because they lack information about quality

- (c) The government providing public goods like street lighting
 - (d) A natural monopoly where economies of scale drive market concentration
72. Which of the following budget types specifically aims to reduce the deficit by either increasing taxes or reducing government spending?
- (a) Balanced budget
 - (b) Expansionary budget
 - (c) Contractionary budget
 - (d) Surplus budget
73. Which of the following would be an example of a counter-cyclical fiscal policy during a period of recession?
- (a) Increasing taxes and reducing government spending
 - (b) Cutting taxes and increasing government expenditure
 - (c) Reducing the public debt by increasing savings
 - (d) Avoiding changes in taxes and government spending
74. Which of the following government interventions is most appropriate to correct the market failure caused by positive externalities?
- (a) Implementing taxes on consumption of the good
 - (b) Subsidizing the production of the good
 - (c) Imposing strict regulations on production
 - (d) Reducing government spending on the good
75. Which of the following factors does NOT directly affect the demand for money?
- (a) Interest rates
 - (b) The level of income or output
 - (d) The price level in the economy
 - (d) The government's fiscal deficit
76. The transaction motive for holding money implies that money is held to:
- (a) Make speculative investments in financial markets
 - (b) Provide liquidity for daily transactions and purchases
 - (c) Protect wealth against inflationary risks
 - (d) Save for future investment in assets
77. Which of the following is NOT a part of the money supply in an economy?
- (a) Currency held by the central bank
 - (b) Demand deposits in commercial banks
 - (c) Saving accounts in commercial banks
 - (d) Time deposits in commercial banks

78. In an economy, a change in the reserve ratio will directly affect the:
- (a) Level of interest rates in the market
 - (b) Supply of money in circulation
 - (c) Demand for money at different income levels
 - (d) Government's budgetary balance
79. Which of the following is the primary objective of monetary policy in a country?
- (a) To reduce government expenditure
 - (b) To regulate the money supply to achieve macroeconomic goals like controlling inflation
 - (c) To provide interest-free loans to the private sector
 - (d) To balance the national budget
80. Which of the following is NOT a typical tool of monetary policy used by a central bank?
- (a) Open market operations
 - (b) Changing the reserve requirements of commercial banks
 - (c) Adjusting the tax rates in the economy
 - (d) Changing the discount rate
81. According to the Quantity Theory of Money, if the money supply increases while the velocity of money and output remain constant, the general price level will:
- (a) Decrease
 - (b) Increase proportionately
 - (c) Stay the same
 - (d) Increase, but unpredictably
82. If the central bank implements an expansionary monetary policy by lowering the reserve requirement, the immediate effect on the money supply will be:
- (a) A decrease in the money supply
 - (b) An increase in the money supply
 - (c) No change in the money supply
 - (d) A reduction in interest rates without affecting money supply
83. Which of the following actions would the central bank most likely take to combat inflationary pressure in the economy?
- (a) Decrease the interest rate
 - (b) Increase the money supply
 - (c) Raise the reserve ratio for commercial banks
 - (d) Lower the statutory liquidity ratio

84. If the central bank wants to decrease the money supply, which of the following tools of monetary policy is most likely to be used?
- (a) Lowering the discount rate
 - (b) Conducting open market purchases of government bonds
 - (c) Increasing the reserve requirement for commercial banks
 - (d) Reducing taxes to increase consumer spending
85. Which of the following is the most effective monetary policy tool for managing short-term fluctuations in the economy?
- (a) Open market operations
 - (b) Changing tax rates
 - (c) Changing government expenditure
 - (d) Price control measures
86. Which of the following is NOT a key assumption of Ricardo's theory of comparative advantage?
- (a) Two countries, each specializing in the good it can produce most efficiently, will both gain from trade.
 - (b) Resources are immobile between countries but mobile within a country.
 - (c) Trade occurs only due to differences in technology between countries.
 - (d) Both countries in trade can benefit even if one country is less efficient in producing both goods.
87. According to the Heckscher-Ohlin theory, a country will have a comparative advantage in the production of goods that:
- (a) Require labor-intensive techniques if the country has a surplus of capital.
 - (b) Utilize abundant factors of production that the country has in large supply.
 - (c) Require advanced technology in which the country is technologically superior.
 - (d) Require high labor costs in a country with low wages.
88. Which of the following is a potential benefit of Foreign Direct Investment (FDI) for the host country?
- (a) Increased inflation due to higher government expenditure
 - (b) Reduction in technological transfer to local industries
 - (c) Creation of employment opportunities and skill development
 - (d) Increased dependence on foreign companies for resources
89. Which of the following is the main motivation for companies to engage in Foreign Direct Investment (FDI)?
- (a) To reduce foreign competition in domestic markets
 - (b) To gain access to new markets and resources

- (c) To avoid taxes in the home country
 - (d) To lower labor costs by outsourcing to developing countries
90. If a country's currency is depreciating, it means that:
- (a) The domestic currency is increasing in value relative to foreign currencies.
 - (b) The country's exports will become more expensive to foreign buyers.
 - (c) The country's exports become cheaper for foreign buyers, potentially boosting trade.
 - (d) The central bank is actively increasing the supply of money.
91. Which of the following would be an effect of a revaluation of a country's currency?
- (a) Increased demand for the country's exports
 - (b) A decrease in the cost of imports for consumers
 - (c) Increased competitiveness of the country's exports in the global market
 - (d) A higher cost of living for consumers due to decreased purchasing power
92. In international trade negotiations, which of the following is the most common objective for countries involved in multilateral trade talks?
- (a) To increase tariffs and protect domestic industries
 - (b) To reduce trade barriers and promote free trade
 - (c) To restrict foreign competition through quotas
 - (d) To enhance domestic subsidies for agricultural sectors
93. In the context of trade negotiations, the term "Most-Favored-Nation (MFN)" status refers to:
- (a) A preferential treatment granted to one country over others in trade agreements.
 - (b) The obligation to trade exclusively with a particular country.
 - (c) A policy that allows countries to impose tariffs on imports from specific nations.
 - (d) A requirement to offer the same trade terms to all trading partners.
94. Which of the following is an example of a multilateral trade agreement?
- (a) North American Free Trade Agreement (NAFTA)
 - (b) European Union (EU) Trade Policies
 - (c) World Trade Organization (WTO) agreements
 - (d) Bilateral Trade Agreement between two countries
95. Which of the following is the primary objective of bilateral trade agreements?
- (a) To create trade barriers between the two countries involved

- (b) To establish free trade between two countries by eliminating tariffs and restrictions
 - (c) To focus on mutual military cooperation between the countries
 - (d) To standardize monetary policies between two countries
96. Which of the following is a primary objective of India's Five-Year Plans?
- (a) To regulate and control foreign trade
 - (b) To promote balanced economic growth across all regions
 - (c) To discourage the private sector in favor of public enterprises
 - (d) To ensure foreign aid and capital inflows into the country
97. Which of the following is the correct sequence of the sectors of the Indian economy according to the economic development stages?
- (a) Primary → Secondary → Tertiary
 - (b) Tertiary → Primary → Secondary
 - (c) Secondary → Tertiary → Primary
 - (d) Primary → Tertiary → Secondary
98. The Green Revolution in India focused primarily on increasing the production of:
- (A) Oilseeds
 - (B) Food grains, especially wheat and rice
 - (C) Fruits and vegetables
 - (D) Cash crops like cotton and sugarcane
99. Which of the following is considered a major challenge to the Indian agricultural sector?
- (A) Over-reliance on capital-intensive machinery
 - (B) Low level of technological adoption and irrigation facilities
 - (C) Excessive imports of agricultural products
 - (D) Lack of foreign investments in the sector
100. Which of the following policies has the Indian government adopted to promote small-scale industries?
- (a) Granting subsidies to large multinational corporations
 - (b) Providing financial and technical assistance to small businesses
 - (c) Encouraging imports of capital goods for industrial use
 - (d) Abolishing labor laws to increase industrial output

ANSWERS

ANSWERS 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 st July ₹	Machine III Purchased on 1 st Nov ₹	Depreciation on sold machine IV ₹
Book value as on 1 st 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)

	Particulars		L.F.	Dr. ₹	Cr. ₹
(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 31st March, 2024

Particulars	₹
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 28th March, 2024 and later debited in Pass Book on 1st April, 2024 has no effect on Bank Reconciliation statement as at 31st March, 2024.

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

	<i>Amount</i>		<i>Amount</i>
	₹		₹
To Opening stock	50,000	By Sales (₹ 2,60,000 × 125/ 100)	3,25,000
To Purchases (balancing figure)	2,72,500	By Closing stock	62,500
To Gross profit c/d (₹ 2,60,000 × 25/ 100)	<u>65,000</u>		_____
	<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 31st 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 $\times \frac{125}{100}$)			
	<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

Liabilities	₹	Assets	₹
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	-	-	98,125	By General reserve	4,000	4,000	4,000
Executor				By Arun & Varun	-	-	8,750
To Bal. c/d	1,08,125	83,125		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 1st 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 31st 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 = ₹ 26,250X1/3
= ₹ 8,750

Which is contributed by Arun and Varun in their gaining Ratio

Arun = ₹ 8,750X1/2 = ₹ 4375

Varun = ₹ 8,750X1/2 = ₹ 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 th 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 st May, 2024 realised ₹ 1,46,000					
Paid to creditors (₹ 20,000)	20,000	—	—	—	—
Paid to Amar's loan (₹ <u>20,000</u>)	—	<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 st May 2024 realised ₹ 94,000					

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

(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 31st 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 31st 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 st 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 31st 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
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					
Less: 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			59,44,800

Working Notes:

(1) Direct Wages – 15,00,000 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

<i>Date 2023</i>	<i>Particulars</i>		<i>Dr. ₹</i>	<i>Cr. ₹</i>
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	Dr.	1,25,000	1,25,000
	(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)			
	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....)			
	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

Cate- gory	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
TOTAL	5,60,000	1,35,000	11,20,000	2,70,000	5,50,000	3,00,000	6,75,000	1,25,000

Also,

- Amount Received on Application (3) = No. of shares applied for (1) X ₹2
- 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.

ANSWERS OF MODEL TEST PAPER 2

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

ANSWERS

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)	Book-keeping	Accounting
	It is a process concerned with recording of transactions.	It is a process concerned with summarising of the recorded transactions.
	It constitutes as a base for accounting.	It is considered as a language of the business.
	Financial statements do not form part of this process.	Financial statements are prepared in this process on the basis of book-keeping records.
	Managerial decisions cannot be taken with the help of these records.	Management takes decisions on the basis of these records.

There is no sub-field of book-keeping.	It has several sub-fields like financial accounting, management accounting etc.
Financial position of the business cannot be ascertained through book-keeping records.	Financial position of the business is ascertained on the basis of the accounting reports.

(c) **Bank Reconciliation Statement as on 31st 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	400	
(2) Goods purchased and delivered during January – March, 2024		
₹ (70,000 – 6,000 + 7,000)	71,000	
(3) Cost of sales return ₹ (1,500 – 300)	<u>1,200</u>	<u>72,600</u>
		1,52,600
Less: (1) Overcasting of a page total	1,000	
₹ (6,000 – 5,000)		
(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>	<u>72,200</u>
Value of stock as on 31st March, 2024		<u>80,400</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	80,000		(₹80,000+ ₹ 16,000)	
	(Erection charges)		31.12.2020	By Balance c/d	4,64,000
1.7.2020	To Bank A/c	1,60,000		(₹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)	
		<u>4,64,000</u>	31.12.2021	By Balance c/d	3,52,000
				(₹ 2,40,000 + ₹ 1,12,000)	
01.01.22	To Balance b/d	3,52,000			<u>4,64,000</u>
30.9.22	To Bank A/c	60,000	01.07.2022	By Bank A/c	1,60,000
				By Profit and Loss A/c	40,000
				(Loss on Sale – W.N.)	
		<u>4,12,000</u>	31.12.2022	By Depreciation A/c	75,000
				(₹ 40,000 + ₹ 32,000 + ₹ 3,000)	
01.01.23	To Balance b/d	1,37,000		By Balance c/d	1,37,000
				(₹ 80,000 + ₹ 57,000)	
		<u>1,37,000</u>			<u>4,12,000</u>
			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>

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>		
	5,62,000		<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	
	12,11,000	8,14,000	5,37,000		12,11,000	8,14,000	5,37,000

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	44,400
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	1,980		
	9,900		
	3,01,200		3,01,200

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
	1,47,960	75,960	37,980		1,47,960	75,960	37,980

Cash Account

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

* An unrecorded asset is in the nature of gain hence realization account is credited. Since this asset

(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 & Machinery		85,000			
Furniture & Fittings		54,000			
Motor Vehicle		48,000			
To Excess of Income over Expenditure		2,32,500			
		<u>19,70,000</u>			<u>19,70,000</u>

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
			Plant & Machinery Cost	8,50,000	

Current Liabilities:		Less: Dep.	(5,90,000)	2,60,000
Outstanding Expenses	2,35,000	Furniture &		
Security Deposit	1,55,000	Fittings:		
		Cost	5,40,000	
		Less: Dep.	(3,80,000)	1,60,000
		Motor Vehicles		
		Cost:	2,40,000	
		Less: Dep.	(48,000)	1,92,000
		Library		3,20,000
		Investments		12,75,000
		Stock (stores)-		
		Material & Supplies		1,85,000
		Cash in hand & at Bank		3,16,000
	<u>38,40,500</u>			<u>38,40,500</u>

Working Notes:

(1)	Material & Supplies-Closing Stock		₹	₹
	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 ₹ 52,500 wrongly debited to building account, now rectified)		52,500	52,500

2.	Profit and Loss Adjustment Account Dr. To Suspense Account (Addition of freight column in purchase journal was under casted, now rectification entry made)	9,000	9,000
3.	Suspense Account Dr. To Leena Account (Goods returned by Leena had been posted wrongly to the debit of her account, now rectified)	12,300	12,300
4.	Profit and Loss Adjustment Account Dr. To Furniture Account (Being sale of furniture wrongly entered in sales book, now rectified)	1,80,000	1,80,000
5.	Lucky & Co. Dr. To Bills receivable account (Bill receivable dishonoured debited to Bills receivable account instead of customer account, now rectified)	45,000	45,000

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

Date 2024	Particulars		Amount ₹	Amount ₹
Mar. 31	Returns outward A/c To Purchases A/c (Being the transfer of returns to purchases account)	Dr.	2,16,000	2,16,000
	Sales A/c To Returns Inward A/c (Being the transfer of returns to sales account)	Dr.	3,00,000	3,00,000
	Sales A/c To Trading A/c (Being the transfer of balance of sales account to trading account)	Dr.	30,00,000	30,00,000
	Trading A/c To Opening Inventory A/c 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.	23,40,000	3,00,000 18,00,000 1,50,000 90,000
	Closing Inventory A/c To Trading A/c (Being the incorporation of value of closing Inventory)	Dr.	6,00,000	6,00,000

	Trading A/c To Gross Profit (Being the amount of gross profit)	Dr.	12,60,000	12,60,000
	Gross profit To Profit and Loss A/c (Being the transfer of gross profit to Profit and Loss Account)	Dr.	12,60,000	12,60,000

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 goods transferred	
	15,12,000			
Less: Return	(18,000)			
	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. To Equity share capital A/c (For final calls of ₹ 2 per share on 2,70,000 equity shares due as per Board's Resolution dated....)	5,40,000	5,40,000
20-4-2023	Bank A/c Dr. To Equity share final call A/c (For final call money on 2,70,000 equity shares received)	5,40,000	5,40,000
	Securities Premium A/c Dr. Capital Redemption Reserve A/c Dr. General Reserve A/c Dr. Profit and Loss A/c (b.f.) Dr. To Bonus to equity shareholders A/c (For making provision for bonus issue of one share for every four shares held)	75,000 1,20,000 3,60,000 1,20,000	6,75,000
	Bonus to equity shareholders A/c Dr. To Equity share capital A/c (For issue of bonus shares)	6,75,000	6,75,000

Extract of Balance Sheet as at 30th April, 2023 (after bonus issue)

	₹
Share Capital	
Authorised Capital	
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>
Issued and subscribed capital	
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
Reserves and surplus	
Securities Premium	75,000
Less: Utilised for bonus issue	<u>(75,000)</u>
Capital Redemption Reserve	1,20,000
	NIL

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:

1. Number of Bonus shares to be issued- ₹
(2,70,000 shares / 4) X 1 = 67,500 shares
2. 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	<u>6,75,000</u>
	<u>33,75,000</u>

6. (a) In the books of Woodland Mills Ltd.

Journal Entries

Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
Bank A/c Dr. To Equity Share Application A/c (Money received on applications for 10,000 shares @ ₹ 1 per share)		10,000	10,000
Equity Share Application A/c Dr. To Equity Share Capital A/c (Transfer of application money on allotment of 10,000 shares)		10,000	10,000
Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Amount due on the allotment of 10,000 shares @ ₹ 2 per share)		20,000	20,000
Bank A/c Dr. To Equity Share Allotment A/c (Allotment money received on 9,900 shares)		19,800	19,800
OR			
Bank A/c Dr. Calls in arrears A/c Dr. To Equity Share Allotment A/c		19,800 200	20,000

(Allotment Amount received except 100 shares)			
Equity Share Capital A/c Dr. To Share Forfeiture A/c To Equity Shares Allotment A/c (100 Shares of Amar forfeited) OR Equity Share Capital A/c Dr. To Shares Forfeiture A/c To Calls in arrears A/c (100 shares forfeited due to non-payment of allotment money)		300	100 200
Equity Share First Call A/c Dr. To Equity Share Capital A/c (First call made due on 9,900 shares at ₹ 3 per share)		29,700	29,700
Bank A/c Dr. To Equity Share First Call A/c (First call money received on 9,750 shares at ₹ 3 per share) OR Bank A/c Dr. Calls in arrears A/c Dr. To Equity Share First Call A/c (First Call money received except 150 shares)		29,250 29,250 450	29,250 29,700
Equity Share Capital A/c Dr. To Share Forfeiture A/c To Equity Share First Call A/c (150 Shares of Kabir forfeited) OR Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls in arrears A/c (150 shares forfeited due to non - payment of First call money)		900 900	450 450 450 450
Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Second and Final call made due on 9,750 shares at ₹ 4 per share)		39,000	39,000

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

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.

ANSWERS 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 5th 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 31st March, 2024

	₹
Stock on 31 st 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
2023		₹	2023		₹
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 th Sept., 2023	<u>52,56,000</u>
	<u>53,00,968</u>

Less: Cheques issued but not presented for payment upto 30 th 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 6th 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:

- 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
- 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.
- Expenses to be excluded from direct expenses:
Office Electricity Charges (80,000 X 25%) 20,000
Delivery Charges to Customers 22,000

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.

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

Average Profits for Goodwill = ₹ 36,000 – Proprietor Remuneration
= ₹ 36,000 – ₹ 6,000 = ₹ 30,000

Normal Profit = Interest on Capital employed
= ₹ 20,000 (i.e. ₹ 2,00,000 x 10/100) = ₹ 20,000

Super Profit = Average Profit - Normal Profit = ₹ 30,000 – ₹ 20,000
= ₹ 10,000

Goodwill = Super Profit x No of years purchases = ₹ 10,000 x 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 31st 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 31st 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 31st 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 1st April, 2023

Balance Sheet as at 1st 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	Dr.	46,000	
	To Equity Share First Call A/c			40,000
	To Calls in Advance A/c			6,000
	(Being first call money received along with calls in advance on 2,000 shares at ₹ 3 per share)			
7	Equity Share Final Call A/c	Dr.	60,000	
	To Equity Share Capital A/c			60,000
	(Being final call made due on 20,000 shares at ₹ 3 each)			
8	Bank A/c	Dr.	53,100	
	Calls in Advance A/c	Dr.	6,000	
	Calls in Arrears A/c	Dr.	900	
	To Equity Share Final Call A/c			60,000
	(Being final call received for 17,700 shares, calls in advance for 2,000 shares and calls in arrears on 300 shares adjusted)			
9	Interest on Calls in Advance A/c	Dr.	240	
	To Shareholders A/c			240
	(Being interest made due on calls in advance of ₹6,000 at the rate of 12% p.a.)			
10	Shareholders A/c	Dr.	240	
	To Bank A/c			240
	(Being payment of interest made to shareholder)			
11	Shareholders A/c	Dr.	15	
	To Interest on Calls in Arrears A/c			15
	(Being interest on calls in arrears made due at the rate of 10%)			
12	Bank A/c	Dr.	615	
	To Calls in Arrears A/c			600
	To Shareholders A/c			15
	(Being money received from shareholder having 200 shares for calls in arrears and interest thereupon)			
13	Shareholders A/c	Dr.	10	
	To Interest on Calls in Arrears A/c			10
	(Being interest on calls in arrears made due at the rate of 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.

ANSWERS OF MODEL TEST PAPER 4

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

1. (a) (i) **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.
- (ii) **False:** If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will agree.
- (iii) **True:** The financial statements must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.
- (iv) **False:** The provisions of the Indian Partnership Act, 1932 shall not apply to a limited liability partnership. Limited Liability (LLPs) Act, 2008 is applicable for Limited Liability Partnerships
- (v) **False:** Under the single entry system of bookkeeping, generally cash book and personal accounts of creditors and debtors are maintained, and no other ledger is maintained.
- (vi) **False:** Preference share holder can hold both Equity shares and Preference shares of the company. Any person can hold both kinds of shares.

(b) Difference between Provision and Contingent liability

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

that the settlement of an obligation will result in outflow of economic benefits, it recognises a provision in the balance sheet.	benefit will outflow from the firm to settle the obligation, it discloses the obligation as a contingent liability.
---	---

(c)

S. No.		Debit (₹)	Credit (₹)
1	Commission A/c Dr. To Interest Received (Correcting wrong entry of interest received into commission account)	13,500	13,500
2	M/s Kamal Traders A/c Dr. To Suspense A/c (Being credit sale of ₹ 5,920 posted as ₹ 5,290 i.e. debiting M/s Kamal Traders A/c less by 630, now rectified)	630	630
3	Drawing A/c Dr. To Machinery A/c (Correction of wrong debit to machinery account for purchase of air-conditioner for personal use)	44,000	44,000
4	Return Inward A/c Dr. To Debtors (Personal) A/c (Correction of omission to record return of goods by customers)	20,000	20,000

2. (a)

In the books of Firm

Machinery Account

		₹			₹
1.1.2020	To Bank A/c	37,000	31.12.2020	By Depreciation A/c	4,000
	To Bank A/c (overhauling charges)	3,000	31.12.2020	By Balance c/d	36,000
		<u>40,000</u>			<u>40,000</u>
1.1.2021	To Balance b/d	36,000	31.12.2021	By Depreciation A/c (₹ 5,400 + ₹ 750)	6,150

1.7.2021	To Bank A/c	10,000	31.12.2021	By Balance c/d (₹ 30,600 + ₹ 9,250)	39,850
		<u>46,000</u>			<u>46,000</u>
1.1.2022	To Balance b/d	39,850	1.7.2022	By Bank A/c(sale)	28,000
1.7.2022	To Bank A/c	25,000	1.7.2022	By Profit and Loss A/c (Loss on Sale – W.N. 1)	305
			31.12.2022	By Depreciation A/c (₹ 2,295 + ₹ 1,388 + ₹ 1,875)	5,558
				By Balance c/d (₹ 7,862 + ₹ 23,125)	30,987
		<u>64,850</u>			<u>64,850</u>
1.1.2023	To Balance b/d	30,987	1.7.2023	By Bank A/c (sale)	2,000
			1.7.2023	By Profit and Loss A/c (Loss on Sale – W.N. 1)	5,272
			31.12.2023	By Depreciation A/c (₹ 590 + ₹ 3,469)	4,059
		<u>30,987</u>	31.12.2023	By Balance c/d	<u>19,656</u>
					30,987

Working Note:

Book Value of machines

	<i>Machine I ₹</i>	<i>Machine II ₹</i>	<i>Machine III ₹</i>
Cost of all machinery (Machinery cost for 2020)	40,000	10,000	25,000
Depreciation for 2020	<u>4,000</u>		
Written down value as on 31.12.2020	36,000		
Purchase 1.7.2021 (6 months)		10,000	

Depreciation for 2021	<u>5,400</u>	<u>750</u>	
Written down value as on 31.12.2021	30,600	9,250	
Depreciation for 6 months (2022)	<u>2,295</u>		
Written down value as on 1.7.2022	28,305		
Sale proceeds	<u>28,000</u>		
Loss on sale	<u>305</u>		
Purchase 1.7.2022			25,000
Depreciation for 2022		<u>1,388</u>	<u>1,875</u>
Written down value as on 31.12.2022		7,862	23,125
Depreciation for 6 months in 2023		<u>590</u>	
Written down value as on 1.7.2023		7,272	
Sale proceeds		<u>2,000</u>	
Loss on sale		<u>5,272</u>	
Depreciation for 2023			<u>3,469</u>
Written down value as on 31.12.2023			<u>19,656</u>

(b) Valuation of Physical Stock as at March 31, 2024

		₹
Stock at cost on 31 st March, 2023		7,20,000
Add: (1) Under casting of a page total	1,800	
(2) Goods purchased and delivered during January – March, 2024		
₹ (6,30,000 – 27,000 + 36,000)	6,39,000	
(3) Cost of sales return ₹ (9,000 – 1,800)	<u>7,200</u>	<u>6,48,000</u>
		13,68,000
Less: (1) Overcasting of a page total ₹ (54,000 – 45,000)	9,000	
(2) Goods sold and dispatched during January – March, 2024		
₹ (8,10,000 – 45,000 + 36,000) 8,01,000		
Less: Profit margin $8,01,000 \times \frac{25}{125}$	<u>1,60,200</u>	<u>6,40,800</u>
		(6,49,800)
Value of stock as on 31st March, 2024		<u>7,18,200</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 ₹ 36,000 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

3. (a) **Income and Expenditure Account**
for the year ended 31st March, 2024

	₹		₹
To Medicines consumed		By Prescription fees	6,60,000
Purchases 2,45,000			
Less: Stock on 31.3.24 (95,000)	1,50,000	By Visiting fees	2,50,000
To Motor car expense	80,000	By Fees from lectures	24,000
To Wages and salaries (1,05,000 – 30,000)	75,000		
To Rent for clinic	60,000		
To General charges	49,000		
To Interest on loan	36,000		
To Net Income	<u>4,84,000</u>		
	<u>9,34,000</u>		<u>9,34,000</u>

Capital Account
for the year ended 31st March, 2024

	₹		₹
To Drawings:		By Cash/bank	2,00,000
Motor car expenses	40,000	By Cash/ bank (pension)	3,00,000
(one-third of ₹ 1,20,000)		By Net income from	4,84,000
Household expenses	1,80,000	practice (derived from	
Daughter's Surgery	2,15,000	income and expenditure	
exp.		A/c)	
Wages of domestic	30,000		
servants			
Household furniture	25,000		
To Balance c/d	<u>4,94,000</u>		
	<u>9,84,000</u>		<u>9,84,000</u>

(b) **Revaluation Account**

	₹		₹
To Furniture A/c	40,000	By Office equipment A/c	47,000
To Stock A/c	30,000	By Building A/c	5,00,000
		By Provision for	
To Partners' capital A/cs:		doubtful debts	15,000
P 2,46,000			
Q 1,64,000			
R <u>82,000</u>	<u>4,92,000</u>		
	<u>5,62,000</u>		<u>5,62,000</u>

Partners' Capital Accounts

	P ₹	Q ₹	R ₹		P ₹	Q ₹	R ₹
To Q's capital A/c	90,000	—	30,000	By Balance b/d	8,00,000	4,20,000	4,00,000
To Q's loan A/c		8,24,000		By General Reserve	1,80,000	1,20,000	60,000
To Balance c/d	11,36,000		5,12,000	By revaluation reserve	2,46,000	1,64,000	82,000
				By P's capital A/c		90,000	
				By R's capital A/c		30,000	
	12,26,000	8,24,000	5,42,000		12,26,000	8,24,000	5,42,000

Balance Sheet as on 1.4.2024 (After Q's retirement)

Liabilities	₹	₹	Assets	₹	₹
Capital accounts:			Building		15,00,000
P	11,36,000		Furniture		2,00,000
R	<u>5,12,000</u>	16,48,000	Office equipment		3,27,000
Q's loan		8,24,000	Stock		2,20,000
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		<u>3,10,000</u>
		<u>28,42,000</u>			<u>28,42,000</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
P	1,80,000	2,70,000	90,000 (Dr.)
Q	1,20,000	-	1,20,000 (Cr.)
R	60,000	90,000	30,000 (Dr.)

4. (i) **Statement showing Realization of Cash**

Sr. No.	Particulars	Realization	Creditors	Partner's Loan	Partner's Capital
1	After taking into account cash balance and amount set aside for expenses	1,500	1,500	-	-
2		4,500	1,500	3,000	
3		5,850	-	4,500	1,350
4		9,000	-	-	9,000
	Including Savings in Exp	30,150	-	-	30,150
		51,000	3,000	7,500	40,500

To ascertain the amount distributable out of each installment realized among the partners, the following table will be constructed:

Statement of Distribution on Capital Accounts

(1) Calculation to determine the mode of distribution of ₹1,350

Particulars	Total	A	B	C
Balance	63,000	22,500	27,000	13,500
Less: Maximum Loss in 2:2:1	(61,650)	(24,660)	(24,660)	(12,330)
	+1,350	-2,160	+2,340	+1,170
Deficiency of A's capital written off against those of B and C in the ratio of their capital 27,000: 13,500, (Garner vs. Murray)			(1,440)	(720)
Manner in which the first ₹ 1,350 should be distributed			+ 900	+ 450

(2) Distribution of ₹9,000

Balance after (1)	61,650	22,500	26,100	13,050
Less : Maximum Loss in 2:2:1	(52,650)	(21,060)	(21,060)	(10,530)
Balance available and distributed	9,000	1,440	5,040	2,520

(3) Distribution of ₹30,150

Balance after (2)	52,650	21,060	21,060	10,530
Less: Maximum Loss in 2:2:1	(22,500)	(9,000)	(9,000)	(4,500)

Distribution of ₹ 30,150	30,150	12,060	12,060	6,030
<u>Summary:</u>				
- Balance	63,000	22,500	27,000	13,500
- Total Amounts Paid	40,500	13,500	18,000	9,000
- Loss	22,500	9,000	9,000	4,500

**(b) Trading and Profit and Loss Account of Mr. Chauhan
for the year ended 31st March, 2024**

Dr.				Cr.			
	Particulars	₹	Amount (₹)		Particulars	₹	Amount (₹)
To	Opening stock		64,500	By	Sales	4,27,150	
To	Purchases	3,13,200			Less: Sales return	<u>5,150</u>	4,22,000
	Less: Purchases return	<u>3,450</u>	3,09,750	By	Closing stock		2,50,000
To	Carriage inward		2,250				
To	Wages		23,430				
To	Gross profit c/d		<u>2,72,070</u>				
			<u>6,72,000</u>				<u>6,72,000</u>
To	Salaries		45,100	By	Gross profit b/d		2,72,070
To	Rent		8,600	By	Bad debts recovered		900
To	Advertisement expenses		8,350				
To	Printing and stationery		2,500				
To	Bad debts		2,200				
To	Carriage outward		2,700				
To	Provision for doubtful debts						
	5% of ₹ 2,40,000	12,000					
	Less: Existing provision	<u>6,400</u>	5,600				
To	Provision for discount on debtors						
	2.5% of ₹ 2,28,000	5,700					
	Less: Existing provision	<u>2,750</u>	2,950				
To	Depreciation:						
	Plant and machinery	6,000					
	Furniture and fittings	<u>2,050</u>	8,050				
To	Office expenses		20,320				
To	Interest on loan		6,000				
To	Net profit (Transferred to capital account)		<u>1,60,600</u>				
			<u>2,72,970</u>				<u>2,72,970</u>

Balance Sheet of Mr. Chauhan as on 31st March, 2024

Liabilities	₹	Amount ₹	Assets	₹	Amount ₹
Capital account	1,30,000		Plant and machinery	40,000	
Add: Net profit	<u>1,60,600</u>		Less: Depreciation	<u>6,000</u>	34,000
	2,90,600		Furniture and fittings	20,500	
Less: Drawings	<u>16,000</u>	2,74,600	Less: Depreciation	<u>2,050</u>	18,450
Bank overdraft		1,60,000	Closing stock		2,50,000
Sundry creditors		95,000	Sundry debtors	2,40,000	
Payable salaries		4,900	Less: Provision for doubtful debts	12,000	
			Less: Provision for bad debts	<u>5,700</u>	2,22,300
			Prepaid rent		600
			Cash in hand		2,900
			Cash at bank		6,250
		<u>5,34,500</u>			<u>5,34,500</u>

5. (a) In the books of Katen Journal Entries

Particulars	₹	₹
Bills Receivable A/c Dr. To Bharat A/c (Being a 3 month's bill drawn on Bharat for the amount due)	50,000	50,000
Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c (Being the bill discounted)	49,500 500	50,000
Bharat A/c Dr. To Bank A/c (Being the bill cancelled up due to Bharat's inability to pay it)	50,000	50,000
Bharat A/c Dr. To Interest A/c (Being the interest due on ₹ 25,000 @ 12% for 3 months)	750	750

Bank A/c To Bharat A/c (Being the receipt of a portion of the amount due on the bill together with interest)	Dr.	25,750	25,750
Bills Receivable A/c To Bharat A/c (Being the new bill drawn for the balance)	Dr.	25,000	25,000
Bharat A/c To Bills Receivable A/c (Being the dishonour of the bill due to Bharat's insolvency)	Dr.	25,000	25,000
Bank A/c Bad Debts A/c To Bharat A/c (Being the receipt of 40% of the amount due on the bill from Bharat's estate)	Dr. Dr.	10,000 15,000	25,000

(b) (i) (i) **Computation of Income for the year 2023-24:**

	₹
Money received during the year related to 2023-24	15,00,000
Add: Money received in advance during previous years	4,50,000
Total income of the year 2023-24	19,50,000

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

Date	Particulars	₹	Date	Particulars	₹
	To Sales A/c (Advance related to current year transferred to sales)	4,50,000	1.4.2023	By Balance b/d	6,00,000
31.3.24	To Balance c/d	5,10,000		By Bank A/c (Balancing Figure)	3,60,000
		9,60,000			9,60,000

So, total money received during the year is:

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

OR

(ii) (i) Amount of salaries to be charged to P & L A/c for the year ended 31stDecember, 2023

Employees = 9 x ₹ 1,32,000 x 12 = ₹ 1,42,56,000
 Trainees = 2 x ₹ 63,000 x 6 = ₹ 7,56,000
 Salaries charged to P & L A/c ₹ 1,50,12,000

(ii) Amount actually paid as salaries during 2023

Employees = 9 x ₹ 1,32,000 x 11 + 9 x ₹ 1,20,000 = ₹ 1,41,48,000
 Trainees = 2 x ₹ 63,000 x 5 = ₹ 6,30,000
 Amount paid as salaries ₹ 1,47,78,000

(iii) Outstanding salaries as on 31.12.2023

Employees = 9 x ₹ 1,32,000 = ₹ 11,88,000
 Trainees = 2 x ₹ 63,000 = ₹ 1,26,000
 Outstanding salaries ₹ 13,14,000

(c) Journal Entries in the books of Puri Ltd.

		₹	₹
1-4-2024	Equity share final call A/c Dr. To Equity share capital A/c (For final calls of ₹ 2 per share on 1,35,000 equity shares due as per Board's Resolution dated....)	2,70,000	2,70,000
20-4-2024	Bank A/c Dr. To Equity share final call A/c (For final call money on 1,35,000 equity shares received)	2,70,000	2,70,000
	Securities Premium A/c Dr. Capital Reserve A/c Dr. General Reserve A/c Dr. Profit and Loss A/c Dr. To Bonus to shareholders A/c (For making provision for bonus issue of one share for every four shares held)	37,500 60,000 1,80,000 60,000	3,37,500
	Bonus to shareholders A/c Dr. To Equity share capital A/c (For issue of bonus shares)	3,37,500	3,37,500

Extract of Balance Sheet as at 30th April, 2024 (after bonus issue)

	₹
Authorised Capital	
15,000 12% Preference shares of ₹10 each	1,50,000
1,83,750 Equity shares of ₹10 each (W.N.2)	<u>18,37,500</u>
Issued and subscribed capital	
12,000 12% Preference shares of ₹10 each, fully paid	1,20,000
1,68,750 Equity shares of ₹10 each, fully paid	16,87,500
(Out of above, 33,750 equity shares @ ₹10 each were issued by way of bonus)	
Reserves and surplus	
Profit and Loss Account	2,40,000

Working Notes:

The authorized capital should be increased as per details given below:	₹
Existing authorized Equity share capital	15,00,000
Add: Issue of bonus shares to equity shareholders (25% of ₹ 13,50,000)	<u>3,37,500</u>
	<u>18,37,500</u>

6. (a)

In the books of Devis Ltd.**Journal Entries**

	Dr. ₹	Cr. ₹
Bank A/c Dr. To Equity Share Application A/c (Being the application money received for 4,50,000 shares at ₹ 6 per share)	27,00,000	27,00,000
Equity Share Application A/c Dr. To Equity Share Capital A/c To Share allotment A/c (Being share allotment made for 3,00,000 shares and excess adjusted towards allotment)	27,00,000	18,00,000 9,00,000
Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment amount due on 3,00,000 equity shares at ₹ 10 per share as per Directors' resolution no... dated...)	30,00,000	30,00,000

Bank A/c To Equity Share Allotment A/c (Being balance allotment money received for 3,00,000 shares)	Dr.	21,00,000	21,00,000
Equity Share first and final call A/c To Equity Share Capital A/c (Being first and final call amount due on 3,00,000 equity shares at ₹ 4 per share as per Directors' resolution no... dated...)	Dr.	12,00,000	12,00,000
Bank A/c Calls in arrears A/c To Equity Share first and final call A/c (Being final call received on 2,91,000 shares)	Dr.	11,64,000 36,000	12,00,000
Share capital A/c (9,000 x ₹ 20) To Forfeited shares A/c (9,000 x ₹ 16) To Calls in arrears A/c (9,000 x ₹ 4) (Being forfeiture of 9,000 shares of ₹ 20 each fully called-up for non payment of first and final call @ ₹ 4 as per Directors' resolution no... dated..)	Dr.	1,80,000	1,44,000 36,000
Bank A/c (7,500 x ₹16) Forfeited shares A/c (7,500 x ₹4) To Equity Share Capital A/c (7,500 x ₹ 20) (Being re-issue of 7,500 shares @ ₹ 16)	Dr.	1,20,000 30,000	1,50,000
Forfeited share A/c (7,500 x ₹ 12) To capital reserve A/c (7,500 x ₹ 12) (Being profit on re-issue transferred to capital reserve)		90,000	90,000

Working Note:

Calculation of amount to be transferred to Capital reserve A/c

			₹
Forfeited amount per share	= 1,44,000/9,000	=	16
Loss on re issue (20-16)			<u>4</u>
Surplus per share			<u>12</u>
Transfer to capital reserve	= ₹ 12 x 7,500	= ₹ 90,000	

(b)

In the Books of Universe Limited

Journal Entries

			Dr. (₹)	Cr. (₹)
1-4-2023	Bank A/c	Dr.	36,00,000	
	Discount/Loss on Issue of Debentures A/c	Dr.	6,00,000	
	To 12% Debentures A/c			40,00,000
	To Premium on Redemption of Debentures A/c			2,00,000
	(For issue of debentures at discount redeemable at premium)			
30-9-2023	Debenture Interest A/c	Dr.	2,40,000	
	To Debenture holders A/c			2,16,000
	To Tax Deducted at Source A/c			24,000
	(For interest payable)			
30-9-2023	Debenture holders A/c	Dr.	2,16,000	
	Tax Deducted at Source A/c	Dr.	24,000	
	To Bank A/c			2,40,000
	(For payment of interest and TDS)			
31-3-2024	Debenture Interest A/c	Dr.	2,40,000	
	To Debenture holders A/c			2,16,000
	To Tax Deducted at Source A/c			24,000
	(For interest payable)			
31-3-2024	Debenture holders A/c	Dr.	2,16,000	
	Tax Deducted at Source A/c	Dr.	24,000	
	To Bank A/c			2,40,000
	(For payment of interest and tax)			
31-3-2024	Profit and Loss A/c	Dr.	4,80,000	
	To Debenture Interest A/c			4,80,000
	(For transfer of debenture interest to profit and loss account at the end of the year)			
31-3-2024	Profit and Loss A/c	Dr.	1,20,000	
	To Discount/Loss on issue of debenture A/c			1,20,000
	(For proportionate debenture discount and premium on redemption written off, i.e., 6,00,000 x 1/5)			

(c) **Adjusted Cash Book as on 31st December, 2023**

Particulars	₹	Particulars	₹
To Balance b/d	1,98,000	By Bank charges	34,000
To Debtors	1,00,000	By Debtor (cheque dishonour)	5,000
		By Balance c/d	2,59,000
	2,98,000		2,98,000

Bank Reconciliation Statement as on 31st December, 2023

Particulars	₹	₹
Balance as per adjusted cash book		2,59,000
ADD: Cheque issued but not presented	45,000	
Payment not effected by bank	<u>4,000</u>	
		<u>49,000</u>
		3,08,000
LESS: Cheque deposited but not cleared	(25,000)	<u>(25,000)</u>
Balance as per Bank Pass Book		2,83,000

ANSWERS OF MODEL TEST PAPER 5

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

1. (a)
1. **True:** The balance represents the cash physically in existence and is therefore an asset.
 2. **False:** Finished goods are normally valued at cost or net realizable value whichever is lower.
 3. **False:** Current year subscription shall be shown in the credit side of the income and expenditure account and not in the balance sheet, as it is not a capital item.
 4. **False:** When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with amount received on shares forfeited.
 5. **True:** Discount at the time of retirement of a bill is a gain for the drawee and loss for the drawer.
 6. **True:** Yes they are types of subsidiary books which is alternate to the journals.

- (b) The practice of accountancy has crossed its usual domain of preparation of financial statements, interpretation of such statements and audit thereof. Chartered Accountants are presently taking active role in company laws and other corporate legislation matters, in taxation laws matters (both direct and indirect) and in general management problems.

Some of the services rendered by chartered accountants to the society are briefly mentioned hereunder:

- (i) Maintenance of books of accounts;
- (ii) Statutory audit;
- (iii) Internal Audit;
- (iv) Taxation;
- (v) Management accounting and consultancy services;
- (vi) Financial advice and financial investigations etc.

Other services like secretarial work, share registration work, company formation receiverships, arbitrations etc.

(c) **Corrected Trial Balance of Mr. X as on 31st March, 2024**

Particulars	Dr. Amount ₹	Cr. Amount ₹
X's Capital		4,668
X's Drawings	1,692	
Leasehold premises	2,250	
Sales		8,250
Due from customers	1,590	
Purchases	3,777	
Purchase return		792
Loan from Bank		768
Trade expenses	2,100	
Trade Payable		1,584
Bills payable		300
Salaries and Wages	1,800	
Cash at Bank	678	
Inventory (1.4.2023)	792	
Rent and rates	1,389	
Sales return	294	
	16,362	16,362

Reasons:

1. Due from customers is an asset, so its balance will be a debit balance.
2. Purchases return account always shows a credit balance because assets goes out.
3. Trade Payable is a liability, so its balance will be a credit balance.
4. Bills payable is a liability, so its balance will be a credit balance.
5. Inventory (opening) represents assets, so it will have a debit balance.
6. Sales return account always shows a debit balance because assets come in.

2. (a)

Date	Particulars		Dr. ₹	Cr. ₹
(1)	Scooter A/c To Profit and Loss Adjustment A/c (Purchase of scooter wrongly debited to conveyance account now rectified-	Dr.	27,000	27,000

	capitalization of ₹27,000, i.e., ₹30,000 less 10% depreciation)			
(2)	Suspense A/c To Profit & Loss Adjustment A/c (Purchase Account overcast in the previous year error now rectified).	Dr.	1,00,000	1,00,000
(3)	Profit & Loss Adjustment A/c To Sam's Account (Credit purchase from Sam's ₹20,000, entered as sales last year, now rectified)	Dr.	40,000	40,000
(4)	Bhaskar's A/c To Anand's A/c (Amount received from Mr. Anand wrongly posted to the account of Mr. Bhaskar; now rectified)	Dr.	10,000	10,000
(5)	Suspense A/c To Paras's A/c (₹ 5,000 received from Paras wrongly debited to his account; now rectified)	Dr.	10,000	10,000
(6)	Trade receivables (Ramesh) / Ramesh A/c To Suspense A/c (₹5,000 due by Mr. Ramesh not taken into trial balance now rectified)	Dr.	5,000	5,000
(7)	Ram's A/c To Profit & Loss Adjustment A/c (Sales to Ram omitted last year; now adjusted)	Dr.	20,000	20,000
(8)	Suspense A/c To Profit & Loss Adjustment A/c (Excess posting to purchase account last year, ₹25,930, instead of ₹23,950, now adjusted)	Dr.	1,980	1,980
(9)	Profit & Loss Adjustment A/c To Manas's Capital A/c (Balance of Profit & Loss Adjustment A/c transferred to Capital Account)	Dr.	1,08,980	1,08,980

(10)	Manas's Capital A/c To Suspense A/c (Balance of Suspense Account transferred to Capital Account)	Dr.	1,06,980	1,06,980
------	--	-----	----------	----------

(b) Profit and Loss Adjustment A/c

	₹		₹
To Advertisement (samples)	80,000	By Net profit	8,00,000
To Sales (goods approved in April to be taken as April sales)	2,00,000	By Electric fittings	30,000
To Adjusted net profit	16,80,000	By Samples	80,000
		By Stock (Purchases of March not included in stock)	5,00,000
		By Sales (goods sold in March wrongly taken as April sales)	4,00,000
		By Stock (goods sent on approval basis not included in stock)	1,50,000
	<u>19,60,000</u>		<u>19,60,000</u>

Calculation of value of inventory on 31st March, 2024

	₹
Stock on 31 st March, 2024 (given)	7,50,000
Add: Purchases of March, 2024 not included in the stock	5,00,000
Goods lying with customers on approval basis	<u>1,50,000</u>
	<u>14,00,000</u>

3. (a) Trading and Profit and Loss Account of Mr. Saurav for the year ended 31st March, 2024

	₹	₹		₹	₹
To Opening stock		1,17,000	By Sales	9,74,000	
To Purchases	8,04,250		Less: Returns	21,500	9,52,500
Add: Omitted invoice	1,000		By Closing stock		1,96,500
	8,05,250				
Less: Returns	14,500				
	7,90,750				
Less: Drawings	1,500	7,89,250			

To Carriage Inwards		49,000		
To Gross profit c/d		1,93,750		
		11,49,000		11,49,000
To Rent and taxes		11,750	By Gross profit b/d	1,93,750
To Salaries and wages		23,250	By Discount received	11,100
To Bank interest	2,750			
Add: Due	4,250	7,000		
To Printing and stationary	36,000			
Less: Prepaid (1/4)	9,000	27,000		
To Discount allowed		4,500		
To General expenses		28,625		
To Insurance		3,250		
To Postage & telegram expenses		5,825		
To Travelling expenses		2,175		
To Provision for bad debts [W.N.]		2,875		
To Provision for discount on debtors [W.N.]		1,093		
To Depreciation on furniture & fittings		1,250		
To Net profit		86,257		
		2,04,850		2,04,850

Working Note:

Provision for bad & doubtful debts:

@ 5% on ₹ 57,500 (60,000-2,500)

2,875

Provision for discount:

2% on ₹ 54,625 (57,500 -2,875)

1,093

(b) (i) **Journal Entry in the books of the M/s Vivek Bros**

Date	Particulars		Dr. ₹	Cr. ₹
April, 1 2024	Amit's Capital A/c Puneet's Capital A/c To Sumit's Capital A/c (Being the required adjustment for goodwill through partner's capital accounts)	Dr. Dr.	3,000 3,000	6,000

(ii) **Revaluation Account**

Dr. Particulars	₹	Particulars	Cr. ₹
To Furniture A/c (₹ 16,800 – 13,800)	3,000	By Machinery A/c (₹ 35,100 - 30,000)	5,100
To Inventory A/c (₹ 5,700 – 4,500)	1,200		
To Partners' Capital A/c (Amit - ₹ 300, Puneet - ₹ 300, Sumit - ₹ 300)	900		
	5,100		5,100

Partners' Capital Accounts

Particulars	Amit	Puneet	Sumit	Particulars	Amit	Puneet	Sumit
To Sumit (Goodwill)	3,000	3,000	–	By Balance b/d	24,600	24,600	27,000
To Bank A/c	–	–	6,000	By General Reserve A/c	3,000	3,000	3,000
To Executors A/c	–	–	30,300	By Revaluation A/c (Profit)	300	300	300
To Balance C/d	24,900	24,900	–	By Amit (Goodwill)	–	–	3,000
				By Puneet (Goodwill)	–	–	3,000
	27,900	27,900	36,300		27,900	27,900	36,300

Working Note:

Statement showing the Required Adjustment for Goodwill

Particulars	Amit	Puneet	Sumit
Right of goodwill before death	1/3	1/3	1/3
Right of goodwill after death	1/2	1/2	–
Gain / (Sacrifice)	(+) 1/6	(+) 1/6	(-) 1/3

4. (a) (i) **Revaluation Account**

		₹			₹
To	Furniture	1,740	By	Building	6,400
To	Stock	2,140	By	Sundry creditors	2,800
To	Provision of doubtful debts (₹ 3,500 – ₹ 400)	3,100	By	Investment	900
To	Outstanding wages	<u>3,120</u>			
		<u>10,100</u>			<u>10,100</u>

(ii) **Partners' Capital Accounts**

		A	B	C		A	B	C
		₹	₹	₹		₹	₹	₹
To	A's Capital			9,000	By	Balance b/d	88,000	72,000
To	B's Capital			6,000	By	Cash A/c	–	–
To	Balance c/d	97,000	78,000	35,000	By	C's Capital A/c (Working Note)	9,000	6,000
		<u>97,000</u>	<u>78,000</u>	<u>50,000</u>			<u>97,000</u>	<u>50,000</u>

(iii) **Balance Sheet of New Partnership Firm**
(after admission of C) as on 31.3.2024

Liabilities	₹	Assets	₹
Capital Accounts:		Building (52,000 + 6,400)	58,400
A 97,000		Furniture (11,600 – 1,740)	9,860
B 78,000		Stock-in-trade (42,800 – 2,140)	40,660
C <u>35,000</u>	2,10,000	Debtors 70,000	
Bills Payable 8,200		Less: Provision for bad Debts (<u>3,500</u>)	66,500
Bank Overdraft 18,000		Investment (5,000 + 900)	5,900
Sundry creditors (25,800-2,800) 23,000		Cash (31,000 + 50,000)	81,000
Outstanding wages <u>3,120</u>			
	<u>2,62,320</u>		<u>2,62,320</u>

Working Note:

1. **Calculation of goodwill**

C's contribution of ₹ 50,000 consists only 1/6th of capital.

Therefore, total capital of firm should be ₹ 50,000 × 6 = ₹ 3,00,000.

But combined capital of A, B and C amounts ₹ 88,000 + 72,000 + 50,000 = ₹ 2,10,000.

Thus Hidden goodwill is ₹ 90,000 (₹ 3,00,000 – ₹ 2,10,000).

C's share $\frac{1}{6}$ th = 15,000

Goodwill will be shared by A & B in their sacrificing ratio.

2. Calculation of sacrificing ratio

Partners	New share	Old share	Sacrifice	Gain
A	$\frac{3}{6}$	$\frac{3}{5}$	$\frac{-3}{30}$	-
B	$\frac{2}{6}$	$\frac{2}{5}$	$\frac{-2}{30}$	-
C	$\frac{1}{6}$	-	-	$\frac{1}{6}$

Therefore,

A will get = ₹ 90,000 $\times \frac{3}{30}$ = ₹ 9,000;

B will get = ₹ 90,000 $\times \frac{2}{30}$ = ₹ 6,000; and

C will be debited on account of goodwill = ₹ 90,000 $\times \frac{1}{6}$ = ₹ 15,000

(b) Subscription for the year ended 31.3.2024

		₹
Subscription received during the year		22,50,000
Less: Subscription receivable on 1.4.2023	67,500	
Less: Subscription received in advance on 31.3.2024	<u>31,500</u>	<u>(99,000)</u>
		21,51,000
Add: Subscription receivable on 31.3.2023	99,000	
Add: Subscription received in advance on 1.4.2024	<u>54,000</u>	<u>1,53,000</u>
Amount of Subscription to appear in Income & Expenditure Account		<u>23,04,000</u>

Sports material consumed during the year end 31.3.2024

	₹
Payment for Sports material	13,50,000
Less: Amounts due for sports material on 1.4.2023	<u>(4,05,000)</u>
	9,45,000
Add: Amounts due for sports material on 31.3.2024	<u>5,85,000</u>

Purchase of sports material	<u>15,30,000</u>
Sports material consumed:	
Stock of sports material on 1.4.2023	4,50,000
Add: Purchase of sports material during the year	<u>15,30,000</u>
	19,80,000
Less: Stock of sports material on 31.3.2024	<u>(6,75,000)</u>
Amount of Sports Material appearing in Income & Expenditure Account	<u>13,05,000</u>

Balance Sheet of M/s Football Club For the year ended 31st March, 2024 (An extract)

Liabilities	₹	Assets	₹
Unearned Subscription	31,500	Subscription receivable	99,000
Amount due for sports material	5,85,000	Stock of sports material	6,75,000

5. (a) Bank Reconciliation Statement as on 31st March, 2024

Particulars	Details (₹)	Amount (₹)
Balance as per Pass Book (Cr.)		1,50,000
Add: Cheque deposited but not yet cleared	22,000	
Add: Cheque recorded in Cash Book but not yet deposited	5,000	
Add: Bank Charges debited by bank	250	27,250
Less: Cheque issued but not yet presented	(48,000)	
Less: Amount deposited but not recorded in Cash Book	(15,700)	
Less: Interest allowed by bank	(1,500)	(65,200)
Balance as per Cash Book		1,12,050

(b) Calculation of Capital of Xavier

	₹	1-4-2021 ₹	₹	1-4-2023 ₹
Assets				
Cash in hand		25,500		16,000
Inventory		56,000		91,500
Sundry debtors		41,500		52,500
Land & Building		1,90,000		1,90,000
Wife's Jewellery		75,000		1,25,000

Motor Car		—		1,25,000
Loan to Xavier's Brother		—		20,000
		3,88,000		6,20,000
Liabilities:				
Owing to Xavier's Brother	40,000		—	
Sundry creditors	35,000	75,000	55,000	55,000
Capital		3,13,000		5,65,000
Income during the two years:				
Capital as on 1-4-2023				5,65,000
Add: Drawings – Domestic Expenses for the two years (₹ 4,000 × 24 months)				96,000
				6,61,000
Less: Capital as on 1-4-2021				(3,13,000)
Income earned in 2021-2022 and 2022-2023				3,48,000
Income declared (₹ 1,05,000 + ₹ 1,33,000)				2,38,000
Suppressed Income				1,10,000

The Income-tax officer's contention that Xavier has not declared his true income is correct. Xavier's true income is in excess of the disclosed income by ₹ 1,10,000 based on the information available.

(c) Journal Entries in the Books of Safari Ltd.

	Dr. ₹	Cr. ₹
Bank A/c Dr.	1,12,500	
To Equity Shareholders A/c		1,12,500
(Application money received on 7,500 shares @ ₹ 15 per share to be issued as rights shares in the ratio of 1:4)		
Equity Shareholders A/c Dr.	1,12,500	
To Equity Share Capital A/c		75,000
To Securities Premium A/c		37,500
(Share application money on 7,500 shares @ ₹ 10 per share transferred to Share Capital Account, and ₹ 5 per share to Securities Premium Account vide Board's Resolution dated...)		
Securities Premium A/c Dr.	37,500	

Profit & Loss A/c	Dr.	37,500	
To Bonus to Shareholders A/c			75,000
(Amount transferred for issue of bonus shares to existing shareholders in the ratio of 1:5 vide General Body's resolution dated...)			
Bonus to Shareholders A/c	Dr.	75,000	
To Equity Share Capital A/c			75,000
(Issue of bonus shares in the ratio of 1 for 5 vide Board's resolution dated....)			
12% Debentures A/c	Dr.	1,80,000	
Premium Payable on Redemption A/c	Dr.	5,400	
To Debenture holders A/c			1,85,400
(Amount payable to debentures holders)			
Profit and loss A/c	Dr.	5,400	
To Premium Payable on Redemption A/c			5,400
(Premium payable on redemption of debentures charged to Profit & Loss A/c)			
Debenture Redemption Reserve A/c	Dr.	18,000	
To General Reserve			18,000
(For DRR transferred to general reserve)			
Bank A/c	Dr.	27,000	
To Debenture Redemption Reserve Investment			27,000
(for DRR Investment realised)			
Debenture holders A/c	Dr.	1,85,400	
To Bank A/c			1,85,400
(Amount paid to debenture holders on redemption)			

6. (a)

			Dr. ₹	Cr. ₹
1	Bank A/c	Dr.	27,00,000	
	To Share Application & Allotment A/c			27,00,000
	(Being Application money on 3,00,000 shares at ₹ 9 per share received.)			

2	Share Application & Allotment A/c To Share Capital A/c (75,000 x ₹ 4) To Securities premium A/c (75,000 x ₹ 5) To Bank A/c (2,00,000 x ₹ 9) To Share First & Final Call A/c (Being application money transferred)	Dr.	27,00,000	
				3,00,000
				3,75,000
				18,00,000
				2,25,000
3	Share First & Final Call A/c (75,000 x 6) To Share Capital Account (Amount First & Final Call A/c due from members as per Directors, resolution no..... dated.....)	Dr.	4,50,000	
				4,50,000
4	Bank Account A/c Calls in arrear A/c To Share First & Final Call Account (Being Receipt of the amounts due on first call.)	Dr. Dr.	2,21,625 3,375	
				2,25,000
5	Equity share capital A/c To Share forfeiture A/c To Calls in arrear A/c (Being 1,125 shares forfeited for non payment of final call.)	Dr.	11,250	
				7,875
				3,375
6	Bank Account A/c (1,125 x ₹ 6) Share forfeiture A/c (1,125 x ₹ 4) To Share Capital A/c (1,125 x ₹ 10) (Being forfeited shares reissued at ₹ 4 discount)	Dr.	6,750 4,500	
				11,250
7	Share forfeiture A/c To Capital reserve A/c (Being share forfeiture transferred to capital reserve)		3,375	
				3,375

Working notes:

1.

Shares Applied	Shares Allotted	Money Received on Application @ ₹ 9/-	Money Transferred to Share Capital @ ₹ 4/-	Money Transferred to Security Premium @ ₹ 5/-	Excess Application Money	Share First and Final Call @ ₹ 6/-	Amount received from Share First and Final Call including excess appl. Money received	Money Refunded
2,00,000	-	18,00,000	-	-	-	-	-	18,00,000
1,00,000	75,000	9,00,000	3,00,000	3,75,000	2,25,000	4,50,000	4,46,625	-
3,00,000	75,000	27,00,000	3,00,000	3,75,000	2,25,000	4,50,000	4,46,625*	18,00,000

* ₹ 2,25,000 + ₹ 2,25,000 - ₹ 3,375.

2. **Number of shares allotted to Mr. Raj** = $1,500 \times 75,000 / 1,00,000$
= 1,125 shares

3. **Calculation of calls in arrear**

Application money received from Raj	(1,500 x 9)	13,500
Less: actual application money	1,125 x 9	<u>10,125</u>
Excess Application & Allotment Money Adjusted with first and final call		<u>3,375</u>
Final call due from Raj		6,750
Less: Adjusted with final call		<u>(3,375)</u>
Calls in arrear		<u>3,375</u>

(c) The difference between the balance shown by the passbook and the cashbook may arise on account of the following:

- (i) Cheques issued but not yet presented for payment.
- (ii) Cheques deposited into the bank but not yet cleared.
- (iii) Interest allowed by the bank.
- (iv) Interest and expenses charged by the bank.
- (v) Interest and dividends collected by the bank.
- (vi) Direct payments by the bank.
- (vii) Direct deposits into the bank by a customer.
- (viii) Dishonour of a bill discounted with the bank.
- (ix) Bills collected by the bank on behalf of the customer.
- (x) An error committed by the bank etc.

OR

(c) Normally, the following subsidiary books are used in a business:

- (i) Cash book to record receipts and payments of cash, including receipts into and payments out of the bank.
- (ii) Purchases book to record credit purchases of goods dealt in or of the materials and stores required in the factory.
- (iii) Purchase Returns Books to record the returns of goods and materials previously purchased.
- (iv) Sales Book to record the sales of the goods dealt in by the firm.
- (v) Sale Returns Book to record the returns made by the customers.
- (vi) Bills receivable books to record the receipts of promissory notes or hundies from various parties.
- (vii) Bills Payable Book to record the issue of the promissory notes or hundies to other parties.
- (viii) Journal (proper) to record the transactions which cannot be recorded in any of the seven books mentioned above.

ANSWERS OF MODEL TEST PAPER 6

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

1. (a) (i) **False:** Such wages being related to capital asset should be debited to the machinery account.
- (ii) **True:** Since the temporary huts were necessary for the construction, their cost should be added to the cost of the cinema hall and thus capitalised.
- (iii) **False:** If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will agree.
- (iv) **True:** In case of the promissory note, it is generally the maker who makes the payment, but in case of the bill of exchange, the person accepting the bill shall be liable to make the payment to the holder of the bill.
- (v) **False:** The business of the partnership firm can be carried on by all the partners or by any one of them acting for all.
- (vi) **False:** Debenture interest is payable before the payment of any dividend on shares.

- (b) **Cash and mercantile system:** Cash system of accounting is a system by which a transaction is recognized only if cash is received or paid. In cash system of accounting, entries are made only when cash is received or paid, no entry being made when a payment or receipt is merely due. Cash system is normally followed by professionals, educational institutions or non-profit making organizations.

On the other hand, mercantile system of accounting is a system of classifying and summarizing transactions into assets, liabilities, equity (owner's fund), costs, revenues and recording thereof. A transaction is recognized when either a liability is created/ impaired and an asset is created/impaired. A record is made on the basis of amounts having become due for payment or receipt irrespective of the fact whether payment is made or received actually.

Mercantile system of accounting is generally accepted accounting system by business entities

- (c) Using the Accounting Equation:

Assets = Capital + Liabilities

- (i) 37,50,000

- (ii) 6,75,000
- (iii) 2,25,000
- (iv) 1,79,40,000

2. (a) **Savin & Co.**

Dr. Machinery Account			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
1.4.2021	To Bank A/c	1,00,000	31.3.2022	By Balance c/d	1,00,000
		1,00,000			1,00,000
1.4.2022	To Balance b/d	1,00,000			
1.10.2022	To Bank A/c	1,50,000	31.03.2023	By Balance c/d	2,50,000
		2,50,000			2,50,000
1.4.2023	To Balance b/d	2,50,000	31.03.2024	By Machinery Disposal A/c	1,00,000
			31.03.2024	By Balance c/d	1,50,000
		2,50,000			2,50,000
1.4.2024	To Balance b/d	1,50,000			

Dr. Provision for Depreciation Account			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
31.03.2022	To Balance c/d	15,000	31.03.2022	By Depreciation A/c	15,000
		15,000			15,000
31.03.2023	To Balance c/d	39,000	1.4.2022	By Balance b/d	15,000
			31.03.2023	By Depreciation A/c (₹ 12,750+₹11,250)	24,000
		39,000			39,000
31.03.2024	To Machinery Disposal A/c [100000-61,413]	38,587	1.4.2023	By Balance b/d	39,000
31.03.2024	To Balance c/d	32,063	31.03.2024	By Depreciation A/c	20,813
			31.03.2024	By Depreciation-Machinery disposed	10,837
		70,650			70,650
			1.4.2024	By Balance b/d	32,063

Dr.

Machinery Disposal Account

Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
31.03.2024	To Machinery A/c	1,00,000	31.03.2024	By Provision for Depreciation A/c	38,587
			31.03.2024	By Bank A/c	50,000
			31.03.2024	By Profit & Loss A/c (Loss on Sale)	11,413
		1,00,000			1,00,000

Working Notes:

1. Depreciation for the machine purchased on 1.10.2022.

For the year 2022-23 (used for 6 months) = ₹ 1,50,000 x 15% x $\frac{6}{12}$
= ₹ 11,250

For the year 2023-24 (used for full year) = ₹ 1,38,750 x 15 % = ₹ 20,813

2. Depreciation for the machine purchased on 1.4.2021.

Depreciation = ₹ 1,00,000 x 15% = ₹ 15,000

So, Depreciation for 2nd year = ₹ 85,000 x 15% = ₹ 12,750

Depreciation for 3rd year = ₹ 72,250 x 15% = ₹ 10,837

(b)

Bank Reconciliation Statement of Ms. Suman

	Balance as per Cash Book			(1,97,400)
Add:	Cheques issued but not presented for payment		14,800	
	Crossed Cheque issued to Abdul not presented for payment		3,000	
	Amounts collected by Bank on our behalf but not entered in the Cash Book			
	Dividend	600		
	Insurance claim	<u>3,200</u>		
		3,800		
	(-) Bank Commission	<u>400</u>	3,400	
	Amount paid in A/c No. 2 credited by the Bank wrongly to this A/c		<u>2,000</u>	<u>23,200</u>
				(1,74,200)

Less: Cheques deposited in the bank but no cleared (₹ 5,200 + ₹ 1,000)		6,200	
Payments made by Bank on our behalf but not entered in the Cash Book			
Interest	1,280		
Premium	640		
Second call	<u>2,400</u>	4,320	
Cheques issued against A/c No. 2 but wrongly debited by the Bank to this A/c		<u>1,200</u>	<u>(11,720)</u>
Overdraft as per Pass Book			1,85,920

3. (a) **Corrected Receipts and Payments Account of Gold Smith Club
for the year ended 31st March, 2024**

Receipts		₹	Amount ₹	Payments		Amount ₹
To	Balance b/d		9,000	By	Expenses	
To	Subscription				(₹ 1,26,000 –	72,000
	Annual Income	91,800		By	₹ 54,000)	
				By	Sports Material	54,000
					Balance c/d	18,14,400
	Less: Receivable as on 31.3.2024	5,400			(Cash in Hand and at Bank)	
	Add: Advance received for the year 2024–2025	1,800				
	Add: Receivable as on 31.3.2023	3,600				
	Less: Advance received as on 31.3.2023	<u>1,800</u>	90,000			
To	Other Fees		36,000			
To	Donation for Building		18,00,000			
To	Sale of Furniture		5,400			
			<u>19,40,400</u>			<u>19,40,400</u>

Income and Expenditure Account of Gold Smith Club

for the year ended 31st March, 2024

Expenditure		₹	Amount ₹	Income		Amount ₹
To	Sundry Expenses		72,000	By	Subscription	91,800
To	Sports Material			By	Other fees	36,000
	Balance as on 1.4.2023	1,33,200		By	Interest on investment (5% on ₹ 5,40,000)	27,000
	Add: Purchases	54,000		By	Deficit: Excess of Expenditure over Income	72,000
	Less: Balance as on 31.3.2023	(36,000)	1,51,200			
	Loss on sale of Furniture		3,600			
			2,26,800			2,26,800

Balance Sheet of Gold Smith Club

as on 31st March, 2024

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital Fund (W N)	7,20,000		Furniture	36,000	
Less: Excess of Expenditure over Income	<u>72,000</u>	6,48,000	Less: Sold	<u>9,000</u>	27,000
Building Fund		18,00,000	5% Investment		5,40,000
Subscription Received in advance		1,800	Interest Accrued on Investment		27,000
			Sports Material		36,000
			Subscription Receivable		5,400
			Cash in Hand and at Bank		<u>18,14,400</u>
		24,49,800			24,49,800

Working Note:

Balance Sheet of Gold Smith Club as on 1st April, 2023

Liabilities	Amount ₹	Assets	Amount ₹
Subscription Received in Advance	1,800	Furniture	36,000
Capital Fund	7,20,000	Investment	5,40,000
(Balancing Figure)		Sports Material	1,33,200
		Subscription Receivable	3,600

		Cash in Hand and at Bank	9,000
	7,21,800		7,21,800

(b) (i) If Guarantee is given by firm

**Profit and Loss Appropriation Account for the year ending
on 31st March, 2024**

Particulars	₹	Particulars	₹
To P's Capital A/c (3/5 of ₹ 1,30,00,000)	78,00,000	By Profit and Loss A/c	1,80,00,000
To Q's Capital A/c (2/5 of ₹ 1,30,00,000)	52,00,000		
To R's Capital A/c (1/6 of ₹ 1,80,00,000 or ₹ 50,00,000 whichever is more	50,00,000		
	1,80,00,000		1,80,00,000

(ii) If Guarantee is given by P and Q equally

**Profit and Loss Appropriation Account for the year ending
on 31st March, 2024**

Particulars		₹	Particulars	₹
To P's Capital A/c (3/6 of ₹ 1,80,00,000)	90,00,000		By Profit and Loss, A/c (net profits)	1,80,00,000
Less: Deficiency borne for R (1/2 of 20,00,000)	<u>(10,00,000)</u>	80,00,000		
To Q's Capital A/c (2/6 of ₹ 1,80,00,000)	60,00,000			
Less: Deficiency borne for R (1/2 of 20,00,000)	<u>(10,00,000)</u>	50,00,000		
To R's Capital A/c (1/6 of ₹ 1,80,00,000)	30,00,000			
Add: Deficiency Recovery from P	10,00,000			
Add: Deficiency Recovery from Q	<u>10,00,000</u>	50,00,000		
		1,80,00,000		1,80,00,000

4. (a)

Revaluation Account

	₹		₹
To Plant & Machinery (3,40,000 x 15%)	51,000	By Land & Building A/c	3,04,000
To Provision for Bad & Doubtful Debts (1,20,000 x 5%)	6,000		
To Outstanding Repairs to Building	12,000		
To Albert's Capital A/c (5/8)	1,46,875		
To Andrew's Capital A/c (3/8)	88,125		
	3,04,000		3,04,000

Capital Accounts of Partners

	Albert	Andre	David		Albert	Andre	David
To Albert's Capital A/c	-	-	40,000	By Balance b/d	8,20,000	6,60,000	-
To Andrew's Capital A/c			24,000	By Revaluation A/c	1,46,875	88,125	-
To Andrew's Current A/c	-	1,36,125		By Profit & Loss A/c	1,40,000	84,000	-
To Balance c/d	12,00,000	7,20,000	4,80,000	By Bank			5,44,000
				By David's Capital A/c	40,000	24,000	
				By Albert's Current A/c	53,125		
	12,00,000	8,56,125	5,44,000		12,00,000	8,56,125	5,44,000

Calculation of New Profit Sharing Ratio and gaining ratio:

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

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

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

Andrew's 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 Thomas & Associates as on 31.3.2024

Liabilities		₹	Assets		
Capital Accounts:			Land & Buildings		10,64,000
Albert	12,00,000		Plant & Machinery	3,40,000	
Andrew	7,20,000		Less: Depreciation	<u>51,000</u>	2,89,000

David	<u>4,80,000</u>	24,00,000	Furniture		2,18,960
Andrew's Current A/c		1,36,125	Stock		2,90,520
Trade Creditors		1,09,600	Sundry Debtors	1,20,000	
Outstanding Repairs to Building		12,000	Less: Provision	<u>6,000</u>	1,14,000
			Cash at Bank		6,28,120
			Albert's current A/c		<u>53,125</u>
		<u>26,57,725</u>			<u>26,57,725</u>

Working Note:

Required Balance of Capital Accounts

David's Capital after writing off Goodwill = 5,44,000 – 64,000 = 4,80,000

David's Share of Profit = 1/5

Thus, Capital of the firm shall be = 4,80,000 x 5 = 24,00,000

Albert's Capital = 24,00,000 x 5/10 = 12,00,000 and

Andrew's Capital = 24,00,000 x 3/10 = 7,20,000

(b) (i) Amount of salaries to be charged to P & L A/c for the year ended 31stDecember, 2024

Employees = 8 x ₹ 1,32,000 x 12 = ₹ 1,26,72,000

Trainees = 2 x ₹ 63,000 x 6 = ₹ 7,56,000

Salaries charged to P & L A/c ₹ 1,34,28,000

(ii) Amount actually paid as salaries during 2024

Employees = 8 x ₹ 1,32,000 x 11 + 8 x ₹ 1,20,000 = ₹ 1,25,76,000

Trainees = 2 x ₹ 63,000 x 5 = ₹ 6,30,000

Amount paid as salaries ₹ 1,32,06,000

(iii) Outstanding salaries as on 31.12.2024

Employees = 8 x ₹ 1,32,000 = ₹ 10,56,000

Trainees = 2 x ₹ 63,000 = ₹ 1,26,000

Outstanding salaries ₹ 11,82,000

5. (a) Trading and Profit & Loss Account for the year ended 31-03-2024

	₹	₹		₹
To Opening stock		38,600	By Sales	8,54,000
To Purchases		6,13,750	By Closing stock	55,700
To Gross profit c/d (b.f.)		2,57,350		
		<u>9,09,700</u>		<u>9,09,700</u>

To Salaries (75,000 + 14,000 - 12,000)		77,000	By Gross Profit b/d	2,57,350
To Rent and taxes		11,800	By Interest on investment	10,200
To General expenses		22,500	(9,750+450)	
To Depreciation:				
Machinery @ 10%	8,500			
Furniture @ 10%	<u>2,450</u>	10,950		
To Bad Debts	7,200			
To Provision for doubtful debts	<u>7,000</u>	14,200		
To Balance being profit carried to Capital A/c (b.f.)				
		1,31,100		
		<u>2,67,550</u>		<u>2,67,550</u>

Balance Sheet as on 31st March, 2024

Liabilities	₹	₹	Assets	₹	₹
Prakash's Capital			Machinery	85,000	
on 1st April, 2023	3,32,150		Less: Depreciation	<u>(8,500)</u>	76,500
Add: Fresh Capital	50,000		Furniture	24,500	
Add: Profit for the year	<u>1,31,100</u>		Less: Depreciation	<u>(2,450)</u>	22,050
	5,13,250				
Less: Drawings	<u>(96,000)</u>	4,17,250	Inventory-in-trade		55,700
			Sundry debtors	3,50,000	
Sundry creditors		2,08,200	Less: Provision for		
Outstanding expenses		14,000	Doubtful debts	<u>(7,000)</u>	3,43,000
			Investment (including accrued interest ₹ 450)		85,450
			Cash at bank		36,600
			Cash in hand		20,150
		<u>6,39,450</u>			<u>6,39,450</u>

Working Notes:**1. Balance sheet as on 1-4-2023**

	₹		₹
Sundry creditors	60,200	Machinery	85,000
Capital	3,32,150	Furniture	24,500
(balancing figure)		Inventory	38,600
Outstanding salaries	12,000	Sundry debtors	1,55,000
		12% Investments	85,000
		Bank balance (from Cash statement)	16,250
	4,04,350		4,04,350

2. Total Debtors Account

		₹			₹
1.4.23	To Balance b/d	1,55,000	31.3.24	By Cash	4,81,000
31.3.24	To Credit sales (1,70,800/20x80)	6,83,200	31.3.24	By Bad debts	7,200
				By Balance c/d (Bal. Fig.)	3,50,000
		8,38,200			8,38,200

3. Total Creditors Account

		₹			₹
31.3.24	To Cash	3,43,000	1.4.23	By Balance b/d	60,200
31.3.24	To Balance c/d (Bal. Fig.)	2,08,200	31.3.24	By Credit Purchases (1,22,750/20x80)	4,91,000
		5,51,200			5,51,200

(b) Journal Entries in the books of Snowberry Ltd.

2024		Dr. ₹ in lakhs	Cr. ₹ in lakhs
April 2	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Final call of ₹ 2 per share on 10 crore equity shares made due)	2,000	2,000
	Bank A/c Dr. To Equity Share Final Call A/c (Final call money on 10 crore equity shares received)	2,000	2,000

June 1	Capital Redemption Reserve A/c	Dr.	1,000	
	Securities Premium A/c	Dr.	2,000	
	Capital Reserve A/c	Dr.	485	
	General Reserve A/c	Dr.	515	
	To Bonus to Shareholders A/c (Bonus issue of two shares for every five shares held, by utilising various reserves as per Board's resolution dated.....)			4,000
	Bonus to Shareholders A/c	Dr.	4,000	
	To Equity Share Capital A/c (Capitalisation of profit)			4,000

Notes to Accounts

			₹ in lakhs
1.	Share Capital		
	Authorised share capital		
	20 crore shares of ₹ 10 each		<u>20,000</u>
	Issued, subscribed and fully paid up share capital		
	14 crore Equity shares of ₹ 10 each, fully paid up		14,000
	(Out of the above, 4 crore equity shares @ ₹ 10 each were issued by way of bonus)		
	2 crore, 11% Cumulative Preference share capital of ₹ 10 each, fully paid up		<u>2,000</u>
			<u>16,000</u>
2.	Reserves and Surplus		
	Capital Reserves	485	
	Less: Utilized for bonus issue	<u>(485)</u>	-
	Capital Redemption reserve	1,000	
	Less: Utilized for bonus issue	<u>(1,000)</u>	-
	Securities Premium	2,000	
	Less: Utilized for bonus issue	<u>(2,000)</u>	-
	General Reserve	1,040	
	Less: Utilized for bonus issue	<u>(515)</u>	525
	Surplus (Profit and Loss Account)		<u>273</u>
	Total		<u>798</u>

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

Date			Dr. ₹	Cr. ₹
(a)	Equity Share Capital A/c To Equity Share Allotment money A/c (9000 x ₹ 3) To Equity Share Final Call A/c (9000 x ₹ 4) To Forfeited Shares A/c (9000 x ₹ 3) (Being the forfeiture of 9000 equity shares of ₹ 10 each for non-payment of allotment money and final call, held by Varun as per Board's resolution No.....dated.....)	Dr.	90,000	27,000 36,000 27,000
(b)	Bank A/c (9,000 x 8) Forfeited Shares A/c (9,000x 2) To Equity Share Capital A/c (Being the re-issue of 9,000 forfeited shares @ ₹ 8 each as fully paid up to Katen as per Board's resolution No.....dated.....)	Dr. Dr.	72,000 18,000	90,000
(c)	Forfeited Shares A/c To Capital Reserve A/c (Being the profit on re-issue, transferred to capital reserve)	Dr.	9,000	9,000

(ii) **Journal Entries in the book of Mr. Y**

		Dr. ₹	Cr. ₹
Preference Share Capital A/c (10,000 x ₹ 70) To Preference Share Allotment A/c (10,000 x ₹ 20) To Preference Share First Call A/c (10,000 x ₹ 20) To Forfeited Share A/c (Being the forfeiture of 10,000 preference shares ₹ 70 each being called up for non-payment of allotment and first call money as per Board's Resolution No.... dated.....)	Dr.	7,00,000	2,00,000 2,00,000 3,00,000
Bank A/c (8,000 x ₹60) Forfeited Shares A/c (8,000 x ₹10)	Dr. Dr.	4,80,000 80,000	

To Preference Share Capital A/c (Being re-issue of 8,000 shares at ₹ 60 per share paid-up as ₹ 70 as per Board's Resolution No.....dated....)	Dr.	1,60,000	5,60,000
Forfeited Shares A/c To Capital Reserve A/c (WN 1) (Being profit on re-issue transferred to Capital/Reserve)			1,60,000

Working Note:

Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share = ₹ 3,00,000/10,000 = ₹ 30

Loss on re-issue = ₹ 70 – ₹ 60 = ₹ 10

Surplus per share re-issued ₹ 20

Transferred to capital Reserve ₹ 20 x 8,000 = ₹ 1,60,000.

(b) In the books of Shell chemicals Ltd.

Journal Entries

		₹	₹
9% Preference Share Capital A/c To Calls in Arrears A/c To Shares Forfeited A/c (For Shares Forfeited because of non-payment of calls as holders are unknown)	Dr.	1,00,000	20,000 80,000
Bank A/c (W N) To Equity Share Capital A/c (Being the issue of 20,000 Equity Shares of ₹ 10 each at par as per Board's Resolution No.....dated....)	Dr.	2,00,000	2,00,000
General Reserve A/c To Capital Redemption Reserve A/c (For transfer to CRR for the amount not covered by the proceeds of fresh issue of equity shares)	Dr.	7,00,000	7,00,000
9% Preference Share Capital A/c To Preference Shareholders A/c (For amount payable to preference shareholders)	Dr.	9,00,000	9,00,000
Preference Shareholders A/c To Bank A/c (For amount paid to preference shareholders)	Dr.	9,00,000	9,00,000

Working Note:

Number of Shares to be issued for redemption of Preference Shares:

Face value of shares redeemed	9,00,000
Less: Profit available for distribution as dividend: General Reserve	<u>7,00,000</u> <u>2,00,000</u>
Therefore, number of shares to be issued = ₹ 2,00,000/ ₹ 10 = 20,000 shares.	

- (c) (i) Adjusted selling method is also called retail inventory method. It is used widely in retail business or in business where the inventory comprises of items, the individual costs of which are not readily ascertainable. The historical cost of inventory is estimated by calculating it in the first instance at selling price and then deducting an amount equal to the estimated gross margin of profit on such stocks.
- (ii) The specific identification method, First-In–First-Out (FIFO) and weighted average cost formulae are the principal methods of ascertaining the cost of inventory. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects should be assigned by specific identification of their individual costs under the specific identification method.

Or

- (c) (i) Revenue Expenditure.
(ii) Capital Expenditure.
(iii) Revenue Expenditure.
(iv) Revenue Expenditure.
(v) Capital Expenditure.

ANSWERS OF MODEL TEST PAPER 7

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

ANSWERS

1. (a) (i) **False:** A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a contingent asset.
- (ii) **False:** If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will agree.
- (iii) **True:** If closing stock appears in trial balance, it depicts that one aspect of the double entry has been completed, hence it is taken only to Balance Sheet.
- (iv) **False:** A forfeited share is merely a share available to the company for sale and remains vested in the company for that purpose only. Reissue of forfeited shares is not allotment of shares but only a sale as they have already been allotted earlier.
- (v) **True:** All the receipts and payments whether of revenue or capital nature are included in Receipt and Payment account.
- (vi) **True:** As per perpetual existence the company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

(b) **Distinction between Money Measurement concept and Matching concept**

As per **Money Measurement concept**, only those transactions, which can be measured in terms of money are recorded. Since money is the medium of exchange and the standard of economic value, this concept requires that those transactions alone that are capable of being measured in terms of money should be recorded in the books of accounts. Transactions and events that cannot be expressed in terms of money are not recorded in the business books.

In **Matching concept**, all expenses matched with the revenue of that period should only be taken into consideration. In the financial statements of the organization if any revenue is recognized then expenses related to earn that revenue should also be recognized.

(c)

Chemical Mill**Calculation of the value of Inventory as on 31-3-2024**

Date	Receipts			Issues			Balance		
	Units	Rate	Amount	Units	Rate	Amount	Units	Rate	Amount
		₹	₹		₹	₹		₹	₹
1-1-2024	Balance							Nil	
1-1-2024	100	300	30,000				100	300	30,000
15-1-2024				50	300	15,000	50	300	15,000
1-2-2024	200	400	80,000				250	380	95,000
15-2-2024				100	380	38,000	150	380	57,000
20-2-2024				100	380	38,000	50	380	19,000

Therefore, the value of Inventory as on 31-3-2024 = 50 units @ ₹ 380
= ₹19,000

2. (a)

In the books of Saraswat & Sons**Journal**

	Particulars	L.F.	Dr. ₹	Cr. ₹
(i)	Furniture A/c Dr. To Purchases A/c (Correction of wrong debit to Purchases A/c for furniture purchased)		20,000	20,000
(ii)	Satyam A/c Dr. To Bad Debts Recovered A/c (Correction of wrong credit to Personal A/c in respect of recovery of previously written off bad debts)		3,000	3,000
(iii)	Repairs A/c Dr. To Building A/c (Correction of wrong debit to building A/c for repairs made)		18,500	18,500
(iv)	Purchases A/c Dr. To Ram Singh A/c (Purchases of goods from Ram Singh remained unrecorded)		18,000	18,000
(v)	Drawings A/c Dr. To Audit Fees A/c (Correction of wrong debit to Audit Fees A/c for college fees of proprietor's son)		15,000	15,000

(vi)	Anita To Kanika (Correction of wrong credit to Anita instead of Kanika)	Dr.	4,500	4,500
(vii)	Returns Inwards / Sales Return A/c To Customer/Debtors A/c (Entry of goods returned by customer and taken in inventory omitted from records)	Dr.	8,900	8,900
(viii)	Furniture A/c To Wages A/c (Wages paid to workmen for office furniture wrongly charged to wages a/c now rectified)	Dr.	7,500	7,500
(ix)	Salaries A/c To Clerk's (Personal) A/c (Correction of wrong debit to Clerk's personal A/c for salaries paid)	Dr.	18,000	18,000
(x)	Purchases A/c Sales A/c To Raghav A/c (Correction of wrong entry in the sales Book for purchases of goods from Raghav)	Dr. Dr.	20,000 20,000	40,000

(b)

S Chand & Associates

Dr.

Machinery Account

Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
1.1.2021	To Bank A/c	3,00,000	31.12.2021	By Balance c/d	3,00,000
		3,00,000			3,00,000
1.1.2022	To Balance b/d	3,00,000			
1.7.2022	To Bank A/c	4,50,000	31.12.2022	By Balance c/d	7,50,000
		7,50,000			7,50,000
1.1.2023	To Balance b/d	7,50,000	31.12.2023	By Machinery Disposal A/c	3,00,000
			31.12.2023	By Balance c/d	4,50,000
		7,50,000			7,50,000
1.1.2024	To Balance b/d	4,50,000			

Dr. Provision for Depreciation Account			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
31.12.2021	To Balance c/d	45,000	31.12.2021	By Depreciation A/c	45,000
		45,000			45,000
31.12.2022	To Balance c/d	1,17,000	1.1.2022	By Balance b/d	45,000
			31.12.2022	By Depreciation A/c (₹ 38,250 + ₹ 33,750)	72,000
		1,17,000			1,17,000
31.12.2023	To Machinery Disposal A/c	1,15,762	1.1.2023	By Balance b/d	1,17,000
31.12.2023	To Balance c/d	96,188	31.12.2023	By Depreciation A/c (WN 1)	62,438
			31.12.2023	By Depreciation on machinery sold (WN 2)	32,512
		2,11,950			2,11,950
			1.1.2024	By Balance b/d	96,188

Dr. Machinery Disposal Account			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
31.12.2023	To Machinery A/c	3,00,000	31.12.2023	By Provision for Depreciation A/c	1,15,762
			31.12.2023	By Bank A/c	1,50,000
			31.12.2023	By Profit & Loss A/c (Loss on Sale)	34,238
		3,00,000			3,00,000

Working Notes:

- Depreciation for the machine purchased on 1.7.2022.

$$\text{For the year 2022 (Used for 6 months)} = ₹ 4,50,000 \times 15\% \times \frac{6}{12}$$

$$= ₹ 33,750$$

$$\text{For the year 2023 (Used for full year)} = ₹ 4,16,250 \times 15\% = ₹ 62,438$$

- Depreciation for the machine purchased on 1.1.2021.

$$\text{Depreciation for the year 2021} = ₹ 3,00,000 \times 15\% = ₹ 45,000$$

$$\text{Depreciation for the year 2022} = ₹ 2,55,000 \times 15\% = ₹ 38,250$$

$$\text{Depreciation for the year 2023} = ₹ 2,16,750 \times 15\% = ₹ 32,512$$

3. (a) (i)

Realisation Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Land and building	2,46,000	By Sundry creditors	36,000
To Furniture and fixtures	65,000	By Mortgage loan	1,10,000
To Stock	1,00,000	By Cash account -	
To Debtors	72,500	Land and building	2,30,000
To Cash A/c (expenses on dissolution)	7,800	Furniture & fixtures	42,000
To Cash A/c (creditors ₹ 36,000 + ₹ 18,000)	54,000	Stock	72,000
To Cash A/c (Mortgage loan)	1,10,000	Debtors	65,000
		By Partners' capital accounts (Loss 4:3:2:1)	
		P = 40,120	
		Q = 30,090	
		R = 20,060	1,00,300
		S = <u>10,030</u>	
	6,55,300		6,55,300

Partners' Capital Accounts

Particulars	P	Q	R	S	Particulars	P	Q	R	S
	₹	₹	₹	₹		₹	₹	₹	₹
To Balance b/d	-	-	1,000	6,000	By Balance b/d	2,16,000	1,44,000		
To Realization A/c (Loss)	40,120	30,090	20,060	10,030	By Cash A/c (realization loss)	40,120	30,090	-	10,030
To R's Capital A/c (Deficiency)	12,636	8,424	-	-	By P's Capital A/c			12,636	
					By Q's Capital A/c			8,424	
To Cash A/c	2,03,364	1,35,576	-	-	By Cash A/c				6,000
	2,56,120	1,74,090	21,060	16,030		2,56,120	1,74,090	21,060	16,030

Note: P, Q and S brought cash to make good, their share of the loss on realization. However, in actual practice they will not be bringing any cash, only a notional entry will be made.

Cash Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	15,500	By Realization A/c:	
To Realization A/c:		Expenses on	7,800
Land and building	2,30,000	dissolution	
Furniture & fixtures	42,000	Creditors (36,000 + 18,000)	54,000
		Mortgage loan	1,10,000
Stock	72,000	By P's capital A/c	2,03,364

Debtors	65,000	By Q's capital A/c	1,35,576
To P, Q, S's capital A/c's (Realisation Loss-)	80,240		
(40,120 + 30,090 + 10,030)			
To S's capital A/c	<u>6,000</u>		<u> </u>
	<u>5,10,740</u>		<u>5,10,740</u>

Working Note:

As per Garner Vs. Murray rule, solvent partners have to bear the loss due to insolvency of a partner in their capital ratio.

Calculation of Capital Ratio of Solvent Partners

Though S is a solvent partner yet he cannot be called upon to bear loss on account of insolvency of R because his capital account has a debit balance.

Therefore, capital ratio of P & Q = 216 : 144 = 3 : 2

Deficiency of R will be shared by P & Q in the capital ratio of 3 : 2 i.e.

$$P = ₹ 21,060 \times \frac{3}{5} = ₹ 12,636$$

$$Q = ₹ 21,060 \times \frac{2}{5} = ₹ 8,424$$

(b)

In the books of Mr. Dilip

Trading Account for the year ended 31st March, 2024

Particulars	Amount (₹)	Particulars		Amount (₹)
To Opening Inventory	3,30,000	By Sales	29,10,000	
To Purchases 12,90,000		Less: Returns (60,000)		28,50,000
Less: Returns (36,000)	12,54,000	By Closing Inventory		5,40,000
To Freight Inwards	1,20,000			
To Gross profit	16,86,000			
	<u>33,90,000</u>			<u>33,90,000</u>

Profit and Loss Account for the year ended 31st March, 2024

Particulars	₹	Particulars	₹
To Depreciation	1,57,500	By Gross profit	16,86,000
To Salaries	6,30,000	By Discount received	27,000
To Administration expenses	4,50,000		
To Discount allowed	57,000		

To Bad debts	15,000		
To Net profit	4,03,500		
	17,13,000		17,13,000

Balance Sheet as at 31st March, 2024

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital	19,50,000		Furniture	10,50,000	
Add: Net profit	4,03,500	23,53,500	Less: Depreciation	(1,57,500)	8,92,500
Trade payables		5,70,000	Closing Inventory		5,40,000
Output IGST		6,000	Trade receivables		6,30,000
			Investment in Govt Securities		3,00,000
			Cash in Hand and Cash at Bank		5,67,000
		29,29,500			29,29,500

Working Note:

Summary of Output and Input GST liability (as per trial balance)

	OUTPUT GST (₹)	INPUT GST (₹)
CGST	24,000	30,000
SGST	24,000	30,000
IGST	18,000	

Output liability (Tax head)	Tax Payable	Paid through ITC			Tax Liability
		IGST	CGST	SGST	
CGST	24,000		24,000		
SGST	24,000			24,000	
IGST	18,000		6,000	6,000	6,000

In the above solution, it is assumed that balance IGST liability of ₹ 6,000 (after utilising CGST and SGST) is not paid off in cash.

Alternatively, it can also be assumed that the balance liability of ₹ 6,000 is paid off in cash. Accordingly, Output IGST liability of ₹ 6,000 shall not appear under liability side of the balance sheet and amount of cash at bank is reported as ₹ 5,61,000.

4. (a)

New State Society
Income and Expenditure Account
for the year ended 31st March, 2024

Dr.					Cr.
Expenditure	₹	₹	Income		₹
To Electric charges		14,400	By Entrance fee (40% of ₹ 60,000)		24,000
To Postage and stationary		10,000			
To Telephone charges		10,000	By Membership subscription	4,00,000	
To Rent	1,76,000		Less: Received in advance	<u>20,000</u>	3,80,000
Add: Outstanding	<u>8,000</u>	1,84,000			
To Salaries	1,32,000		By Sale proceeds of old papers		3,000
Add: Outstanding	<u>6,000</u>	1,38,000	By Hire of lecture hall		40,000
To Depreciation (W.N.1)			By Interest on securities (W.N.2)	16,000	
Electrical fittings	30,000		Add: Receivable	<u>35,000</u>	51,000
Furniture	10,000				
Books	<u>92,000</u>	1,32,000			
To Excess of Income over Expenditure		9,600			
		<u>4,98,000</u>			<u>4,98,000</u>

Working Notes:**1. Depreciation**

₹

Electrical fittings 10% of ₹ 3,00,000	30,000
Furniture 10% of ₹ 1,00,000	10,000
Books 10% of ₹ 9,20,000	92,000

2. Interest on Securities

Interest @ 15% p.a. on ₹ 3,00,000 for full year	45,000
Interest @ 15% p.a. on ₹ 80,000 for half year	<u>6,000</u>
	51,000
Less: Received	<u>(16,000)</u>
Receivable	<u>35,000</u>

(b) (i) Journal Entry in the books of the M/s Krishna

Date	Particulars		Dr. ₹	Cr. ₹
April, 1 2024	Amit's Capital A/c Lalit's Capital A/c To Sumit's Capital A/c (Being the required adjustment for goodwill through partner's capital accounts)	Dr. Dr.	3,000 3,000	6,000

(ii) **Revaluation Account**

Particulars	₹	Particulars	₹
To Furniture A/c	3,000	By Machinery A/c	5,100
To Inventory A/c	1,200		
To Partners' Capital A/cs (Amit - ₹ 300, Lalit - ₹ 300, Sumit - ₹ 300)	900		
	5,100		5,100

Partners' Capital Account

Particulars	Amit	Lalit	Sumit	Particulars	Amit	Lalit	Sumit
To Sumit (Goodwill)	3,000	3,000	—	By Balance b/d	24,600	24,600	27,000
To Cash A/c	—	—	6,000	By General Reserve A/c	3,000	3,000	3,000
To Executors A/c	—	—	30,300	By Revaluation A/c (Profit)	300	300	300
To Balance c/d	24,900	24,900	—	By Amit (Goodwill)	—	—	3,000
				By Lalit (Goodwill)	—	—	3,000
	27,900	27,900	36,300		27,900	27,900	36,300

Balance Sheet M/s Krishna Bros after death of Sumit

Liabilities	₹	Assets	₹
Capital		Machinery	35,100
Amit	24,900	Furniture	13,800
Lalit	24,900	Fixture	12,600
Sumit's	30,300	Cash (9,000-6,000)	3,000
Executors A/c		Inventories	4,500
Trade payables	14,100	Trade receivables	27,000
		Less: Provision for Doubtful debts	<u>1,800</u>
	94,200		25,200
			94,200

Working Note:

Statement showing the Required Adjustment for Goodwill

Particulars	Amit	Lalit	Sumit
Right of goodwill before death	1/3	1/3	1/3
Right of goodwill after death	1/2	1/2	—
Gain / (Sacrifice)	(+) 1/6	(+) 1/6	(-) 1/3

5. (a)

In the books of Ali

Journal Entries

Date	Particulars		Debit Amount	Credit Amount
2024			₹	₹
April 15	Bills receivable A/c Dr. To Akbar's A/c (Being acceptance received from Akbar for mutual accommodation)		45,000	45,000
April 18	Bank A/c Dr. Discount A/c Dr. To Bills receivable A/c (Being bill discounted with bank)		44,100 900	45,000
April 18	Akbar's A/c Dr. To Bank A/c To Discount A/c (Being one-third proceeds of the bill sent to Akbar)		15,000	14,700 300
July 18	Akbar's A/c Dr. To Bills payable A/c (Being Acceptance given)		52,500	52,500
July 18	Bank A/c Dr. Discount A/c Dr. $\left\{ 1,200 \times \left(\frac{30,000 + 8,475}{51,300} \right) \right\}$ To Akbar's A/c (Being proceeds of second bill received from Akbar)		8,475 900	9,375

(b)

Trading and Profit and Loss Account

for the year ended 31st December, 2024

	Amount		Amount
	₹		₹
To Opening stock	50,000	By Sales (₹ 2,60,000 × 125/100)	3,25,000
To Purchases (balancing figure)	2,72,500	By Closing stock	62,500
To Gross profit c/d (₹ 2,60,000 × 25/100)	65,000		
	3,87,500		3,87,500

To	Expenses	49,250	By	Gross profit b/d	65,000
To	Loss on sale of fixed assets (W.N.1)	750			
To	Depreciation on fixed assets (W.N.1)	1,000			
To	Net profit	14,000			
		<u>65,000</u>			<u>65,000</u>

Working Note:

1. Fixed Assets A/c

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

(c) Journal Entries in the books of Substance Ltd.

		₹	₹
1-4-2024	Equity share final call A/c Dr. To Equity share capital A/c (For final calls of ₹ 2 per share on 4,05,000 equity shares due as per Board's Resolution dated....)	8,10,000	8,10,000
20-4-2024	Bank A/c Dr. To Equity share final call A/c (For final call money on 4,05,000 equity shares received)	8,10,000	8,10,000
	Securities Premium A/c Dr.	1,12,500	
	Capital Reserve A/c Dr.	1,80,000	
	General Reserve A/c Dr.	5,40,000	
	Profit and Loss A/c Dr.	1,80,000	
	To Bonus to shareholders A/c (For making provision for bonus issue of one share for every four shares held)		10,12,500

Bonus to shareholders A/c Dr.	10,12,500	
To Equity share capital A/c		10,12,500
(For issue of bonus shares)		

Extract of Balance Sheet as at 30th April, 2024 (after bonus issue)

	₹
Authorised Capital	
45,000 12% Preference shares of ₹10 each	4,50,000
5,06,250 Equity shares of ₹10 each (W.N.)	<u>50,62,500</u>
Issued and subscribed capital	
36,000 12% Preference shares of ₹10 each, fully paid	3,60,000
5,06,250 Equity shares of ₹10 each, fully paid	50,62,500
(Out of above, 1,01,250 equity shares @ ₹10 each were issued by way of bonus)	
Reserves and surplus	
Profit and Loss Account	7,20,000

W.N.: The authorised capital has been increased by sufficient number of shares. $(5,06,250 - 4,50,000) = 56,250$ shares

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 2,00,000 shares @ ₹ 2 per share)		4,00,000	4,00,000
2	Equity Share Application A/c Dr. To Equity Share Capital A/c (Transfer of application money on 2,00,000 shares to share capital)		4,00,000	4,00,000
3	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Amount due on the allotment of 2,00,000 shares @ ₹ 3 per share and Securities Premium @ ₹1 per share)		8,00,000	6,00,000 2,00,000
4	Bank A/c Dr. To Equity Share Allotment A/c (Allotment money received)		800,000	800,000

5	Equity Share First Call A/c To Equity Share Capital A/c (Being first call made due on 2,00,000 shares at ₹ 2 per share)	Dr.	4,00,000		4,00,000
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 20,000 shares at ₹ 3 per share)	Dr.	460,000	4,00,000 60,000	
7	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call made due on 2,00,000 shares at ₹ 3 each)	Dr.	6,00,000		6,00,000
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 1,77,000 shares, calls in advance for 20,000 shares and calls in arrears on 3,000 shares adjusted)	Dr. Dr. Dr.	53,1000 60,000 9,000		6,00,000
9	Interest on Calls in Advance A/c To Shareholders A/c (Being interest made due on calls in advance of ₹60,000 at the rate of 12% p.a.)	Dr.	2,400		2,400
10	Shareholders A/c To Bank A/c (Being payment of interest made to shareholder)	Dr.	2,400		2,400
11	Shareholders A/c To Interest on Calls in Arrears A/c (Being interest on calls in arrears made for 2000 shares due at the rate of 10%)	Dr.	150		150
12	Bank A/c To Calls in Arrears A/c To Shareholders A/c (Being money received from shareholder having 2,000 shares for calls in arrears and interest thereupon)	Dr.	6,150	6,000 150	

13	Shareholders A/c To Interest on Calls in Arrears A/c (Being interest on calls in arrears made on 1,000 shares due at the rate of 10%)	Dr.	100	100
14	Bank A/c To Calls in Arrears A/c To Shareholders A/c (Being money received from shareholder having 1,000 share for calls in arrears and interest thereupon)	Dr.	3,100	3,000 100

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

Interest on Calls in Advance = ₹ 60,000 x 12% x 4 / 12 = ₹ 2,400

Interest on Calls in Arrears ₹ 6,000 x 10% x 3 / 12 = ₹ 150

Interest on Calls in Arrears ₹ 3,000 x 10% x 4 / 12 = ₹ 100

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,

(c) Bank Reconciliation Statement as on 31st March, 2024

	₹	₹
Bank balance as per Pass book		75,00,000
<i>Add:</i> Bills dishonoured not recorded in the cash book	37,50,000	
Cheque received entered twice in the cash book	75,000	
Insurance premium paid directly not recorded in the cash book	4,50,000	
Cheque received but not sent to the bank	84,00,000	
Credit side of the bank column cast short	15,000	1,26,90,000
		20,19,0000
<i>Less:</i> Cheque deposited into the bank but no entry was passed in the cash book	37,50,000	
Bank charges recorded twice in the cash book	15,000	
Cheque issued but not presented to the bank	37,50,000	(75,15,000)
Bank balance as per Cash book		1,26,75,000

Or

- (c) **Objective and Advantages of Accounting Standards:** An Accounting Standard is a selected set of accounting policies or broad guidelines regarding the principles and methods to be chosen out of several alternatives. The Accounting Standards Board formulates Accounting Standards to be established by the Council of the Institute of Chartered Accountants of India.

The main objective of Accounting Standards is to establish standards which have to be complied with to ensure that financial statements are prepared in accordance with generally accepted accounting standards. Accounting Standards seek to suggest rules and criteria of accounting measurements. These standards harmonize the diverse accounting policies and practices at present in use in India.

The main advantage of setting accounting standards is that the adoption and application of Accounting Standards ensure uniformity, comparability and qualitative improvement in the preparation and presentation of financial statements.

The other advantages are as follows:

- (i) Reduction in variations.
- (ii) Disclosure beyond that required by law.
- (iii) Facilities comparison.

ANSWERS OF MODEL TEST PAPER 8

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

ANSWERS

1. (a) (i) **False:** Depreciation is a charge against profit and not an appropriation of profit. Therefore, depreciation has to be provided for, even in case of loss in a financial year.
- (ii) **False:** At the end of the accounting year, all the nominal accounts of the ledger book are totalled and transferred to Profit & Loss A/c.
- (iii) **False:** Amount spent for replacement of any worn- out part of a machine is revenue expense since it is part of its maintenance cost.
- (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:** Debentures Suspense Account appears on asset side of Balance Sheet under Non-Current Asset.
- (b) Accounting Standards are selected set of accounting policies or broad guidelines regarding the principles and methods to be chosen out of several alternatives. The Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI) formulates Accounting Standards to be established by the Council of the ICAI. The main objective of Accounting Standards is to establish standards which have to be complied with, to ensure that financial statements are prepared in accordance with generally accepted accounting principles. Accounting Standards seek to suggest rules and criteria of accounting measurements. These standards harmonize the diverse accounting policies and practices at present in use in India.

(c) **Corrected Trial Balance of Mr. Govind as on 31st March, 2024**

Particulars	Dr. Amount ₹	Cr. Amount ₹
Govind 's Capital		14,004
Govind 's Drawings	5,076	
Leasehold Premises	6,750	
Sales		24,750
Due from customers	4,770	
Purchases	11,331	
Purchases Returns		2,376
Loan from Bank		2,304
Trade expenses	6,300	
Trade Payable		4,752

Bills payable		900
Salaries and Wages	5,400	
Cash at Bank	2,034	
Opening Inventory (1.4.2023)	2,376	
Rent and rates	4,167	
Sales return	882	
	49,086	49,086

Reasons:

1. Due from customers is an asset, so its balance will be a debit balance.
2. Purchases return account always shows a credit balance because assets goes out.
3. Trade Payable is a liability, so its balance will be a credit balance.
4. Bills payable is a liability, so its balance will be a credit balance.
5. Inventory (opening) represents assets, so it will have a debit balance.
6. Sales return account always shows a debit balance because assets come in.

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

		₹
Stock at cost on 31 st December, 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>(72,200)</u>
	(71,200)	
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, therefore ₹ 4,000 goods delivered in March 2024 for which invoice was received in April, 2024, would be treated as purchases of the accounting year 2024-2025 and thus excluded. Similarly, goods dispatched in March, 2024 but invoiced

in April, 2024 would be excluded and treated as sale of the year 2024-2025.

(b) Bank Reconciliation Statement of Ramesh Traders as on 31st March, 2024

Particulars	Amount (₹)	Amount (₹)
Balance as per Cash Book		8,24,400
Add:		
Mistake in bringing forward ₹ 37,000/- debit balance as credit balance on 22nd March	74,000	
Cheques issued but not presented		
Issued = ₹ 84,000 less cashed ₹ 57,000 = ₹ 27,000/-	27,000	
Dividend directly collected but not entered in cash book	70,000	
Cheques recorded twice in the cash book	2,58,000	
Wrongly credited cheque by bank	50,000	
Discount amount wrongly entered in bank column	1,000	4,80,000
Less:		
Wrong casting in cash book on 12th March, 2024	(24,000)	
Cheque issued and not entered in the Bank Column	(1,70,000)	
Fire Insurance premium paid directly by bank	(40,000)	
Cheque dishonored not recorded in books	(10,000)	
Credit card payment not recorded in cash book	(5,000)	
Cheque wrongly deposited by bank in savings account	(4,000)	
Bank charges debited not recorded in cash book	(400)	(2,53,400)
Balance as per the Passbook		10,51,000

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

3. (a)

In the books of Natures Beauty Society

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

Expenditure	₹	Income	₹
To Medicine	2,90,000	By Subscription	5,12,000
To Honorarium	1,00,000	By donation	1,50,000
To Salaries	2,80,000	By Interest on investment	90,000
To Sundry expenses	10,000	By Charity show	1,25,000
To Depreciation		Less: Charity show expenses	(15,000)
Equipment	60,000		1,10,000
Building	20,000		
To Surplus	<u>1,02,000</u>		
	<u>8,62,000</u>		<u>8,62,000</u>

Balance Sheet of Natures Beauty Society
as on 31st March, 2024

Liabilities	₹	₹	Assets	₹	₹
Capital Fund:			Equipment	2,10,000	
Opening balance	18,03,000		Add: Purchases.	<u>1,50,000</u>	
Add: Surplus	<u>1,02,000</u>	19,05,000		3,60,000	
Advance subscription		7,000	Less: dep. (bal. fig)	<u>(60,000)</u>	3,00,000
Creditors (medicine)		1,30,000	Building	5,00,000	
			Less: dep. (bal. fig)	<u>(20,000)</u>	4,80,000
			Investment (₹ 90,000/9%)		10,00,000
			Outstanding Subscription		22,000
			Closing stock(medicine)		1,50,000
			Cash		<u>90,000</u>
		<u>20,42,000</u>			<u>20,42,000</u>

Working Note:

(i) Subscription for the year ended 31st March, 2024

Particulars	Amount
Subscription Received during the year	5,00,000
Less: Subscription outstanding as on 1 st April, 2023	(15,000)
Add: Subscription outstanding as on 31 st March, 2024	22,000
Add: Subscription received in advance as on 1 st April, 2023	12,000

Less: Subscription received in advance as on 31 st March, 2024	(7,000)
Total	5,12,000

(ii) Medicines purchased during the year ended 31st March, 2024

Particulars	Amount
Opening due for medical supply	90,000
Less: Payment made during the year	(3,00,000)
Less: Closing due for medical supply	(1,30,000)
Medicines purchased during the year	3,40,000

(iii) Medicines consumed during the year ended 31st March, 2024

Particulars	Amount
Opening stock	1,00,000
Add: Purchase during the year	3,40,000
Less: Closing Stock	(1,50,000)
Medicines consumed during the year	2,90,000

(iv) Depreciation on Equipment

Particulars	Amount
Opening Balance	2,10,000
Add: Purchase during the year	1,50,000
Less: Closing Balance	(3,00,000)
Depreciation for the year	60,000

(b) Joint Life Policy Account

		₹			₹
10 th June, 2020	To Bank Account	3,000	31 st Dec., 2020	By Profit and Loss A/c	3,000
10 th June, 2021	To Bank Account	3,000	31 st Dec., 2021	By Profit and Loss A/c	2,100
			31 st Dec., 2021	By Balance c/d	900
		3,000			3,000
1 st January, 2022	To Balance b/d	900	31 st Dec., 2022	By Profit and Loss A/c	1,900
10 th June, 2022	To Bank Account	3,000	31 st Dec., 2022	By Balance c/d	2,000
		3,900			3,900
1 st January, 2023	To Balance b/d	2,000	31 st Dec., 2023	By Profit and Loss A/c	1,400
10 th June, 2023	To Bank Account	3,000	31 st Dec., 2023	By Balance c/d	3,600

1 st January, 2024	To Balance b/d	5,000	15 th April, 2024	By Bank	5,000
		3,600			3,600
		3,600			3,600

(c) (ii) **Computation of Goodwill of Mr. Nikhil**

Average maintainable profits:		₹
Trading profit during	2020	2,40,000
	2021	2,16,000
	2023	3,00,000
		7,56,000
Less: Loss during	2022	(36,000)
Total		7,20,000
Average Profits (₹ 7,20,000 / 4)		1,80,000
Less: Remuneration for the proprietor		(36,000)
Average maintainable Profit		1,44,000
Less: Normal Profit (11% on capital employed of ₹ 9,00,000)		(99,000)
Super Profit		45,000
Goodwill at 6 year's purchase of Super Profit		2,70,000

Alternative:

₹

Total profit (₹ 2,40,000+₹ 2,16,000+₹ 3,00,000-₹ 36,000) = 7,20,000

Normal Profit (11% on capital employed of ₹ 9,00,000) = (99,000)

Remuneration for the proprietor = (36,000)

(1,35,000)

Average Profits (₹ 7,20,000 / 4) 1,80,000

Super Profit 45,000

Goodwill at 6 year's purchase of Super Profit = 2,70,000

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	2,000		
To Trade Creditors	4,000		
To P's Capital A/c (5/8)	73,438		
To Q's Capital A/c (3/8)	44,062		
	1,52,000		1,52,000

Partners Capital A/c

	P	Q	R		P	Q	R
To P's Capital A/c	-	-	20,000	By Balance b/d	4,10,000	3,30,000	-
To Q's Capital A/c			12,000	By Revaluation A/c	73,438	44,062	-
To Q'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 R's Capital A/c	20,000	12,000	-
				By P'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:

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

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

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

Q's 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 M/s Dutch and Associates as on 31.3.2024

Liabilities		₹	Assets		₹
Capital Accounts:			Land & Buildings	3,80,000	
			Add: Appreciation	<u>1,52,000</u>	5,32,000
P	6,00,000		Plant & Machinery	1,70,000	
Q	3,60,000		Less: Depreciation	<u>25,500</u>	1,44,500
R	<u>2,40,000</u>	12,00,000	Furniture		1,09,480
Q's Current A/c		68,062	Stock		1,45,260
Trade Creditors		58,800	Sundry Debtors	60,000	
Outstanding Repairs to Building		2,000	Less: Provision	<u>3,000</u>	57,000
			Cash at Bank		3,14,060
			P'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

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

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

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

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

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

(b)

In the books of Sameer Distributors

**Trading and Profit and Loss Account
for the year ended 31st March, 2024**

Particulars	Amount (₹)	Amount (₹)		Amount (₹)	Amount (₹)
To Opening Stock		5,12,400	By Sales		
To Purchases			Cash	30,67,200	
Cash	28,45,200		Credit (W.N. 1)	<u>2,60,68,800</u>	2,91,36,000
Credit (W.N. 2)	<u>2,28,31,200</u>	2,56,76,400	By Closing stock (bal fig)		6,94,800
To Gross profit c/d (12.5% of 2,91,36,000)		36,42,000			
		<u>2,98,30,800</u>			<u>2,98,30,800</u>
To Rent & taxes		7,54,800	By Gross profit b/d		36,42,000
To Salaries (W.N. 3)		12,55,800	By Discount received		1,05,000
To Sundry expenses		4,15,200	By Interest on investment		10,800
To Discount allowed		1,87,500			
To Depreciation (10% on (3,30,000 & 2,20,500))	33,000				
	<u>22,050</u>	55,050			
To Net Profit (b.f.)		10,89,450			
		<u>37,57,800</u>			<u>37,57,800</u>

Balance Sheet as at 31st March, 2024

Liabilities		Amount	Assets	Amount
Capital			Motor vehicle 3,30,000	
Opening balance	18,15,000		Less: Depreciation <u>(33,000)</u>	2,97,000
Less: Drawings	<u>(7,20,000)</u>		Furniture 2,20,500	
	10,95,000		Less: Depreciation <u>(22,050)</u>	1,98,450
Add: Net profit for the years	<u>10,89,450</u>	21,84,450	Closing Stock	6,94,800
Trade creditors		3,16,800	Trade receivable	6,61,500
Outstanding salary		44,400	6% Investment	1,80,000
			Cash in hand & at bank	5,13,900
		<u>25,45,650</u>		<u>25,45,650</u>

Working Notes:**1. Trade Debtors Account**

	₹		₹
To Balance b/d	4,36,200	By Cash/Bank	2,56,56,000
To Credit sales (Bal. fig.)	260,68,800	By Discount allowed	1,87,500
		By Balance c/d	6,61,500
	265,05,000		265,05,000

2. Trade Creditors Account

	₹		₹
To Cash/Bank	226,35,000	By Balance b/d	2,25,600
To Discount received	1,05,000	By Credit purchases (bal fig)	2,28,31,200
To Balance c/d	3,16,800		
	230,56,800		230,56,800

3. Computation of salary to be charged to Profit & Loss A/c

	₹
Salary expenses paid (as per cash book)	12,38,400
Less: Outstanding expenses as on 31.3.2023	(27,000)
	12,11,400
Add: Outstanding expenses as on 31.3.2024	44,400
	12,55,800

5. (a) Rectification entries in the books of M/s Satya Paul Steels

	Particulars	L.F.	Dr. ₹	Cr. ₹
1.	Profit and Loss Adjustment A/c Dr. To Building Account (Repairs amounting ₹ 37,500 wrongly debited to building account, now rectified)		37,500	37,500
2.	Profit and Loss Adjustment A/c Dr. To Suspense Account (Addition of freight column in purchase journal was under casted, now rectification entry made)		4,500	4,500
3.	Suspense A/c Dr. To Parth (Goods returned by Parth had been posted		6,500	6,500

	wrongly to the debit of his account, now rectified)			
4.	Profit and Loss Adjustment A/c Dr. To Furniture account (Being sale of furniture wrongly entered in sales book, now rectified)		50,000	50,000
5.	Comfort & Co. Dr. To Bills receivable A/c (Bill receivable dishonoured debited to Bills receivable account instead of customer account, now rectified)		60,000	60,000

(b) In the Books of Mr. Sanjay

Manufacturing Account for the year ended on March 31,2024

Particulars	₹	Amount ₹	Particulars	Amount ₹
To Opening W.I.P.		18,75,000	By Closing W-I-P	21,45,000
To Raw Material Consumed:			By Sale of Scrap	1,08,000
Opening inventory	17,55,000		By Trading A/c-	95,46,000
Purchases	56,22,000		Cost of finished goods transferred	
	73,77,000			
Less: Returns	(2,85,000)			
	70,92,000			
Less: Closing inventory	(14,10,000)	56,82,000		
To Carriage Inwards		8,10,000		
To Direct Wages		11,91,000		
To Manufacturing Overhead:				
Power and Electricity	5,28,000			
Repairs & Maintenance	7,95,000			
Depreciation on Factory Shed	4,32,000			
Depreciation on Plant & Machinery	4,86,000	22,41,000		
		1,17,99,000		1,17,99,000

(c) In the books of Rishab Limited

Journal Entries

Particulars	Dr. (₹)	Cr. (₹)
12% Redeemable Preference Share Capital A/c Dr.	3,60,000	
Premium on Redemption of Preference Shares A/c Dr.	72,000	
To Preference Shareholders A/c		4,32,000
(Being the amount payable on redemption of 36,000 12%		

Redeemable Preference Shares transferred to Shareholders Account)			
Preference Shareholders A/c To Bank A/c (Being the amount paid on redemption of 35,800 preference shares)	Dr.	4,29,600	4,29,600
Bank A/c To Equity Shares Capital A/c To Securities Premium A/c (Being the issue of 6,000 Equity Shares of ₹ 10 each at a premium of 10% as per Board's Resolution No..... Dated.....)	Dr.	66,000	60,000 6,000
General Reserve A/c Profit & Loss A/c To Capital Redemption Reserve A/c (Working Note) (Being the amount transferred to Capital Redemption Reserve A/c as per the requirement of the Act.)	Dr. Dr.	2,40,000 60,000	3,00,000
Capital Redemption Reserve A/c To Bonus to Shareholders A/c (Being the amount appropriated for issue of bonus share in the ratio of 5:2 as per shareholders Resolution No..... dated...)	Dr.	2,40,000	2,40,000
Bonus to Shareholders A/c To Equity Share Capital A/c (Being the utilisation of bonus dividend for issue of 24,000 equity shares of ₹ 10 each fully paid)	Dr.	2,40,000	2,40,000
Profit & Loss A/c To Premium on Redemption of Preference Shares A/c (Being premium on redemption of preference shares adjusted against to Profit & Loss Account)	Dr.	72,000	72,000

Working Note:

- (1) Partly paid-up preference shares cannot be redeemed.
- (2) Amount to be Transferred to Capital Redemption Reserve Account

Face value of share to be redeemed	₹ 3,60,000
<i>Less:</i> Proceeds from fresh issue (excluding premium) <u>(₹ 60,000)</u>	<u>₹ 3,00,000</u>
- (3) No bonus shares on 6,000 equity shares issued for redemption.

Note: Bonus shares does not result in receipt of cash, and hence the increase in share capital on account of bonus issue cannot be considered in determination of amount to be transferred to Capital Redemption Reserve.

6. (a)

In the books of Samuel Limited

Journal Entries

Particulars		Dr. (₹)	Cr. (₹)
Bank A/c (Note 1 – Column 3) Dr.	10,80,000		
To Equity Share Application A/c			10,80,000
(Being application money received on 3,60,000 shares @ ₹ 3 per share)			
Equity Share Application A/c Dr.	10,80,000		
To Equity Share Capital A/c			3,60,000
To Equity Share Allotment A/c (Note 1 Column 5)			4,40,000
To Bank A/c (Note 1 – Column 6)			2,80,000
(Being application money on 1,20,000 shares transferred to Equity Share Capital Account; out of the excess application money received, ₹4,40,000 is adjusted towards allotment and ₹ 2,80,000 refunded as per Board's Resolution No.....dated...)			
Equity Share Allotment A/c Dr.	6,00,000		
To Equity Share Capital A/c			3,60,000
To Securities Premium a/c			2,40,000
(Being allotment money due on 1,20,000 shares @ ₹ 5 each including premium at ₹ 4 each as per Board's Resolution No....dated....)			
Bank A/c (Note 1 – Column 8) Dr.	1,60,000		
To Equity Share Allotment A/c			1,60,000
(Being balance allotment money received)			
Equity Share First and Final Call A/c Dr.	4,80,000		
To Equity Share Capital A/c			4,80,000
(Being final call money due on 1,20,000 shares @ ₹ 4 per share as per Board's Resolution No.....dated....)			
Bank A/c Dr.	4,78,640		
Calls in Arrears A/c Dr.	1,360		
To Equity Share First and Final Call A/c			4,80,000
(Being final call money on 1,19,660 shares @ ₹ 4 each received)			

Equity Share Capital A/c	Dr.	3,400	
To Calls in Arrears A/c			1,360
To Forfeited Shares A/c			2,040
Being forfeiture of 340 equity shares for non- payment of call money as per Board's Resolution No.....dated)			
Bank A/c	Dr.	4,420	
To Equity Shares Capital A/c			3,400
To Securities Premium A/c			1,020
Being re-issue of 340 shares @ ₹13 each as per Board's Resolution No.....dated....)			
Forfeited Shares A/c	Dr	2,040	
To Capital Reserve A/c			2,040
(Being profit on re-issue transferred to Capital Reserve)			

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)
Rejected	80,000	Nil	2,40,000	Nil	Nil	2,40,000	Nil	Nil
(i)	1,60,000	80,000	4,80,000	2,40,000	2,40,000	Nil	4,00,000	1,60,000
(ii)	1,20,000	40,000	3,60,000	1,20,000	2,00,000	40,000	2,00,000	Nil
TOTAL	3,60,000	1,20,000	10,80,000	3,60,000	4,40,000	2,80,000	6,00,000	1,60,000

Also,

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

GST is a single tax on the supply of goods and services, right from the manufacturer to consumer.

- GST is levied on supply i.e., manufacture or sale of goods and provision of services. In other words, supply is taxable event which own its occurrence creates or attracts the liability to pay tax.
- Under GST, tax is levied only the value added at each stage of the supply chain.
- GST is a destination-based consumption tax, i.e. the tax is levied at the place where the goods or services are consumed, rather than the place where they are produced.
- There is no tax on tax or cascading of taxes under GST system.
- Under GST, there is a harmonization of laws, procedures and rates of tax across the country.

ANSWERS OF MODEL TEST PAPER 9

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

1. (a) (i) **True:** If closing stock appears in the trial balance then it is not entered in the trading account but it is shown only in the balance sheet because it has already been adjusted to purchase account.
- (ii) **False:** If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called error of commission and not error of Principle.
- (iii) **False:** Accounting standards cannot override the statute. The standards are required to be framed within the ambit of prevailing statutes.
- (iv) **True:** In case of the promissory note, it is generally the maker who makes the payment, but in case of the bill of exchange, the person accepting the bill shall be liable to make the payment to the holder of the bill.
- (v) **False:** Errors not affecting the trial balance can be rectified by passing a rectification journal entry. While other errors that affect one account of trial balance cannot be rectified by passing journal entries. Totaling errors cannot be rectified by passing journal entries
- (vi) **True:** Revaluation is also called as profit and loss adjustment account. It is used to record the gain/loss arising from the revaluation of assets and liabilities of a firm at the time of reconstitution.
- (b) (i) **Accounting Policy:**
- (a) Accounting Policies refer to specific accounting principles and methods of applying these principles adopted by the enterprise in the preparation and presentation of financial statements; and
- (b) Policies are based on various accounting concepts, principles, and conventions.

Conditions under which change takes place:

A change in accounting policies shall be made in the following conditions:

- (a) It is required by some statute or for compliance with an Accounting Standard
- (b) Change would result in more appropriate presentation of financial statement
- (ii) (i) Cash Basis of Accounting is the method of recording financial transactions, by which revenues and expenditure and assets and liabilities are reflected in the accounts in the period in which the receipts or payments are actually effected/made.

- (ii) Going Concern concept states that the financial statements are normally prepared on the assumption that an enterprise is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the enterprise has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used needs to be disclosed.

The valuation of assets of a business entity is dependent on this assumption. Traditionally, accountants follow historical cost in majority of the cases.

(c) Journal entries in the books of Mr. Kapil

S No.	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Purchases A/c Dr. Input CGST A/c Dr. Input SGST A/c Dr. To Sonu's A/c (Being goods purchased from Sonu, CGST and SGST payable @ 6% each)		1,35,000 8,100 8,100	1,51,200
(ii)	Bank A/c Dr. Mohit's A/c Dr. To Sales A/c To Output CGST A/c To Output SGST A/c (Being goods sold to Mohit, charged CGST and SGST @ 5% each and received 40% in cash)		22,000 33,000	50,000 2,500 2,500
(iii)	Drawings A/c Dr. To Purchase A/c To Input CGST A/c To Input SGST A/c (Being goods withdrawn for personal use and input CGST and input SGST debited at the time of purchase reversed)		28,000	25,000 1,500 1,500
(iv)	Machinery A/c Dr. Input CGST A/c Dr. Input SGST A/c Dr. To Bank A/c To Bright Industries (Being machinery purchased and paid ₹ 1,00,000 immediately, CGST and SGST @ 9% each)		2,00,000 18,000 18,000	1,00,000 1,36,000

2. (a)

Journal Entries in the Books of Mr. Sarvesh Kumar

Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Returns Inward/ Sales Return A/c Dr. To Suspense A/c (Being the mistake in totalling the Returns Inward Book corrected)		1,000	1,000
(ii)	Machinery A/c Dr. To Freight A/c To Suspense A/c (Being the freight paid for installation of machinery should have been capitalised and not to be charged to freight Account)		6,500	5,600 900
(iii)	Returns Inward/Sales Return A/c Dr. Sales A/c Dr. To Suspense A/c (Being value of goods returned by a customer wrongly posted to sales and omission of debit to sales returns account, now rectified)		2,500 2,500	5,000
(iv)	Drawings A/c Dr. To Conveyance A/c (Being the motorcycle purchased for Mr. Suresh Kumar debited to his Drawings Account instead of Conveyance Account as previously done by mistake)		18,000	18,000
(v)	Suspense A/c Dr. To Creditors (personal) A/c (Being the mistake in crediting the creditors account less by ₹ 700, now corrected)		700	700
(vi)	Suspense A/c Dr. To Mr. Avinash's A/c (Being cash received for Rs 5,000 wrongly posted to the debit of his account now corrected)		10,000	10,000
(vii)	Mr. Alok's A/c Dr. To Ashok's A/c (Being the cheque of Mr. Alok dishonoured, previously debited to Mr. Ashok)		2,500	2,500
(viii)	Deepak A/c Dr. To Suspense A/c (Being the correction of mistake by which the account of Deepak A/c was credited instead of being debited)		17,000	17,000
(ix)	Discount A/c Dr. To Suspense A/c (Being the total of discount allowed during December not posted; error now rectified)		3,800	3,800

(x)	Sales A/c To Furniture A/c (Being the rectification of mistake by which sales of furniture was entered in sales book and hence now corrected by debiting the sales A/c)	Dr.	2,200	2,200
-----	---	-----	-------	-------

(b)

In the books of LMP Co.

Machinery Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
01.04.22	To Balance b/d	9,72,000	01.10.22	By Depreciation on machinery sold (W.N.1)	3,240
01.10.22	To Bank	1,58,000	01.10.22	By Bank- Machinery sold	45,000
			01.10.22	By Loss on sale of machinery (W.N.1)	16,560
			31.03.23	By Depreciation on remaining machineries (W.N.4)	98,620
			31.03.23	By Balance c/d	9,66,580
		11,30,000			11,30,000

Working Note:

- Calculation of amount of Depreciation, written down value and loss on sale of the part of the machinery**

Particulars	Amount (₹)
Cost as on 01.04.2020	80,000
Less: Depreciation @10% for the year 2020-2021	(8,000)
Written Down Value (WDV) as on 31.03.2021 or 01.04.2021	72,000
Less: Depreciation @10% for the year 2021-2022	(7,200)
Written Down Value (WDV) as on 01.04.2022	64,800
Less: Depreciation @10% for the half year till 30 th September, 2022	(3,240)
Written Down Value (WDV) as on 1.10.2022	61,560
Less: Sale price of the asset sold on 01.10.2022	(45,000)
Loss on sale of Machinery sold	16,560

- Computation of written down value of the remaining asset as on 01.04.2022**

	₹
Total WDV of the machinery as on 01.04.2022	9,72,000

Less: WDV of the part of the machinery sold as on 01.04.2022	(64,800)
Written down value of the remaining asset as on 01.04.2022	9,07,200

3. Computation of the written down value of the machinery as on 31.03.2023

	₹	
Written down value of the remaining asset as on 01.04.2022	9,07,200	
Less: Depreciation @ 10% for the year 2022-2023	<u>(90,720)</u>	8,16,480
Add: New machinery purchased on 1.10.2022 (1,50,000 +8,000)	1,58,000	
Less: Depreciation for 6 months @10%	<u>(7,900)</u>	<u>1,50,100</u>
Written down value of the machinery as on 31.03.2023		<u>9,66,580</u>

4. Total Depreciation to be charged to Profit and Loss Account during the year 2022-2023

S. No.	Particulars	Depreciation (₹)
1.	Depreciation at 10% on existing machinery on 01.4.2022 i.e. (9,07,200*10%)	90,720
2.	Depreciation on addition i.e. 1,58,000*10%*1/2	7,900
	Sub-Total	98,620
3.	Depreciation on machinery sold 1.10.2022	3,240
	Grand Total	1,01,860

3. (a) In the books of Vandana Sports club.

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

Expenditure		Amount (₹)	Income	Amount (₹)
To Salaries (W.N.2)		1,57,200	By Subscription (WN. 2)	2,95,500
To Rent & Electricity (W.N.2)		70,850	By Interest on Investments	8,000
To Magazines & Newspapers		16,600	By Misc. Income	19,850
To Sundry Expenses		71,050	By Entrance Fees	20,000
To Depreciation: Furniture	6,550			

Sports Equipment	10,500			
Library Books	<u>2,500</u>	19,550		
To Excess of income over expenditure		8,100		
		<u>3,43,350</u>		<u>3,43,350</u>

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Fund:			Furniture Cost	65,500	
Opening balance (W.N.1)	2,66,700		Less: Depreciation	(6,550)	58,950
Add: Excess of Income over exp	8,100		Sports Equipment:		
Entrance fees (60%)	30,000	3,04,800	Opening balance	41,500	
			Addition	28,500	
Subscription received in advance		8,400		70,000	
Outstanding Expenses:			Less: Depreciation	(10,500)	59,500
Salaries	12,400		Library Books:		
Rent & Electricity	7,600	20,000	Opening Balance	22,000	
			Addition	10,500	
				32,500	
			Less: Depreciation	(2,500)	30,000
			Investments (8% Bonds)		1,00,000
			Cash in hand		8,750
			Cash at Bank		53,400
			Subscription Receivable		20,600
			Interest accrued on Bonds		2,000
		<u>3,33,200</u>			<u>3,33,200</u>

Alternatively, the capitalised portion of entrance fee of ₹ 30,000 may be shown separately in the liability side.

Working Notes:

1. Balance Sheet as on 31st March, 2023

Liabilities	₹	₹	Assets	₹
Outstanding expenses:			Furniture	65,500
Salaries	10,200		Library Books	22,000
Rent & Electricity	<u>6,500</u>	16,700	Sports Equipment	41,500
Subscription received in advance		7,000	Investments	1,00,000

Capital Fund (Balancing figure)		2,66,700	Cash in hand	5,200
			Cash at Bank	35,500
			Subscription receivable	18,700
			Interest accrued	2,000
		2,90,400		2,90,400

2.

(i)	Expenses	Salaries (₹)	Rent & Electricity (₹)
	Paid during the year	1,55,000	69,750
	Add: Outstanding on 31.3.2024	12,400	7,600
		1,67,400	77,350
	Less: Outstanding on 31.3.2023	(10,200)	(6,500)
	Expenditure for the year	1,57,200	70,850
(ii)	Depreciation:		
	(a) Furniture @10% on ₹ 65,500		6,550
	(b) Sports Equipment @ 15% on ₹ 70,000		10,500
	(c) Library books	32,500	
	Revalued at	<u>(30,000)</u>	<u>2,500</u>
			<u>19,550</u>
(iii)	Subscription:		
	Received as per receipt and payment A/c		2,95,000
	Add: Receivable on 31.3.2024		20,600
	Add: Prepaid as on 31.3.2023		<u>7,000</u>
			3,22,600
	Less: Receivable on 31.3.2023		(18,700)
	Less: Prepaid as on 31.3.2024		<u>(8,400)</u>
			<u>2,95,500</u>
iv	Entrance Fees:		
	Received as per receipt and payment A/c		50,000
	Less: Capitalized		<u>(30,000)</u>
	Charged to Income & Expenditure		20,000

(b)

Realisation Account

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets:			By Creditors		1,24,000
Debtors	1,56,000		By Employee's Provident Fund		60,000
Stock	55,800				
Furniture	1,05,000		By Bank A/c:		
Plant &	1,88,000		Land and	5,25,000	

Machinery			Building		
Land and Building	4,85,000	9,89,800	Debtors	1,47,000	
To Bank-Creditors: (W.No.1)		95,000	Stock	60,000	
To Bank A/c o/s bill for repairs		3,500	Machinery	1,70,000	
To Bank A/c (expenses)		18,700	Unrecorded Investment	30,000	9,32,000
To Bank (Employee provident Fund)		60,000	By P's Capital A/C		75,000
To Profit transferred to:					
P's Capital A/c	12,000				
Q's Capital A/c	8,000				
R's Capital A/c	4,000	24,000			
		11,91,000			11,91,000

Partner's Capital Accounts

Particulars	P (₹)	Q (₹)	R (₹)	Particulars	P (₹)	Q (₹)	R (₹)
To Realisation A/c - Furniture	75,000			By Bal. b/d	3,55,000	2,20,000	1,25,000
To Bank	3,67,000	2,78,000	1,54,000	By Gen. Reserve	75,000	50,000	25,000
				By Realisation Profit	12,000	8,000	4,000
	4,42,000	2,78,000	1,54,000		4,42,000	2,78,000	1,54,000

Bank Account

Particulars	₹	Particulars	₹
To Balance b/d	44,200	By Realisation A/c: (Liabilities Paid)	1,77,200
To Realisation A/c (Assets realized)	9,32,000	By P's Capital A/c	3,67,000
		By Q's Capital A/c	2,78,000
		By R's Capital A/c	1,54,000
	9,76,200		9,76,200

Working Note 1:

Payment to Trade Creditors:

Particulars	Amount (₹)
Trade creditors as per Balance sheet	1,24,000
Less: Furniture (Book Value ₹25,000 accepted at ₹ 24,000)	24,000
	1,00,000

Less: Discount @ 5%	5,000
Amount Paid to Creditors	95,000

4. (a) **Revaluation Account**

Particulars	₹	Particulars	₹
To Machinery A/c	14,300	By Building A/c	50,000
To Furniture A/c	5,000	By Investments	800
To Provision for Doubtful Debts	8,200		
To Inventories	900		
To Partner's capital A/c:			
(Profit on revaluation)			
Anu (5/8) 14,000			
Manu (3/8) 8,400	22,400		
	50,800		50,800

Partner's Capital Accounts

Particulars	Anu (₹)	Manu (₹)	Ranu (₹)	Particulars	Anu (₹)	Manu (₹)	Ranu (₹)
To Bal c/d.	3,20,250	2,74,150	1,00,000	By Bal. b/d	2,80,000	2,50,000	
				By Profit on revaluation	14,000	8,400	
				By Bank (Capital)	-	-	1,00,000
				By Bank (Goodwill)	26,250	15,750	-
	3,20,250	2,74,150	1,00,000		3,20,250	2,74,150	1,00,000

Balance Sheet (after admission of Ranu) as on 1st April, 2024

Liabilities	₹	₹	Assets	₹
Capital accounts:			Building	4,30,000
Anu	3,20,250		Machinery	1,28,700
Manu	2,74,150		Furniture	80,000
Ranu	<u>1,00,000</u>	6,94,400	Trade Receivable	1,55,800
Long term loan		2,00,000	Inventories	47,500
Trade Payable		1,19,500	Investments	16,000
Outstanding liabilities		16,200	Cash and Bank	1,72,100
		<u>10,30,100</u>		<u>10,30,100</u>

Working Notes:

1. Calculation of Goodwill:

$$\text{Average profit} = \frac{87,000 + 1,06,000 + 1,22,000}{3} = ₹ 1,05,000$$

Two years' purchase of average profits = $1,05,000 \times 2 = ₹ 2,10,000$

Goodwill to be brought in by Ranu = $₹ 2,10,000 \times 2/10 = ₹ 42,000$

2. Calculation of Sacrificing Ratio = Old- New Ratio

$$\text{Anu} = 5/8 - 5/10 = 5/40$$

$$\text{Manu} = 3/8 - 3/10 = 3/40$$

Goodwill brought in by Ranu shared (at the profit sacrificing ratio) by:

	₹
Anu ($₹ 42,000 \times 5/8$)	26,250
Manu ($₹ 42,000 \times 3/8$)	15,750
	42,000

3. Bank balance after admission of Ranu:

Bank Account

Particulars	₹	Particulars	₹
To bal. b/d	30,100	By Balance c/d	1,72,100
To Anu's Capital A/c	26,250		
To Manu's Capital A/c	15,750		
To Ranu's capital A/c	1,00,000		
	1,72,100		1,72,100

Alternatively, goodwill can also be calculated on the basis of weighted average profit, since the profit of the firm is on increasing trend.

(b)

In the books of Harshit Traders

Trading and Profit and Loss Account for the year ended 31st March, 2024

Particulars	Amount (₹)	Amount (₹)		Amount (₹)	Amount (₹)
To Opening Stock		1,70,800	By Sales		
To Purchases			Cash	10,22,400	
Cash	9,48,400		Credit (W.N. 1)	86,89,600	97,12,000
Credit (W.N. 2)	76,10,400	85,58,800	By Closing stock (bal fig)		2,31,600
To Gross profit c/d (12.5% of 97,12,000)		12,14,000			
		99,43,600			99,43,600

To Rent & taxes		2,51,600	By Gross profit b/d		12,14,000
To Salaries (W.N. 3)		4,18,600	By Discount received		35,000
To Sundry expenses		1,38,400	By Interest on investment		3,600
To Discount allowed		62,500			
To Depreciation (10% on (1,10,000 & 73,500))	11,000	7,350			
To Net Profit (b.f.)		3,63,150			
		12,52,600			12,52,600

Balance Sheet as at 31st March, 2024

Liabilities		Amount	Assets	Amount
Capital			Motor vehicle 1,10,000	
Opening balance	6,05,000		Less: Depreciation (11,000)	99,000
Less: Drawings	(2,40,000)		Furniture & Fittings 73,500	
	3,65,000		Less: Depreciation (7,350)	66,150
Add: Net profit for the years	3,63,150	7,28,150	Closing Stock	2,31,600
Trade creditors		1,05,600	Trade receivable	2,20,500
Outstanding salary		14,800	6% Investment	60,000
			Cash in hand & at bank	1,71,300
		8,48,550		8,48,550

Working Notes:

1. Trade Debtors Account

	₹		₹
To Balance b/d	1,45,400	By Cash/Bank	85,52,000
To Credit sales (Bal. fig.)	86,89,600	By Discount allowed	62,500
		By Balance c/d	2,20,500
	88,35,000		88,35,000

2. Trade Creditors Account

	₹		₹
To Cash/Bank	75,45,000	By Balance b/d	75,200
To Discount received	35,000	By Purchases credit	76,10,400
To Balance c/d	1,05,600		
	76,85,600		76,85,600

3. Computation of salary to be charged to Profit & Loss A/c

	₹
Salary expenses paid (as per cash book)	4,12,800
Less: Outstanding expenses as on 31.3.2023	(9,000)
	4,03,800
Add: Outstanding expenses as on 31.3.2024	14,800
	4,18,600

5. (a) Statement of Valuation of Inventory as on 31st March, 2024

Particulars	Amount (₹)	Amount (₹)
Value of stock as on 10th April, 2024		4,50,000
Add: Cost of sales during the period from 31 st March, 2024 to 10 th April, 2024:		
Sales (₹ 1,10,000-₹ 10,000)	1,00,000	
Less: Gross profit (25% on cost i.e. 20% on sales)	<u>(20,000)</u>	80,000
		5,30,000
Less: Purchases during the period from 31 st March, 2024 to 10 th April, 2024 (85,000-2,500)	82,500	
Unsold stock out of goods received on consignment basis (40% of ₹ 15,000)	6,000	
Loss on revaluation of slow-moving inventories (14,850-9,500)	<u>5,350</u>	(93,850)
		4,36,150

ALTERNATE PRESENTATION

Statement of Valuation of Inventory as on 31st March, 2024

Particulars	Amount (₹)	Amount (₹)
Value of stock as on 10th April, 2024		4,50,000
Add: Cost of sales during the period from 31 st March, 2024 to 10 th April, 2024:		
Sales	1,10,000	

Less: Gross profit (25% on cost i.e. 20% on sales)	(22,000)	88,000
Purchase Returns		2,500
		5,40,500
Less: Purchases during the period from 31 st March, 2024 to 10th April, 2024	85,000	
Sales Returns	8,000	
Unsold stock out of goods received on consignment basis (40% of ₹ 15,000)	6,000	
Loss on revaluation of slow-moving inventories (14,850-9,500)	5,350	(1,04,350)
		4,36,150

(b) (i) In the Books of Mr. Prakash
Manufacturing Account for the year ended on March 31,2024

Particulars	₹	Amount ₹	Particulars	Amount₹
To Opening W.I.P.		6,25,000	By Closing W-I-P	7,15,000
To Raw Material Consumed:			By Sale of Scrap	36,000
Opening inventory	5,85,000		By Trading A/c-	31,82,000
Purchases	18,74,000		Cost of finished goods transferred	
	24,59,000			
Less: Returns	(95,000)			
	23,64,000			
Less: Closing inventory	(4,70,000)	18,94,000		
To Direct Wages		3,97,000		
To Manufacturing Overhead:				
Power and Electricity	1,76,000			
Indirect Wages	82,000			
Indirect Materials	1,88,000			
Repairs & Maintenance	2,65,000			
Depreciation on Factory Shed	1,44,000			
Depreciation on Plant & Machinery	1,62,000	10,17,000		
		39,33,000		39,33,000

OR

(ii) **Bank Reconciliation Statement as on 31st March,2024**

Particulars	Details ₹	Amount ₹
Overdraft as per Cash Book		24,000
Add: Cash received from Exe entered in bank column of cash book	3,150	
Cheque deposited but collected less as per bank statement	50	
Noting charges not recorded in cash book	60	
Cheque deposited but collected by bank on 5 th April	4,800	8,060
		32,060
Less: Cheque deposited but not recorded in Cash Book	(4,000)	
Debit side of bank column casted short	(1,000)	
Bills for collection credited in the bank not yet entered in the cash book	(4,200)	
Bank Charges recorded twice	(40)	
Cheque issued but not presented	(3,000)	(12,240)
Overdraft as per bank Pass book		19,820

Alternatively, the above question can also be solved using adjusted cash book.

(c) **Journal Entries in the books of Happy Ltd.**

Date	Particulars		Debit ₹	Credit ₹
1-4-2024	Equity share final call A/c To Equity share capital A/c (Being final calls of ₹ 6 per share on 40,000 equity shares due as per Board's Resolution dated....)	Dr.	2,40,000	2,40,000
30-4-2024	Bank A/c To Equity share final call A/c (Being final call money on 40,000 equity shares received)	Dr.	2,40,000	2,40,000
1-5-2024	Equity Share Capital Account To Calls-in-Arrears A/c To Forfeited Shares A/c (Bring forfeiture of 10,000 Shares due to Non-Payment of Final Call of 2 per share)		1,00,000	20,000 80,000
1-5-2024	Bank A/c To Securities Premium A/c	Dr.	1,10,000	10,000

1-5-2024	To Equity Share Capital A/c (Being re-issue of 10,000 forfeited shares at ₹ 11 each)			1,00,000
	Forfeited Shares A/c	Dr.	80,000	
	To Capital Reserve A/c (Being the profit on re-issue transferred to Capital Reserve)			80,000
	Capital Reserve	Dr.	1,40,000	
	Securities Premium A/c	Dr.	1,10,000	
1-5-2024	Capital Redemption Reserve A/c	Dr.	1,60,000	
	General Reserve A/c	Dr.	1,20,000	
	Profit and Loss A/c (b.f.)	Dr.	1,20,000	
	To Bonus to shareholders A/c (Being making provision for bonus issue of one share for every two shares held)			6,50,000
	Bonus to shareholders A/c	Dr.	6,50,000	
	To Equity share capital A/c (Being issue of bonus shares @ ₹ 10 per share)			6,50,000

Working Notes:

1. Number of Bonus shares to be issued- (1,30,000 shares / 2) X 1 = 65,000 shares	₹
2. The authorised capital should be increased as per details given below:	
Existing issued Equity share capital (9,00,000 +4,00,000)	13,00,000
Add: Issue of bonus shares to equity shareholders	<u>6,50,000</u>
Total	<u>19,50,000</u>

6. (a)

Journal Entries In the books of Mac Ltd.

		Amount (₹)	Amount (₹)
10% Preference Share Final Call A/c	Dr.	20,00,000	
To 10% Preference Share Capital A/c (Being final call made on preference shares @ ₹ 25 each to make them fully paid up)			20,00,000
Bank A/c	Dr.	20,00,000	
To 10% Preference Share Final Call A/c			20,00,000

(Being receipt of final call money on preference shares)			
Bank A/c To Equity Share Application A/c (Being receipt of application money on 60,000 equity shares @ ₹ 25 per share)	Dr.	15,00,000	15,00,000
Equity Share Application A/c To Equity Share Capital A/c (Being capitalisation of application money received)	Dr.	15,00,000	15,00,000
Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Being allotment money due on 60,000 equity shares @ ₹ 45 per share including a premium of ₹ 10 per share)	Dr.	27,00,000	21,00,000 6,00,000
Bank A/c To Equity Share Allotment A/c (Being receipt of allotment money on equity shares)	Dr.	27,00,000	27,00,000
General Reserve A/c To Capital Redemption Reserve A/c (Being transfer of CRR the amount not covered by the proceeds of fresh issue of equity shares i.e., 80,00,000 - 15,00,000 – 21,00,000)	Dr.	44,00,000	44,00,000
10% Preference Share Capital A/c Premium on Redemption of Preference Shares A/c To Preference Shareholders A/c (Being amount payable to preference shareholders on redemption at 5% premium)	Dr. Dr.	80,00,000 4,00,000	84,00,000
Preference Shareholders A/c To Bank A/c (Being amount paid to preference shareholders)	Dr.	84,00,000	84,00,000
General Reserve A/c To Premium on Redemption of Preference shares A/c (Being writing off premium on redemption of preference shares)	Dr.	4,00,000	4,00,000

Notes to Accounts:

		₹
1	<u>Share Capital:</u> Equity Share Capital Issued, Subscribed & Paid Up: 2,00,000 Equity Shares of ₹ 100 each fully paid up 2,00,00,000 60,000 Equity Shares of ₹ 100 each, ₹ 60 called up & paid up <u>36,00,000</u>	2,36,00,000
2	<u>Reserves and Surplus:</u> Securities Premium 6,50,000 Add: Amount received @ - 10 per share on 60,000 Equity Shares <u>6,00,000</u> Capital Redemption Reserve 42,00,000 Add: Transferred on Redemption (WN-1) <u>44,00,000</u> General Reserve 85,00,000 Less: Transferred to Capital Redemption Reserve (44,00,000) Less: Adjustment of Premium payable on Redemption <u>(4,00,000)</u>	12,50,000 86,00,000 37,00,000
		1,35,50,000

Working Note 1**Amount to be transferred to Capital Redemption Reserve on Redemption:**

Nominal Value of 80,000 Preference Shares Redeemed	80,00,000
Less: Proceeds of 60,000 Equity Shares issued, - 60 called up & paid up	<u>36,00,000</u>
Transfer to Capital Redemption Reserve	<u>44,00,000</u>

Note: At the time of redemption of preference shares out of accumulated divisible profits, it is necessary to transfer to the Capital Redemption Reserve Account an amount equal to the amount repaid on the redemption of preference shares on account of face value less proceeds of a fresh issue of shares made for the purpose of redemption.

(b) The use of subsidiary books affords the undermentioned advantages:

- (i) **Division of work:** Since in the place of one journal there will be so many subsidiary books, the accounting work may be divided amongst a number of clerks.
- (ii) **Specialization and efficiency:** When the same work is allotted to a particular person over a period of time, he acquires full knowledge of it and becomes efficient in handling it. Thus, the accounting work will be done efficiently.
- (iii) **Saving of the time:** Various accounting processes can be undertaken simultaneously because of the use of a number of books. This will lead to the work being completed quickly.
- (iv) **Availability of information:** Since a separate register or book is kept for each class of transactions, the information relating to each class of transaction be available at one place.
- (v) **Facility in checking:** When the trial balance does not agree, the location of the error or errors is facilitated by the existence of separate books. Even the commission of errors and frauds will be checked by the use of various subsidiary books.

ANSWERS OF MODEL TEST PAPER 10

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

1. (a) 1. **False:** The rule of nominal accounts states that all expenses and losses are recorded on debit side.
2. **False:** Overhaul expenses are incurred to put second-hand machinery in working condition to derive enduring long-term advantage. So, it should be capitalized.
3. **True:** The conservatism concept states that one shall not account for anticipated profits but shall provide all prospective losses. Valuing inventory at cost or net realisable value whichever is less, therefore is based on principle of conservatism.
4. **False:** A promissory note should not be made payable to the bearer. The payee must be to a certain person.
5. **False:** It depicts the cash system of accounting rather than the accrual system, as the cash receipts and payments pertaining to any year are entered in the Receipts and payments account. The principle of accrual is not followed with regard to the receipts and payments account of a non-profit organization.
6. **False:** Legal heirs of a deceased partner are entitled to all the dues of deceased partner.

(b) The difference between Book keeping and Accounting are as follows:

S. No.	Book-keeping	Accounting
1.	It is a process concerned with recording of transactions.	It is a process concerned with summarising of the recorded transactions.
2.	It constitutes as a base for accounting.	It is considered as a language of the business.
3.	Financial statements do not form part of this process.	Financial statements are prepared in this process on the basis of book-keeping records.
4.	Managerial decisions cannot be taken with the help of these records.	Management takes decisions on the basis of these records.
5.	There is no sub-field of book keeping.	It has several sub-fields like financial accounting, management accounting etc.
6.	Financial position of the business cannot be ascertained through book-keeping records.	Financial position of the business is ascertained on the basis of the accounting reports.

(c)

Journal

	Particulars	L.F.	Dr. ₹	Cr. ₹
(1)	Sales A/c Dr. Sales Returns A/c Dr. To Suspense A/c (Being the value of goods returned by Mr. A wrongly posted to Sales and omission of debit to Sales Returns Account, now rectified)		500 500	1,000
(2)	Suspense A/c Dr. To Mr. R (Being wrong debit to Mr. R for goods returned by him, now rectified)		500	500
(3)	Mr. Q Dr. To Mr. S To Suspense A/c (Being omission of debit to Mr. Q and wrong credit to Mr. S for sale of ₹ 700, now rectified)		700	70 630
(4)	Discount A/c Dr. To Suspense A/c (Being the total of Discount allowed during September not posted from the Cash Book; error now rectified)		350	350

2. (a) Bank Reconciliation Statement of Mr. Hari as on 31st Dec., 2023

Particulars	Details ₹	Amount ₹
Balance as per the Cash Book		1,36,800
<i>Add:</i> Cheques issued but not presented for payment	36,000	
Dividends directly collected by bank but not yet entered in the Cash Book	18,000	
Cheque recorded with wrong amount in the Cash Book	90	
Cheque directly deposited but not recorded in the cash book	1,53,600	
Amount received from sale of scrap not recorded in cash book	1,000	2,08,690
		3,45,490
<i>Less:</i> Cheques deposited but not cleared till 31 st dec	55,000	
Mediclaime paid by the bank directly not yet recorded in the Cash Book	14,160	

Bank charges not recorded in cash book	150	(69,310)
Balance as per the Pass Book		2,76,180

Alternatively, the question can also be solved by preparing adjusted cash book as shown below:

Cash Book (Bank Column)

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	1,36,800	By Bank charges	150
To Amount received from sale of scrap	1,000	By Mediclaim	14,160
To dividends collected by bank	18,000	By balance c/d	2,95,180
To cheques recorded with wrong amount	90		
To cheque directly deposited not recorded	1,53,600		
	3,09,490		3,09,490

Bank Reconciliation Statement of Mr. Hari as on 31st Dec., 2023

Particulars	₹
Balance as per the Cash Book (corrected)	2,95,180
Add: Cheques issued but not yet presented	36,000
Less: Cheques deposited but not cleared	(55,000)
Balance as per the Pass Book	2,76,180

(b)

In the books of Sejal Journal Entries

Date	Particulars	DR. (in ₹)	CR. (in ₹)
1/1/2023	Harry Dr. To Bills payable A/c (Being bill of exchange accepted and sent to Mr. Harry)	60,000	60,000
1/1/2023	Bank A/c Dr. Discount charges A/c Dr. To Harry (Being the amount received from Harry on account of the bills receivable)	14,000 1,000	15,000
4/4/2023	Bills receivable A/c Dr. To Harry	80,000	80,000

	(Being the bills accepted by Harry)			
4/4/2023	Bank A/c Dr.	74,600		
	Discount charges A/c Dr.	5,400		
	To Bills receivable A/c (Being Harry acceptance discounted with bank)		80,000	
4/4/2023	Bills payable A/c Dr.	60,000		
	To Bank A/c (Being the amount met on the due date)		60,000	
4/4/2023	Harry Dr.	15,000		
	To Bank A/c		10,950	
	To Discount A/c $\{(5,400/80,000) \times 60,000\}$ (Being the amount paid and the discount debited to Harry)		4,050	
7/7/2023	Harry Dr.	80,000		
	To Bank A/c (Being Harry's acceptance discounted with bank dishonoured due to Harry's bankruptcy)		80,000	
7/7/2023	Bank A/c Dr.	24,000		
	Bad debts A/c Dr.	36,000		
	To Harry (The amount received from Harry and the balance being written off as debt)		60,000	

Harry 's A/c

Particulars	₹	Particulars	₹
To Bills Payable A/c	60,000	By Bank A/c	14,000
To Bank A/c	10,950	By Discount A/c	1,000
To Discount A/c	4,050	By Bills Receivable	80,000
To Bank A/c	80,000	By Bank A/c	24,000
		By Bad Debts	36,000
	1,55,000		1,55,000

3. (a) **Trading Account for the year ended 31st March, 2024**

Particulars	Details	Amount ₹	Particulars	Details	Amount ₹
To opening Stock		4,80,000	By Sales	48,00,000	
To Purchases	21,35,000		Less: Returns Inwards	<u>93,000</u>	47,07,000
Less: Plant and Machinery included in purchases	3,00,000		By Closing Stock		5,20,000
Less: Returns Outward	55,000	17,80,000			
To wages		15,00,000			
To Factory rent	8,000				
Add: outstanding	3,000	11,000			
To Gross Profit c/d		14,56,000			
		52,27,000			52,27,000

Profit and Loss Account for the year ended 31st March, 2024

Particular	Amount ₹	Particular	Amount ₹
To Salaries	1,40,000	By Gross profit b/d	14,56,000
To Advertisements	60,000	By Discount Received	37,000
To Insurance	63,000		
To General expenses	10,000		
To Discount Allowed	65,000		
To provision for doubtful debts (W.N.1)	37,000		
To Provision for discount on debtors (W.N.2)	8,400		
To Depreciation (W.N. 3)	93,300		
To Net Profit transferred to Capital a/c	10,16,300		
	14,93,000		14,93,000

Balance Sheet as at 31st March, 2024

Liabilities	Details	Amount ₹	Assets	Details	Amount ₹
Capital	4,00,00		Plant and Machinery	5,00,000	
Add: Net Profit	10,16,300		Add: Additions	3,00,000	
Less: Drawings	(70,000)	13,46,300	Less: Dep. (W.N.3)	(80,000)	7,20,000
Bills Payable		56,000	Office furniture	26,000	
Sundry Creditors		5,20,000	Less: Dep. (W.N. 3)	(1,300)	24,700

Outstanding Factory rent		3,000	Motor Vans	1,20,000	
			Less: Dep. (W.N. 3)	(12,000)	1,08,000
			Bills receivables		72,000
			Stock in Trade		5,20,000
			Sundry Debtors	4,57,000	
			Less: Further Bad debts	(7,000)	
			Less: Provision for doubtful debts	(30,000)	
			Less: Provision for discount on debtors (W.N. 2)	(8,400)	4,11,600
			Cash at hand		4,000
			Cash in bank		65,000
		19,25,300			19,25,300

Working Notes :

(1) Provision for Bad and Doubtful Debts Account

Particulars	₹	Particulars	₹
To Bad-debts (as per Trial Balance)	25,000	By Balance b/d (as per Trial Balance)	25,000
To Sundry debtors (further bad-debts)	7,000	By P&L A/c (Balancing figure)	37,000
To Balance c/d i.e. provision required at year end	<u>30,000</u>		
	62,000		<u>62,000</u>

(2) Provision for discount on debtors

Debtors as per Trial Balance	₹4,57,000
Less: Further bad-debts	(7,000)
Less: New provision for Doubtful Debts	<u>(30,000)</u>
Debtors before provision for discount	<u>4,20,000</u>
Provision for discount on debtors @2%	₹ <u>8,400</u>

(3) Depreciation

Plant and Machinery @ 10% on 8,00,000 (5,00,000 + 3,00,000*)	80,000
Motor Van @ 10% on 1,20,000	12,000
Office Furniture @ 5% on 26,000	1,300
Total	₹ 93,300

*Purchase of a plant and machinery during the year for ₹ 3,00,000 which was wrongly debited to purchase now added to Plant and Machinery.

(b)

Revaluation A/c

Liabilities	₹	Assets	₹
To Provision for Doubtful Debts	1,500	By Land and Building	5,000
To Profit on revaluation		By stock	3,500
Krish 4,200			
Bala <u>2,800</u>	7,000		
	8,500		8,500

Partners' Capital A/c

Particulars	Krish	Bala	Sobha	Particulars	Krish	Bala	Sobha
To Krish and Bala's capital A/c—			12,000	By balance b/d	25,000	15,000	
To Balance c/d	53,200	33,800	25,000	By Bank- (Capital + GW)			37,000
				By Sobha's Capital A/c	7,200	4,800	
				By General Reserve	15,600	10,400	
				By Workman comp. Reserve	1,200	800	
				By Revaluation A/c	4,200	2,800	
	53,200	35,400	37,000		53,200	33,800	37,000

Balance Sheet of the Firm (after admission of Sobha)

Liabilities	₹	Assets	₹
Capital Accounts:		Land and Building	33,000
Krish 53,200		Plant & Machinery	15,000
Bala 33,800		Stock	13,500
Sobha <u>25,000</u>	1,12,000	Debtors 25,000	
Employees provident fund	8,000	Less: Provision for	
workman compensation	8,000	Doubtful	
Reserve		Debts <u>5,500</u>	19,500
Creditors	10,000	Bank (W.N.2)	57,000
	1,38,000		1,38,000

Working Note:**(1) Calculation of Sacrificing ratio**

Partner	Old Share		New Share		Difference
Krish	3/5	—	3/6	=	3/30
Bala	2/5	—	2/6	=	2/30
Sobha		—	1/6		

(2) Bank A/c

Particulars	₹	Particulars	₹
To balance b/d	20,000	By Balance c/d	57,000
To Sobha's capital A/c	37,000		
	57,000		57,000

4. (a) (i) Entries for the treatment of goodwill

Total goodwill of firm is ₹ 60,000

Z's share ($1/6 \times ₹ 60,000$) = ₹ 10,000

(a) X's Capital A/c Dr. 6,000

Y's Capital A/c Dr. 4,000

Z's Capital A/c Dr. 2,000

To Goodwill A/c 12,000

(Being existing goodwill written off)

(b) X's Capital A/c Dr. 6,000

Y's Capital A/c Dr. 4,000

To Z's Capital A/c 10,000

(Being Z's share of goodwill credited to him and debited to gaining partners in gaining ratio)

(ii) Revaluation Account

	₹		₹
To Patents A/c	6,000	By employee provident fund A/c	6,000
To Machinery A/c	6,000	By Investments A/c	2,600
To Provision for Bad Debts A/c	1,000	By Revaluation Loss	10,400
To workmen's compensation*	6,000	Partners' Capital A/cs –	
		X 5,200	
		Y 3,467	
		Z 1,733	
	19,000		19,000

(iii) Partners' Capital Account

		X (₹)	Y (₹)	Z (₹)			X (₹)	Y (₹)	Z (₹)
To	Goodwill	6,000	4,000	2,000	By	Balance b/d	78,000	42,000	31,000
To	Revaluation A/c	5,200	3,467	1,733	By	Investment Fluctuation Fund	3,000	2,000	1,000
To	Investments			27,600					
To	Z's Capital A/c	6,000	4,000		By	X's Capital A/c			6,000
To	Bank A/c			5,334	By	Y's Capital A/c			4,000
To	Z's Loan A/c			2,667					
To	Bills Payable A/c			2,666					

To	Balance c/d	63,800	32,533					
		81,000	44,000	42,000		81,000	44,000	42,000

(iv) **Balance Sheet as on 1st April, 2024**

Liabilities	₹	₹	Assets	₹	₹
Capital accounts:			Patent		24,000
X	63,800		Machinery		54,000
Y	32,533	96,333	Closing stock		30,650
Z's loan account		2,666	Sundry debtors	50,000	
Trade creditors		31,000	Less: Provision for	(5,000)	45,000
Bills payable		2,667	bad debts		
Workman compensation		18,000	Cash and bank		3,016
Employee Provident Fund		6,000	balances		
		1,56,666			1,56,666

Working Notes:

1. Gaining ratio of existing partners:

$$X \ 3/5-3/6=3/30$$

$$Y \ 2/5-2/6=2/30$$

(b) (a) **Delhi Club**

**Income and Expenditure Account for the year ending
31st December, 2023**

Expenditure	₹	Income		₹
To Salary	3,000	By Subscription (W.N. -ii)		10,650
To Repairs expenses	500	By Donations (50%)		3,500
To Miscellaneous expenses	410	By Interest on investments* (100 + 200)		300
To Insurance premium	380	By Entrance fees		1,500
To Paper, Ink etc	250	By Interest received from Bank		400
To Excess of Income over expenditure	12,810	By Sale of old newspaper		250
		By Sale of drama tickets	1,250	
		Less: expenses	500	750
	17,350			17,350

(b) **Balance Sheet of Delhi Club as at 31st December, 2023**

Liabilities	₹	Assets	₹
Capital Fund:		Furniture	7,000
Opening balance	43,100	Investment	6,000
(W.N.1)		Billiards table**	30,000
Add: Excess of income. over exp	12,810	Cash in hand	4,500
Add: Donations	3,500		
	59,410		

Insurance	80	Cash at Bank	11,050
Premium payable		Prepaid Expenses- Misc	90
Subscription received in advance for 2024	550	exp	
		Subscription Receivable	1,200
		Interest accrued on investments*	200
	60,040		60,040

Working Notes:

1. Calculation of capital fund

Balance Sheet of Delhi Club as at 31st December, 2022

Liabilities	₹	Assets	₹
Capital Fund (Balancing figure)	43,100	Billiards table	30,000
Creditors for Billiard table	10,000	Cash in hand	8,100
		Cash at Bank	15,000
	53,100		53,100

2. Calculation of amount of subscription shown in Income and expenditure account

	₹
Subscription received in cash during 2023	10,000
Add: Outstanding of 2023	1,200
	11,200
Less: Advance of 2024	(550)
	10,650

Alternatively, this working of calculation of amount of subscription can also be presented in the form of ledger A/c.

* It may be interpreted that investments have been purchased during the year i.e. 5 months prior to the reporting date. Accordingly, total amount of interest accrued on such investment shall be ₹ 200 for the calendar year 2023. Out of which ₹ 100 has been received and remaining ₹ 100 (200-100) is yet to be received (accrued). In that case, Interest on Investments in income and expenditure account shall be ₹ 200 and Accrued Interest in Balance Sheet under asset side shall be ₹ 100.

**Since in receipt and payment account ₹ 10,000 has been shown as payment for Billiard table, it can also be assumed that this amount is utilised for fresh purchase of billiard table. In that case, the amount of Billiard Table at assets side in Balance sheet will be ₹ 40,000 and unpaid amounts of billiard table shown at the liabilities side of balance sheet shall be ₹ 10,000.

5. (a) **Statement of Valuation of Stock on 30th June, 2023**

		₹
Value of stock as on 23rd June, 2023		4,80,000
Add: Unsold stock out of the goods sent on consignment	24,000	
Purchases during the period from 23 rd June, 2023 to 30 th June, 2023	24,000	
Goods in transit on 30 th June, 2023	16,000	
Cost of goods sent on approval basis (80% of ₹ 16,000)	12,800	76,800
		5,56,800
Less: Cost of sales during the period from 23 rd June, 2023 to 30 th June, 2023 Sales (₹ 1,36,000 - ₹ 16,000)	1,20,000	
Less: Gross profit	<u>9,600</u>	1,10,400
Value of stock as on 30th June, 2023		4,46,400

Working Notes:

1. Calculation of normal sales:		
Actual sales		1,36,000
Less: Abnormal sales	12,000	
Return of goods sent on approval	16,000	(28,000)
		1,08,000
2. Calculation of gross profit:		
Gross profit or normal sales $20/100 \times ₹ 1,08,000$		21,600
Less: Loss on sale of particular (abnormal) goods (₹ 24,000-₹ 12,000)		(12,000)
Gross profit		9,600

Alternatively, the value of stock as on 30th June,2023 can also be calculated using trading Account. In that case the solution will be

Trading Account for the period from 23rd June to 30th June

Particulars	₹	Particulars	₹
To Opening Stock	4,80,000	By Sales including abnormal sales	1,20,000
To Purchase 40,000		By Closing stock as on June 30 (b/f)	3,93,600
Less: Goods In <u>16,000</u> transit	24,000		
To Gross Profit (W.N.)	9,600		
	<u>5,13,600</u>		<u>5,13,600</u>

Statement of valuation of stock on 30th June 2023

Particulars	₹	₹
Value of stock as per Trading Account		3,93,600
Add: Unsold stock out of the Goods sent on consignment	24,000	
Goods in Transit	16,000	
Cost of goods sent on approval basis (80% of 16000)	<u>12,800</u>	52,800
Value of stock as on 30 th June 2023		<u>4,46,400</u>

Working Notes:

1. Calculation of normal sales:		
Actual sales		1,36,000
Less: Abnormal sales	12,000	
Return of goods sent on approval	16,000	(28,000)
		<u>1,08,000</u>
2. Calculation of gross profit:		
Gross profit or normal sales $20/100 \times ₹ 1,08,000$		21,600
Less: Loss on sale of particular (abnormal) goods (₹ 24,000-₹ 12,000)		12,000
Gross profit		<u>9,600</u>

(b) (i) **Either**

Calculation of Depreciation

		Purchased on Jan. 1, 2020 (₹)	Purchased on Jan. 1, 2021 (₹)	Total WDV	Total Depreciation (₹)
1-4-20	Cost	2,00,000			
	Depreciation	(40,000)			40,000
	Written Down Value (WDV)	1,60,000		1,60,000	
1-4-21	Cost	-	1,50,000		
	Depreciation	(32,000)	(30,000)		62,000
1-4-22	Written Down Value (WDV)	1,28,000	1,20,000	2,48,000	
	Depreciation	(25,600)	(24,000)		49,600
1-4-23	Written Down Value (WDV)	1,02,400	96,000	1,98,400	

Computers Account

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
1-4-23	To Balance b/d	1,98,400	31-3-24	By Depreciation	37,300
1-4-23	To Bank	1,00,000		(24,800 + 12,500)	
			31-3-24	By Balance c/d	2,61,100
		2,98,400			2,98,400
1-4-24	To Balance b/d	2,61,100			

(ii) Or

Debtors Account

Particulars	Amount	Particulars	Amount
To Balance b/d	6,50,000	By Bank A/c	7,32,000
To Credit Sales	12,80,000	By Discount allowed	12,800
		By Bills Receivable	2,90,000
		By Bad Debts (Bal fig)	45,200
		By Balance c/d	8,50,000
	19,30,000		19,30,000

(c)

In the Books of XYZ Ltd.

Journal Entries

		(₹)	(₹)
1-4-21	Bank A/c Dr. Loss on Issue of Debentures A/c* Dr. (W.N. 1) To 12% Debentures A/c To Premium on Redemption of Debentures A/c (For issue of debentures at discount and redeemable at premium)	5,70,000 90,000	6,00,000 60,000
1-4-21	Profit and Loss A/c Dr. To Debenture Redemption Reserve A/c (Being Debenture Redemption Reserve (DRR) created at 10%)	60,000	60,000
1-4-21	Debenture Redemption Reserve Dr. Investment To Bank A/c (Being DRR Investment created at 15%)	30,000	30,000
31-3-22	Profit & Loss A/c Dr. To Loss on issue of debentures (Being entire loss on issue of debentures written off)	90,000	90,000
31-3-22	Debenture Interest A/c** Dr. To Bank A/c (Being interest to debentures holder paid)	72,000	72,000
31-3-22	Debenture Redemption Reserve Dr. (DRR) To General Reserve	20,000	20,000

	(For DRR transferred to General reserve)			
31-3-22	Bank A/c Dr. To Debenture Redemption Reserve Investment (Being encashment of Debenture Redemption Reserve Investment for redemption of debentures)	30,000		30,000
31-3-22	12% Debentures** Dr. Premium on redemption of Dr. debentures A/c To Bank A/c (Being amount of redemption of 2000 debentures paid to debentures holders)	2,00,000 20,000		2,20,000
01-04-22	Debenture Redemption Reserve Dr. Investment To Bank A/c (Being DRR Investment created at 15%)	30,000		30,000
31-03-23	Debenture Interest A/c Dr. To Bank A/c (Being interest to debentures holder paid)	48,000		48,000
31-03-23	Debenture Redemption Reserve Dr. (DRR) To General Reserve (For DRR transferred to General reserve)	20,000		20,000
31-03-23	Bank A/c Dr. To Debenture Redemption Reserve Investment (Being encashment of Debenture Redemption Reserve Investment for redemption of debentures)	30,000		30,000
31-03-23	12% Debentures A/c Dr. Premium on redemption of Dr. debentures A/c To Bank A/c (Being amount of redemption of debentures paid to debenture holders)	2,00,000 20,000		2,20,000
01-04-23	Debenture Redemption Reserve Dr. Investment To Bank A/c	30,000		30,000

	(Being DRR Investment created at 15%)		
31-03-24	Debenture Interest A/c Dr. To Bank A/c (Being interest to debentures holder paid)	24,000	24,000
31-03-24	Debenture Redemption Reserve Dr. (DRR) To General Reserve (For DRR transferred to General reserve)	20,000	20,000
31-03-24	Bank A/c Dr. To Debenture Redemption Reserve Investment (being encashment of Debenture Redemption Reserve Investment for redemption of debentures)	30,000	30,000
31-03-24	12% Debentures A/c Dr. Premium on redemption of debentures A/c Dr. To Bank A/c (Being final redemption of remaining 2000 debentures paid)	2,00,000 20,000	2,20,000

Working Note:

1. Discount /Loss on issue of debentures

Discount on Issue of debentures = $6,000 \times 100 \times 5\% = ₹ 30,000$

Premium on redemption of debentures = $6,000 \times 100 \times 10\% = 60,000$

Total loss on issue of debentures = ₹ 30,000 + ₹ 60,000 = ₹ 90,000

*Alternatively, discount on issue and premium on redemption of debentures can also be shown separately. In that case, the entry will be

Bank A/c Dr.	5,70,000	
Discount on Issue of Debentures A/c (W.N.1) Dr.	30,000	
Loss on Issue of Debentures A/c (W.N.2) Dr.	60,000	
To 12% Debentures A/c		6,00,000
To Premium on Redemption of Debentures A/c		60,000
(For issue of debentures at discount and redeemable at premium)		

** The entries for interest on Debentures and Redemption of debentures can also be routed through debentures holders a/c.

In addition to above, the following entry every year to transfer debenture interest and Premium on redemption of Debentures A/c to Profit and Loss A/c can also be passed

Profit and Loss A/c	Dr.
To Debenture Interest A/c	
To Premium on Redemption of Debentures A/c	

6. (a)

Particulars		Debit (₹)	Credit (₹)
Bank A/c	Dr.	24,00,000	
To Equity Share Application A/c			24,00,000
(Being application money received for 8,00,000 shares @ ₹ 3 per share)			
Equity Share Application A/c	Dr.	24,00,000	
To Equity Share Allotment A/c			6,00,000
To Equity Share Capital A/c			18,00,000
(Being excess application money adjusted against allotment and application money transferred to share capital on 6,00,000 shares at ₹ 3 each)			
Equity Share Allotment A/c	Dr.	30,00,000	
To Equity Share Capital A/c			18,00,000
To Securities Premium A/c			12,00,000
(Being allotment money due, ₹ 5 per share including ₹ 3 towards share capital and ₹ 2 towards premium)			
Bank A/c	Dr.	24,00,000	
To Equity Share Allotment A/c			24,00,000
(Being allotment money received after adjusting excess application money)			
Equity Share First Call A/c	Dr.	12,00,000	
To Equity Share Capital A/c			12,00,000
(Being first call money due @ ₹ 2 per share)			
Bank A/c	Dr.	11,96,800	
Calls in arrear	Dr.	3,200	
To Equity Share First Call A/c			12,00,000
(Being first call money received, except on 1600 shares)			
Or			
Bank A/c	Dr.	11,96,800	

To Equity Share First Call A/c (Being first call money received, except on 1600 shares)			11,96,800
Equity Share Final Call A/c Dr.	12,00,000		
To Equity Share Capital A/c (Being final call money due @ ₹ 2 per share)			12,00,000
Bank A/c Dr.	11,96,800		
Calls in arrear Dr.	3,200		
To Equity Share Final Call A/c (Being first call money received, except on 1600 shares)			12,00,000
Or			
Bank A/c Dr.	11,96,800		
To Equity Share Final Call A/c (Being first call money received, except on 1600 shares)			11,96,800
Equity Share Capital A/c Dr.	16,000		
To Call in Arrear			6,400
To Share Forfeiture A/c			9,600
(Being forfeiture of 1600 shares of Harish for non-payment of calls money)			
Or			
Equity Share Capital A/c Dr.	16,000		
To Equity Share First Call A/c			3,200
To Equity Share Final Call A/c			3,200
To Share Forfeiture A/c			9,600
(Being forfeiture of 1600 shares of Harish for non-payment of calls money)			

Bank Account

Particulars	Debit (₹)		Credit (₹)
To Equity Share Application A/c	24,00,000	By Balance c/d	71,93,600
To Equity Share Allotment A/c	24,00,000		
To Equity Share First Call A/c	11,96,800		
To Equity Share Second Call A/c	11,96,800		
Total	71,93,600		71,93,600

(b) The difference between Periodic Inventory System and Perpetual Inventory System are as follows:

S. No.	Periodic Inventory System	Perpetual Inventory System
1.	This system is based on physical verification.	It is based on book records.
2.	This system provides information about inventory and cost of goods sold at a particular date.	It provides continuous information about inventory and cost of sales.
3.	This system determines inventory and takes cost of goods sold as residual figure.	It directly determines cost of goods sold and computes inventory as balancing figure.
4.	Cost of goods sold includes loss of goods as goods not in inventory are assumed to be sold.	Closing inventory includes loss of goods as all unsold goods are assumed to be in Inventory.
5.	Under this method, inventory control is not possible.	Inventory control can be exercised under this system.
6.	This system is simple and less expensive.	It is costlier method.
7.	Periodic system requires closure of business for counting of inventory.	Inventory can be determined without affecting the operations of the business.

ANSWERS 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 31st 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 12th 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 12th 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 18th 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.

ANSWERS OF MODEL TEST PAPER 2

FOUNDATION COURSE

Paper 2: Business Laws (100 Marks)

1. (i) (a) Claim for necessities 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 necessities 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 necessities 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 the employee in Jagannath Oils Limited. Hence, they will be considered as members for the purpose of the limit of 200 members. The company is required to reduce the number of members before converting it into a private company.

- (b) On the other hand, if those 25 members ceased to be an employee on 28th 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.	Regulating Act	The LLP Act, 2008.	The Companies Act, 2013.

2.	Members/Partners	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.	Internal governance structure	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.	Name	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.	No. of members/partners	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.	Private company: Minimum – 2 members Maximum 200 members Public company: Minimum – 7 members Maximum – No such limit on the members. Members can be organizations, trusts, another business form or individuals.
6.	Liability of members/partners	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.	Management	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.	Minimum number of directors/designated partners	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 agreements 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 7th 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 14th August, 2023. Bill was not accepted till 3:00 p.m. on 16th August, 2023. Saksham treated the bill as dishonoured for non-acceptance.

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

ANSWERS 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:

	Basis	LLP	Limited Liability Company
1.	Regulating Act	The LLP Act, 2008.	The Companies Act, 2013.
2.	Members/Partners	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.	Internal governance structure	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.	Name	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.	No. of members/partners	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.	Private company: Minimum – 2 members Maximum 200 members Public company: Minimum – 7 members Maximum – No such limit on the members. Members can be organizations, trusts, another business form or individuals.
6.	Liability of members/partners	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.	Management	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.	Minimum number of directors/designated partners	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:

Basis of difference	Fraud	Misrepresentation
Intention	To deceive the other party by hiding the truth.	There is no such intention to deceive the other party.
Knowledge of truth	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.
Rescission of the contract and claim for damages	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.
Means to discover the truth	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 appellant, 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.

ANSWERS OF MODEL TEST PAPER 4

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS

1. (a) (i) **Responsibility of finder of goods (Section 71 of the Indian Contract Act, 1872):** A person who finds goods belonging to another and takes them into his custody is subject to same responsibility as if he were a bailee.

Thus, a finder of lost goods has:

- (i) to take proper care of the property as man of ordinary prudence would take
- (ii) no right to appropriate the goods and
- (iii) to restore the goods if the owner is found.

In the light of the above provisions, the manager must return the smart watch to Rahul, since Rahul is entitled to retain the smart watch found against everybody except the true owner.

- (ii) The problem as asked in the question is based on Section 10 of the Indian Contract Act, 1872. This Section says that all agreements are contracts if they are made by the free consent of the parties competent to contract, for a lawful consideration and with a lawful object and are not expressly declared to be void. Further, Section 23 also states that every agreement of which the object is unlawful is void.

Accordingly, one of the essential elements of a valid contract in the light of the said provision is that the agreement entered into must not be which the law declares to be either illegal or void. An illegal agreement is an agreement expressly or impliedly prohibited by law. A void agreement is one without any legal effects.

The given instance is a case of interference with the course of justice and results as opposed to public policy. This can also be called an agreement in restraint of legal proceedings. This agreement restricts one's right to enforce his legal rights. Such an agreement has been expressly declared to be void under section 28 of the Indian Contract Act, 1872. Hence, Mr. Manoj in the given case cannot recover the amount of ₹ 10 lakh promised by Mr. Vikas because it is a void agreement and cannot be enforced by law.

- (b) (i) It was decided by the court in the case of *Gilford Motor Co. Vs. Horne*, that if the company is formed simply as a mere device to evade legal obligations, though this is only in limited and discrete circumstances, courts can pierce the corporate veil. In other words, if the company is a mere sham or cloak, the separate legal entity can be disregarded.

On considering the decision taken in *Gilford Motor Co. Vs. Horne* and facts of the problem given, it is very much clear that Nine Stars

Timbers Private Limited was formed just to evade legal obligations of the agreement between Mr. Samyak and Moonlight Timber Private Limited. Hence, Nine Stars Timbers Private Limited is just a sham or cloak and the separate legal entity between Mr. Samyak and Nine Stars Timbers Private Limited should be disregarded.

- (ii) According to the provisions of Section 2(45) of Companies Act, 2013, Government Company means any company in which not less than 51% of the paid-up share capital is held by-
 - (i) the Central Government, or
 - (ii) by any State Government or Governments, or
 - (iii) partly by the Central Government and partly by one or more State Governments, and the section includes a company which is a subsidiary company of such a Government company.

According to Section 2(87), “subsidiary company” in relation to any other company (that is to say the holding company), means a company in which the holding 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.

By virtue of provisions of Section 2(87) of Companies Act, 2013, Rama Auto Private Limited is a subsidiary company of Pacific Motors Limited because Pacific Motors Limited is holding more than one-half of the total voting power in Rama Auto Private Limited. Further as per Section 2(45), a subsidiary company of Government Company is also termed as Government Company. Hence, Rama Auto Private Limited, being a subsidiary of Pacific Motors Limited will also be considered as Government Company.

(c) (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) Effects of insolvency of a partner (Section 34 of the Indian Partnership Act, 1932):

- (i) The insolvent partner cannot be continued as a partner.
- (ii) He will be ceased to be a partner from the very date on which the order of adjudication is made.
- (iii) The estate of the insolvent partner is not liable for the acts of the firm done after the date of order of adjudication.

- (iv) The firm is also not liable for any act of the insolvent partner after the date of the order of adjudication,
- (v) Ordinarily, the insolvency of a partner results in dissolution of a firm; but the partners are competent to agree among themselves that the adjudication of a partner as an insolvent will not give rise to dissolution of the firm.

2. (a) (i) 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 the instant case, in the light of the provisions of Sub-Clause (b) of Sub-Section (2) of Section 17 of the Act, Mrs. Seema will not be successful as she casually examined the sample of rice (which exactly corresponded to the entire lot) without noticing the fact that even though the sample was that of Basmati Rice but it contained a mix of long and short grains.

(ii) **Sale by Sample (Section 17 of the Sale of Goods Act, 1930):** As per the provisions of Sub-Section (1) of section 17 of the Sale of Goods Act, 1930, a contract of sale is a contract for sale by sample where there is a term in the contract, express or implied, to that effect.

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) that the bulk shall correspond with the sample in quality;
- (b) that the buyer shall have a reasonable opportunity of comparing the bulk with the sample.
- (c) that the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

(iii) In case Mrs. Seema specified her exact requirement as to length of rice, then there is an implied condition that the goods shall correspond with the description. If it is not so, the seller will be held liable.

(b) (i) **Listed company:** As per the definition given in the section 2(52) of the Companies Act, 2013, it is a company which has any of its securities listed on any recognised stock exchange.

Provided that such class of companies, which have listed or intend to list such class of securities, as may be prescribed in consultation with the Securities and Exchange Board, shall not be considered as listed companies.

Whereas the word securities as per section 2(81) of the Companies Act, 2013 has been assigned the same meaning as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956.

Unlisted company means company other than listed company.

(ii) In line with the Companies Act, 2013, following are the classification of the Companies on the basis of control:

(a) Holding and subsidiary companies: ‘Holding and subsidiary’ companies are relative terms.

A company is a holding company in relation to one or more other companies, means a company of which such companies are subsidiary companies. [Section 2(46)]

For the purposes of this clause, the expression “company” includes any body corporate.

Whereas section 2(87) 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:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

(b) Associate company [Section 2(6)]: In relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation. — For the purpose of this clause —

- (i) the expression “significant influence” means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement;
- (ii) the expression “joint venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

(c) (i) Partners (Section 5 of Limited Liability Partnership Act, 2008): Any individual or body corporate may be a partner in a LLP.

However, an individual shall not be capable of becoming a partner of a LLP, if—

- (a) he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;
- (b) he is an undischarged insolvent; or
- (c) he has applied to be adjudicated as an insolvent and his application is pending.

(ii) Effect of registration (Section 14 of Limited Liability Partnership Act, 2008):

On registration, a LLP shall, by its name, be capable of—

- (a) suing and being sued;
- (b) acquiring, owning, holding and developing or disposing of property, whether movable or immovable, tangible or intangible;
- (c) having a common seal, if it decides to have one; and
- (d) doing and suffering such other acts and things as bodies corporate may lawfully do and suffer.

3. (a) (i) According to Section 4 of the Indian Partnership Act, 1932, "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. Therefore, for determining the existence of partnership, it must be proved that:

- 1. There must be an agreement between all the persons concerned;
- 2. The agreement must be to carry on some business;
- 3. The agreement must be to share the profits of a business and
- 4. The business was carried on by all or any of them acting for all.

On the basis of above provisions and facts provided in the question, Mr. Ram and Mr. Raheem cannot be said under partnership as they are teachers in a school and just purchased a flat jointly.

By merely giving the flat on rent, they are not doing business. They are just earning the income from the property under their co-ownership. Hence, there is no partnership between them. Therefore, Mr. Ram is liable to pay his share only i.e. ₹ 1500. Mr. John has to claim the rest of ₹ 1500 from Mr. Raheem.

(ii) Liability of Firm for Misapplication by Partners (Section 27 of Indian Partnership Act, 1932):

The two clauses of Section 27 bring out an important point of distinction between the two categories of cases of misapplication of money by partners.

Clause (a) covers the case where a partner acts within his authority and due to his authority as a partner, he receives money or property belonging to a third party and misapplies that money or property. For this provision to be attracted, it is not necessary that the money should have actually come into the custody of the firm.

On the other hand, the provision of clause (b) would be attracted when such money or property has come into the custody of the firm, and it is misapplied by any of the partners.

The firm would be liable in both cases.

(b) (i) Fate of the suit and the liability of Mr. R towards the company:

Doctrine of the Indoor Management

According to the Doctrine of Indoor Management, the outsiders are not deemed to have notice of the internal affairs of the company. They are entitled to assume that the acts of the directors or other officers of the company are validly performed, if they are within the scope of their apparent authority. So long as an act is valid under the articles, if done in a particular manner, an outsider dealing with the company is entitled to assume that it has been done in the manner required. This is the indoor management rule, that the company's indoor affairs are the company's problem. This rule has been laid down in the landmark case-the *Royal British Bank vs. Turquand*. (Known as "Turquand Rule")

In the instant case, Mr. R is not liable to pay the amount of ₹ 1,50,000 to MNO Private Limited as he had genuine reasons to trust Mr. C, an employee of the company who had issued him a signed and sealed receipt.

(ii) Liability of Mr. R in case no receipt is issued by Mr. C:

Exceptions to doctrine of indoor management: Suspicion of irregularity is an exception to the doctrine of indoor management. The doctrine of indoor management in no way rewards those who behave negligently. It is the duty of the outsider to make the necessary enquiry, if the transaction is not in the ordinary course of business.

If a receipt under the company seal was not issued by Mr. C after receiving payment, Mr. R is liable to pay the said amount as this will be deemed to be a negligence on the part of Mr. R and it is his duty to make the necessary enquiry to check that whether Mr. C is eligible to take the payment or not.

(c) Consideration [Section 2(d) of the Indian Contract Act, 1872]: When at the desire of the promisor, the promisee or any other person has done or abstained from doing, or does or abstains from doing or promises to do or abstain from doing something, such an act or abstinence or promise is called consideration for the promise.

Legal Rules Regarding Consideration

- (i) **Consideration must move at the desire of the promisor:** Consideration must be offered by the promisee or the third party at the desire or request of the promisor. This implies “return” element of consideration.
- (ii) **Consideration may move from promisee or any other person:** In India, consideration may proceed from the promisee or any other person who is not a party to the contract. In other words, there can be a stranger to a consideration but not stranger to a contract.
- (iii) **Executed and executory consideration:** A consideration which consists in the performance of an act is said to be executed. When it consists in a promise, it is said to be executory. The promise by one party may be the consideration for an act by some other party, and vice versa.
- (iv) **Consideration may be past, present or future:** It is a general principle that consideration is given and accepted in exchange for the promise. The consideration, if past, may be the motive but cannot be the real consideration of a subsequent promise. But in the event of the services being rendered in the past at the request or the desire of the promisor, the subsequent promise is regarded as an admission that the past consideration was not gratuitous.
- (v) **Consideration need not be adequate:** Consideration need not to be of any particular value. It need not be approximately of equal value with the promise for which it is exchanged but it must be something which the law would regard as having some value.
- (vi) **Performance of what one is legally bound to perform:** The performance of an act by a person who is legally bound to perform the same cannot be consideration for a contract. Hence, a promise to pay money to a witness is void, for it is without consideration. Hence, such a contract is void for want of consideration.
- (vii) **Consideration must be real and not illusory:** Consideration must be real and must not be illusory. It must be something to which the law attaches some value. If it is legally or physically impossible it is not considered valid consideration.
- (viii) **Consideration must not be unlawful, immoral, or opposed to public policy:** Only presence of consideration is not sufficient it must be lawful. Anything which is immoral or opposed to public policy also cannot be valued as valid consideration.

4. (a) (i) According to section 16 of the Indian Contract Act, 1872, a contract is said to be induced by ‘undue influence’ where the relations subsisting between the parties are such that one of the parties is in a position to dominate the will of the other and he uses that position to obtain an unfair advantage over the other.

When consent to an agreement is caused by undue influence, the contract is voidable at the option of the party, whose consent was so caused.

Hence, the contract between Mr. A and Mr. B is voidable at the option of Mr. B as it was induced by undue influence by Mr. A and therefore Mr. B can sue Mr. A.

- (ii) 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 this Act, or of any other law.

Promises to bind the representatives of the promisors in case of the death of such promisors before performance, unless a contrary intention appears from the contract. (Section 37 of the Indian Contract Act, 1872).

As per the provisions of Section 40 of the Indian Contract Act, 1872, if it appears from the nature of the case that it was the intention of the parties to any contract that any promise contained in it should be performed by the promisor himself, such promise must be performed by the promisor. In other cases, the promisor or his representative may employ a competent person to perform it.

In terms of the provisions of Section 40 stated above, in case where Mr. S has to paint a family picture for Mr. M, Mr. M cannot ask the legal representative of Mr. S to complete the painting work on Mr. S's death, since painting involves the use of personal skill.

In terms of the provisions of Section 37 stated above, in case where Mr. S had promised to deliver some photographs to Mr. M, the legal representatives of Mr. S shall be bound to deliver the photographs in this situation.

- (b) As per section 117 of the Negotiable Instruments Act, 1881, the compensation payable in case of dishonour of promissory note, bill of exchange or cheque, by any party liable to the holder or any endorsee, shall be determined by the following rules:
 - (i) the holder is entitled to the amount due upon the instrument, together with the expenses properly incurred in presenting, noting and protesting it;
 - (ii) when the person charged resides at a place different from that at which the instrument was payable, the holder is entitled to receive such sum at the current rate of exchange between the two places;
 - (iii) an endorser who, being liable, has paid the amount due on the same is entitled to the amount so paid with interest at 18% per annum from the date of payment until tender or realisation thereof, together with all expenses caused by the dishonour and payment;
 - (iv) when the person charged and such endorser reside at different places, the endorser is entitled to receive such sum at the current rate of exchange between the two places;

- (v) the party entitled to compensation may draw a bill upon the party liable to compensate him, payable at sight or on demand, for the amount due to him, together with all expenses properly incurred by him. Such bill must be accompanied by the instrument dishonoured and the protest thereof (if any). If such bill is dishonoured, the party dishonouring the same is liable to make compensation thereof in the same manner as in the case of the original bill.

- (c) (i) **Ministry of Corporate Affairs (MCA):** MCA is an Indian Government Ministry which primarily concerned with administration of the Companies Act, 2013, the Companies Act, 1956, the Limited Liability Partnership Act, 2008, and the Insolvency and Bankruptcy Code, 2016. It is responsible mainly for the regulation of Indian enterprises in the industrial and services sector.

The Ministry is mostly run by civil servants of the ICLS cadre. These officers are elected through the Civil Services Examination conducted by Union Public Service Commission.

The highest post, Director General of Corporate Affairs (DGCoA), is fixed at Apex Scale for the ICLS.

- (ii) **Ministry of Home Affairs:** It is a ministry of the Government of India. As an interior ministry of India, it is mainly responsible for the maintenance of internal security and domestic policy. The Home Ministry is headed by Union Minister of Home Affairs.

- 5. (a) (i) By virtue of provisions of Section 64 of the Sale of Goods Act, 1930, in case of auction sale, the sale is complete when the auctioneer announces its completion by the fall of the hammer or in some other customary manner.

In the instant case, Deepa gives the highest bid in the auction for the sale of an antic wall clock arranged by Rachit. While announcing the completion of sale by fall of hammer on the table, hammer brakes and damages the clock.

On the basis of the above provisions, it can be concluded that the sale by auction cannot be completed until hammer comes in its normal position after falling on table. Hence, in the given problem, sale is not completed. Deepa will not be liable for loss and can avoid the contract.

- (ii) Payment of the price by the buyer is an important ingredient of a contract of sale. If the parties totally ignore the question of price while making the contract, it will not become an uncertain and invalid agreement. It will rather be a valid contract and the buyer shall pay a reasonable price. (Section 9 and section 10 of the Sale of Goods Act, 1930)

In the given case, X and Y have entered into a contract for sale of car but they did not fix the price of the car. X refused to sell the car to Y on this ground. Y can legally demand the car from X and X can recover a reasonable price of the car from Y.

- (b) **“Partner indeed virtually embraces the character of both a principal and an agent”:** Subject to the provisions of section 18 of the Indian Partnership Act, 1932, a partner is the agent of the firm for the purposes of the business of the firm.

A partnership is the relationship between the partners who have agreed to share the profits of the business carried on by all or any of them acting for all (Section 4). This definition suggests that any of the partners can be the agent of the others.

Section 18 clarifies this position by providing that, subject to the provisions of the Act, a partner is the agent of the firm for the purpose of the business of the firm. The partner indeed virtually embraces the character of both a principal and an agent. So far as he acts for himself and in his own interest in the common concern of the partnership, he may properly be deemed as a principal and so far as he acts for his partners, he may properly be deemed as an agent.

The principal distinction between him and a mere agent is that he has a community of interest with other partners in the whole property and business and liabilities of partnership, whereas an agent as such has no interest in either.

The rule that a partner is the agent of the firm for the purpose of the business of the firm cannot be applied to all transactions and dealings between the partners themselves. It is applicable only to the act done by partners for the purpose of the business of the firm.

- (c) **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) *Contract:* Bailment is based upon a contract. The contract may be express or implied. No consideration is necessary to create a valid contract of bailment.
- (ii) *Delivery of goods:* It involves the delivery of goods from one person to another for some purposes. Bailment is only for moveable goods and never for immovable goods or money.
- (iii) *Purpose:* The goods are delivered for some purpose. The purpose may be express or implied.
- (iv) *Possession:* In bailment, possession of goods changes. Change of possession can happen by physical delivery or by any action which has the effect of placing the goods in the possession of bailee. The change of possession does not lead to change of ownership. In bailment, bailor continues to be the owner of goods.

- (v) *Return of goods:* Bailee is obliged to return the goods physically to the bailor. The goods should be returned in the same form as given or may be altered as per bailor's direction.

6. (a) As per the facts stated in the question, Shankar (drawer) after having issued the cheque, informs Surendar (drawee) not to present the cheque for payment and also gave a stop payment request to the bank in respect of the cheque issued to Surendar.

Section 138 of the Negotiable Instruments Act, 1881, is a penal provision in the sense that once a cheque is drawn on an account maintained by the drawer with his banker for payment of any amount of money to another person out of that account for the discharge in whole or in part of any debt or liability, is informed by the bank unpaid either because of insufficiency of funds to honour the cheques or the amount exceeding the arrangement made with the bank, such a person shall be deemed to have committed an offence.

Once a cheque is issued by the drawer, a presumption under Section 139 of the Negotiable Instruments Act, 1881 follows and merely because the drawer issues a notice thereafter to the drawee or to the bank for stoppage of payment, it will not preclude an action under Section 138.

Also, Section 140 of the Negotiable Instruments Act, 1881, specifies absolute liability of the drawer of the cheque for commission of an offence under section 138 of the Act. Section 140 states that it shall not be a defence in a prosecution for an offence under section 138 that the drawer had no reason to believe when he issued the cheque that the cheque may be dishonoured on presentment for the reasons stated in that section.

Accordingly, the act of Shankar, i.e., his request to stop payment constitutes an offence under the provisions of the Negotiable Instruments Act, 1881.

- (b) Section 124 of the Indian Contract Act, 1872 states that "A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself, or the conduct of any person", is called a "contract of indemnity".

Section 126 of the Indian Contract Act, 1872 states that "A contract to perform the promise made or discharge liability incurred by a third person in case of his default" is called a "contract of guarantee".

The conditions under which the guarantee is invalid, or void is provided in section 142, 143 and 144 of the Indian Contract Act, 1872. These include:

- (i) Guarantee obtained by means of misrepresentation.
- (ii) Guarantee obtained by means of keeping silence as to material circumstances.

- (iii) When a contract of guarantee is entered into on the condition that the creditor shall not act upon it until another person has joined in it as co-surety and that other party fails to join as such.
- (c) (i) **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.
- (ii) (A) **Goods perishing before making of Contract (Section 7 of the Sale of Goods Act, 1930):** In accordance with the provisions of the Sale of Goods Act, 1930 as contained in Section 7, a contract for the sale of specific goods is void, if at the time when the contract was made; the goods without the knowledge of the seller, perished or become so damaged as no longer to answer to their description in the contract, then the contract is void ab initio.
- (B) **Goods perishing before sale but after agreement to sell (Section 8 of the Sale of Goods Act, 1930):** Where there is an agreement to sell specific goods, and subsequently the goods without any fault on the part of the seller or buyer perish or become so damaged as no longer to answer to their description in the agreement before the risk passes to the buyer, the agreement is thereby avoided or becomes void.

ANSWERS OF MODEL TEST PAPER 5

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS

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

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

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

- (ii) According to section 17 of the Indian Contract Act, 1872, mere silence as to facts likely to affect the willingness of a person to enter into a contract is not fraud, unless the circumstances of the case are such that, regard being had to them, it is the duty of the person keeping silence to speak, or unless his silence is, in itself, equivalent to speech. Hence, in the instant case,

(A) This contract is valid since as per section 17, mere silence as to the facts likely to affect the willingness of a person to enter into a contract is not fraud. Here, it is not the duty of the seller to disclose defects.

(B) This contract is not valid since as per section 17, it becomes Sahil's duty to tell Rohan about the unsoundness of the horse because a fiduciary relationship exists between Sahil and his son Rohan. Here, Sahil's silence is equivalent to speech and hence amounts to fraud.

(C) This contract is not valid since as per section 17, Sahil's silence is equivalent to speech and hence amounts to fraud.

- (b) (i) As per Section 2(6) of the Companies Act, 2013, an Associate Company in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

The term “significant influence” means control of at least 20% of total voting power, or control of or participation in business decisions under an agreement.

In the given case, ABC Ltd. has allotted equity shares with voting rights to XYZ Limited of ₹ 15 crore, which is less than requisite control of 20% of total share capital (i.e. ₹ 100 crore) to have a significant influence of XYZ Ltd. Since the said requirement is not complied therefore ABC Ltd. and XYZ Ltd. are not associate companies as per the Companies Act, 2013.

- (ii) **“Inactive company”** means a company which has not been carrying on any business or operation or has not made any **significant accounting transaction** during the last two financial years or has not filed financial statements and annual returns during the last two financial years. [Explanation (i) to Section 455 of the Companies Act, 2013]

“Significant accounting transaction” means any transaction other than—

- (a) payment of fees by a company to the Registrar;
- (b) payments made by it to fulfil the requirements of this Act or any other law;
- (c) allotment of shares to fulfil the requirements of this Act; and
- (d) payments for maintenance of its office and records.

[Explanation (ii) to Section 455 of the Companies Act, 2013]

In the instant case, MTK Private Limited was registered on 5th January 2022 and did not start its business till 31st July 2024. Since the Company has not started its business and a period of more than two years has already elapsed, it will be treated as an inactive company.

- (c) (i) Partnership Vs. Co-Ownership or joint ownership i.e. the relation which subsists between persons who own property jointly or in common.

Basis of difference	Partnership	Co-ownership
1. Formation	Partnership always arises out of a contract, express or implied.	Co-ownership may arise either from agreement or by the operation of law, such as by inheritance.
2. Implied agency	A partner is the agent of the other partners.	A co-owner is not the agent of other co-owners.

3. Nature of interest	There is community of interest which means that profits and losses must have to be shared.	Co-ownership does not necessarily involve sharing of profits and losses.
4. Transfer of interest	A share in the partnership is transferred only by the consent of other partners.	A co-owner may transfer his interest or rights in the property without the consent of other co-owners.

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

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

In the given case, Mr. Vivek informed Mr. Manoj that he wanted the washing machine for washing woollen clothes. However, the machine which was delivered by Mr. Manoj was unfit for the purpose for which Mr. Vivek wanted the machine.

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

- (b) (i) According to the decision taken in the case of *Salomon Vs. Salomon & Co. Ltd.*, a company has a separate legal entity. A company is different from its members. Further, according to the decision taken in the case of *Macaurea Vs. Northern Assurance Co. Ltd.*, a member or creditor does not have any insurable interest in the property of the company. Members or creditors of the company cannot claim ownership in the property of company.

On the basis of the above provisions and facts, it can be said that Mr. Sooraj and CPL Private Limited are separate entities. Mr. Sooraj cannot have any insurable interest in the property of CPL Private Limited neither as member nor as creditor. Hence, the insurance company is not liable to pay to Mr. Sooraj for the claim for the loss of stock by fire.

- (ii) Section 8 of the Companies Act, 2013 deals with the formation of companies which are formed to promote the charitable objects of commerce, art, science, education, sports etc. Such company intends to apply its profit in promoting its objects. Section 8 companies are registered by the Registrar only when a license is issued by the Central Government to them. Since, Alfa School was a Section 8 company and it had started violating the objects of its objective clause, hence in such a situation the following powers can be exercised by the Central Government:

- (i) The Central Government may by order revoke the licence of the company where the company contravenes any of the requirements or the conditions of this sections subject to which a licence is issued or where the affairs of the company are conducted fraudulently, or violative of the objects of the company or prejudicial to public interest, and on revocation the Registrar shall put 'Limited' or 'Private Limited' against the company's name in the register. But before such revocation, the Central Government must give it a written notice of its intention to revoke the licence and opportunity to be heard in the matter.
- (ii) Where a licence is revoked, the Central Government may, by order, if it is satisfied that it is essential in the public interest, direct that the company be wound up under this Act or amalgamated with another company registered under this section.

However, no such order shall be made unless the company is given a reasonable opportunity of being heard.

- (iii) Where a licence is revoked and where the Central Government is satisfied that it is essential in the public interest that the company registered under this section should be amalgamated with another company registered under this section and having similar objects, then, notwithstanding anything to the contrary contained in this Act, the Central

Government may, by order, provide for such amalgamation to form a single company with such constitution, properties, powers, rights, interest, authorities and privileges and with such liabilities, duties and obligations as may be specified in the order.

- (c) **Designated Partner [Section 2(1)(j) of the LLP Act, 2008]:** “Designated partner” means any partner designated as such pursuant to section 7.

According to section 7 of the LLP Act, 2008:

- (i) Every LLP shall have at least two designated partners who are individuals and at least one of them shall be a resident in India.
- (ii) If in LLP, all the partners are bodies corporate or in which one or more partners are individuals and bodies corporate, at least two individuals who are partners of such LLP or nominees of such bodies corporate shall act as designated partners.
- (iii) *Resident in India:* For the purposes of this section, the term “resident in India” means a person who has stayed in India for a period of not less than 120 days during the financial year.

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

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

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

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

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

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

- (b) (i) According to section 2(68) of the Companies Act, 2013, "Private company" means a company having a minimum paid-up share capital as may be prescribed, and which by its articles, except in case of One Person Company, limits the number of its members to two hundred.

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

It is further provided that -

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

shall not be included in the number of members.

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

Total Number of members

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

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

- (ii) According to Section 2(87) of the 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.

In the present case, the total share capital of Popular Products Ltd. is ₹ 20 crores comprised of 20 Lakh equity shares.

Delight Products Ltd., Happy Products Ltd. and Cheerful Products Ltd together hold 8,50,000 shares (2,50,000+3,50,000+2,50,000) in Popular Products Ltd. Jovial Ltd. is the holding company of all above three companies. So, Jovial Ltd. along with its subsidiaries hold 8,50,000 shares in Popular Products Ltd., which amounts to

less than one-half of its total voting power. Hence, Jovial Ltd. by virtue of shareholding is not a holding company of Popular Products Ltd.

Secondly, it is given that Jovial Ltd. controls the composition of directors of Popular Products Ltd., hence, Jovial Ltd. is a holding company of Popular Products Ltd. and not a subsidiary company.

- (c) The Indian Contract Act, 1872 does not define the word 'Agency'. However, section 182 of the Indian Contract Act, 1872 defines Agent and Principal as:

Agent means a person employed to do any act for another or to represent another in dealing with the third persons and

The principal means a person for whom such act is done or who is so represented.

Duties and obligations of an Agent

- (i) **Duty to follow instructions or customs:** According to Section 211, an agent is bound to conduct the business of his principal according to the direction given by the principal, or, in the absence of any such directions, according to the customs which prevails in doing business of the same kind at the place where the agent conducts such business. When the agent acts otherwise and any loss is sustained by the Principal, he must indemnify him, and, if any profit accrues, he must account for it.

- (ii) **Duty of reasonable care and skill:** According to section 212, an agent is bound to conduct the business of the principal with as much skill as is generally possessed by persons engaged in similar business, unless the principal has notice of his want of skill.

The agent is always bound to act with reasonable diligence, and to use such skill as he possesses; and to make compensation to his principal in respect of the direct consequences of his own neglect, want of skill or misconduct, but not in respect of loss of damage which are indirectly or remotely caused by such neglect, want of skill or misconduct.

- (iii) **Duty to render proper accounts [Section 213]:** An agent is bound to render proper accounts to his principal on demand. Rendering accounts does not mean showing the accounts but the accounts supported by vouchers. (*Anandprasad vs. Dwarkanath*)

- (iv) **Agent's duty to communicate with principal [Section 214]:** It is the duty of an agent, in cases of difficulty, to use all reasonable diligence in communicating with his principal, and in seeking to obtain his instructions.

- (v) **Duty not to deal on his own account:** Agent should not deal on his own account without first obtaining the consent of the principal, otherwise the principal may—

- (a) repudiate the transaction, (Section 215)
- (b) claim from the agent any benefit which may have resulted to him from the transaction. (Section 216)

(vi) Duty not to make secret profits: It is the duty of an agent not to make any secret profit in the business of agency. His relationship with the principal is of fiduciary nature and this requires absolute good faith in the conduct of agency.

Secret Profit means any advantage obtained by the agent over and above his agreed remuneration and which he would not have been able to make but for his position as agent.

(vii) Duty not to delegate: According to section 190, an agent cannot lawfully employ to perform acts which he has expressly or impliedly undertaken to perform personally, unless by the ordinary custom of trade a sub-agent may, or, from the nature of agency, a sub-agent, must be employed.

(viii) Agent's duty to pay sums received for principal [Section 218]: Subject to such deductions, the agent is bound to pay to his principal all sums received on his account.

(ix) Duty not to use any confidential information received in the course of agency against the principal.

4. (a) (i) Section 25 of Indian Contract Act, 1872 provides that an agreement made without consideration is valid if it is expressed in writing and registered under the law for the time being in force for the registration of documents and is made on account of natural love and affection between parties standing in a near relation to each other. In other words, a written and registered agreement based on natural love and affection between the parties standing in near relation to each other is enforceable even without consideration.

In the instant case, the transfer of house made by Mr. Om Kashyap on account of natural love and affection between the parties standing in near relation to each other is written but not registered. Hence, this transfer is not enforceable.

(ii) Equality of burden is the basis of Co-suretyship. This is contained in section 146 of the Indian Contract Act, 1872, which states that "unless otherwise agreed, each surety is liable to contribute equally for discharge of whole debt or part of the debt remains unpaid by debtor.

Accordingly, on the default of Pawan in payment, Tarun cannot escape from his liability. Both the sureties Suraj and Tarun are liable to pay equally, in absence of any contract between them.

(b) Difference between promissory note and bill of exchange:

S. No.	Basis	Promissory Note	Bill of Exchange
1.	Definition	"A Promissory Note" is an instrument in writing (not being a banknote or a currency-note) containing an unconditional undertaking signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument.	"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.
2.	Nature of Instrument	In a promissory note, there is a promise to pay money.	In a bill of exchange, there is an order for making payment.
3.	Parties	In a promissory note, there are only 2 parties namely: i. the maker and ii. the payee	In a bill of exchange, there are 3 parties which are as under: i. the drawer ii. the drawee iii. the payee
4.	Acceptance	A promissory note does not require any acceptance, as it is signed by the person who is liable to pay.	A bill of exchange needs acceptance from the drawee.
5.	Payable to bearer	A promissory note cannot be made payable to bearer.	On the other hand, a bill of exchange can be drawn payable to bearer. However, it cannot be payable to bearer on demand.

(c) 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. (a) 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.

(i) On the basis of above provisions and facts given in the question, it can be said that there is an agreement to sell between Simran and Jeweller and not a sale. Even though the payment was made by Simran, 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, Simran has right to avoid the agreement to sell and can recover the price paid.

(ii) If Jeweller offers to bring the bangles in original position by repairing, he cannot charge extra cost from Simran. Even though he has to bear some expenses for repair; he cannot charge it from Simran.

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

(i) Losses, including deficiencies of capital, shall be paid first out of profits, next out of capital, and, lastly, if necessary, by the partners individually in the proportions in which they were entitled to share profits;

(ii) The assets of the firm, including any sums contributed by the partners to make up deficiencies of capital, must be applied in the following manner and order:

(a) in paying the debts of the firm to third parties;

- (b) in paying to each partner rateably what is due to him from capital;
 - (c) in paying to each partner rateably what is due to him on account of capital; and
 - (d) the residue, if any, shall be divided among the partners in the proportions in which they were entitled to share profits.
- (ii) (A) **When he becomes partner:** If the minor becomes a partner on his own willingness or by his failure to give the public notice within specified time, his rights and liabilities as given in Section 30(7) of the Indian Partnership Act, 1932, are as follows:
 - (a) He becomes personally liable to third parties for all acts of the firm done since he was admitted to the benefits of partnership.
 - (b) His share in the property and the profits of the firm remains the same to which he was entitled as a minor.
- (B) **When he elects not to become a partner:**
 - (a) His rights and liabilities continue to be those of a minor up to the date of giving public notice.
 - (b) His share shall not be liable for any acts of the firm done after the date of the notice.
 - (c) He shall be entitled to sue the partners for his share of the property and profits. It may be noted that such minor shall give notice to the Registrar that he has or has not become a partner.
- (c) A contract is discharged when the obligations created by it come to an end. A contract may be discharged in any one of the following ways:
 - (i) **Discharge by performance:** It takes place when the parties to the contract fulfil their obligations arising under the contract within the time and in the manner prescribed. Discharge by performance may be
 - (1) Actual performance; or
 - (2) Attempted performance.

Actual performance is said to have taken place, when each of the parties has done what he had agreed to do under the agreement. When the promisor offers to perform his obligation, but the promisee refuses to accept the performance, it amounts to attempted performance or tender.
 - (ii) **Discharge by mutual agreement:** Section 62 of the Indian Contract Act provides if the parties to a contract agree to substitute

a new contract for it, or to rescind or remit or alter it, the original contract need not be performed.

- (iii) **Discharge by impossibility of performance:** The impossibility may exist from the very start. In that case, it would be impossibility ab initio. Alternatively, it may supervene. Supervening impossibility may take place owing to:
 - (a) an unforeseen change in law;
 - (b) the destruction of the subject-matter essential to that performance;
 - (c) the non-existence or non-occurrence of particular state of things, which was naturally contemplated for performing the contract, as a result of some personal incapacity like dangerous malady;
 - (d) the declaration of a war (Section 56).
- (iv) **Discharge by lapse of time:** A contract should be performed within a specified period as prescribed by the Limitation Act, 1963. If it is not performed and if no action is taken by the promisee within the specified period of limitation, he is deprived of remedy at law.
- (v) **Discharge by operation of law:** A contract may be discharged by operation of law which includes by death of the promisor, by insolvency etc.
- (vi) **Discharge by breach of contract:** Breach of contract may be actual breach of contract or anticipatory breach of contract. If one party defaults in performing his part of the contract on the due date, he is said to have committed breach thereof. When on the other hand, a person repudiates a contract before the stipulated time for its performance has arrived, he is deemed to have committed anticipatory breach. If one of the parties to a contract breaks the promise the party injured thereby, has not only a right of action for damages but he is also discharged from performing his part of the contract.
- (vii) **Promisee may waive or remit performance of promise:** 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 may be discharged by remission. (Section 63)
- (viii) **Effects of neglect of promisee to afford promisor reasonable facilities for performance:** 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)
- (ix) **Merger of rights:** Sometimes, the inferior rights and the superior rights coincide and meet in one and the same person. In such

cases, the inferior rights merge into the superior rights. On merger, the inferior rights vanish and are not required to be enforced.

6. (a) (i) The question arising in this problem is whether the making of promissory note is complete when one half of the note was delivered to N. Under Section 46 of the N.I. Act, 1881, the making of a Promissory Note (P/N) is completed by delivery, actual or constructive. Delivery refers to the whole of the instrument and not merely a part of it. Delivery of half instrument cannot be treated as constructive delivery of the whole. So, the claim of N to have the other half of the P/N sent to him is not maintainable. M is justified in demanding the return of the first half sent by him. He can change his mind and refuse to send the other half of the P/N.
- (ii) The promissory note is an unconditional promise in writing. In the above question, the amount is certain but the date and name of the payee is missing, thus making it a bearer instrument. As per Reserve Bank of India Act, 1934, a promissory note cannot be made payable to bearer - whether on demand or after certain days. Hence, the instrument is illegal as per Reserve Bank of India Act, 1934 and cannot be legally enforced.

(b) Definition of 'Contingent Contract' (Section 31 of the Indian Contract Act, 1872)

"A contract to do or not to do something, if some event, collateral to such contract, does or does not happen".

Contracts of Insurance, indemnity and guarantee fall under this category.

Meaning of collateral Event: Collateral event is "an event which is neither a performance directly promised as part of the contract, nor the whole of the consideration for a promise".

Essentials of a contingent contract

- (a) **The performance of a contingent contract would depend upon the happening or non-happening of some event or condition.** The condition may be precedent or subsequent.
- (b) **The event referred to as collateral to the contract.** The event is not part of the contract. The event should be neither performance promised nor a consideration for a promise.
- (c) **The contingent event should not be a mere 'will' of the promisor.** The event should be contingent in addition to being the will of the promisor.
- (d) **The event must be uncertain.** Where the event is certain or bound to happen, the contract is due to be performed, then it is a not contingent contract.
- (c) If the seller commits a breach of contract, the buyer gets the following rights against the seller:

1. **Damages for non-delivery [Section 57 of the Sale of Goods Act, 1930]:** Where the seller wrongfully neglects or refuses to deliver the goods to the buyer, the buyer may sue the seller for damages for non-delivery.
2. **Suit for specific performance (Section 58):** Where the seller commits breach of the contract of sale, the buyer can appeal to the court for specific performance. The court can order for specific performance only when the goods are ascertained or specific and where damages would not be an adequate remedy.
3. **Suit for breach of warranty (Section 59):** Where there is breach of warranty on the part of the seller, or where the buyer elects to or is forced to treat breach of condition as breach of warranty, the buyer is not by reason only of such breach of warranty entitled to reject the goods on the basis of such breach of warranty; but the buyer may –
 - (i) set up against the seller the breach of warranty in diminution or extinction of the price; or
 - (ii) sue the seller for damages for breach of warranty.
4. **Repudiation of contract before due date (Section 60):** Where either party to a contract of sale repudiates the contract before the date of delivery, the other may either treat the contract as:
 - subsisting and wait till the date of delivery, or
 - he may treat the contract as rescinded and sue for damages for the breach.
5. **Suit for interest:**
 - (1) The buyer is entitled to recover interest or special damages, or to recover the money paid where the consideration for the payment of it has failed.
 - (2) In the absence of a contract to the contrary, the court may award interest at such rate as it thinks fit on the amount of the price to the buyer in a suit by him for the refund of the price in a case of a breach of the contract on the part of the seller from the date on which the payment was made.

ANSWERS OF MODEL TEST PAPER 6

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS

ANSWERS

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

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

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

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

The doctrine of Indoor Management is important to persons dealing with a company through its directors or other persons.

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

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

(ii) Foreign Company [Section 2(42) of the Companies Act, 2013]:

It means any company or body corporate incorporated outside India which—

- (i) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and
- (ii) conducts any business activity in India in any other manner.

Since Mike Limited is a company incorporated in India, hence, it cannot be called as a foreign company. Even though, Liaison Office was officially established at Singapore, it would not be called as a foreign company as per the provisions of the Companies Act, 2013.

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

Rights:

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

as a minor. If he does not, then his share is not liable for any acts of the firm after the date of the public notice served to that effect.

2. (a) (i) 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 completed on 7th March, 2024.

- (ii) 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.

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

1. The problem asked in the question is based upon the aforesaid facts. The three companies were formed by the assessee purely and simply as a means of avoiding tax and the companies were nothing more than the facade of the assessee himself. Therefore, the whole idea of Mr. Rajeev was simply to split his income into three parts with a view to evade tax. No other business was done by the company.
2. The legal personality of the three private companies may be disregarded because the companies were formed only to avoid tax liability. It carried on no other business, but was created simply as a legal entity to ostensibly receive the dividend and

interest and to hand them over to the assessee as pretended loans. The same was upheld in *Re Sir Dinshaw Maneckjee Petit* and *Juggilal vs. Commissioner of Income Tax*.

- (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) As per Section 4 of the Indian Partnership Act, 1932, "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.

- (i) **Yes, it is a case of partnership.**

Reason: 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 requirement. It is open to one or more partners to agree to share all the losses.

- (ii) **No, it is not a case of partnership**

Reason: Sharing of profit, which is a prima facie evidence, exists but mutual agency among X and Y, which is an essential element, does not exist here. Since there is no partnership, the third party i.e. paper dealer cannot make Y liable for the paper supplied by him to X.

- (iii) **No, it is not a case of partnership**

Reason: Persons who share amongst themselves the rent derived from a piece of land are not partners, rather they are co-owners. Because, neither there is existence of business, nor mutual agency is there.

(b) According to Section 2(45) of the Companies Act, 2013, Government Company means any company in which not less than 51% of the paid-up share capital is held by-

- (i) the Central Government, or
- (ii) by any State Government or Governments, or
- (iii) partly by the Central Government and partly by one or more State Governments,

and the section includes a company which is a subsidiary company of such a Government company.

As per Section 2(87) of the 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.

In the instant case, the State Government of X, a state in the country is holding 48 Lakh shares in Y Limited which is below 51% of the paid up share capital of Y Limited i.e. 48.45 Lakh shares (51% of 95 Lakh shares). Hence Y Limited is not a Government Company.

Further, Y Limited directly holds 2,50,600 shares in Z Private Limited, which is more than one-half of the total shares of Z Limited i.e. 2,50,000 shares (50% of 5 Lakh shares). Thus, the company controls more than one-half of the total voting power of Z Limited. Hence Z Private Limited is a subsidiary of Y Limited.

Therefore, we can conclude that Z Private Limited is a subsidiary of Y Limited but not a Government Company since Y Limited is not a Government Company.

(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.

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

- (1) To either treat the contract as rescinded and sue the other party for damages for breach of contract immediately without waiting until the due date of performance; or
- (2) He may elect not to rescind but to treat the contract as still operative, and wait for the time of performance and then hold the other party responsible for the consequences of non-performance. But in this case, he will keep the contract alive for the benefit of

the other party as well as his own, and the guilty party, if he so decides on re-consideration, may still perform his part of the contract and can also take advantage of any supervening impossibility which may have the effect of discharging the contract.

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

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

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

- (ii) Section 161 of the Indian Contract Act, 1872 clearly says that where a bailee fails to return the goods within the agreed time, he shall be responsible to the bailor for any loss, destruction or deterioration of the goods from that time notwithstanding the exercise of reasonable care on his part. Hence, in the instant case, M shall have to bear the loss since he failed to return the umbrella within the stipulated time.

(b) CHEQUE [Section 6 of the Negotiable Instruments Act, 1881]

A “cheque” is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form.

Parties to Cheque

1. **Drawer:** The person who draws a cheque i.e., makes the cheque (Debtor). His liability is primary and conditional.
2. **Drawee:** The specific bank on whom cheque is drawn. He makes the payment of the cheque. In case of cheque, drawee is always banker.
3. **Payee:** The person named in the instrument (i.e., the person in whose favour cheque is issued), to whom or to whose order the

money is, by the instrument, directed to be paid, is called the payee. The payee may be the drawer himself or a third party.

Essential Characteristics of a cheque

According to the definition of cheque under section 6, a cheque is a species of bill of exchange. Thus, it should fulfil:

- a. all the essential characteristics of a bill of exchange
 - b. Must be drawn on a specified banker.
 - c. It must be payable on demand.
- (c) When there is a dispute between citizens or between citizens and the Government, these disputes are resolved by the judiciary.

The functions of judiciary system of India are:

- Regulation of the interpretation of the Acts and Codes,
- Dispute Resolution,
- Promotion of fairness among the citizens of the land.

In the hierarchy of courts, the Supreme Court is at the top, followed by the High Courts and District Courts. Decisions of a High Court are binding in the respective state but are only persuasive in other states. Decisions of the Supreme Court are binding on all High Courts under Article 141 of the Indian Constitution. In fact, a Supreme Court decision is the final word on the matter.

(i) Supreme Court

The Supreme Court is the apex body of the judiciary. 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.

(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 appellant, original jurisdiction, and Supervisory jurisdiction. However, Article 227 of the Indian Constitution limits a High Court's supervisory power.

(iii) District Court

Below the High Courts are the District Courts. The Courts of District Judge deal with Civil law matters i.e. contractual disputes and claims for damages etc., The Courts of Sessions deals with Criminal matters.

Under pecuniary jurisdiction, a civil judge can try suits valuing not more than Rupees two crore.

(iv) Metropolitan courts

Metropolitan courts are established in metropolitan cities in consultation with the High Court where the population is ten lakh or more. Chief Metropolitan Magistrate has powers as Chief Judicial Magistrate and Metropolitan Magistrate has powers as the Court of a Magistrate of the first class.

5. (a) (i) As per the provisions of the Sale of Goods Act, 1930 there are three modes of delivery,

- (i) Actual delivery,
- (ii) Constructive delivery and
- (iii) Symbolic delivery.

When delivery is affected without any change in the custody or actual possession of the things, it is called constructive delivery or delivery by acknowledgement. Constructive delivery takes place when a person in possession of goods belonging to seller acknowledges to the buyer that he is holding the goods on buyer's behalf.

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

(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 contract of sale of future goods, amounting to 'an agreement to sell.'

(b) Dissolution of Firm: The Dissolution of Firm means the discontinuation of the jural relation existing between all the partners of the Firm. But when only one of the partners retires or becomes incapacitated from acting as a partner due to death, insolvency or insanity, the partnership, i.e., the relationship between such a partner and other is dissolved, but the rest may decide to continue. In such cases, there is in practice, no dissolution of the firm. The particular partner goes out, but the remaining partners carry on the business of the Firm. In the case of dissolution of the firm, on the other hand, the

whole firm is dissolved. The partnership terminates as between each and every partner of the firm.

Dissolution of a Firm may take place (Section 40 - 44)

- (a) as a result of any agreement between all the partners (i.e., dissolution by agreement);
- (b) by the business of the firm becoming unlawful (i.e., compulsory dissolution);
- (c) subject to agreement between the parties, on the happening of certain contingencies, such as: (i) effluence of time; (ii) completion of the venture for which it was entered into; (iii) death of a partner; (iv) insolvency of a partner.
- (d) by a partner giving notice of his intention to dissolve the firm, in case of partnership at will and the firm being dissolved as from the date mentioned in the notice, or if no date is mentioned, as from the date of the communication of the notice; and
- (e) by intervention of court in case of: (i) a partner becoming the unsound mind; (ii) permanent incapacity of a partner to perform his duties as such; (iii) Misconduct of a partner affecting the business; (iv) willful or persistent breach of agreement by a partner; (v) transfer or sale of the whole interest of a partner; (vi) business being carried on at a loss; (vii) the court being satisfied on other equitable grounds that the firm should be dissolved.

(c) Consideration [Section 2(d) of the Indian Contract Act, 1872]

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

The essential characteristics of a valid consideration are as follows:

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

- 6. (a) (i) According to Section 48 of the Negotiable Instrument Act 1881, a promissory note, bill of exchange or cheque payable to order, is

negotiable by the holder by indorsement and delivery thereof.

Further, delivery of an instrument is essential whether the instrument is payable to bearer or order for effecting the negotiation. The delivery must be voluntary, and the object of delivery should be to pass the property in the instrument to the person to whom it is delivered. The delivery can be, actual or constructive. Actual delivery takes place when the instrument changes hand physically. Constructive delivery takes place when the instrument is delivered to the agent, clerk or servant of the indorsee on his behalf or when the indorser, after indorsement, holds the instrument as an agent of the indorsee.

In the instant case, 'Sahdev' received a promissory note from 'Nakul' and indorsed the promissory note in favour of 'Arjun' and delivered to Arjun's agent. Subsequently, Arjun's agent died, and promissory note was found by 'Arjun' in his agent's table drawer. 'Arjun' sued 'Nakul' for the recovery of promissory note.

An order negotiable instrument can be transferred by endorsement and delivery. As delivery to Arjun's agent is sufficient delivery of promissory note to Arjun. Therefore, 'Arjun' is eligible to claim the payment of promissory note.

- (ii) 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 3:00 pm on 14th August. Bill was not accepted till 3:00 pm of 16th August. Saksham treated the bill as dishonoured for non-acceptance.

Here, As 15th August is a public holiday, his 48 hours would end on 17th August not on 16th August. Hence, bill could not be treated as dishonoured on 16th August.

- (b) **Trafficking relating to Public Offices and titles:** An agreement to trafficking in public office is opposed to public policy, as it interferes with the appointment of a person best qualified for the service of the public. Public policy requires that there should be no money consideration for the appointment to an office in which the public is interested. The following are the examples of agreements that are void since they are tantamount to sale of public offices.

- (1) An agreement to pay money to a public servant in order to induce him to retire from his office so that another person may secure the appointment is void.
- (2) An agreement to procure a public recognition like Padma Vibhushan for reward is void.

Stifling Prosecution: An agreement to stifle prosecution i.e. “an agreement to present proceedings already instituted from running their normal course using force” tends to be a perversion or an abuse of justice, therefore, such an agreement is void. The principle is that one should not make a trade of felony. The compromise of any public offence is generally illegal.

For example, when a party agrees to pay some consideration to the other party in exchange for the later promising to forgo criminal charges against the former is an agreement to stifle prosecution and therefore is void.

Under the Code of Criminal Procedure, there is however, a statutory list of compoundable offences and an agreement to drop proceeding relating to such offences with or without the permission of the Court, as the case may be, in consideration the accused promising to do something for the complainant, is not opposed to public policy.

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

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

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

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

- (3) **Sale by a person in possession under voidable contract:** A buyer would acquire a good title to the goods sold to him by a seller who had obtained possession of the goods under a contract voidable on the ground of coercion, fraud, misrepresentation or undue influence provided that the contract had not been rescinded until the time of the sale **(Section 29)**.
- (4) **Sale by one who has already sold the goods but continues in possession thereof:** If a person has sold goods but continues to be in possession of them or of the documents of title to them, he may sell them to a third person, and if such person obtains the delivery thereof in good faith and without notice of the previous sale, he would have good title to them, although the property in the goods had passed to the first buyer earlier. A pledge or other disposition of the goods or documents of title by the seller in possession are equally valid **[Section 30(1)]**.
- (5) **Sale by buyer obtaining possession before the property in the goods has vested in him:** Where a buyer with the consent of the seller obtains possession of the goods before the property in them has passed to him, he may sell, pledge or otherwise dispose of the goods to a third person, and if such person obtains delivery of the goods in good faith and without notice of the lien or other right of the original seller in respect of the goods, he would get a good title to them **[Section 30(2)]**.

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

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

ANSWERS OF MODEL TEST PAPER 7

FOUNDATION COURSE

PAPER – 2: BUSINESS LAWS

ANSWERS

1. (a) As per section 126 of the Indian Contract Act, 1872, the contract of guarantee is defined as a contract to perform the promise or discharge the liability of a third person in case of his default.

In this case, Sooraj has given a guarantee for Pankaj 's payment obligation towards Rahul. When Pankaj defaulted after making four monthly instalments and became insolvent, Sooraj 's liability as a guarantor will come into existence.

According to Section 128 of the Act, the liability of the surety is co-extensive with that of the principal debtor, unless it is otherwise provided by the contract.

Since Pankaj failed to pay the remaining instalments due to insolvency, Sooraj, as the guarantor, is liable to pay the balance price of the water purifier to Rahul. In the given situation, Sooraj will have to pay the balance amount of ₹ 30,000 to Rahul. [54,000-(4x6,000)]

In the second situation, Rahul sold the water purifier misrepresenting it as having a copper filter, while it actually has a normal filter; this changes the situation significantly.

According to Section 142 of the Act, any guarantee which has been obtained by means of misrepresentation made by the creditor, or with his knowledge and assent, concerning a material part of the transaction, is invalid. Here, guarantee is obtained by means of misrepresentation made by the creditor (Rahul), and therefore the guarantee is invalid.

Furthermore, under Section 143, any guarantee which the creditor has obtained by means of keeping silence as to material circumstances, is invalid.

Here Rahul misrepresented the filter type and both Pankaj and Sooraj were unaware of this fact. The creditor (Rahul) has obtained the guarantee by remaining silent as to material circumstances. Therefore, the guarantee obtained from Sooraj will be considered to be invalid.

Consequently, Sooraj cannot be held liable to pay the balance price of the water purifier to Rahul.

- (b) As per Section 2(46) of the Companies Act, 2013, holding company in relation to one or more other companies, means a company of which such companies are subsidiary companies.

Section 2(87) 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.

In the instant case, as on 31.03.2024, DEF Limited had a paid-up capital of ₹ 1 lakh (10,000 equity shares of ₹ 10 each). In June 2024, DEF Limited issued an additional 10,000 equity shares, which was fully subscribed. Post-issue, the total paid-up capital of DEF Limited is ₹ 2 lakhs (20,000 equity shares of ₹10 each).

Of these, 5,000 shares were issued to MNO Private Limited. Since MNO Private Limited holds only 25% of the shares in DEF Limited, it does not have control of more than one-half of the total voting power of DEF Limited. Hence, MNO Private Limited cannot be considered as a subsidiary company of DEF Limited in terms of the second criteria stated above, that of controlling of voting power.

MNO Private Limited is the holding company of JKL Private Limited, having control over the composition of its Board of Directors. But since MNO Private Limited cannot be termed as a subsidiary company of DEF Limited, JKL Private Limited cannot claim the status of being a subsidiary of DEF Limited in terms of the first criteria, that of controlling the composition of directors.

As per section 2(6) of the Act, Associate Company in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

The expression “significant influence” means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement.

In terms of the above provision, the relationship between DEF Limited and MNO Private Limited can be of an Associate Company.

Since MNO Private Limited holds more than 20 percent of voting power in DEF Limited, it can be considered as an Associate Company of DEF Limited.

- (c) (i) **If a partner is otherwise expelled, the expulsion is null and void.**

According to Section 33 of the Indian Partnership Act, 1932

- (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 bona fide interest of the business of the firm.

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.

Hence, it is correct to say that, if a partner is otherwise expelled, the expulsion is null and void.

(ii) “The partner who is expelled will cease to be liable to the third party for the act of the firm done after expulsion”

According to Section 32(3) of the Indian Partnership Act, 1932, notwithstanding the expulsion a partner from a firm, he and the partners continue to be liable as partners to third parties for any act done by any of them which would have been an act of the firm if done before the expulsion, until public notice is given of the expulsion.

However, an expelled partner is not liable to any third party who deals with the firm without knowing that he was a partner.

Hence, the statement given is partially correct.

2. (a) (i) As per the provisions of section 24 of the Sale of Goods Act, 1930, when goods are delivered to the buyer on approval or “on sale or return” or other similar terms, the property therein passes to the buyer when he does something to the good which is equivalent to accepting the goods e.g. he pledges or sells the goods.

Referring to the above provisions, we can analyse the situation given in the question.

Since, Mohan, who had taken delivery of the camera on Sale or Return basis and delivers the same to Raj on sale for cash only or return, has attracted the third condition that he has done something to the good which is equivalent to accepting the goods e.g. he pledges or sells the goods. Therefore, the property therein (Camera) passes to Mohan.

Now, Raj delivered it to Vikas on a sale or return without paying cash to Mohan.

Since Raj did not pay cash and had not exercised the option to purchase, ownership of the camera did not pass to Raj. Therefore, Raj is not liable to pay the price of the camera either.

Since Vikas did not accept the goods and the camera was lost by theft (despite his due care), Vikas is not liable for the price of the camera as ownership had not passed to him.

Therefore, Mohan is solely liable to pay the price of the camera to Ashish, as he accepted the camera on a "sale or return" basis and did not return it within a reasonable time.

- (ii) According to Section 51 of the Sale of Goods Act, 1930, when the carrier wrongfully refuses to deliver the goods to buyer, the right of stoppage in transit is lost and transit comes to an end.

On the other hand, according to section 57 of the Sale of Goods Act, 1930, where buyer suffers losses due to non-delivery, he can sue seller for damages on account of non-delivery.

In the instant case, the transit came to an end when Chirag wrongfully refused to deliver the goods to Barun, and he suffered a huge loss due to non-delivery. Hence, Akash cannot exercise the right of stoppage of goods in transit as the transit has already come to an end.

Barun can claim loss suffered due to non-delivery from Akash.

- (b) Section 2(62) of the Companies Act, 2013 defines one person company (OPC) as a company which has only one person as a member.

Ram wants to incorporate a company in which he will be the only member. Hence, he can incorporate an One person Company.

According to section 3(1)(c) of the Companies Act, 2013, OPC is a private limited company with the minimum paid up share capital as may be prescribed and having one member.

OPC (One Person Company) – salient features

- ◆ Only one person as member.
- ◆ Minimum paid up capital – no limit prescribed.
- ◆ 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.
- ◆ 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 an OPC;
 - shall be a nominee for the sole member of an 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.
- ◆ Such Company 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.
- ◆ Such Company cannot carry out Non-Banking Financial Investment activities including investment in securities of any body-corporate.
- ◆ If One Person Company or any officer of such company contravenes the provisions, they shall be punishable with fine which may extend to ten thousand rupees and with a further fine which may extend to one thousand rupees for every day after the first during which such contravention continues.

Here the member can be the sole member-cum-director.

(c) (i) Change of name of LLP (Section 17 of Limited Liability Partnership Act, 2008):

- (1) Notwithstanding anything contained in sections 15 and 16, if through inadvertence or otherwise, a LLP, on its first registration or on its registration by a new body corporate, its registered name, is registered by a name which is identical with or too nearly resembles to —
 - (a) that of any other LLP or a company; or
 - (b) a registered trade mark of a proprietor under the Trade Marks Act, 1999, as is likely to be mistaken for it,
 then on an application of such LLP or proprietor referred to in clauses (a) and (b) respectively or a company, the Central Government may direct that such LLP to change its name or new name within a period of 3 months from the date of issue of such direction.
- (2) Where a LLP changes its name or obtains a new name under sub-section (1), it shall within a period of 15 days from the date of such change, give notice of the change to Registrar along with the order of the Central Government, who shall carry out necessary changes in the certificate of incorporation and within 30 days of such change in the certificate of

incorporation, such LLP shall change its name in the LLP agreement.

- (3) If the LLP is in default in complying with any direction given under sub-section (1), the Central Government shall allot a new name to the LLP in such manner as may be prescribed and the Registrar shall enter the new name in the register of LLP in place of the old name and issue a fresh certificate of incorporation with new name, which the LLP shall use thereafter.

Nothing contained in this sub-section shall prevent a LLP from subsequently changing its name in accordance with the provisions of section 16.

(ii) **Small Limited Liability Partnership [Section 2(1)(ta) of the Limited Liability Partnership Act, 2008]:** It means a limited liability partnership—

- (i) the contribution of which, does not exceed twenty-five lakh rupees or such higher amount, not exceeding five crore rupees, as may be prescribed; and
- (ii) the turnover of which, as per the Statement of Accounts and Solvency for the immediately preceding financial year, does not exceed forty lakh rupees or such higher amount, not exceeding fifty crore rupees, as may be prescribed; or
- (iii) which meets such other requirements as may be prescribed, and fulfils such terms and conditions as may be prescribed.

3. (a) (i) **Partner by holding out (Section 28 of the Indian Partnership Act, 1932):**

Anyone who by words spoken or written or by conduct represents himself, or knowingly permits himself to be represented, to be a partner in a firm, is liable as a partner in that firm to anyone who has on the faith of any such representation given credit to the firm, whether the person representing himself or represented to be a partner does or does not know that the representation has reached the person so giving credit.

In the instant case, since Gaurav allowed himself to be represented as a partner to the RS & Co. and third parties acted based on this belief and therefore, Gaurav is held liable to Sahil as he represented himself by his act to be a partner to the RS & Co.

However, Gaurav is not liable to Madhav for the liabilities incurred by the firm. Information of Gaurav being a partner to the firm was shared by the Sahil (Supplier to the firm) which is not falling within the ambit of doctrine of holding out.

Hence Gaurav is liable to Sahil and not to Madhav for the liability of the Firm.

- (ii) **Rights and liabilities of new partner:** The new firm, including the new partner who joins it, may agree to assume liability for the existing debts of the old firm, and creditors may agree to accept the new firm as their debtor and discharge the old partners. The creditor's consent is necessary in every case to make the transaction operative. Novation is the technical term in a contract for substituted liability, of course, not confined only to case of partnership.

But a mere agreement amongst partners cannot operate as Novation. Thus, an agreement between the partners and the incoming partner that he shall be liable for existing debts will not ipso facto give creditors of the firm any right against him.

In the instant case, Ashwin will not be liable in a suit filed by the creditor against the firm and all existing partners for recovery of the old debt of the firm.

- (b) (i) **Doctrine of ultra vires:** The meaning of the term ultra vires is simply "beyond (their) powers". It is a fundamental rule of Company Law that any act done, or a contract made by the company which travels beyond the powers not only of the directors but also of the company is wholly void and inoperative in law and is therefore not binding on the company.

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

In the instant case, borrowing more than ₹1 crore was clearly beyond MN Limited's powers as per its MoA, making the loan transaction ultra vires to the extent of the excess amount over ₹1 crore.

Hence, the decision of the company denying the repayment of the loan being ultra virus the company shall be valid for ₹ 4 crore.

If the funds have been applied for legitimate business purposes (such as repaying lawful debts), the lender steps into the shoes of the debtor paid off and consequently he would be entitled to recover his loan to that extent from the company.

Therefore, MN Limited cannot deny repayment of ₹3 crore, as it was utilised for lawful purposes, despite the ultra vires nature of the loan.

Ultimately, the company has no remedy available to recover the balance amount of loan of ₹ 1 crore as the spending thereof is not traceable.

- (ii) The documents which need to be authenticated by a common seal will be required to be so done, only if the company opts to have a common seal.

In case a company does not have a common seal, the authorization shall be made by two directors or by a director and the Company Secretary, wherever the company has appointed a Company Secretary.

In the instant case, the objection of Suman is not valid as the share certificate was signed by two directors Arnav and Sohail as the company secretary was not appointed.

If the company had a company secretary, then the share certificate has to be signed by a director and the Company secretary.

Hence, yes, the answer will be different.

- (c) **Wagering agreement (Section 30 of the Indian Contract Act, 1872):** An agreement by way of a wager is void. It is an agreement involving payment of a sum of money upon the determination of an uncertain event. The essence of a wager is that each side should stand to win or lose, depending on the way an uncertain event takes place in reference to which the chance is taken and in the occurrence of which neither of the parties has legitimate interest.

Transactions resembling with wagering transaction but are not void

- (i) **Chit fund:** Chit fund does not come within the scope of wager (Section 30). In case of a chit fund, a certain number of persons decide to contribute a fixed sum for a specified period and at the end of a month, the amount so contributed is paid to the lucky winner of the lucky draw.
- (ii) **Commercial transactions or share market transactions:** In these transactions in which delivery of goods or shares is intended to be given or taken, do not amount to wagers.
- (iii) **Games of skill and Athletic Competition:** Crossword puzzles, picture competitions and athletic competitions where prizes are awarded on the basis of skill and intelligence are the games of skill and hence such competitions are valid.
- (iv) **A contract of insurance:** A contract of insurance is a type of contingent contract and is valid under law and these contracts are different from wagering agreements.

4. (a) (i) 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.

- (ii) **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,

- (A) 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.
- (B) 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 agreements are also void.

- (b) **As per Section 76 of the Negotiable Instruments Act, 1881:** No presentment for payment is necessary, and the instrument is dishonoured at the due date for presentment, in any of the following cases:

- (A) (i) If the maker, drawee or acceptor intentionally prevents the presentment of the instrument, or
- (ii) if the instrument being payable at his place of business, he closes such place on a business day during the usual business hours, or
- (iii) if the instrument being payable at some other specified place, neither he nor any person authorised to pay it attends at such place during the usual business hours, or
- (iv) if the instrument not being payable at any specified place, he cannot after due search be found;
- (B) as against any party sought to be charged therewith, if he has engaged to pay notwithstanding non-presentment;

- (C) as against any party if, after maturity, with knowledge that the instrument has not been presented—
- he makes a part payment on account of the amount due on the instrument,
 - or promises to pay the amount due thereon in whole or in part,
 - or otherwise waives his right to take advantage of any default in presentment for payment;
- (D) as against the drawer, if the drawer could not suffer damage from the want of such presentment.

(c) **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. (a) (i) Section 10 of the Sale of Goods Act, 1930 provides for the determination of price by a third party.

1. 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.
2. 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.

In the instant case, as Kiran cannot do valuation of laptop due to non-sharing of particulars and configuration by Karan who was bound by his promise, the agreement will be void.

The other remedy available to Vishal is that he can claim damages from Karan as he will be liable for the damages to Vishal who is not at fault.

(ii) 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 the instant case, in the light of the provisions of Sub-Clause (b) of Sub-Section (2) of Section 17 of the Act, Mrs. Meenu will not be successful as she casually examined the sample of rice (which exactly corresponded to the entire lot) without noticing the fact that even though the sample was that of Basmati Rice but it contained a mix of long and short grains.

- (ii) In the instant case, Mrs. Meenu does not have any option available to her for grievance redressal.
 - (iii) In case Mrs. Meenu specified her exact requirement as to length of rice, then there is an implied condition that the goods shall correspond with the description. If it is not so, the seller will be held liable.
- (b) It is true to say that the Indian Partnership Act, 1932 does not make the registration of firms compulsory nor does it impose any penalty for non-registration.

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

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

- (i) **No suit in a civil court by firm or other co-partners against third party:** The firm or any other person on its behalf cannot bring an action against the third party for breach of contract entered into by the firm, unless the firm is registered and the persons suing are or have been shown in the register of firms as partners in the firm. In other words, a registered firm can only file a suit against a third party and the persons suing have been in the register of firms as partners in the firm.
- (ii) **No relief to partners for set-off of claim:** If an action is brought against the firm by a third party, then neither the firm nor the partner can claim any set-off, if the suit be valued for more than ₹ 100 or pursue other proceedings to enforce the rights arising from any contract.
- (iii) **Aggrieved partner cannot bring legal action against other partner or the firm:** A partner of an unregistered firm (or any other person on his behalf) is precluded from bringing legal action against the firm or any person alleged to be or to have been a partner in

the firm. But such a person may sue for dissolution of the firm or for accounts and realization of his share in the firm's property where the firm is dissolved.

(iv) **Third party can sue the firm:** In case of an unregistered firm, an action can be brought against the firm by a third party.

(c) (i) **Ordinary damages:** 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 know, when they made the contract, to be likely to result from the breach of it.

Special damages: Where a party to a contract receives a notice of special circumstances affecting the contract, he will be liable not only for damages arising naturally and directly from the breach but also for special damages.

Liquidated damage is a genuine pre-estimate of compensation of damages for certain anticipated breach of contract. This estimate is agreed to between parties to avoid at a later date detailed calculation and the necessity to convince outside parties.

(ii) (A) **Agreement made based on natural love and affection:** Conditions to be fulfilled under section 25(1) of the Indian Contract Act, 1872

(i) It must be made out of natural love and affection between the parties.

(ii) Parties must stand in near relationship to each other.

(iii) It must be in writing.

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

A written and registered agreement based on natural love and affection between the parties standing in near relation (e.g., husband and wife) to each other is enforceable even without consideration.

(B) **Promise to pay time barred debts:** 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)].

6. (a) **Dishonour of Cheque for Insufficiency, Etc., of funds in the accounts [Section 138 of the Negotiable Instruments Act, 1881]**

Where any cheque drawn by a person on an account maintained by him with a banker—

- for payment of any amount of money
- to another person from that account

- for the discharge, in whole or in part, of any debt or other liability, [A cheque given as gift or donation, or as a security or in discharge of a mere moral obligation, or for an illegal consideration, would be outside the purview of this section]
- is returned by the bank unpaid,
- either because of the—
 - o amount of money standing to the credit of that account is insufficient to honour the cheque, or
 - o that it exceeds the amount arranged to be paid from that account by an agreement made with that bank,

such person shall be deemed to have committed an offence and shall, 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.

In the instant case,

- (i) Since Y's cheque was dishonoured by the Bank due to insufficiency of funds in his account, he shall be deemed to have committed an offence and shall, be punished with imprisonment for a term which may extend to two years, or with fine which may extend to ₹ 20,000, or with both.
- (ii) A cheque given as gift or donation, or as a security or in discharge of a mere moral obligation, or for an illegal consideration, would be outside the purview of this section. Hence, if Y issued a cheque as a donation to Mr. Z, he shall not be liable under section 138 of the Act.

(b) Quasi Contracts: Under certain special circumstances, obligations resembling those created by a contract are imposed by law although the parties have never entered into a contract. Such obligations imposed by law are referred to as 'Quasi-contracts'. Such a contract resembles a contract so far as result or effect is concerned but it has little or no affinity with a contract in respect of mode of creation. These contracts are based on the doctrine that a person shall not be allowed to enrich himself unjustly at the expense of another. The salient features of a quasi-contract are:

1. It does not arise from any agreement of the parties concerned but is imposed by law.
2. Duty and not promise is the basis of such contract.
3. The right under it is always a right to money and generally though not always to a liquidated sum of money.
4. Such a right is available against specific person(s) and not against the whole world.

5. A suit for its breach may be filed in the same way as in case of a complete contract.

(c) The main points of distinction between the 'Sale' and 'Hire-Purchase' are as follows:

Sr. No.	Basis of difference	Sale	Hire-Purchase
1	Time of passing property	Property in the goods is transferred to the buyer immediately at the time of the contract	Property in goods passes to the hirer upon payment of the last installment.
2	Position of the property	The position of the buyer is that of the owner of the goods	The position of the hirer is that of a bailee till he pays the last installment.
3	Termination of contract	The buyer cannot terminate the contract and is bound to pay the price of the goods	The hirer may, if he so likes, terminate the contract by returning the goods to its owner without any liability to pay the remaining installments.
4	Burden of Risk of Insolvency of the buyer	The seller takes the risk of any loss resulting from the insolvency of the buyer	The owner takes no such risk, for if the hirer fails to pay an installment, the owner has right to take back the goods.
5	Transfer of title	The buyer can pass a good title to a bona fide purchaser from him	The hirer cannot pass any title even to a bona fide purchaser.
6	Resale	The buyer in sale can resell the goods	The hire purchaser cannot resell unless he has paid all the installments.

ANSWERS OF MODEL TEST PAPER 8

FOUNDATION COURSE

PAPER – 2: BUSINESS LAWS

ANSWERS

1. (a) (i) The general rule is that an agreement made without consideration is void (Section 25 of the Indian Contract Act, 1872).

However, in the following case, the agreement though made without consideration, will be valid and enforceable.

Charity: If a promisee undertakes the liability on the promise of the person to contribute to charity, there the contract shall be valid.

In the instant case, Mr. A can claim 1.5 lakh from Mr. S.

- (ii) According to Section 69 of the Indian Contract Act, 1872, a person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other.

In the instant case, Mr. M paid the electricity bill to avoid the disconnection that was pending due to Mr. L's failure to fulfil his contractual obligation. Hence, Mr. M is entitled to be reimbursed ₹ 50,000 from Mr. L.

- (b) (i) According to Section 455 of the Companies Act, 2013, where a company is formed and registered under this Act for a future project or to hold an asset or intellectual property and has no significant accounting transaction, such a company or an inactive company may make an application to the Registrar in such manner as may be prescribed for obtaining the status of a dormant company.

In the instant case, XYZ Ltd. has made a significant accounting transaction (down payment of ₹ 1 crore for plant and machinery), it does not meet the criteria of a dormant company under Section 455 of the Companies Act, 2013.

Therefore, XYZ Ltd. cannot acquire the status of dormant company.

- (ii) **Foreign Company [Section 2(42) of the Companies Act, 2013]:** It means any company or body corporate incorporated outside India which—

- (i) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and
- (ii) conducts any business activity in India in any other manner.

As Mike LLC is incorporated in Singapore and having a place of business in Pune, India, it is a foreign Company.

- (c) Section 29 of the Indian Partnership Act, 1932 provides that a share in a partnership is transferable like any other property, but as the partnership relationship is based on mutual confidence, the assignee of a partner's interest by sale, mortgage or otherwise cannot enjoy the same rights and privileges as the original partner.

The rights of such a transferee are as follows:

- (1) During the continuance of partnership, such transferee is not entitled
 - (a) to interfere with the conduct of the business,
 - (b) to require accounts, or
 - (c) to inspect books of the firm.

He is only entitled to receive the share of the profits of the transferring partner, and he is bound to accept the profits as agreed to by the partners, i.e., he cannot challenge the accounts.

- (2) On the dissolution of the firm or on the retirement of the transferring partner, the transferee will be entitled, against the remaining partners:
 - (a) to receive the share of the assets of the firm to which the transferring partner was entitled, and
 - (b) for the purpose of ascertaining the share,

he is entitled to an account as from the date of the dissolution.

By virtue of Section 31, no person can be introduced as a partner in a firm without the consent of all the partners. A partner cannot by transferring his own interest, make anybody else a partner in his place, unless the other partners agree to accept that person as a partner. At the same time, a partner is not debarred from transferring his interest. A partner's interest in the partnership can be regarded as an existing interest and tangible property which can be assigned.

2. (a) **Ascertainment of price (Section 9 of the Sale of Goods Act, 1930):**

By virtue of Section 9, the price in a contract of sale may be-

- (1) fixed by the contract, or
- (2) agreed to be fixed in a manner provided by the contract, e.g., by a valuer, or
- (3) determined by the course of dealing between the parties.

Agreement to sell at valuation (Section 10):

Section 10 provides for the determination of price by a third party.

1. Where there is an agreement to sell goods on the terms that price is to be fixed by the valuation of a third party and that third party

either does not or cannot make such valuation, the agreement is thereby avoided.

However, a buyer who has received and appropriated the goods, must pay a reasonable price for them.

2. In case the third party is prevented from making the valuation by the default of either party, the party not at fault may maintain a suit for damages against the party in fault.

- (i) In the instant case, Priya handed over the keys of her two-wheeler to Sony and it was decided between them that price of the vehicle will be fixed by Priya's father. However, Priya's father refused to fix the price as he did not want Priya to sell her vehicle. As the keys have already been handed over to Sony, Priya cannot take back the keys from Sony and Sony shall pay reasonable price to Priya for the two-wheeler.
- (ii) If Priya had not handed over the vehicle to Sony, the contract could have been avoided as Priya's father refused to fix the price of the vehicle.

(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) **Body corporate:** Section 2(1)(d) of the LLP Act, 2008 provides that a LLP is a body corporate formed and incorporated under this Act and is a legal entity separate from that of its partners and shall have perpetual succession. Therefore, any change in the partners of a LLP shall not affect the existence, rights or liabilities of the LLP.

Section 3 of LLP Act, 2008, provides that a LLP is a body corporate formed and incorporated under this Act and is a legal entity separate from that of its partners.

Mutual Agency: No partner is liable on account of the independent or un-authorized actions of other partners, thus individual partners are shielded from joint liability created by another partner's wrongful business decisions or misconduct. In other words, all partners will be the agents of the LLP alone. No one partner can bind the other partner by his acts.

Foreign LLPs: Section 2(1)(m) defines foreign limited liability partnership "as a limited liability partnership formed, incorporated, or registered outside India which established as place of business within India". Foreign LLP can become a partner in an Indian LLP.

Artificial Legal Person: A LLP is an artificial legal person because it is created by a legal process and is clothed with all rights of an individual. It can do everything which any natural person can do, except of course that, it cannot be sent to jail, cannot take an oath, cannot marry or get divorce nor can it practice a learned profession like CA or Medicine. A LLP is invisible, intangible, immortal (it can be dissolved by law alone) but not fictitious because it really exists.

3. (a) (i) Section 40 of the Indian Partnership Act, 1932, gives right to the partners to dissolve the partnership by agreement with the consent of all the partners or in accordance with a contract between the partners. 'Contract between the partners' means a contract already made.

Also, according to section 44, the Court may, at the suit of a partner, may dissolve a firm on various grounds including where the business of the firm cannot be carried on except at a loss (in future also).

In the instant case, P wants to continue the partnership business despite the losses incurred over the past four years and Q and R

are reluctant to continue operating the business due to continuous losses.

Here, P can insist on continuing the business if the partnership agreement does not specifically provide such a right to one or more partner / partners since Section 40 specifies that with the consent of all the partners or in accordance with a contract between the partners the firm can be dissolved.

Options available to Q and R

Mutual Agreement to Dissolve the Partnership: Q and R can propose to P that the partnership be dissolved by mutual agreement. If P agrees, the partnership can be dissolved amicably.

Dissolution by the Court: If P does not agree to dissolve the partnership mutually, Q and R can approach the court for an order under Section 44.

- (ii) According to Section 25 of the Indian Partnership Act, 1932, every partner is jointly and severally liable for all acts of the firm done while he is a partner.

As per section 26, the firm is liable to the same extent as the partner for any wrongful act or omission of a partner while acting:

- (a) in the ordinary course of the business of the firm, or
- (b) with the authority of the partners.

Section 27 provides that the firm is liable if a partner, acting within the scope of his apparent authority, receives money or property from a third party and misapplies it, or if the firm in the course of its business receives money or property and the same is misapplied while it is in the custody of the firm.

In the instant case, both A and B are liable to C for the wrongful acts committed by B. A cannot avoid liability merely on the grounds of being a sleeping partner.

- (b) (i) Under the Companies Act, 2013, a Government company is defined in Section 2(45) as a company in which not less than 51% of the paid-up share capital is held by:
- The Central Government, or
 - Any State Government or Governments, or
 - Partly by the Central Government and partly by one or more State Governments,

And includes a company which is a subsidiary company of such a Government company.

In the instant case, total Government Shareholding is 40% [i.e. 20% (Government of India) + 10% (Government of Tamil Nadu) + 10% (Government of Rajasthan)] = 40%

The holding of the Life Insurance Corporation of India i.e. 8% and ABC Limited i.e. 15%, total amounting to 23% cannot be taken into account while counting the prescribed limit of 51%.

Since the total shareholding held by the Central Government and State Governments combined is 40%, which is less than 51%, XYZ Limited does not qualify to be a Government company under the provisions of the Companies Act, 2013.

- (ii) **One of the features of a company is that it has perpetual succession.** As per this feature, members may die or change, but the company goes on till it is wound up on the grounds specified by the Companies Act, 2013. The shares of the company may change hands infinitely but that does not affect the existence of the company. Since a company is an artificial person created by law, law alone can bring an end to its life. Its existence is not affected by the death or insolvency of its members.

In the instant case, on the death of M and N, who are holding 70% and 30% shares in the Company, the existence of the company is not affected, since the shares held by M and N will be legally transmitted to their legal heirs.

- (c) In terms of the provisions of the Indian Contract Act, 1872, the surety enjoys the following rights:
- (a) Rights against the creditor;
 - (b) Rights against the principal debtor;
 - (c) Rights against co-sureties.

Right against the Creditor

- (a) **Surety's right to benefit of creditor's securities [Section 141]:** A surety is entitled to the benefit of every security which the creditor has against the principal debtor at the time when the contract of suretyship is entered into, whether the surety knows of the existence of such security or not; and, if the creditor loses, or, without the consent of the surety, parts with such security, the surety is discharged to the extent of the value of the security.
- (b) **Right to set off:** If the creditor sues the surety, for payment of principal debtor's liability, the surety may have the benefit of the set off, if any, that the principal debtor had against the creditor.
- (c) **Right to share reduction:** The surety has right to claim proportionate reduction in his liability if the principal debtor becomes insolvent.

Right against the principal debtor

- (a) **Rights of subrogation [Section 140 of the Indian Contract Act, 1872]:** Where, a guaranteed debt has become due, or default of the principal debtor to perform a guaranteed duty has taken place, the surety, upon payment or performance of all that he is liable for,

is invested with all the rights which the creditor had against the principal debtor.

This right is known as right of subrogation. It means that on payment of the guaranteed debt, or performance of the guaranteed duty, the surety steps into the shoes of the creditor.

- (b) **Implied promise to indemnify surety [Section 145]:** In every contract of guarantee there is an implied promise by the principal debtor to indemnify the surety. The surety is entitled to recover from the principal debtor whatever sum he has rightfully paid under the guarantee, but not sums which he paid wrongfully.

Rights against co-sureties

“Co-sureties (meaning)- When the same debt or duty is guaranteed by two or more persons, such persons are called co-sureties”.

- (a) **Co-sureties liable to contribute equally (Section 146):** Unless otherwise agreed, each surety is liable to contribute equally for discharge of whole debt or part of the debt remains unpaid by debtor.
- (b) **Liability of co-sureties bound in different sums (Section 147):** 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.

4. (a) (i) According to section 56 of the Indian Contract Act, 1872, an agreement to do an act impossible in itself is void.

Contract to do act afterwards becoming impossible or unlawful: A contract to do an act which, after the contract is made, becomes impossible, or, by reason of some event which the promisor could not prevent, unlawful, becomes void when the act becomes impossible or unlawful.

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

In the instant case, Mr. J entered into a contract with Mr. S to purchase his house for ₹ 20 lakh, with a token payment of ₹ 50,000. The agreement included a condition that the sale would be completed within three months. Before the completion of the sale, the house was demolished by the local administration. This event made it impossible for Mr. S to sell the house to Mr. J as agreed.

In this situation, Mr. J is required to refund ₹ 50,000 token money paid to Mr. S, as the contract to sell the house has become void due to the demolition of the house by the local administration, as a

result of which it becomes impossible to sell the house on the part of S.

- (ii) **When termination of agent's authority takes effect as to agent, and as to third persons [Section 208 of the Indian Contract Act, 1872]:** The termination of the authority of an agent does not, so far as regards the agent, take effect before it becomes known to him, or, so far as regards third persons, before it becomes known to them.

In the instant case,

- (1) The revocation of Shyam's authority becomes effective only when it is communicated to and received by Shyam. Since Shyam had not received the revocation letter at the time of selling the laptops, his authority to sell on behalf of Rama was still valid. Hence, the sale of laptops conducted by Shyam is binding on Rama.
- (2) Shyam is entitled to receive his commission for the sales made while he still had the authority to sell. Since he sold the laptops before receiving the revocation, he is entitled to his commission as per the initial agreement with Rama.

Amount of Commission: Shyam sold 5 laptops at the price fixed by Rama, which is ₹1 lakh each. The total sales amount to ₹ 5 lakh. The agreed commission rate is 11% i.e. ₹ 55,000.

- (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) **The Securities and Exchange Board of India (SEBI):**

- It is the regulatory body

- for securities and commodity market in India
- under the ownership of Ministry of Finance within the Government of India.
- It was established on 12 April, 1988 as an executive body and was given statutory powers on 30 January, 1992 through the SEBI Act, 1992.

(ii) Reserve Bank of India (RBI):

- It is India's Central Bank and regulatory body responsible for regulation of the Indian banking system.
- It is under the ownership of Ministry of Finance, Government of India.
- It is responsible for the control, issue and maintaining supply of the Indian rupee.
- It also manages the country's main payment systems and works to promote its economic development.
- Bharatiya Reserve Bank Note Mudran (BRBNM) is a specialised division of RBI through which it prints and mints Indian currency notes (INR) in two of its currency printing presses located in Nashik (Western India) and Dewas (Central India).
- RBI established the National Payments Corporation of India as one of its specialised division to regulate the payment and settlement systems in India.
- Deposit Insurance and Credit Guarantee Corporation was established by RBI as one of its specialised division for the purpose of providing insurance of deposits and guaranteeing of credit facilities to all Indian banks.

(iii) Insolvency and Bankruptcy Board of India (IBBI)-

- It is the regulator for overseeing insolvency proceedings and entities like Insolvency Professional Agencies (IPA), Insolvency Professionals (IP) and Information Utilities (IU) in India.
- It was established on 1 October 2016 and given statutory powers through the Insolvency and Bankruptcy Code, which was passed by Lok Sabha on 5th May 2016.
- It covers Individuals, Companies, Limited Liability Partnerships and Partnership firms. The new code will speed up the resolution process for stressed assets in the country.
- It attempts to simplify the process of insolvency and bankruptcy proceedings.

- It handles the cases using two tribunals like NCLT (National Company Law Tribunal) and Debt Recovery Tribunal.

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 of the Indian Partnership Act, 1932):**

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.
- (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 due by the partner, 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) **Suit by bailor & bailee against wrong doers [Section 180 of the Indian Contract Act, 1872]:** If a third person wrongfully deprives the bailee of the use or possession of the goods bailed, or does them any injury, the bailee is entitled to use such remedies as the owner might have used in the like case if no bailment had been made; and either the bailor or the bailee may bring a suit against a third person for such deprivation or injury.
- (ii) **Duties of the Pawnee**
- Pawnee has the following duties:
- a. Duty to take reasonable care of the pledged goods.

- b. Duty not to make unauthorized use of pledged goods.
- c. Duty to return the goods when the debt has been repaid or the promise has been performed.
- d. Duty not to mix his own goods with goods pledged.
- e. Duty not to do any act which is inconsistent with the terms of the pledge.
- f. Duty to return accretion to the goods, if any.

6. (a) (i) Importance of Delivery in Negotiation [Section 46 of the Negotiable Instruments Act, 1881]

Delivery of an instrument is essential whether the instrument is payable to bearer or order for effecting the negotiation. The delivery must be voluntary, and the object of delivery should be to pass the property in the instrument to the person to whom it is delivered. The delivery can be, actual or constructive. Actual delivery takes place when the instrument changes hand physically. Constructive delivery takes place when the instrument is delivered to the agent, clerk or servant of the indorsee on his behalf or when the indorser, after indorsement, holds the instrument as an agent of the indorsee.

Section 46 also lays down that when an instrument is conditionally or for a special purpose only, the property in it does not pass to the transferee, even though it is indorsed to him, unless the instrument is negotiated to a holder in due course.

The contract on a negotiable instrument until delivery remains incomplete and revocable. Delivery is essential not only at the time of negotiation but also at the time of making or drawing of negotiable instrument. The rights in the instrument are not transferred to the indorsee unless after the indorsement the same has been delivered. If a person makes the indorsement of instrument but before the same could be delivered to the indorsee, the indorser dies, the legal representatives of the deceased person cannot negotiate the same by mere delivery thereof. (Section 57).

In the instant case, Ankit the only son of Gagan delivered the bill to Akash on the next day as intended by his deceased father (Gagan) which is not valid.

Hence, Akash cannot enforce the payment of the bill against Baban or the previous parties.

(ii) As per section 11 of the Negotiable Instruments Act, 1881, a promissory note, bill of exchange or cheque drawn or made in India and made payable in, or drawn upon any person resident in India shall be deemed to be an inland instrument.

In the instant case, the bill of exchange was:

- Drawn in India (since it was drawn by Reliable Limited, an

Indian company).

- Accepted in India (Manish, a resident of Mumbai, accepted the bill in Mumbai).
- Payable outside India, in Los Angeles, USA.

The bill of exchange in this case is an inland instrument because it was drawn in India and accepted by a person resident in India, even though it is payable outside India (Los Angeles, USA).

(b) (i) Agent cannot personally enforce, nor be bound by, contracts on behalf of principal.

EXCEPTIONS: In the following exceptional cases, the agent is presumed to have agreed to be personally bound:

- (1) **Where the contract is made by an agent for the sale or purchase of goods for a merchant resident abroad/foreign principal:** – When an agent has entered into a contract for the sale or purchase of goods on behalf of a principal resident abroad, the presumption is that the agent undertakes to be personally liable for the performances of such contract.
- (2) **Where the agent does not disclose the name of his principal or undisclosed principal;** (Principal unnamed): when the agent does not disclose the name of the principal then there arises a presumption that he himself undertakes to be personally liable.
- (3) **Non-existent or incompetent principal:** Where the principal, though disclosed, cannot be sued, the agent is presumed to be personally liable.
- (4) **Pretended agent** – if the agent pretends but is not an actual agent, and the principal does not rectify the act but disowns it, the pretended agent will be himself liable.
- (5) **When agent exceeds authority-** When the agent exceeds his authority, misleads the third person in believing that the agent he has the requisite authority in doing the act, then the agent can be made liable personally for the breach of warranty of authority.

(ii) Rights of Indemnity-holder when sued (Section 125 of the Indian Contract Act, 1872): The promisee in a contract of indemnity, acting within the scope of his authority, is entitled to recover from the promisor/indemnifier—

- (a) all damages which he may be compelled to pay in any suit
- (b) all costs which he may have been compelled to pay in bringing/ defending the suit and

- (c) all sums which he may have paid under the terms of any compromise of suit.

OR

(b) Essentials of a Contingent Contract

- (a) **The performance of a contingent contract would depend upon the happening or non-happening of some event or condition.** The condition may be precedent or subsequent.
- (b) **The event referred to as collateral to the contract.** The event is not part of the contract. The event should be neither performance promised nor a consideration for a promise.
- (c) **The contingent event should not be a mere 'will' of the promisor.** The event should be contingent in addition to being the will of the promisor.
- (d) **The event must be uncertain.** Where the event is certain or bound to happen, the contract is due to be performed, then it is a not contingent contract.

Definition of 'Contingent Contract' (Section 31 of the Indian Contract Act, 1872)

"A contract to do or not to do something, if some event, collateral to such contract, does or does not happen".

Rules Relating to Enforcement of a contingent contract:

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

- (a) **Enforcement of contracts contingent on an event happening:** Section 32 says that "where a contingent contract is made to do or not to do anything if an uncertain future event happens, it cannot be enforced by law unless and until that event has happened. If the event becomes impossible, such contracts become void".
- (b) **Enforcement of contracts contingent on an event not happening:** Section 33 says that "Where a contingent contract is made to do or not do anything if an uncertain future event does not happen, it can be enforced only when the happening of that event becomes impossible and not before".
- (c) **A contract would cease to be enforceable if it is contingent upon the conduct of a living person when that living person does something to make the 'event' or 'conduct' as impossible of happening.**

Section 34 says that "if a contract is contingent upon as to how a person will act at an unspecified time, the event shall be considered to have become impossible when such person does anything which renders it impossible that he should so act within any definite time or otherwise than under further contingencies".

- (d) **Contingent on happening of specified event within the fixed time:** Section 35 says that Contingent contracts to do or not to do anything, if a specified uncertain event happens within a fixed time, becomes void if, at the expiration of time fixed, such event has not happened, or if, before the time fixed, such event becomes impossible.
 - (e) **Contingent on specified event not happening within fixed time:** Section 35 also says that - “Contingent contracts to do or not to do anything, if a specified uncertain event does not happen within a fixed time, may be enforced by law when the time fixed has expired, and such event has not happened or before the time fixed has expired, if it becomes certain that such event will not happen”.
 - (f) **Contingent on an impossible event (Section 36):** Contingent agreements to do or not to do anything, if an impossible event happens are void, whether the impossibility of the event is known or not to the parties to the agreement at the time when it is made.
- (c) According to Section 24 of the Sales of Goods Act, 1930, in case of delivery of goods on approval basis, the property in goods passes from seller to the buyer:-
- (i) When the person to whom the goods are given either accepts them or does an act which implies adopting the transaction.
 - (ii) When the person to whom the goods are given retains the goods without giving his approval or giving notice of rejection beyond the time fixed for the return of goods and in case no time is fixed after the lapse of reasonable time.

In the given case, J (seller) has delivered on approval 100 bags of rice of 10 kg each to local retailer (buyer) on sale or returnable basis within a month of delivery. Out of these 100 bags, the local retailer sold 5 bags to K (customer). It implies that the local retailer has accepted 5 bags out of 100.

A week later, local retailer received the complaint of some defect in the rice bags, so, he wanted to return all the bags to the J (seller).

According to the above provisions, the local retailer is entitled to return only 95 bags to the J (seller) and not those 4 bags which are not used by K. Because, as per clause (i) above, the local retailer has already sold 5 bags, signifying that he has done an act which implies adopting the transaction relating to those 5 bags.

ANSWERS OF MODEL TEST PAPER 9

FOUNDATION COURSE

PAPER 2 : BUSINESS LAWS

1. (a) As per section 126 of the Indian Contract Act, 1872, the contract of guarantee is defined as a contract to perform the promise or discharge the liability of a third person in case of his default.

In this case, S has given a guarantee for P's payment obligation towards R. When P defaulted after making four monthly instalments and became insolvent, S's liability as a guarantor will come into existence.

According to Section 128 of the Act, the liability of the surety is co-extensive with that of the principal debtor, unless it is otherwise provided by the contract.

Since P failed to pay the remaining instalments due to insolvency, S, as the guarantor, is liable to pay the balance price of the water purifier to R. In the given situation, S will have to pay the balance amount of ₹ 30,000 to R. $[54,000 - (4 \times 6,000)]$

In the second situation, R sold the water purifier misrepresenting it as having a copper filter, while it actually has a normal filter; this changes the situation significantly.

According to Section 142 of the Act, any guarantee which has been obtained by means of misrepresentation made by the creditor, or with his knowledge and assent, concerning a material part of the transaction, is invalid. Here, guarantee is obtained by means of misrepresentation made by the creditor (R), and therefore the guarantee is invalid.

Furthermore, under Section 143, any guarantee which the creditor has obtained by means of keeping silence as to material circumstances, is invalid.

Here R misrepresented the filter type and both P and S were unaware of this fact. The creditor (R) has obtained the guarantee by remaining silent as to material circumstances. Therefore, the guarantee obtained from S will be considered to be invalid.

Consequently, S cannot be held liable to pay the balance price of the water purifier to R.

- (b) As per Section 2(46) of the Companies Act, 2013, holding company in relation to one or more other companies, means a company of which such companies are subsidiary companies.

Section 2(87) 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.

In the instant case, as on 31.03.2023, ABC Limited had a paid-up capital of ₹ 1 lakh (10,000 equity shares of ₹ 10 each). In June 2023, ABC Limited issued additional 10,000 equity shares, which was fully subscribed. Post-issue, the total paid-up capital of ABC Limited is ₹ 2 lakhs (20,000 equity shares of ₹10 each).

Out of these, 5,000 shares were issued to XYZ Private Limited. Since XYZ Private Limited holds only 25% of the shares in ABC Limited, it does not have control of more than one-half of the total voting power of ABC Limited. Hence, XYZ Private Limited cannot be considered as a subsidiary company of ABC Limited in terms of the second criteria stated above, that of controlling of voting power.

XYZ Private Limited is the holding company of PQR Private Limited by having control over the composition of its Board of Directors. But since XYZ Private Limited cannot be termed as a subsidiary company of ABC Limited, PQR Private Limited cannot claim the status of being a subsidiary of ABC Limited in terms of the first criteria, that of controlling of the composition of directors.

As per section 2(6) of the Act, Associate Company in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

The expression “significant influence” means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement.

In terms of the above provision, the relationship between ABC Limited and XYZ Private Limited can be of an Associate Company.

Since XYZ Private Limited holds more than 20 percent of voting power in ABC Limited, it can be considered as an Associate Company of ABC Limited.

- (c) The Indian Partnership Act, 1932 does not make the registration of firms compulsory nor does it impose any penalty for non-registration. However, under Section 69, non-registration of partnership gives rise to a number of disabilities. Although registration of firms is not compulsory, yet the consequences or disabilities of non-registration have a persuasive pressure for their registration.

Exceptions: Non-registration of a firm does not, however affect the following rights:

1. The right of third parties to sue the firm or any partner.
2. The right of partners to sue for the dissolution of the firm or for the settlement of the accounts of a dissolved firm, or for realization of the property of a dissolved firm.

3. The power of an Official Assignees, Receiver of Court to release the property of the insolvent partner and to bring an action.
4. The right to sue or claim a set-off if the value of suit does not exceed ₹ 100 in value.
5. The right to suit and proceeding instituted by legal representatives or heirs of the deceased partner of a firm for accounts of the firm or to realise the property of the firm.

2. (a) **Ascertainment of price (Section 9 of the Sale of Goods Act, 1930):** By virtue of Section 9, the price in a contract of sale may be-

- (1) fixed by the contract, or
- (2) agreed to be fixed in a manner provided by the contract, e.g., by a valuer, or
- (3) determined by the course of dealing between the parties.

Agreement to sell at valuation (Section 10): Section 10 provides for the determination of price by a third party.

1. Where there is an agreement to sell goods on the terms that price is to be fixed by the valuation of a third party and that third party either does not or cannot make such valuation, the agreement is thereby avoided.

However, a buyer who has received and appropriated the goods, must pay a reasonable price for them.

2. In case the third party is prevented from making the valuation by the default of either party, the party not at fault may maintain a suit for damages against the party in fault.

(i) In the instant case, Priya handed over the keys of her two-wheeler to Sony and it was decided between them that price of the vehicle will be fixed by Priya's father. However, Priya's father refused to fix the price as he did not want Priya to sell her vehicle. As the keys have already been handed over to Sony, Priya cannot take back the keys from Sony and Sony shall pay reasonable price to Priya for the two-wheeler.

(ii) If Priya had not handed over the vehicle to Sony, the contract could have been avoided as Priya's father refused to fix the price of the vehicle.

(b) (a) Section 2(62) of the Companies Act, 2013 defines one person company (OPC) as a company which has only one person as a member.

Ram wants to incorporate a company in which he will be the only member. Hence, he can incorporate an One person Company.

According to section 3(1)(c) of the Companies Act, 2013, OPC is a private limited company with the minimum paid up share capital as may be prescribed and having one member.

OPC (One Person Company) – salient features

- ◆ Only one person as member.
- ◆ Minimum paid up capital – no limit prescribed.
- ◆ 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.
- ◆ 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 an OPC;
 - shall be a nominee for the sole member of an 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.
- ◆ Such Company 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.
- ◆ Such Company cannot carry out Non-Banking Financial Investment activities including investment in securities of any body-corporate.
- ◆ If One Person Company or any officer of such company contravenes the provisions, they shall be punishable with fine which may extend to ten thousand rupees and with a further fine which may extend to one thousand rupees for every day after the first during which such contravention continues.

Here the member can be the sole member-cum-director.

- (c) **Body corporate:** Section 2(1)(d) of the LLP Act, 2008 provides that a LLP is a body corporate formed and incorporated under this Act and is a legal entity separate from that of its partners and shall have perpetual succession. Therefore, any change in the partners of a LLP shall not affect the existence, rights or liabilities of the LLP.

Section 3 of LLP Act, 2008, provides that a LLP is a body corporate formed and incorporated under this Act and is a legal entity separate from that of its partners.

Mutual Agency: No partner is liable on account of the independent or un-authorized actions of other partners, thus individual partners are shielded from joint liability created by another partner's wrongful business decisions or misconduct. In other words, all partners will be the agents of the LLP alone. No one partner can bind the other partner by his acts.

Foreign LLPs: Section 2(1)(m) defines foreign limited liability partnership "as a limited liability partnership formed, incorporated, or registered outside India which established as place of business within India". Foreign LLP can become a partner in an Indian LLP.

Artificial Legal Person: A LLP is an artificial legal person because it is created by a legal process and is clothed with all rights of an individual. It can do everything which any natural person can do, except of course that, it cannot be sent to jail, cannot take an oath, cannot marry or get divorce nor can it practice a learned profession like CA or Medicine. A LLP is invisible, intangible, immortal (it can be dissolved by law alone) but not fictitious because it really exists.

3. (a) (i) Section 40 of the Indian Partnership Act, 1932, gives right to the partners to dissolve the partnership by agreement with the consent of all the partners or in accordance with a contract between the partners. 'Contract between the partners' means a contract already made.

Also, according to section 44, the Court may, at the suit of a partner, may dissolve a firm on various grounds including where the business of the firm cannot be carried on except at a loss (in future also).

In the instant case, P wants to continue the partnership business despite the losses incurred over the past four years and Q and R are reluctant to continue operating the business due to continuous losses.

Here, P can insist on continuing the business if the partnership agreement does not specifically provide such a right to one or more partner / partners since Section 40 specifies that with the consent of all the partners or in accordance with a contract between the partners the firm can be dissolved.

Options available to Q and R

Mutual Agreement to Dissolve the Partnership: Q and R can propose to P that the partnership be dissolved by mutual agreement. If P agrees, the partnership can be dissolved amicably.

Dissolution by the Court: If P does not agree to dissolve the partnership mutually, Q and R can approach the court for an order under Section 44.

- (ii) According to Section 25 of the Indian Partnership Act, 1932, every partner is jointly and severally liable for all acts of the firm done while he is a partner.

As per section 26, the firm is liable to the same extent as the partner for any wrongful act or omission of a partner while acting:

- (a) in the ordinary course of the business of the firm, or
- (b) with the authority of the partners.

Section 27 provides that the firm is liable if a partner, acting within the scope of his apparent authority, receives money or property from a third party and misapplies it, or if the firm in the course of its business receives money or property and the same is misapplied while it is in the custody of the firm.

In the instant case, both A and B are liable to C for the wrongful acts committed by B. A cannot avoid liability merely on the grounds of being a sleeping partner.

- (b) (i) Under the Companies Act, 2013, a Government company is defined in Section 2(45) as a company in which not less than 51% of the paid-up share capital is held by:
- The Central Government, or
 - Any State Government or Governments, or
 - Partly by the Central Government and partly by one or more State Governments,

And includes a company which is a subsidiary company of such a Government company.

In the instant case, total Government Shareholding is 40% [i.e. 20% (Government of India) + 10% (Government of Tamil Nadu) + 10% (Government of Rajasthan)] = 40%

The holding of the Life Insurance Corporation of India i.e. 8% and ABC Limited i.e. 15%, total amounting to 23% cannot be taken into account while counting the prescribed limit of 51%.

Since the total shareholding held by the Central Government and State Governments combined is 40%, which is less than 51%, XYZ Limited does not qualify to be a Government company under the provisions of the Companies Act, 2013.

- (ii) **One of the features of a company is that it has perpetual succession.** As per this feature, members may die or change, but the company goes on till it is wound up on the grounds specified by the Companies Act, 2013. The shares of the company may change hands infinitely but that does not affect the existence of the company. Since a company is an artificial person created by law, law alone can bring an end to its life. Its existence is not affected by the death or insolvency of its members.

In the instant case, on the death of M and N, who are holding 70% and 30% shares in the Company, the existence of the company is not affected, since the shares held by M and N will be legally transmitted to their legal heirs.

- (c) In terms of the provisions of the Indian Contract Act, 1872, the surety enjoys the following rights:
- (a) Rights against the creditor;
 - (b) Rights against the principal debtor;
 - (c) Rights against co-sureties.

Right against the Creditor

- (a) **Surety's right to benefit of creditor's securities [Section 141]:** A surety is entitled to the benefit of every security which the creditor has against the principal debtor at the time when the contract of suretyship is entered into, whether the surety knows of the existence of such security or not; and, if the creditor loses, or, without the consent of the surety, parts with such security, the surety is discharged to the extent of the value of the security.
- (b) **Right to set off:** If the creditor sues the surety, for payment of principal debtor's liability, the surety may have the benefit of the set off, if any, that the principal debtor had against the creditor.
- (c) **Right to share reduction:** The surety has right to claim proportionate reduction in his liability if the principal debtor becomes insolvent.

Right against the principal debtor

- (a) **Rights of subrogation [Section 140 of the Indian Contract Act, 1872]:** Where, a guaranteed debt has become due, or default of the principal debtor to perform a guaranteed duty has taken place, the surety, upon payment or performance of all that he is liable for, is invested with all the rights which the creditor had against the principal debtor.

This right is known as right of subrogation. It means that on payment of the guaranteed debt, or performance of the guaranteed duty, the surety steps into the shoes of the creditor.

- (b) **Implied promise to indemnify surety [Section 145]:** In every contract of guarantee there is an implied promise by the principal debtor to indemnify the surety. The surety is entitled to recover

from the principal debtor whatever sum he has rightfully paid under the guarantee, but not sums which he paid wrongfully.

Rights against co-sureties

“Co-sureties (meaning)- When the same debt or duty is guaranteed by two or more persons, such persons are called co-sureties”.

- (a) **Co-sureties liable to contribute equally (Section 146):** Unless otherwise agreed, each surety is liable to contribute equally for discharge of whole debt or part of the debt remains unpaid by debtor.
- (b) **Liability of co-sureties bound in different sums (Section 147):** The principal 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.

4. (a) (i) According to section 56 of the Indian Contract Act, 1872, an agreement to do an act impossible in itself is void.

Contract to do act afterwards becoming impossible or unlawful: A contract to do an act which, after the contract is made, becomes impossible, or, by reason of some event which the promisor could not prevent, unlawful, becomes void when the act becomes impossible or unlawful.

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

In the instant case, Mr. J entered into a contract with Mr. S to purchase his house for ₹ 20 lakh, with a token payment of ₹ 50,000. The agreement included a condition that the sale would be completed within three months. Before the completion of the sale, the house was demolished by the local administration. This event made it impossible for Mr. S to sell the house to Mr. J as agreed.

In this situation, Mr. J is required to refund ₹ 50,000 token money paid to Mr. S, as the contract to sell the house has become void due to the demolition of the house by the local administration, as a result of which it becomes impossible to sell the house on the part of S.

- (ii) **When termination of agent's authority takes effect as to agent, and as to third persons [Section 208 of the Indian Contract Act, 1872]:** The termination of the authority of an agent does not, so far as regards the agent, take effect before it becomes known to him, or, so far as regards third persons, before it becomes known to them.

In the instant case,

- (1) The revocation of Shyam's authority becomes effective only when it is communicated to and received by Shyam. Since Shyam had not received the revocation letter at the time of selling the laptops, his authority to sell on behalf of Rama was still valid. Hence, the sale of laptops conducted by Shyam is binding on Rama.
- (2) Shyam is entitled to receive his commission for the sales made while he still had the authority to sell. Since he sold the laptops before receiving the revocation, he is entitled to his commission as per the initial agreement with Rama.

Amount of Commission: Shyam sold 5 laptops at the price fixed by Rama, which is ₹1 lakh each. The total sales amount to ₹5 lakh. The agreed commission rate is 11% i.e. ₹ 55,000.

(b) As per Section 76 of the Negotiable Instruments Act, 1881:

No presentment for payment is necessary, and the instrument is dishonoured at the due date for presentment, in any of the following cases:

- (a)
 - (i) If the maker, drawee or acceptor intentionally prevents the presentment of the instrument, or
 - (ii) if the instrument being payable at his place of business, he closes such place on a business day during the usual business hours, or
 - (iii) if the instrument being payable at some other specified place, neither he nor any person authorised to pay it attends at such place during the usual business hours, or
 - (iv) if the instrument not being payable at any specified place, he cannot after due search be found;
- (b) as against any party sought to be charged therewith, if he has engaged to pay notwithstanding non-presentment;
- (c) as against any party if, after maturity, with knowledge that the instrument has not been presented—
 - he makes a part payment on account of the amount due on the instrument,
 - or promises to pay the amount due thereon in whole or in part,
 - or otherwise waives his right to take advantage of any default in presentment for payment;
- (d) as against the drawer, if the drawer could not suffer damage from the want of such presentment.

(c) (i) The Securities and Exchange Board of India (SEBI):

- It is the regulatory body

- for securities and commodity market in India
- under the ownership of Ministry of Finance within the Government of India.
- It was established on 12 April, 1988 as an executive body and was given statutory powers on 30 January, 1992 through the SEBI Act, 1992.

(ii) Reserve Bank of India (RBI):

- It is India's Central Bank and regulatory body responsible for regulation of the Indian banking system.
- It is under the ownership of Ministry of Finance, Government of India.
- It is responsible for the control, issue and maintaining supply of the Indian rupee.
- It also manages the country's main payment systems and works to promote its economic development.
- Bharatiya Reserve Bank Note Mudran (BRBNM) is a specialised division of RBI through which it prints and mints Indian currency notes (INR) in two of its currency printing presses located in Nashik (Western India) and Dewas (Central India).
- RBI established the National Payments Corporation of India as one of its specialised division to regulate the payment and settlement systems in India.
- Deposit Insurance and Credit Guarantee Corporation was established by RBI as one of its specialised division for the purpose of providing insurance of deposits and guaranteeing of credit facilities to all Indian banks.

(iii) Insolvency and Bankruptcy Board of India (IBBI)-

- It is the regulator for overseeing insolvency proceedings and entities like Insolvency Professional Agencies (IPA), Insolvency Professionals (IP) and Information Utilities (IU) in India.
- It was established on 1 October 2016 and given statutory powers through the Insolvency and Bankruptcy Code, which was passed by Lok Sabha on 5th May 2016.
- It covers Individuals, Companies, Limited Liability Partnerships and Partnership firms. The new code will speed up the resolution process for stressed assets in the country.
- It attempts to simplify the process of insolvency and bankruptcy proceedings.
- It handles the cases using two tribunals like NCLT (National Company Law Tribunal) and Debt Recovery Tribunal.

5. (a) An 'Auction Sale' is a mode of selling property by inviting bids publicly and the property is sold to the highest bidder. Section 64 of the Sale of Goods Act, 1930 regulates the legal requirements for the sale by auction.

In terms of the provisions of the above Section, following are some of the requirements, which inter alia are required to be complied with for conduct of a valid auction sale-

- (i) **Where the goods are sold in lots:** Where the goods are put up for sale in lots, each lot is prima facie deemed to be subject of a separate contract of sale.
- (ii) **Right to bid may be reserved:** Right to bid may be reserved expressly by or on behalf of the seller and where such a right is expressly reserved, but not otherwise, the seller or any one person on his behalf may bid at the auction.
- (iii) **Where the sale is not notified by the seller:** Where the sale is not notified to be subject to a right to bid on behalf of the seller, it shall not be lawful for the seller to bid himself or to employ any person to bid at such sale, or for the auctioneer knowingly to take any bid from the seller or any such person; and any sale contravening this rule may be treated as fraudulent by the buyer.
- (iv) **Reserved price:** The sale may be notified to be subject to a reserve or upset price;

In the first Auction sale, the rejection of Mr. Dev's bidding was not justified since the information as to the right to bid was not expressly given. Therefore, this auction sale was unlawful.

In auction sale of lot 2, since right to bid was not notified, it shall not be lawful for the seller to bid himself or to employ any person to bid at such sale. Therefore, auction made in favour of Mr. Dheer will be considered lawful.

- (b) Dissolution of partnership doesn't mean dissolution of firm. According to Section 39 of the Indian Partnership Act, 1932, the dissolution of partnership between all partners of a firm is called the 'dissolution of the firm'.

Thus, the dissolution of firm means the discontinuation of the legal relation, the dissolution of firm means the discontinuation of the legal relation existing between all the partners of the firm. But when only one or more partners retires or becomes incapacitated from acting as a partner due to death, insolvency or insanity, the partnership, the relationship between such a partner and other is dissolved, but the rest may decide to continue.

In such cases, there is in practice, no dissolution of the firm. The particular partner goes out, but the remaining partners carry on the business of the firm, it is called dissolution of partnership. In the case of dissolution of the firm, on the other hand, the whole firm is dissolved. The partnership terminates as between each and every partner of the firm.

Important note: Different mode of presentation to an answer

Dissolution of partnership doesn't mean dissolution of firm. This statement can be proved with the help of some points of distinction between both of them, which are as follows:

Dissolution of Firm Vs. Dissolution of Partnership

S. No.	Basis of Difference	Dissolution of Firm	Dissolution of Partnership
1.	Continuation of business	It involves discontinuation of business in partnership.	It does not affect continuation of business. It involves only reconstitution of the firm.
2.	Winding up	It involves winding up of the firm and requires realization of assets and settlement of liabilities.	It involves only reconstitution and requires only revaluation of assets and liabilities of the firm.
3.	Order of court	A firm may be dissolved by the order of the court.	Dissolution of partnership is not ordered by the court.
4.	Scope	It necessarily involves dissolution of partnership.	It may or may not involve dissolution of firm.
5.	Final closure of books	It involves final closure of books of the firm.	It does not involve final closure of the books of the firm.

Dissolution By the Court (Section 44 of the Indian Partnership Act, 1932): Court may, at the suit of the partner, dissolve a firm on any of the following grounds:

- 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.
- 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.
- 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 due by the partner, 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) 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.

Anticipatory breach of a contract may take either of the following two ways:

- (a) Expressly by words spoken or written, and
- (b) Impliedly by the conduct of one of the parties.

Section 39 of the Indian Contract Act deals with anticipatory breach of contract and provides as follows:

“When a party to a contract has refused to perform or disable himself from performing, his promise in its entirety, the promisee may put an end to the contract, unless he has signified, by 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.

6. (a) Dishonour of Cheque for Insufficiency, Etc., of funds in the accounts [Section 138 of the Negotiable Instruments Act, 1881]

Where any cheque drawn by a person on an account maintained by him with a banker—

- for payment of any amount of money
- to another person from that account
- for the discharge, in whole or in part, of any debt or other liability, [A cheque given as gift or donation, or as a security or in discharge of a mere moral obligation, or for an illegal consideration, would be outside the purview of this section]
- is returned by the bank unpaid,
- either because of the—
 - o amount of money standing to the credit of that account is insufficient to honour the cheque, or
 - o that it exceeds the amount arranged to be paid from that account by an agreement made with that bank,

such person shall be deemed to have committed an offence and shall, 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.

In the instant case,

- (i) Since Y's cheque was dishonoured by the Bank due to insufficiency of funds in his account, he shall be deemed to have committed an offence and shall, be punished with imprisonment for a term which may extend to two years, or with fine which may extend to ₹ 20,000, or with both.
- (ii) A cheque given as gift or donation, or as a security or in discharge of a mere moral obligation, or for an illegal consideration, would be outside the purview of this section. Hence, if Y issued a cheque as a donation to Mr. Z, he shall not be liable under section 138 of the Act.

(b) Wagering agreement (Section 30 of the Indian Contract Act, 1872):

An agreement by way of a wager is void. It is an agreement involving payment of a sum of money upon the determination of an uncertain event. The essence of a wager is that each side should stand to win or lose, depending on the way an uncertain event takes place in reference to which the chance is taken and in the occurrence of which neither of the parties has legitimate interest.

Transactions resembling with wagering transaction but are not void

- (i) **Chit fund:** Chit fund does not come within the scope of wager (Section 30). In case of a chit fund, a certain number of persons decide to contribute a fixed sum for a specified period and at the end of a month, the amount so contributed is paid to the lucky winner of the lucky draw.
- (ii) **Commercial transactions or share market transactions:** In these transactions in which delivery of goods or shares is intended to be given or taken, do not amount to wagers.
- (iii) **Games of skill and Athletic Competition:** Crossword puzzles, picture competitions and athletic competitions where prizes are awarded on the basis of skill and intelligence are the games of skill and hence such competitions are valid.
- (iv) **A contract of insurance:** A contract of insurance is a type of contingent contract and is valid under law and these contracts are different from wagering agreements.

OR

(b) Essentials of a contingent contract

- (a) **The performance of a contingent contract would depend upon the happening or non-happening of some event or condition.** The condition may be precedent or subsequent.
- (b) **The event referred to as collateral to the contract.** The event is not part of the contract. The event should be neither performance promised nor a consideration for a promise.

- (c) **The contingent event should not be a mere 'will' of the promisor.** The event should be contingent in addition to being the will of the promisor.
- (d) **The event must be uncertain.** Where the event is certain or bound to happen, the contract is due to be performed, then it is a not contingent contract.

Definition of 'Contingent Contract' (Section 31 of the Indian Contract Act, 1872)

"A contract to do or not to do something, if some event, collateral to such contract, does or does not happen".

Rules Relating to Enforcement of a contingent contract:

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

- (a) **Enforcement of contracts contingent on an event happening:** Section 32 says that "where a contingent contract is made to do or not to do anything if an uncertain future event happens, it cannot be enforced by law unless and until that event has happened. If the event becomes impossible, such contracts become void".
- (b) **Enforcement of contracts contingent on an event not happening:** Section 33 says that "Where a contingent contract is made to do or not do anything if an uncertain future event does not happen, it can be enforced only when the happening of that event becomes impossible and not before".
- (c) **A contract would cease to be enforceable if it is contingent upon the conduct of a living person when that living person does something to make the 'event' or 'conduct' as impossible of happening.**

Section 34 says that "if a contract is contingent upon as to how a person will act at an unspecified time, the event shall be considered to have become impossible when such person does anything which renders it impossible that he should so act within any definite time or otherwise than under further contingencies".

- (d) **Contingent on happening of specified event within the fixed time:** Section 35 says that Contingent contracts to do or not to do anything, if a specified uncertain event happens within a fixed time, becomes void if, at the expiration of time fixed, such event has not happened, or if, before the time fixed, such event becomes impossible.
- (e) **Contingent on specified event not happening within fixed time:** Section 35 also says that - "Contingent contracts to do or not to do anything, if a specified uncertain event does not happen within a fixed time, may be enforced by law when the time fixed has expired, and such event has not happened or before the time

fixed has expired, if it becomes certain that such event will not happen”.

- (f) **Contingent on an impossible event (Section 36):** Contingent agreements to do or not to do anything, if an impossible event happens are void, whether the impossibility of the event is known or not to the parties to the agreement at the time when it is made.
- (c) According to Section 24 of the Sales of Goods Act, 1930, in case of delivery of goods on approval basis, the property in goods passes from seller to the buyer:-
 - (i) When the person to whom the goods are given either accepts them or does an act which implies adopting the transaction.
 - (ii) When the person to whom the goods are given retains the goods without giving his approval or giving notice of rejection beyond the time fixed for the return of goods and in case no time is fixed after the lapse of reasonable time.

In the given case, J (seller) has delivered on approval 100 bags of rice of 10 kg each to local retailer (buyer) on sale or returnable basis within a month of delivery. Out of these 100 bags, the local retailer sold 5 bags to K (customer). It implies that the local retailer has accepted 5 bags out of 100.

A week later, local retailer received the complaint of some defect in the rice bags, so, he wanted to return all the bags to the J (seller).

According to the above provisions, the local retailer is entitled to return only 95 bags to the J (seller) and not those 4 bags which are not used by K. Because, as per clause (i) above, the local retailer has already sold 5 bags, signifying that he has done an act which implies adopting the transaction relating to those 5 bags.

ANSWERS OF MODEL TEST PAPER 10

FOUNDATION COURSE

PAPER – 2: BUSINESS LAWS

1. (a) (i) According to Section 69 of the Indian Contract Act, 1872, a person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other.

In the instant case, Mr. M paid the electricity bill to avoid the disconnection that was pending due to Mr. L's failure to fulfil his contractual obligation. Hence, Mr. M is entitled to be reimbursed ₹ 50,000 from Mr. L.

- (ii) In terms of Section 5 of the Indian Contract Act, 1872, a proposal can be revoked at any time before the communication of its acceptance is complete as against the proposer.

Accordingly, an offer may be revoked by the offeror before its acceptance, even though he had originally agreed to hold it open for a definite period of time. So long as it is a mere offer, it can be withdrawn whenever the offeror desires.

In the instant case, B cannot claim damages from A because the offer made by A is a mere offer and it can be withdrawn whenever A desires.

- (iii) The general rule is that an agreement made without consideration is void (Section 25 of the Indian Contract Act, 1872).

However, in the following case, the agreement though made without consideration, will be valid and enforceable.

Charity: If a promisee undertakes the liability on the promise of the person to contribute to charity, there the contract shall be valid.

In the instant case, Mr. A can claim 1.5 lakh from Mr. S.

- (b) (i) As per Rule 3 of the Companies (Incorporation) Rules, 2014:

Only a natural person who is an Indian citizen whether resident in India or otherwise

(a) shall be eligible to incorporate a One Person Company;

(b) shall be a nominee for the sole member of a One Person Company.

Here, "resident in India" means a person who has stayed in India for a period of not less than one hundred and twenty days during the immediately preceding financial year.

In the instant case,

- (i) Robert cannot be appointed as a nominee in the OPC by Kamal as his stay in the preceding F/Y 2022-23 is only for 61

days which is less than 120 days.

- (ii) Dinkar can be appointed as a nominee in the OPC by Kamal as he is an Indian Citizen and non-resident in India.

Alternative Answer as follows:

As per Rule 3 of the Companies (Incorporation) Rules, 2014:

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.

In the instant case,

- (i) Robert cannot be appointed as a nominee in the OPC by Kamal as his stay in the preceding F/Y 2022-23 is only for 61 days which is less than 120 days.
- (ii) Dinkar cannot be appointed as a nominee in the OPC by Kamal as he has not stayed in the preceding F/Y 2022-23 for a single day.

Procedure for changing the nominee: The member of OPC may at any time change the name of nominee 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.

- (ii) According to Section 455 of the Companies Act, 2013, where a company is formed and registered under this Act for a future project or to hold an asset or intellectual property and has no significant accounting transaction, such a company or an inactive company may make an application to the Registrar in such manner as may be prescribed for obtaining the status of a dormant company.

In the instant case, XYZ Ltd. has made a significant accounting transaction (down payment of ₹1 crore for plant and machinery), it does not meet the criteria of a dormant company under Section 455 of the Companies Act, 2013.

Therefore, XYZ Ltd. cannot acquire the status of dormant company.

- (c) (i) If a partner is otherwise expelled, the expulsion is null and void.

According to Section 33 of the Indian Partnership Act, 1932

- (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 bona fide interest of the business of the firm.

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.

Hence, it is correct to say that, if a partner is otherwise expelled, the expulsion is null and void.

(ii) “The partner who is expelled will cease to be liable to the third party for the act of the firm done after expulsion”

According to Section 32(3) of the Indian Partnership Act, 1932, notwithstanding the expulsion a partner from a firm, he and the partners continue to be liable as partners to third parties for any act done by any of them which would have been an act of the firm if done before the expulsion, until public notice is given of the expulsion.

However, an expelled partner is not liable to any third party who deals with the firm without knowing that he was a partner.

Hence, the statement given is partially correct.

- 2. (a) (i)** According to Section 15 of the Sale of Goods Act, 1930, where there is a contract of sale of goods by description, there is an implied condition that the goods shall correspond with the description. The buyer is not bound to accept and pay for the goods which are not in accordance with the description of goods.

In the instant case, the contract specified that the basmati rice should be grown in Chhattisgarh, packed in pink colour bags of 25 kg each but the seller mistakenly packed 1800 kg of rice from Maharashtra in white bags of 30 kg each, and only 200 kg of rice from Chhattisgarh in the correct pink bags.

Therefore, the buyer has the right to reject the entire quantity of basmati rice supplied by the buyer as the goods do not correspond with the description.

ANSWER TO SECOND PART

In case the buyer has to accept the entire quantity of rice to fulfil his other contracts with other parties, he can claim damages which provides that where the seller wrongfully neglects or refuses to deliver the goods to the buyer, the buyer may sue the seller for damages for non-delivery.

ALTERNATE ANSWER TO SECOND PART

Section 13 of the Sale of the Goods Act, 1930 specifies cases where a breach of condition be treated as a breach of warranty. As a result of which the buyer loses his right to rescind the contract and can claim damages only.

In the following cases, a contract is not avoided even on account of a breach of a condition:

- (i) Where the buyer altogether waives the performance of the condition. A party may for his own benefit, waive a stipulation. It should be a voluntary waiver by buyer.
- (ii) Where the buyer elects to treat the breach of the conditions, as one of a warranty. That is to say, he may claim only damages instead of repudiating the contract. Here, the buyer has not waived the condition but decided to treat it as a warranty.

According to above stated provision, there is a breach of condition, and the buyer can reject the goods. But if the buyer so elects, he may treat it as a breach of warranty, hence he may accept the entire quantity to fulfil his other contracts with other parties and claim damages.

- (ii) Section 10 of the Sale of Goods Act, 1930 provides for the determination of price by a third party.
 1. 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.
 2. 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.

In the instant case, as Kusum cannot do valuation of laptop due to non-sharing of particulars and configuration by Kartik who was bound by his promise, the agreement will be void.

The other remedy available to Vasant is that he can claim damages from Kartik as he will be liable for the damages to Vasant who is not at fault.

- (b) (i) **"Corporate veil sometimes fails to protect the members of the company from the liability connected to the company's actions."**

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:

- (1) **To determine the character of the company i.e. to find out whether co-enemy or friend:** It is true that, unlike a natural person, a company does not have mind or conscience; therefore it cannot be a friend or foe. It may, however, be

characterised as an enemy company, if its affairs are under the control of people of an enemy country. For this purpose, the Court may examine the character of the persons who are really at the helm of affairs of the company.

- (2) **To protect revenue/tax:** In certain matters concerning the law of taxes, duties and stamps particularly where question of the controlling interest is in issue.
 - (i) Where corporate entity is used to evade or circumvent tax, the Court can disregard the corporate entity.
 - (ii) Where the company was not a genuine company at all but merely the assessee himself disguised under the legal entity of a limited company.
- (3) **To avoid a legal obligation:** Where it was found that the sole purpose for the formation of the company was to use it as a device to reduce the amount to be paid by way of bonus to workmen, the Supreme Court upheld the piercing of the veil to look at the real transaction (*The Workmen Employed in Associated Rubber Industries Limited, Bhavnagar vs. The Associated Rubber Industries Ltd., Bhavnagar and another*).
- (4) **Formation of subsidiaries to act as agents:** A company may sometimes be regarded as an agent or trustee of its members, or of another company, and may therefore be deemed to have lost its individuality in favour of its principal. Here the principal will be held liable for the acts of that company.
- (5) **Company formed for fraud/improper conduct or to defeat law:** Where the device of incorporation is adopted for some illegal or improper purpose, e.g., to defeat or circumvent law, to defraud creditors or to avoid legal obligations.

- (ii) **Effect of Memorandum and Articles:** As per Section 10 of the Companies Act, 2013, where the memorandum and articles when registered, shall bind the company and the members thereof to the same extent as if they respectively had been signed by the company and by each member, and an agreement to observe all the provisions of the memorandum and of the articles.

All monies payable by any member to the company under the memorandum or articles shall be a debt due from him to the company.

- (c) (i) **Change of name of LLP (Section 17 of Limited Liability Partnership Act, 2008):**

- (1) Notwithstanding anything contained in sections 15 and 16, if through inadvertence or otherwise, a LLP, on its first registration or on its registration by a new body corporate, its registered name, is registered by a name which is identical with or too nearly resembles to —

- (a) that of any other LLP or a company; or
- (b) a registered trade mark of a proprietor under the Trade Marks Act, 1999, as is likely to be mistaken for it,

then on an application of such LLP or proprietor referred to in clauses (a) and (b) respectively or a company,

the Central Government may direct that such LLP to change its name or new name within a period of 3 months from the date of issue of such direction.

- (2) Where a LLP changes its name or obtains a new name under sub-section (1), it shall within a period of 15 days from the date of such change, give notice of the change to Registrar along with the order of the Central Government, who shall carry out necessary changes in the certificate of incorporation and within 30 days of such change in the certificate of incorporation, such LLP shall change its name in the LLP agreement.
- (3) If the LLP is in default in complying with any direction given under sub-section (1), the Central Government shall allot a new name to the LLP in such manner as may be prescribed and the Registrar shall enter the new name in the register of LLP in place of the old name and issue a fresh certificate of incorporation with new name, which the LLP shall use thereafter.

Nothing contained in this sub-section shall prevent a LLP from subsequently changing its name in accordance with the provisions of section 16.

(ii) **Small Limited Liability Partnership [Section 2(1)(ta) of the Limited Liability Partnership Act, 2008]:** It means a limited liability partnership—

- (i) the contribution of which, does not exceed twenty-five lakh rupees or such higher amount, not exceeding five crore rupees, as may be prescribed; and
- (ii) the turnover of which, as per the Statement of Accounts and Solvency for the immediately preceding financial year, does not exceed forty lakh rupees or such higher amount, not exceeding fifty crore rupees, as may be prescribed; or
- (iii) which meets such other requirements as may be prescribed, and fulfils such terms and conditions as may be prescribed.

3. (a) (i) **Partner by holding out (Section 28 of the Indian Partnership Act, 1932):**

Anyone who by words spoken or written or by conduct represents himself, or knowingly permits himself to be represented, to be a partner in a firm, is liable as a partner in that firm to anyone who has on the faith of any such representation given credit to the firm, whether the person representing himself or represented to

be a partner does or does not know that the representation has reached the person so giving credit.

In the instant case, since Gopal allowed himself to be represented as a partner to the RS & Co. and third parties acted based on this belief and therefore, Gopal is held liable to Sundar as he represented himself by his act to be a partner to the RS & Co.

However, Gopal is not liable to Madhav for the liabilities incurred by the firm. Information of Gopal being a partner to the firm was shared by the Sundar (Supplier to the firm) which is not falling within the ambit of doctrine of holding out.

Hence Gopal is liable to Sundar and not to Madhav for the liability of the Firm.

- (ii) **Rights and liabilities of new partner:** The new firm, including the new partner who joins it, may agree to assume liability for the existing debts of the old firm, and creditors may agree to accept the new firm as their debtor and discharge the old partners. The creditor's consent is necessary in every case to make the transaction operative. Novation is the technical term in a contract for substituted liability, of course, not confined only to case of partnership.

But a mere agreement amongst partners cannot operate as Novation. Thus, an agreement between the partners and the incoming partner that he shall be liable for existing debts will not ipso facto give creditors of the firm any right against him.

In the instant case, Amar will not be liable in a suit filed by the creditor against the firm and all existing partners for recovery of the old debt of the firm.

- (iii) **According to section 37 of the Indian Partnership Act, 1932,**

- 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, Suman is entitled to claim either interest on her share in the property i.e. ₹ 1,20,000 (6% of ₹ 20 Lakh) or a

share of the profits i.e. ₹ 1 Lakh (10% of ₹ 10 Lakh) from the firm for the use of her share in the property.

Therefore, claim of Suman of ₹ 3 Lakh is not valid.

- (b) (i) **Doctrine of ultra vires:** The meaning of the term ultra vires is simply “beyond (their) powers”. It is a fundamental rule of Company Law that any act done or a contract made by the company which travels beyond the powers not only of the directors but also of the company is wholly void and inoperative in law and is therefore not binding on the company.

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

In the instant case, borrowing more than ₹1 crore was clearly beyond JV Limited’s powers as per its MoA, making the loan transaction ultra vires to the extent of the excess amount over ₹1 crore.

Hence, the decision of the company denying the repayment of the loan being ultra virus the company shall be valid for ₹ 4 crore.

If the funds have been applied for legitimate business purposes (such as repaying lawful debts), the lender steps into the shoes of the debtor paid off and consequently he would be entitled to recover his loan to that extent from the company.

Therefore, JV Limited cannot deny repayment of ₹3 crore, as it was utilised for lawful purposes, despite the ultra vires nature of the loan.

Ultimately, the company has no remedy available to recover the balance amount of loan of ₹ 1 crore as the spending thereof is not traceable.

- (ii) The documents which need to be authenticated by a common seal will be required to be so done, only if the company opts to have a common seal.

In case a company does not have a common seal, the authorization shall be made by two directors or by a director and the Company Secretary, wherever the company has appointed a Company Secretary.

In the instant case, the objection of Sumati is not valid as the share certificate was signed by two directors Amit and Sumit as the company secretary was not appointed.

If the company had a company secretary, then the share certificate has to be signed by a director and the Company secretary.

Hence, yes, the answer will be different.

- (c) (i) **Ordinary damages:** 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 know, when they made the contract, to be likely to result from the breach of it.

Special damages: Where a party to a contract receives a notice of special circumstances affecting the contract, he will be liable not only for damages arising naturally and directly from the breach but also for special damages.

Liquidated damage is a genuine pre-estimate of compensation of damages for certain anticipated breach of contract. This estimate is agreed to between parties to avoid at a later date detailed calculation and the necessity to convince outside parties.

- (ii) (A) **Agreement made based on natural love and affection:** Conditions to be fulfilled under section 25(1) of the Indian Contract Act, 1872

- (i) It must be made out of natural love and affection between the parties.
- (ii) Parties must stand in near relationship to each other.
- (iii) It must be in writing.
- (iv) It must also be registered under the law.

A written and registered agreement based on natural love and affection between the parties standing in near relation (e.g., husband and wife) to each other is enforceable even without consideration.

- (B) **Promise to pay time barred debts:** 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)].

4. (a) (i) **Responsibility of finder of goods (Section 71 of the Indian Contract Act, 1872):** A person who finds goods belonging to another and takes them into his custody is subject to same responsibility as if he were a bailee.

Thus, a finder of lost goods has:

- (i) to take proper care of the property as a man of ordinary prudence would take
- (ii) no right to appropriate the goods and

(iii) to restore the goods if the owner is found.

The right of finder of lost goods- may sue for specific reward offered [Section 168]: The finder of goods has no right to sue the owner for compensation for trouble and expense voluntarily incurred by him in finding the owner and preserving the goods found. But he has a right to retain the goods against the owner until he receives such compensation.

When finder of thing commonly on sale may sell it [Section 169]: When a thing which is commonly the subject of sale if lost, if the owner cannot with reasonable diligence be found, or if he refuses, upon demand, to pay the lawful charges of the finder, the finder may sell it—

- (1) when the thing is in danger of perishing or of losing the greater part of its value, or
- (2) when the lawful charges of the finder in respect of the thing found amount to two-thirds of its value.

Hence, the answers are:

- (A) **Gifting the wristwatch to his son Mahesh is unlawful.** Raghav had no ownership rights over the watch and could not legally transfer it to someone else.
 - (B) **Warning Madhav to Sue for Recovery of Lawful Expenses:** Raghav has no right to sue Madhav for the expenses voluntarily incurred by Raghav in finding the owner.
 - (C) **Retaining Possession of the Wristwatch Until Recovery of Lawful Expenses:** Raghav's action of retaining the wristwatch until Madhav reimburses him for lawful expenses is valid.
 - (D) **Selling of Wristwatch for Recovery of Expenses:** the watch is not perishable, and the expenses claimed (₹ 20,000) are far below two-thirds of the value of the watch (₹ 1,00,000). Therefore, Raghav does not have the right to sell the watch under these circumstances, and selling the watch would be unlawful.
- (ii) According to section 55 of the Indian Contract Act, 1872, when a party to a contract promises to do certain thing at or before the specified time, and fails to do any such thing at or before the specified time, the contract, or so much of it as has not been performed, becomes voidable at the option of the promisee, if the intention of the parties was that time should be of essence of the contract.

Effect of acceptance of performance at time other than agreed upon -

If, in case of a contract voidable on account of the promisor's failure to perform his promise at the time agreed, the promisee accepts performance of such promise at any time other than agreed, the promisee cannot claim compensation for any loss occasioned by the non-performance of the promise at the time agreed, unless, at the time of acceptance, he gives notice to the promisor of his intention to do so.

In the instant case,

- (A) Woollen Garments Limited is legally entitled to reject the goods due to the failure to meet the delivery deadline, as time was a crucial term of the contract.
 - (B) The company cannot accept the total supply on the request of woman group but only when the company i.e. buyer elects to do so. In that case, the company cannot claim compensation for any loss occasioned by the non-performance of the promise (i.e. delay in supply) at the time agreed.
- (b) (i) According to Section 138 of the Negotiable Instruments Act, 1881, where any cheque drawn by a person on an account maintained by him with a banker—
- for payment of any amount of money
 - to another person from that account
 - for the discharge, in whole or in part, of any debt or other liability, [A cheque given as gift or donation, or as a security or in discharge of a mere moral obligation, or for an illegal consideration, would be outside the purview of this section]
 - is returned by the bank unpaid,
 - either because of the—
 - o amount of money standing to the credit of that account is insufficient to honor the cheque, or
 - o that it exceeds the amount arranged to be paid from that account by an agreement made with that bank,

such person shall be deemed to have committed an offence and shall, 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.

When section 138 shall not apply: unless the below given conditions are complied with—

- (a) **Cheque presented within validity period:** The cheque has been presented to the bank within a period of three months from the date on which it is drawn or within the period of its

validity, whichever is earlier.

- (b) **Demand for the payment through the notice:** the payee or the holder in due course of the cheque, as the case may be, 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 by him from the bank regarding the return of the cheque as unpaid, and
 - (c) **Failure of drawer to make payment:** the drawer of such cheque fails to make the payment of the said amount of money to the payee or, as the case may be, to the holder in due course of the cheque, within fifteen days of the receipt of the said notice.
- (ii) (A) According to the definition of cheque under section 6 of the Negotiable Instruments Act, 1881, a cheque is a species of bill of exchange. Thus, it should fulfil all the essential characteristics of a bill of exchange.

The following two features distinguish a cheque from bill

- (a) Must be drawn on a specified banker
- (b) It must be payable on demand

Thus, all cheques are bills while all bills are not cheques.

- (B) **Ambiguous Instrument:** Section 17 of the Act, reads as: “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.

- (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) As per the provisions of section 24 of the Sale of Goods Act, 1930, when goods are delivered to the buyer on approval or “on sale or return” or other similar terms, the property therein passes to the buyer when he does something to the good which is equivalent to accepting the goods e.g. he pledges or sells the goods.

Referring to the above provisions, we can analyse the situation given in the question.

Since, Mangesh, who had taken delivery of the camera on Sale or Return basis and delivers the same to Rahul on sale for cash only or return, has attracted the third condition that he has done something to the good which is equivalent to accepting the goods e.g. he pledges or sells the goods. Therefore, the property therein (Camera) passes to Mangesh.

Now, Rahul delivered it to Vishal on a sale or return without paying cash to Mangesh.

Since Rahul did not pay cash and had not exercised the option to purchase, ownership of the camera did not pass to Rahul.

Therefore, Rahul is not liable to pay the price of the camera either.

Since Vishal did not accept the goods and the camera was lost by theft (despite his due care), Vishal is not liable for the price of the camera as ownership had not passed to him.

Therefore, Mangesh is solely liable to pay the price of the camera to Ashok, as he accepted the camera on a "sale or return" basis and did not return it within a reasonable time.

- (ii) According to Section 51 of the Sale of Goods Act, 1930, when the carrier wrongfully refuses to deliver the goods to buyer, the right of stoppage in transit is lost and transit comes to an end.

On the other hand, according to section 57 of the Sale of Goods Act, 1930, where buyer suffers losses due to non-delivery, he can sue seller for damages on account of non-delivery.

In the instant case, the transit came to an end when Chetan wrongfully refused to deliver the goods to Baburam, and he suffered a huge loss due to non-delivery. Hence, Ansari cannot exercise the right of stoppage of goods in transit as the transit has already come to an end.

Baburam can claim loss suffered due to non-delivery from Ansari.

- (b) **DISSOLUTION BY THE COURT (SECTION 44 of the Indian Partnership Act, 1932):** 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.
- (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 due by the partner, 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) **Suit by bailor & bailee against wrong doers [Section 180 of the Indian Contract Act, 1872]:** If a third person wrongfully deprives the bailee of the use or possession of the goods bailed, or does them any injury, the bailee is entitled to use such remedies as the owner might have used in the like case if no bailment had been made; and either the bailor or the bailee may bring a suit against a third person for such deprivation or injury.

(ii) **Duties of the Pawnee**

Pawnee has the following duties:

- a. Duty to take reasonable care of the pledged goods.
- b. Duty not to make unauthorized use of pledged goods.
- c. Duty to return the goods when the debt has been repaid or the promise has been performed.
- d. Duty not to mix his own goods with goods pledged.
- e. Duty not to do any act which is inconsistent with the terms of the pledge.
- f. Duty to return accretion to the goods, if any.

6. (a) (i) Importance of Delivery in Negotiation [Section 46 of the Negotiable Instruments Act, 1881]

Delivery of an instrument is essential whether the instrument is payable to bearer or order for effecting the negotiation. The delivery must be voluntary, and the object of delivery should be to pass the property in the instrument to the person to whom it is delivered. The delivery can be, actual or constructive. Actual delivery takes place when the instrument changes hand physically. Constructive delivery takes place when the instrument is delivered to the agent, clerk or servant of the indorsee on his behalf or when the indorser, after indorsement, holds the instrument as an agent of the indorsee.

Section 46 also lays down that when an instrument is conditionally or for a special purpose only, the property in it does not pass to the transferee, even though it is indorsed to him, unless the instrument is negotiated to a holder in due course.

The contract on a negotiable instrument until delivery remains incomplete and revocable. Delivery is essential not only at the time of negotiation but also at the time of making or drawing of negotiable instrument. The rights in the instrument are not transferred to the indorsee unless after the indorsement the same has been delivered. If a person makes the indorsement of instrument but before the same could be delivered to the indorsee, the indorser dies, the legal representatives of the deceased person cannot negotiate the same by mere delivery thereof. (Section 57).

In the instant case, Ankit the only son of Gagan delivered the bill to Akash on the next day as intended by his deceased father (Gagan) which is not valid.

Hence, Akash cannot enforce the payment of the bill against Baban or the previous parties.

(ii) As per section 11 of the Negotiable Instruments Act, 1881, a promissory note, bill of exchange or cheque drawn or made in India and made payable in, or drawn upon any person resident in India shall be deemed to be an inland instrument.

In the instant case, the bill of exchange was:

- Drawn in India (since it was drawn by Reliable Limited, an Indian company).
- Accepted in India (Manish, a resident of Mumbai, accepted the bill in Mumbai).
- Payable outside India, in Los Angeles, USA.

The bill of exchange in this case is an inland instrument because it was drawn in India and accepted by a person resident in India, even though it is payable outside India (Los Angeles, USA).

- (b) (i) Agent cannot personally enforce, nor be bound by, contracts on behalf of principal.

EXCEPTIONS: In the following exceptional cases, the agent is presumed to have agreed to be personally bound:

- (1) **Where the contract is made by an agent for the sale or purchase of goods for a merchant resident abroad/foreign principal:** – When an agent has entered into a contract for the sale or purchase of goods on behalf of a principal resident abroad, the presumption is that the agent undertakes to be personally liable for the performances of such contract.
 - (2) **Where the agent does not disclose the name of his principal or undisclosed principal;** (Principal unnamed): when the agent does not disclose the name of the principal then there arises a presumption that he himself undertakes to be personally liable.
 - (3) **Non-existent or incompetent principal:** Where the principal, though disclosed, cannot be sued, the agent is presumed to be personally liable.
 - (4) **Pretended agent** – if the agent pretends but is not an actual agent, and the principal does not rectify the act but disowns it, the pretended agent will be himself liable.
 - (5) **When agent exceeds authority-** When the agent exceeds his authority, misleads the third person in believing that the agent he has the requisite authority in doing the act, then the agent can be made liable personally for the breach of warranty of authority.
- (ii) **Rights of Indemnity-holder when sued (Section 125 of the Indian Contract Act, 1872):** The promisee in a contract of indemnity, acting within the scope of his authority, is entitled to recover from the promisor/indemnifier—
- (a) all damages which he may be compelled to pay in any suit
 - (b) all costs which he may have been compelled to pay in bringing/ defending the suit and
 - (c) all sums which he may have paid under the terms of any compromise of suit.

OR

- (b) (i) **Distinction between a Contract of Indemnity and a Contract of Guarantee**

Point of distinction	Contract of Indemnity	Contract of Guarantee
Number of party/ parties to the contract	There are only two parties namely the indemnifier [promisor] and the indemnified [promisee]	There are three parties- creditor, principal debtor and surety

Nature of liability	The liability of the indemnifier is primary and unconditional.	The liability of the surety is secondary and conditional as the primary liability is that of the principal debtor.
Time of liability	The liability of the indemnifier arises only on the happening of a contingency.	The liability arises only on the non-performance of an existing promise or non-payment of an existing debt.
Time to Act	The indemnifier need not act at the request of indemnity holder.	The surety acts at the request of principal debtor.
Right to sue third party	Indemnifier cannot sue a third party for loss in his own name as there is no privity of contract. Such a right would arise only if there is an assignment in his favour.	Surety can proceed against principal debtor in his own right because he gets all the right of a creditor after discharging the debts.
Purpose	Reimbursement of loss	For the security of the creditor
Competency to contract	All parties must be competent to contract.	In the case of a contract of guarantee, where a minor is a principal debtor, the contract is still valid.

(ii) Whether the threat to commit suicide is coercion?

Suicide though forbidden by Indian Penal Code is not punishable, as a dead man cannot be punished. But Section 15 of the Indian Contract Act, 1872 declares that committing or threatening to commit any act forbidden by Indian Penal Code is coercion. Hence, a threat to commit suicide will be regarded as coercion.

(c) (i) Section 64 of the Sale of Goods Act, 1930 provides following rules to regulate the sale by auction:

(A) Bid with notification: Right to bid may be reserved expressly by or on behalf of the seller and where such a right is expressly reserved, but not otherwise, the seller or any one person on his behalf may bid at the auction.

Bid by seller without notification: Where the sale is not notified to be subject to a right to bid on behalf of the seller, it shall not be lawful for the seller to bid himself or to employ any person to bid at such sale, or for the auctioneer knowingly to take any bid from the seller or any such person; and any sale contravening this rule may be treated as fraudulent by the buyer.

(B) **Bidder to retract from his bid:** The sale is complete when the auctioneer announces its completion by the fall of hammer or in any other customary manner. Until such announcement is made, any bidder may retract from his bid.

(C) **Effect of pretending bidding:** If the seller makes use of pretended bidding to raise the price, the sale is voidable at the option of the buyer.

(ii) **Delivery of wrong quantity [Section 37 of the Sale of Goods Act, 1930]:** Where the seller delivers to the buyer a quantity of goods less than he contracted to sell, the buyer may reject them, but if the buyer accepts the goods so delivered he shall pay for them at the contract rate. [Sub-section (1)]

Where the seller delivers to the buyer a quantity of goods larger than he contracted to sell, the buyer may accept the goods included in the contract and reject the rest, or he may reject the whole. If the buyer accepts the whole of the goods so delivered, he shall pay for them at the contract rate. [Sub-section (2)]

Where the seller delivers to the buyer the goods he contracted to sell mixed with goods of a different description not included in the contract, the buyer may accept the goods which are in accordance with the contract and reject, or may reject the whole. [Sub-section (3)]

The provisions of this section are subject to any usage of trade, special agreement or course of dealing between the parties. [Sub-section (4)]

ANSWERS 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)

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

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)
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)

ANSWERS 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)

ANSWERS MODEL TEST PAPER 4**FOUNDATION COURSE****PAPER – 3: QUANTITATIVE APTITUDE**

1	(b)	2	(d)	3	(c)	4	(a)	5	(a)
6	(a)	7	(a)	8	(c)	9	(c)	10	(a)
11	(b)	12	(b)	13	(d)	14	(b)	15	(b)
16	(c)	17	(c)	18	(b)	19	(d)	20	(c)
21	(d)	22	(a)	23	(a)	24	(a)	25	(c)
26	(c)	27	(c)	28	(a)	29	(d)	30	(b)
31	(d)	32	(a)	33	(a)	34	(a)	35	(d)
36	(a)	37	(b)	38	(a)	39	(b)	40	(b)
41	(c)	42	(d)	43	(a)	44	(b)	45	(d)
46	(b)	47	(c)	48	(b)	49	(a)	50	(a)
51	(b)	52	(a)	53	(d)	54	(b)	55	(d)
56	(a)	57	(b)	58	(a)	59	(c)	60	(d)
61	(c)	62	(a)	63	(c)	64	(a)	65	(c)
66	(c)	67	(a)	68	(b)	69	(a)	70	(b)
71	(d)	72	(a)	73	(c)	74	(b)	75	(d)
76	(d)	77	(a)	78	(b)	79	(b)	80	(a)
81	(d)	82	(a)	83	(c)	84	(a)	85	(a)
86	(d)	87	(c)	88	(b)	89	(c)	90	(c)
91	(b)	92	(a)	93	(b)	94	(a)	95	(c)
96	(c)	97	(b)	98	(c)	99	(b)	100	(a)

ANSWERS OF MODEL TEST PAPER 5**FOUNDATION COURSE****PAPER – 3: QUANTITATIVE APTITUDE**

1.	(b)	2.	(a)	3.	(a)	4.	(a)	5.	(a)
6.	(b)	7.	(c)	8.	(a)	9.	(c)	10.	(a)
11.	(c)	12.	(d)	13.	(b)	14.	(c)	15.	(d)
16.	(c)	17.	(a)	18.	(a)	19.	(c)	20.	(a)
21.	(c)	22.	(d)	23.	(c)	24.	(a)	25.	(a)
26.	(c)	27.	(a)	28.	(a)	29.	(c)	30.	(a)
31.	(a)	32.	(b)	33.	(d)	34.	(c)	35.	(a)
36.	(b)	37.	(a)	38.	(a)	39.	(b)	40.	(b)
41.	(d)	42.	(d)	43.	(d)	44.	(b)	45.	(b)
46.	(a)	47.	(d)	48.	(d)	49.	(d)	50.	(d)
51.	(d)	52.	(c)	53.	(b)	54.	(c)	55.	(b)
56.	(a)	57.	(a)	58.	(a)	59.	(b)	60.	(d)
61.	(c)	62.	(d)	63.	(c)	64.	(b)	65.	(a)
66.	(a)	67.	(b)	68.	(c)	69.	(b)	70.	(d)
71.	(b)	72.	(c)	73.	(a)	74.	(b)	75.	(c)
76.	(a)	77	(c)	78.	(d)	79.	(a)	80.	(b)
81.	(c)	82..	(b)	83.	(c)	84.	(a)	85.	(d)
86.	(c)	87.	(c)	88.	(b)	89.	(b)	90.	(a)
91.	(d)	92.	(b)	93.	(c)	94.	(b)	95.	(b)
96.	(b)	97.	(d)	98.	(b)	99.	(a)	100.	(b)

ANSWERS OF MODEL TEST PAPER
6 FOUNDATION COURSE
PAPER – 3: QUANTITATIVE APTITUDE
ANSWERS

1.	(d)	2.	(c)	3.	(a)	4.	(a)	5.	(b)
6.	(a)	7.	(d)	8.	(c)	9.	(b)	10.	(a)
11.	(b)	12.	(c)	13.	(a)	14.	(a)	15.	(d)
16.	(c)	17.	(d)	18.	(c)	19.	(a)	20.	(a)
21.	(c)	22.	(d)	23.	(d)	24.	(b)	25.	(c)
26.	(c)	27.	(a)	28.	(b)	29.	(b)	30.	(d)
31.	(c)	32.	(b)	33.	(c)	34.	(c)	35.	(d)
36.	(b)	37.	(a)	38.	(c)	39.	(c)	40.	(a)
41.	(c)	42.	(c)	43.	(b)	44.	(c)	45.	(b)
46.	(c)	47.	(d)	48.	(a)	49.	(d)	50.	(a)
51.	(c)	52.	(c)	53.	(a)	54.	(c)	55.	(d)
56.	(b)	57.	(d)	58.	(c)	59.	(c)	60.	(c)
61.	(d)	62.	(a)	63.	(a)	64.	(c)	65.	(c)
66.	(a)	67.	(c)	68.	(c)	69.	(b)	70.	(d)
71.	(a)	72.	(c)	73.	(c)	74.	(b)	75.	(c)
76.	(d)	77.	(c)	78.	(c)	79.	(d)	80.	(c)
81.	(b)	82.	(c)	83.	(b)	84.	(b)	85.	(a)
86.	(b)	87.	(b)	88.	(b)	89.	(d)	90.	(c)
91.	(d)	92.	(a)	93.	(a)	94.	(a)	95.	(c)
96.	(b)	97.	(b)	98.	(c)	99.	(b)	100.	(d)

ANSWERS OF MODEL TEST PAPER 7
FOUNDATION COURSE
PAPER – 3: QUANTITATIVE APTITUDE
ANSWERS

1	(b)	2	(c)	3	(c)	4	(a)	5	(b)
6	(c)	7	(a)	8	(b)	9	(b)	10	(b)
11	(c)	12	(a)	13	(c)	14	(b)	15	(c)
16	(b)	17	(c)	18	(b)	19	(a)	20	(a)
21	(b)	22	(b)	23	(c)	24	(b)	25	(b)
26	(c)	27	(a)	28	(a)	29	(d)	30	(a)
31	(c)	32	(b)	33	(b)	34	(a)	35	(a)
36	(d)	37	(a)	38	(a)	39	(b)	40	(a)
41	(c)	42	(d)	43	(b)	44	(c)	45	(d)
46	(b)	47	(c)	48	(d)	49	(b)	50	(c)
51	(a)	52	(a)	53	(b)	54	(c)	55	(c)
56	(b)	57	(d)	58	(d)	59	(b)	60	(d)
61	(b)	62	(c)	63	(d)	64	(d)	65	(c)
66	(a)	67	(b)	68	(c)	69	(a)	70	(c)
71	(a)	72	(a)	73	(d)	74	(b)	75	(c)
76	(b)	77	(b)	78	(c)	79	(b)	80	(c)
81	(b)	82	(c)	83	(a)	84	(a)	85	(c)
86	(b)	87	(a)	88	(a)	89	(d)	90	(b)
91	(b)	92	(b)	93	(d)	94	(d)	95	(c)
96	(d)	97	(d)	98	(c)	99	(a)	100	(a)

ANSWERS OF MODEL TEST PAPER 8
FOUNDATION COURSE
PAPER – 3: QUANTITATIVE APTITUDE
ANSWERS

1	(a)	21	(c)	41	(c)	61	(b)	81	(b)
2	(d)	22	(a)	42	(d)	62	(a)	82	(a)
3	(b)	23	(c)	43	(b)	63	(c)	83	(b)
4	(b)	24	(d)	44	(d)	64	(c)	84	(d)
5	(c)	25	(c)	45	(b)	65	(c)	85	(a)
6	(a)	26	(c)	46	(c)	66	(b)	86	(d)
7	(a)	27	(b)	47	(d)	67	(d)	87	(d)
8	(a)	28	(a)	48	(a)	68	(c)	88	(a)
9	(b)	29	(a)	49	(b)	69	(c)	89	(b)
10	(c)	30	(b)	50	(a)	70	(c)	90	(c)
11	(b)	31	(a)	51	(c)	71	(c)	91	(c)
12	(d)	32	(b)	52	(d)	72	(b)	92	(b)
13	(a)	33	(a)	53	(a)	73	(a)	93	(a)
14	(c)	34	(b)	54	(d)	74	(d)	94	(a)
15	(c)	35	(b)	55	(d)	75	(c)	95	(c)
16	(b)	36	(b)	56	(a)	76	(c)	96	(c)
17	(a)	37	(b)	57	(b)	77	(a)	97	(d)
18	(a)	38	(b)	58	(c)	78	(d)	98	(a)
19	(c)	39	(c)	59	(b)	79	(b)	99	(a)
20	(a)	40	(b)	60	(c)	80	(c)	100	(c)

ANSWER OF MODEL TEST PAPER 9**FOUNDATION COURSE****PAPER 3 QUANTITATIVE APTITUDE**

1.	(c)	2.	(a)	3.	(c)	4.	(d)	5.	(c)
6.	(d)	7.	(a)	8.	(b)	9.	(a)	10.	(c)
11.	(c)	12.	(d)	13.	(b)	14.	(c)	15.	(d)
16.	(a)	17.	(d)	18.	(c)	19.	(b)	20.	(b)
21.	(a)	22.	(b)	23.	(a)	24.	(a)	25.	(d)
26.	(a)	27.	(b)	28.	(d)	29.	(b)	30.	(c)
31.	(a)	32.	(c)	33.	(b)	34.	(a)	35.	(b)
36.	(b)	37.	(a)	38.	(b)	39.	(b)	40.	(b)
41.	(b)	42.	(d)	43.	(b)	44.	(a)	45.	(b)
46.	(b)	47.	(a)	48.	(c)	49.	(c)	50.	(c)
51.	(b)	52.	(d)	53.	(a)	54.	(b)	55.	(b)
56.	(d)	57.	(b)	58.	(d)	59.	(c)	60.	(d)
61.	(a)	62.	(a)	63.	(b)	64.	(a)	65.	(b)
66.	(a)&(d)	67.	(c)	68.	(b)	69.	(a)	70.	(b)
71.	(d)	72.	(c)	73.	(a)	74.	(a)	75.	(a)
76.	(a)	77	(a)	78.	(a)	79.	(b)	80.	(d)
81.	(b)	82.	(c)	83.	(a)	84.	(a)	85.	(c)
86.	(b)	87.	(a)	88.	(c)	89.	(a)	90.	(b)
91.	(a)	92.	(d)	93.	(b)	94.	(d)	95.	(a)
96.	(c)	97.	(d)	98.	(c)	99.	(b)	100.	(c)

ANSWERS OF MODEL TEST PAPER 10**FOUNDATION COURSE****PAPER 3: QUANTITATIVE APTITUDE**

1	(a)	2	(a)	3	(b)	4	(b)	5	(b)
6	(b)	7	(c)	8	(a)	9	(a)	10	(b)
11	(a)	12	(a)	13	(a)	14	(a)	15	(a)
16	(a)	17	(c)	18	(d)	19	(a)	20	(b)
21	(a)	22	(b)	23	(a)	24	(a)	25	(c)
26	(c)	27	(a)	28	(a)	29	(c)	30	(a)
31	(b)	32	(c)	33	(d)	34	(d)	35	(c)
36	(b)	37	(a)	38	(a)	39	(a)	40	(b)
41	(b)	42	(d)	43	(b)	44	(b)	45	(a)
46	(c)	47	(b)	48	(a)	49	(c)	50	(d)
51	(b)	52	(b)	53	(b)	54	(d)	55	(c)
56	(c)	57	(c)	58	(d)	59	(c)	60	(b)
61	(c)	62	(a)	63	(d)	64	(b)	65	(b)
66	(d)	67	(b)	68	(a)	69	(b)	70	(b)
71	(a)	72	(a)	73	(a)	74	(c)	75	(c)
76	(d)	77	(c)	78	(a)	79	(a)	80	(a)
81	(b)	82	(d)	83	(b)	84	(b)	85	(b)
86	(a)	87	(a)	88	(a)	89	(c)	90	(a)
91	(b)	92	(b)	93	(c)	94	(c)	95	(b)
96	(c)	97	(d)	98	(d)	99	(d)	100	(d)

ANSWERS 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)

ANSWERS 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)

ANSWERS OF MODEL TEST PAPER 4**FOUNDATION COURSE****PAPER 4: BUSINESS ECONOMICS**

1.	(c)	2.	(d)	3.	(c)	4.	(a)	5.	(a)
6.	(b)	7.	(a)	8.	(b)	9.	(a)	10.	(b)
11.	(a)	12.	(c)	13.	(c)	14.	(b)	15.	(d)
16.	(c)	17.	(d)	18.	(a)	19.	(c)	20.	(c)
21.	(d)	22.	(c)	23.	(b)	24.	(c)	25.	(b)
26.	(b)	27.	(d)	28.	(d)	29.	(b)	30.	(d)
31.	(a)	32.	(a)	33.	(a)	34.	(b)	35.	(a)
36.	(d)	37.	(d)	38.	(a)	39.	(a)	40.	(c)
41.	(c)	42.	(c)	43.	(b)	44.	(c)	45.	(d)
46.	(a)	47.	(d)	48.	(a)	49.	(d)	50.	(b)
51.	(b)	52.	(a)	53.	(b)	54.	(b)	55.	(c)
56.	(b)	57.	(b)	58.	(b)	59.	(c)	60.	(b)
61.	(c)	62.	(a)	63.	(a)	64.	(d)	65.	(a)
66.	(b)	67.	(d)	68.	(a)	69.	(a)	70.	(d)
71.	(c)	72.	(c)	73.	(a)	74.	(d)	75.	(b)
76.	(a)	77.	(c)	78.	(a)	79.	(d)	80.	(a)
81.	(c)	82.	(d)	83.	(c)	84.	(a)	85.	(a)
86.	(b)	87.	(d)	88.	(b)	89.	(d)	90.	(c)
91.	(a)	92.	(d)	93.	(b)	94.	(b)	95.	(d)
96.	(d)	97.	(d)	98.	(a)	99.	(c)	100.	(b)

ANSWERS OF MODEL TEST PAPER 5
FOUNDATION COURSE
PAPER 4: BUSINESS ECONOMICS

1.	(c)	2.	(b)	3.	(d)	4.	(d)	5.	(b)
6.	(c)	7.	(d)	8.	(a)	9.	(b)	10.	(b)
11.	(a)	12.	(a)	13.	(b)	14.	(d)	15.	(c)
16.	(d)	17.	(d)	18.	(a)	19.	(d)	20.	(b)
21.	(c)	22.	(d)	23.	(a)	24.	(c)	25.	(b)
26.	(b)	27.	(c)	28.	(c)	29.	(d)	30.	(c)
31.	(a)	32.	(b)	33.	(a)	34.	(b)	35.	(b)
36.	(a)	37.	(b)	38.	(b)	39.	(d)	40.	(a)
41.	(b)	42.	(a)	43.	(d)	44.	(d)	45.	(d)
46.	(a)	47.	(d)	48.	(d)	49.	(c)	50.	(c)
51.	(d)	52.	(a)	53.	(c)	54.	(d)	55.	(c)
56.	(d)	57.	(a)	58.	(c)	59.	(c)	60.	(d)
61.	(b)	62.	(d)	63.	(a)	64.	(d)	65.	(c)
66.	(b)	67.	(a)	68.	(d)	69.	(d)	70.	(a)
71.	(c)	72.	(a)	73.	(b)	74.	(d)	75.	(b)
76.	(b)	77.	(b)	78.	(b)	79.	(a)	80.	(a)
81.	(d)	82.	(a)	83.	(b)	84.	(d)	85.	(a)
86.	(d)	87.	(b)	88.	(d)	89.	(a)	90.	(a)
91.	(a)	92.	(d)	93.	(c)	94.	(b)	95.	(d)
96.	(a)	97.	(d)	98.	(a)	99.	(b)	100.	(d)

ANSWERS OF MODEL TEST PAPER 6
FOUNDATION COURSE
PAPER 4: BUSINESS ECONOMICS
ANSWERS

1.	(c)	2.	(b)	3.	(d)	4.	(a)	5.	(b)
6.	(c)	7.	(c)	8.	(a)	9.	(d)	10.	(d)
11.	(d)	12.	(d)	13.	(b)	14.	(b)	15.	(b)
16.	(d)	17.	(b)	18.	(c)	19.	(b)	20.	(c)
21.	(c)	22.	(a)	23.	(b)	24.	(c)	25.	(b)
26.	(a)	27.	(d)	28.	(b)	29.	(c)	30.	(c)
31.	(c)	32.	(a)	33.	(c)	34.	(d)	35.	(a)
36.	(b)	37.	(a)	38.	(b)	39.	(c)	40.	(b)
41.	(b)	42.	(a)	43.	(a)	44.	(a)	45.	(c)
46.	(c)	47.	(d)	48.	(b)	49.	(b)	50.	(b)
51.	(c)	52.	(b)	53.	(d)	54.	(c)	55.	(a)
56.	(d)	57.	(c)	58.	(a)	59.	(b)	60.	(a)
61.	(a)	62.	(b)	63.	(c)	64.	(c)	65.	(a)
66.	(b)	67.	(a)	68.	(a)	69.	(d)	70.	(a)
71.	(a)	72.	(a)	73.	(b)	74.	(b)	75.	(a)
76.	(c)	77.	(b)	78.	(c)	79.	(a)	80.	(a)
81.	(d)	82.	(d)	83.	(a)	84.	(c)	85.	(a)
86.	(c)	87.	(c)	88.	(b)	89.	(d)	90.	(a)
91.	(b)	92.	(a)	93.	(c)	94.	(c)	95.	(c)
96.	(c)	97.	(d)	98.	(c)	99.	(c)	100.	(a)

ANSWERS OF MODEL TEST PAPER 7

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS

ANSWERS

1.	(a)	2.	(a)	3.	(d)	4.	(c)	5.	(b)
6.	(b)	7.	(d)	8.	(c)	9.	(d)	10.	(d)
11.	(a)	12.	(c)	13.	(d)	14.	(a)	15.	(c)
16.	(a)	17.	(a)	18.	(b)	19.	(b)	20.	(b)
21.	(d)	22.	(c)	23.	(d)	24.	(b)	25.	(b)
26.	(b)	27.	(d)	28.	(b)	29.	(b)	30.	(b)
31.	(b)	32.	(a)	33.	(b)	34.	(b)	35.	(d)
36.	(d)	37.	(a)	38.	(c)	39.	(c)	40.	(a)
41.	(b)	42.	(a and d)	43.	(d)	44.	(d)	45.	(d)
46.	(b)	47.	(d)	48.	(b)	49.	(b)	50.	(b)
51.	(a)	52.	(a)	53.	(c)	54.	(a)	55.	(b)
56.	(b)	57.	(a)	58.	(b)	59.	(c)	60.	(a)
61.	(c)	62.	(a)	63.	(a)	64.	(b)	65.	(d)
66.	(c)	67.	(d)	68.	(a)	69.	(d)	70.	(b)
71.	(b)	72.	(b)	73.	(b)	74.	(b)	75.	(d)
76.	(d)	77.	(d)	78.	(a)	79.	(d)	80.	(a)
81.	(a)	82.	(c)	83.	(b)	84.	(b)	85.	(d)
86.	(c)	87.	(a)	88.	(a)	89.	(b)	90.	(b)
91.	(b)	92.	(a)	93.	(a)	94.	(a)	95.	(b)
96.	(c)	97.	(a)	98.	(b)	99.	(b)	100.	(a)

ANSWERS OF MODEL TEST PAPER 8

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS

ANSWERS

1.	(C)	2.	(A)	3.	(C)	4.	(A)	5.	(B)
6.	(B)	7.	(B)	8.	(D)	9.	(B)	10.	(B)
11.	(B)	12.	(D)	13.	(A)	14.	(A)	15.	(C)
16.	(B)	17.	(B)	18.	(C)	19.	(D)	20.	(B)
21.	(C)	22.	(D)	23.	(A)	24.	(D)	25.	(D)
26.	(A)	27.	(D)	28.	(D)	29.	(C)	30.	(B)
31.	(B)	32.	(B)	33.	(B)	34.	(D)	35.	(C)
36.	(D)	37.	(C)	38.	(B)	39.	(C)	40.	(B)
41.	(B)	42.	(D)	43.	(B)	44.	(B)	45.	(B)
46.	(B)	47.	(B)	48.	(C)	49.	(C)	50.	(C)
51.	(C)	52.	(C)	53.	(B)	54.	(C)	55.	(B)
56.	(C)	57.	(B)	58.	(C)	59.	(B)	60.	(C)
61.	(C)	62.	(B)	63.	(C)	64.	(D)	65.	(D)
66.	(A)	67.	(B)	68.	(D)	69.	(A)	70.	(C)
71.	(D)	72.	(B)	73.	(C)	74.	(A)	75.	(C)
76.	(C)	77.	(A)	78.	(C)	79.	(C)	80.	(C)
81.	(A)	82.	(D)	83.	(D)	84.	(A)	85.	(B)
86.	(C)	87.	(C)	88.	(D)	89.	(B)	90.	(C)
91.	(B)	92.	(A)	93.	(A)	94.	(B)	95.	(C)
96.	(B)	97.	(C)	98.	(C)	99.	(B)	100.	(A)

ANSWERS OF MODEL TEST PAPER 9**FOUNDATION COURSE****PAPER 4: BUSINESS ECONOMICS****ANSWERS**

1.	(C)	2.	(C)	3.	(A)	4.	(C)	5.	(C)
6.	(C)	7.	(A)	8.	(C)	9.	(B)	10.	(C)
11.	(D)	12.	(B)	13.	(A)	14.	(C)	15.	(A)
16.	(C)	17.	(B)	18.	(B)	19.	(C)	20.	(B)
21.	(B)	22.	(B)	23.	(C)	24.	(A)	25.	(B)
26.	(B)	27.	(B)	28.	(D)	29.	(A)	30.	(B)
31.	(C)	32.	(B)	33.	(C)	34.	(B)	35.	(B)
36.	(C)	37.	(B)	38.	(B)	39.	(D)	40.	(C)
41.	(B)	42.	(C)	43.	(B)	44.	(A)	45.	(A)
46.	(B)	47.	(C)	48.	(D)	49.	(B)	50.	(C)
51.	(C)	52.	(D)	53.	(A)	54.	(B)	55.	(C)
56.	(C)	57.	(B)	58.	(A)	59.	(C)	60.	(B)
61.	(B)	62.	(D)	63.	(C)	64.	(B)	65.	(D)
66.	(A) & (C)	67.	(B) & (C)	68.	(B)	69.	(B)	70.	(A)
71.	(B)	72.	(C)	73.	(A)	74.	(D)	75.	(A)
76.	(C)	77.	(A)	78.	(C)	79.	(B)	80.	(D)
81.	(B)	82.	(B)	83.	(B)	84.	(B)	85.	(B)
86.	(D)	87.	(A)	88.	(C)	89.	(B)	90.	(D)
91.	(C)	92.	(D)	93.	(B)	94.	(C)	95.	(D)
96.	(A)	97.	(C)	98.	(D)	99.	(D)	100.	(B)

ANSWERS OF MODEL TEST PAPER 10**FOUNDATION COURSE****PAPER 4: BUSINESS ECONOMICS****ANSWERS**

1.	(a)	2.	(d)	3.	(d)	4.	(d)	5.	(d)
6.	(d)	7.	(a)	8.	(b)	9.	(b)	10.	(a)
11.	(a)	12.	(d)	13.	(b)	14.	(c)	15.	(a)
16.	(b)	17.	(b)	18.	(d)	19.	(c)	20.	(c)
21.	(b)	22.	(c)	23.	(a)	24.	(c)	25.	(a)
26.	(d)	27.	(a)	28.	(a)	29.	(b)	30.	(b)
31.	(b)	32.	(a)	33.	(c)	34.	(a)	35.	(a)
36.	(b)	37.	(a)	38.	(b)	39.	(a)	40.	(c)
41.	(a)	42.	(c)	43.	(d)	44.	(b)	45.	(c)
46.	(b)	47.	(c)	48.	(b)	49.	(d)	50.	(b)
51.	(d)	52.	(a)	53.	(a)	54.	(a)	55.	(d)
56.	(c)	57.	(a)	58.	(b)	59.	(b)	60.	(a)
61.	(c)	62.	(d)	63.	(b)	64.	(b)	65.	(b)
66.	(b)	67.	(d)	68.	(d)	69.	(b)	70.	(c)
71.	(b)	72.	(c)	73.	(b)	74.	(b)	75.	(d)
76.	(d)	77.	(a)	78.	(b)	79.	(b)	80.	(c)
81.	(b)	82.	(b)	83.	(c)	84.	(c)	85.	(a)
86.	(c)	87.	(b)	88.	(c)	89.	(b)	90.	(c)
91.	(b)	92.	(b)	93.	(d)	94.	(c)	95.	(b)
96.	(b)	97.	(a)	98.	(b)	99.	(b)	100.	(b)