FOUNDATION COURSE

REVISION TEST PAPERS

SEPTEMBER, 2025

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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REVISION TEST PAPER, SEPTEMBER, 2025–OBJECTIVE & APPROACH

(Students are advised to go through the following paragraphs carefully to derive maximum benefit out of this RTP)

I. Objective of Revision Test Paper

Revision Test Papers are one among the many educational inputs provided by the Board of Studies (Academic) to its students. Popularly referred to as RTP by the students, it is one of the very old publications of the BOS (A) whose significance and relevance from the examination perspective has stood the test of time.

The primary objectives of the RTP are:

- To help students get an insight of their preparedness for the forthcoming examination;
- To update them on the latest developments relevant for the forthcoming examination in select subjects;
- To enhance the confidence level of the students adequately.

Students must bear in mind that the RTP contains a variety of questions based on different topics of the syllabi and thus a comprehensive study of the entire syllabus is a pre-requisite before answering the questions of the RTP. In other words, in order to derive maximum benefit out of the RTPs, it is advised that before proceeding to solve the questions given in the RTP, students ought to have thoroughly read the Study Materials and Statutory Update, wherever applicable.

The topics on which the questions are set herein have been carefully selected and meticulous attention has been paid in framing different types of questions. Detailed answers are provided to enable the students to do a self-assessment and have a focused approach for effective preparation.

Live Virtual Classes by renowned subject experts conducted free of charge for the students of Foundation, Intermediate and Final levels provide the students much required support in preparing for their exams conveniently at home as these classes can be accessed live or viewed later as recorded lectures through hand-held devices such as smart phones, laptops, I-pads, tablets, etc. anytime anywhere. Further, students are advised to attempt the Multiple-Choice Questions (MCQs) at MCQ Paper Practice Portal which is a holistic platform for self-assessment within the stipulated timeframe.

Students are welcome to send their suggestions for fine tuning the RTP to the Joint Director, Board of Studies (Academic), The Institute of Chartered Accountants of India, A-29, Sector-62, Noida 201309 (Uttar Pradesh). RTP is also available on BOS Knowledge Portal at *https://boslive.icai.org* for downloading.

II. Planning and preparing for examination

Ideally, when the RTP reaches your hand, you must have finished reading the relevant Study Materials of all the subjects available at the BoS Knowledge Portal. Get a good grasp of the concepts/ provisions/ amendments/ cases discussed therein.

After reading the Study Materials proceed to solve the questions given in the RTP on your own. RTP is an effective tool to revise and refresh the concepts and provisions discussed in the Study Material. RTPs are provided to you to help you assess your level of preparation. Hence you must solve the questions given therein on your own and thereafter compare your answers with the answers given therein.

Examination tips

How well a student fares in the examination depends upon the level and depth of his preparation. However, there are certain important points which can help a student better his performance in the examination. These useful tips are given below:

- Reach the examination hall well in time.
- As soon as you get the question paper, read it carefully and thoroughly. You are given separate 15 minutes for reading the question paper.
- Plan your time so that appropriate time is awarded for each question.
- First impression is the last impression. The question which you can answer in the best manner should be attempted first.

- Always attempt to do all questions. Therefore, it is important that you must finish each question within allocated time. Keep sometime for checking the answers as well.
- Read the question carefully more than once before starting the answer to understand very clearly as to what is required.
- Answer all parts of a question one after the other; do not answer different parts of the same question at different places.
- Write in a neat and legible hand-writing.
- Always be concise and write to the point and do not try to fill pages unnecessarily.
- There must be logical expression of the answer.
- In case a question is not clear, you may state your assumptions and then answer the question.
- Check your answers carefully and underline important points before leaving the examination hall.

III. Subject-wise Applicability

PAPER – 1 : ACCOUNTING

The August, 2024 edition of the Study Material, comprising of two modules, is applicable for the students appearing for September, 2025 Examination. For understanding the coverage of syllabus, it is important to read the Study Material carefully.

You must read the study material thoroughly to attain conceptual clarity. The tables, diagrams and flow charts in study material have been extensively prepared to facilitate easy understanding of concepts. Likewise, examples, and illustrations given in the Study Material would enable you to grasp the application of theoretical concepts in real-world scenarios. After covering the concepts and illustrations, work out the test your knowledge questions at the end of each chapter and then compare your answers with the answers given to test your level of understanding. This will help you to maximize your speed and accuracy in solving Practical Questions in the Examination.

The RTP consists of eighteen questions together with their answers on different topics discussed in the study material. Answers to the questions have been given in detail along with the working notes for easy understanding and comprehending the steps in solving the problems. Moreover, the answers have been presented in the same manner as expected from the students in the examination. The students are expected to solve the questions under examination conditions and then compare their solutions with the solutions given in the RTP. This will facilitate them to further strategise their preparation for scoring good marks in the examination.

PAPER – 2: BUSINESS LAWS

The August 2024 edition of the Study Material is applicable for Paper 2: Business Laws, Foundation Course. The Study Material is based on the provisions of the Indian Contract Act, 1872, the Sale of Goods Act, 1930, the Indian Partnership Act, 1932, the Limited Liability Partnership Act, 2008, the Companies Act, 2013, and the Negotiable Instruments Act, 1881 as amended upto 30th June, 2024.

The students are advised to read the Study Material thoroughly to attain conceptual clarity. Tables, diagrams and flow charts have been extensively used to facilitate easy understanding of concepts. Examples given in the Study Material would help the students to understand the application of concepts. Work out the exercise questions at the end of each chapter and then compare your answers with the answers given to test your level of understanding.

This RTP consists of twenty-five questions together with their answers on different topics discussed in the study material. Answers to the questions have been given in detail for easy understanding and comprehending the steps in solving the problems. Moreover, the answers have been presented in the same manner as expected from the students in the examination. The students are expected to solve the questions given in this RTP independently and compare the same with the answers given to assess your level of preparedness for the examination.

PAPER – 3: QUANTITATIVE APTITUDE

The August 2024 edition of the Study Material is applicable for September 2025 Examination of Foundation Course Paper 3: Quantitative Aptitude. The Study material divided into three parts, the first part of the study material Business Mathematics (Chapters 1-8) covers basic mathematical techniques like ratio, proportion, indices, logarithms, equations and linear inequalities, mathematics of finance, permutations and combinations, sequence and series, sets, relations and basic applications of differential and integral calculus in economics and business. The second part of the study material (Chapters 9-12) covers logical reasoning and the third part (Chapters 13-18) of the basic principles of statistical techniques and measurement thereof.

Features of the Study Material:

- Simple, clear language for easy understanding.
- Illustrations and examples in each chapter to clarify concepts and techniques.
- A comprehensive MCQ's and Additional Question Banck at the end of chapters to practice and strengthen understanding.

Apart from the Study material, The Revision Test Paper (RTP) for Foundation Course Paper 3: Quantitative Aptitude is a valuable tool designed to help students prepare effectively for the CA Foundation examination.

About the Revision Test Paper (RTP)

- Contains 30 questions with answers.
- Covers diverse topics from all three parts of the study material.
- Designed to test conceptual understanding and computational skills.
- Acts as a practice set before the main exam.

PAPER – 4: BUSINESS ECONOMICS

The August 2024 edition of the Study Material is applicable for September 2025 Examination of Foundation Course Paper 4: Business Economics. The Study is having 10 Chapters which includes Microeconomics, Macro Economics, Public Finance, Money Market, International Trade and Indian Economy.

Features of the Study Material:

Simple, clear language for easy understanding

Illustrations and examples in each chapter to clarify concepts and techniques.

A comprehensive MCQ's and Summary at the end of chapters to practice and strengthen understanding.

Apart from the Study material, The Revision Test Paper (RTP) for Foundation Course Paper 4: Business Economics is a valuable tool designed to help students prepare effectively for the CA Foundation examination.

About the Revision Test Paper (RTP)

- Contains 25 questions with answers.
- Covers diverse topics from all of the study material.
- Designed to test conceptual understanding and computational skills.
- Acts as a practice set before the main exam.

PAPER – 1: ACCOUNTING

QUESTIONS

True and False

1. State with reasons, whether the following statements are true or false:

   (a) At the end of the accounting year, all the nominal accounts of the ledger book are balanced.

   (b) Outstanding Expenditure is a nominal Account.

   (c) Bank reconciliation statement is prepared to arrive at the bank balance.

   (d) The provision for discount on debtors is calculated before deducting the provision for doubtful debts from debtors.

   (e) Land is also a depreciable asset.

   (f) Periodic inventory system is a method of ascertaining inventory by taking an actual physical count.

   (g) Both revenue and capital nature transactions are recorded in the Receipts and Payments Account.

   (h) Debentures Suspense Account appears on the Liability side of the Balance Sheet of a Company.

Theoretical Framework

2. (a) Briefly explain the following Concepts of Accounting:

   (i) Money Measurement Concept

(ii) Periodicity Concept.

(b) Differentiate between Provisions and Contingent Liabilities

Journal Entries

3. (a) You are required to pass necessary journal entries of the following

   (i) Employees had taken stock worth ₹ 50,000 (Cost price ₹ 45,000) on the eve of New year and the same was deducted from their salaries in the subsequent month.

   (ii) Wages paid for erection of Machinery ₹ 16,000.

   (iii) Withdrawn for personal use: Goods(Sales Price 8,000, Cost 6,000) Cash 1,000

   (iv) Purchase of goods from Sandeep of the list price of ₹ 60,000. He allowed 10% trade discount, ₹1,500 cash discount was also allowed for quick payment.

   (v) Purchased second hand machinery from Jawahar industries for ₹ 3,00,000 plus CGST and SGST @ 6% each. Paid ₹ 1,00,000 immediately by cheque and balance to be paid after two months.

Capital or Revenue Expenditure

(b) Classify each of the following transactions into capital or revenue transactions:

   (1) Inauguration expenses of a new manufacturing unit in an existing Business

   (2) Installation of a new central heating system.

   (3) Providing drainage for a new piece of water-extraction equipment.

   (4) An extension of railways track in the factory.

Trial Balance

4. (a) One of your clients Mr. Hari Om asked you to finalize his account for the year ended 31st March,2025. As a basis for the audit, Mr. Hariom furnished you with the following statement:

	Dr.	Cr.
Hari Om's Capital		23,340
Hari Om's Drawings	8,460	
Leasehold Premises	11,250	
Sales		41,250
Due from customers		7,950
Purchases	18,885	
Purchase Return	3,960	
Loan from Bank		3,840
Trade Expense	10,500	
Trade Payable	7,920	
Bills Payable	1,500	
Salaries and Wages	9,000	
Cash at Bank	3,390	
Opening Inventory		3,960
Rent and Rates	6,945	
Sales Return		1,470
	81,810	81,810

The closing inventory was ₹ 8,612. Mr. Hari om 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.

Rectification of Errors

(b) Write out the Journal Entries to rectify the following errors, using a suspense Account.

(1) Goods of the value of ₹15,000 returned by Mr. Aman were entered in the Sales Day Book and posted therefrom to the credit of his account;

(2) An amount of ₹7,500 entered in the Sales Returns Book, has been posted to the debit of Mr. Ashish, who returned the goods;

(3) The total of "Discount Allowed" column in the Cash Book for the month of June,2025 amounting to ₹27,500 was not posted, though correctly recorded in Debtors Account.

(4) Bad Debts aggregating ₹8,000 were written off during the year was not posted to Bad Debts Account.

(5) A sale of ₹30,000 made to Ms. Aavya was correctly entered in the Sales Day Book but wrongly posted to the debit of Ms. Aadya as ₹ 3,000;

(6) Supplier account has been overcast by Rs. 225.

Bank Reconciliation Statement

5. The Cash-book of M/s Mazars shows ₹ 27,570 as the balance at Bank as on 31st March, 2025. But this does not agree with balance as per the Bank Statement. On scrutiny following discrepancies were found:

(i) Subsidy ₹ 10,250 received from the government directly by the bank, but not advised to the company.

(ii) On 15th March, 2025 the payments side of the Cash-book was under cast by ₹ 350.

(iii) On 20th March, 2025 the debit balance of ₹ 2,156 as on the previous day, was brought forward as credit balance in Cash-book.

(iv) A customer of the M/s Mazars, who received a cash discount of 5% on his account of ₹ 2,000, paid to M/s Mazars a cheque on 24^{th} March, 2025. The cashier erroneously entered the gross amount in the Cash-Book.

(v) On 10th March, 2025 a bill for ₹ 5,700 was discounted from the bank, entered in Cash-book, but proceeds credited in Bank Statement amounted to ₹ 5,500 only.

(vi) A cheque issued amounting to Ravi for ₹ 1,725 returned marked 'out of date'. No entry made in Cash-book.

(vii) Insurance premium ₹ 900 paid directly by bank under a standing order. No entry made in cash-book.

(viii) A bill receivable for ₹ 1,530 discounted for ₹ 1,500 with the bank had been dishonoured on 30th March, 2025, but advice was received on 1st April, 2025.

(ix) Bank recorded a Cash deposit of ₹ 1,650 as ₹ 1,560.

Prepare Bank Reconciliation Statement on 31st March, 2025.

Valuation of Inventories

6. From the following particulars ascertain the value of inventories as on 31st March, 2025 :

Inventory as on 1st April, 2024	₹ 10,50,000
Purchase made during the year	₹ 36,00,000
Sales	₹ 55,50,000
Manufacturing Expenses	₹ 3,00,000
Selling and Distribution Expenses	₹ 1,50,000
Administration Expenses	₹ 2,40,000

At the time of valuing inventory as on 31st March, 2024, a sum of ₹ 60,000 was written off on a particular item which was originally purchased for ₹ 1,65,000 and was sold during the year for ₹ 1,50,000.

Except the above mentioned transaction, gross profit earned during the year was 20% on sales.

Depreciation and Amortisation

7. A purchased machinery on 01.01.2021 for ₹1,94,000 and spent ₹6,000 on its erection. On 01.07.2021, additional Machinery costing ₹1,00,000 were purchased. On 01.01.2023, the Machinery purchased on 01.01.2021 having become obsolete was auctioned for ₹1,00,000. On 01.07.2023, a new machinery was purchased at a cost of ₹1,50,000. Depreciation was provided for annually on 31st December at the rate of 10% per annum on the original cost of the Machinery. In 2024, A changed the method of writing off 15% p.a. in the written down show the Machinery Account for the Calendar Yare 2021 to 2024.

Bills of Exchange

8. Mr. Kabir accepted a bill for ₹ 10,000 drawn on him by Mr. Samarveer on 1st August, 2024 for 3 months. This was for the amount which Kabir owed to Samarveer. On the same date Mr. Samarveer got the bill discounted at his bank for ₹ 9,800.

   On the due date, Kabir approached Samarveer for renewal of the bill. Mr. Kabir agreed on condition that ₹ 2,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance B should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2024, Kabir became insolvent and his estate paid 40%.

   Prepare Journal Entries in the books of Mr. Samarveer.

Final accounts and Rectification of entries

9. The following is the Trial Balance of M/s Thomas & Associates on 31st March,2025:

	Dr. ₹	Cr. ₹
Capital	-	45,00,000
Drawings	5,25,000	-
Fixed Assets (Opening)	10,50,000	-
Fixed Assets (Additions 01.10.2024)	15,00,000	-
Opening Stock	4,50,000	-

Purchases	1,20,00,000	-
Purchases Returns	-	5,17,500
Sales	-	1,65,00,000
Sales Returns	7,42,500	-
Debtors	18,75,000	-
Creditors	-	16,50,000
Expenses	4,80,000	-
Fixed Deposit with Bank	15,00,000	-
Interest on Fixed Deposit	-	1,50,000
Bank Overdraft	-	60,000
Suspense A/c	-	15,000
Rent (17 months upto 31.8.2025)	1,27,500	-
Investments 12% (01.8.2024)	18,75,000	-
Bank Balance	12,67,500	-
	2,33,92,500	2,33,92,500

Stock on 31st March,2025 was valued at ₹ 7,50,000. Depreciation is to be provided at 10% per annum on fixed assets purchased during the year. A scrutiny of the books of account revealed the following matters:

(i) ₹ 1,50,000 drawn from bank was debited to Drawings account, but out of this amount withdrawn ₹ 90,000 was used in the business for day-to-day expenses.

(ii) Purchase of goods worth ₹ 1,20,000 was not recorded in the books of account upto 31.03.2025, but the goods were included in stock.

(iii) Purchase returns of ₹ 7,500 was recorded in Sales Return Journal and the amount was correctly posted to the Party's A/c on the correct side.

(iv) Expenses include ₹ 45,000 in respect of the period after 31st March,2025.

Give the necessary Journal Entries in respect of (i) to (iv) and prepare the Final Accounts for the year ended 31st March, 2025.

Financial Statements of Not for Profit Organizations

10. Dr. Malik started private practice on 1st April, 2024 with ₹ 8,00,000 of his own fund and ₹ 12,00,000 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	8,00,000	Medicines Purchased	9,80,000
Loan	12,00,000	Surgical Equipment	10,00,000
Prescription Fees	26,40,000	Motor Car	12,80,000
Visiting Fees	10,00,000	Motor Car Expenses	4,80,000
Lecture Fees	96,000	Wages and Salaries	4,20,000
Pension Received	12,00,000	Rent of Clinic	2,40,000
		General Charges	1,96,000
		Household Expenses	7,20,000
		Household Furniture	1,00,000
		Expenses on Daughter's Marriage	8,60,000
		Interest on Loan	1,44,000
		Balance at Bank	4,40,000
		Cash in Hand	76,000
	69,36,000		69,36,000

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, 2025 was valued at ₹ 3,80,000.

You are required to prepare his private practice income and expenditure account and capital account for the year ended 31st March, 2025. Ignore depreciation on fixed assets.

Accounts from Incomplete Records

11. Freeze Limited gives you the following information

Particulars	₹	Particulars	₹
Debtors as on 1st April (Opening Balance)	1,57,500	Discount allowed by Suppliers	15,750
Creditors as on 1st April (Opening Balance)	1,82,250	Discount allowed to Customers	20,250
Bills Receivable received during the year	1,05,750	Endorsed Bills Receivable dishonoured	6,750
Bills Payable issued during the year	1,19,250	Sales Return	24,750
Cash received from Customers	3,51,000	Bills Receivable Discounted	18,000
Cash paid to Suppliers	3,87,000	Discounted Bills Receivable	4,500
Bad Debts Recovered	36,000	Cash Sales	3,79,125
Bills Receivables endorsed to Creditors	60,750	Cash Purchases	4,45,050
Bills Receivables dishonoured by Customers	11,250	Debtors on 31st March (Closing Balance)	1,84,500
		Creditors as on 31st March (Closing Balance)	2,13,750

You are required to calculate total sales and total purchases.

Partnership Accounts

Retirement of Partner

12. On 31st March, 2025, the Balance Sheet of P, Q and R sharing profits and losses in proportion to their Capital stood as below:

Liabilities	₹	Assets	₹
Capital Account:		Land and Building	75,000

Mr. P	50,000	Plant and Machinery	50,000
Mr. Q	75,000	Stock of goods	30,000
Mr. R	50,000	Sundry debtors	27,500
Sundry Creditors	25,000	Cash and Bank Balances	17,500
	2,00,000		2,00,000

On 1st April, 2025, P desired to retire from the firm and remaining partners decided to carry on the business. It was agreed to revalue the assets and liabilities on that date on the following basis:

(i) Land and Building be appreciated by 20%.

(ii) Plant and Machinery be depreciated by 30%.

(iii) Stock of goods to be valued at ₹25,000.

(iv) Old credit balances of Sundry creditors, ₹5,000 to be written back.

(v) Provisions for bad debts should be provided at 5%.

(vi) Joint life policy of the partners surrendered and cash obtained ₹ 18,875.

(vii) Goodwill of the entire firm is valued at ₹35,000 and P's share of the goodwill is adjusted in the A/cs of Q and R, who would share the future profits equally. No goodwill account being raised.

(viii) The total capital of the firm is to be the same as before retirement. Individual capital is in their profit sharing ratio.

(ix) Amount due to Mr. P is to be settled on the following basis:

50% on retirement and the balance 50% within one year.

Prepare (a) Revaluation account, (b) The Capital accounts of the partners, (c) Cash account and (d) Balance Sheet of the new firm M/s Q & R as on 1.04.2025.

Death of Partner

13. The partnership deed of a firm consisting of 3 partners - Alfa, Beta and Gamma (profit sharing ratio being 2:1:1) and whose fixed capitals are ₹ 90,000, ₹ 36,000 and ₹ 24,000 respectively provides as follows:

(i) The partners are allowed interest @ 8% p.a. on their fixed capitals, but no interest is to be allowed on undrawn profits or charged on drawings.

(ii) That upon the death of a partner, the goodwill of the firm be valued at 2 years purchase of the average net profit (after charging interest on capital) for the 3 years to 31st December preceding the death of a partner.

(iii) That an insurance policy of ₹ 75,000 each was taken in individual names of each partner. The premium was charged against the profits of the firm. The surrender value of the policy was 20% of the sum assured.

(iv) Upon the death of a partner, he is to be credited with his share of the profits, interest on capitals, etc. calculated upto 31st December following his death.

(v) That the share of the partnership policy and goodwill be credited to a deceased partner as on 31st December following his death.

(vi) That the partnership books to be closed annually on 31st December.

Alfa died on 30th September, 2024. The amount standing to the credit of his current account as on 31st December, 2023 was ₹ 15,000 and from that date to the date of death he had withdrawn₹ 90,000 from the business.

An unrecorded liability of ₹ 18,000 was discovered on 30th September, 2024 and it was decided to record it and immediately pay it off.

The trading results of the firm (before charging interest on capital) had been as follows:

2021	Profit ₹ 88,020
2022	Profit ₹ 79,410
2023	Loss ₹ 24,960
2024	Profit ₹ 40,410

You are required to prepare an account showing the amount due to Alfa's legal heir as of 31 December 2024.

Note: Impact for unrecorded liability not to be given in earlier years.

Issue and Redemption of Shares

14. A Limited is a company with' an authorised share capital of ₹ 2,50,00,000 in equity shares of ₹ 10 each, of which 15,00,000 shares had been issued and fully paid up on 31st March, 2025. The company proposes to make a further issue of 337,500 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, 2025;

    (ii) Allotment to be made on 10th June, 2025 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, 2025.

    Applications were received for 14,00,000 shares and dealt with as follows:

    (1) Applicants for 25,000 shares received allotment in full;

    (2) Applicants for 125,000 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 12,50,000 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 A Limited.

Issue and Redemption of Debentures

15. On 1st April 2025 Weavers Ltd. issued 5,00,000 12% debentures of ₹ 100 each at a discount of 5%, redeemable on 31st March, 2030. Issue was oversubscribed by 1,00,000 debentures, who were refunded their money. Interest is paid annually on 31st March. You are required to prepare:

    (i) Journal Entries at the time of issue of debentures.

    (ii) Discount on issue of Debenture Account

    (iii) Interest account and Debenture holder Account assuming TDS is deducted @10%

16. XYZ Ltd. has issued 2,500, 12% convertible debentures of ₹ 100 each redeemable after a period of five years. According to the terms & conditions of the issue, these debentures were redeemable at a premium of 5%. The debenture holders also had the option at the time of redemption to convert 20% of their holdings into equity shares of ₹ 10 each at a price of ₹ 20 per share and balance in cash. Debenture holders amounting ₹ 50,000 opted to get their debentures converted into equity shares as per terms of the issue. You are required to calculate the number of shares issued and cash paid for redemption of ₹ 50,000 debenture holders.

17. Following is the extract of Balance Sheet of Super Ltd. as at 31st March, 2025 :

	₹
Authorized capital:	
7,50,000 equity shares of ₹10 each	75,00,000
62,500,10% preference shares of ₹10 each	6,25,000
	81,25,000
Issued and subscribed capital:	
6,75,000 equity shares of ₹ 10 each fully paid up	67,50,000
60,000, 10% preference shares of ₹ 10 each fully paid up	6,00,000
	73,50,000

Reserves and surplus:	
General reserve	9,00,000
Capital redemption reserve	3,00,000
Securities premium (collected in cash)	1,87,500
Profit and loss account	15,00,000
	28,87,500

On 1st April, 2025, the company decided to capitalize its reserves by way of bonus at the rate of two shares for every five equity shares held.

Show necessary journal entries in the books of the company and prepare the extract of the balance sheet after bonus issue.

18. Write short notes on the following:

(i) Fundamental Accounting Assumptions.

(ii) Retirement of bills of exchange.

(iii) Petty cash book and its advantages.

(iv) Machine Hour Rate method of calculating depreciation.

(v) When Garner V/s Murray rule not applicable incase of dissolution of partnership firm.

SUGGESTED ANSWERS/HINTS

1. ***(a)*** **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.

(b) **False:** Outstanding Expenditure is a personal account of representative nature because it represents a liability due to some person.

(c) **False:** Bank reconciliation statement is prepared to reconcile and explain the causes of differences between bank balance as per cash book and the same as per bank statement as on a particular date.

(d) **False:** The provision for discount on debtors is calculated after deducting the provision for doubtful debts from debtors.

(e) **False:** Land is not a depreciable asset because its useful life is not limited to few years.

(f) **True:** Under Periodic inventory system actual physical count of inventory is taken of all the inventory on hand at a particular date.

(g) **True:** All the receipts and payments whether of revenue or capital nature are included in Receipt and Payment account.

(h) **False:** Debentures Suspense Account appears on asset side of Balance Sheet under Non-Current Asset.

2. (a) 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 be only to 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.

According to periodicity concept, accounts should be prepared after every period not at the end of the life of the entity. This is also called the concept of definite accounting period. Usually, this period is one accounting year. We generally follow from 1st April of a year to 31st March of the immediately following year.

(b) The distinction between Provision and Contingent Liability is as follows:

	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 recognised when (a) an enterprise has a present obligation arising from past events; an outflow of resources embodying economic benefits is probable, and (b) a reliable estimate can be made of the amount of the obligation.	Contingent liability includes present obligations that do not meet the recognition criteria because either it is not probable that settlement of those obligations will require outflow of economic benefits, or the amount cannot be reliably estimated.
(4)	If the management estimates that it is probable that the settlement of an obligation will result in outflow of economic benefits, it recognises a provision in the balance sheet.	If the management estimates, that it is less likely that any economic benefit will outflow the firm to settle the obligation, it discloses the obligation as a contingent liability.

3. (a)

	Particulars	**Dr.**	**Cr.**
		Amount (₹)	**Amount (₹)**
(i)	Salaries A/c Dr.	45,000	
	To Purchase A/c		45,000
	(Being entry made for stock taken by employees)		
(ii)	Machinery A/c Dr.	16,000	
	To Bank A/c		16,000
	(Being wages paid for erection of machinery)		

(iii)	Drawings A/c	7,000	
	To Purchases A/c		6,000
	To Cash A/c		1,000
	(Being goods and cash withdrawn for personal use)		
(iv)	Purchase A/c	54,000	
	To Bank A/c		52,500
	To Discount Received A/c		1,500
	(Being the goods purchased from Sandeep for ₹ 60,000 @ 10% trade discount and cash discount of ₹ 1,500)		
(v)	Machinery A/c Dr.	3,00,000	
	Input CGST A/c Dr.	18,000	
	Input SGST A/c Dr.	18,000	
	To Bank A/c		1,00,000
	To Jawahar Industries A/c		2,36,000
	(Being machinery purchased from Jawahar and paid 1,00,000 immediately CGST and SGST @ 6% each)		

(b) (1) Inauguration expenses of new unit of existing business: Revenue Expenditure.

(2) Installation of new heating system: Capital Expenditure

(3) Drainage for new equipment: Capital Expenditure.

(4) An extension of Railway track in factory area: Capital Expenditure

4. (a) Corrected Trial Balance of Mr. Hari Om as on 31st March, 2025

Particulars	**Dr. Amount ₹**	**Cr. Amount ₹**
Hari Om's Capital		23,340
Hari Om's Drawings	8,460	
Leasehold premises	11,250	
Sales		41,250
Due from customers	7,950	
Purchases	18,885	
Purchases returns		3,960
Loan from Bank		3,840
Trade expenses	10,500	
Trade Payable		7,920
Bills payable		1,500
Salaries and Wages	9,000	
Cash at Bank	3,390	
Inventory (1.4.2024)	3,960	
Rent and rates	6,945	
Sales return	1,470	
	81,810	81,810

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.

(b)

	Particulars	***L.F.***	***Dr.*** ₹	***Cr.*** ₹
(1)	Sales A/c Dr.		15,000	
	Sales Returns A/c		15,000	
	To Suspense A/c			30,000
	(Goods returned by Mr. Aman wrongly posted to Sales and omission of debit to Sales Returns Account, now rectified)			
(2)	Suspense A/c Dr.		15,000	
	To Mr. Ashish			15,000
	(Wrong debit to Mr. Ashish for goods returned by him, now rectified)			
(3)	Discount A/c Dr.		27,500	
	To Suspense A/c			27,500
	(The total of Discount allowed during June, 2025 not posted from the Cash Book; error now rectified)			
(4)	Bad Debts A/c Dr.		8,000	
	To Suspense A/c			8,000
	(Bad Debts written off not posted to bad debts A/c, now rectified)			

(5)	Ms. Aavya Dr. To Ms. Aadya To Suspense A/c (Omission of debit to Ms. Aavya and wrong credit to Ms. Aadya for sale of ₹ 30,000, now rectified)		30,000	 3,000 27,000
(6)	Supplier A/c Dr. To Suspense A/c (Supplier account overcast by ₹225 now rectified)		225	 225

5. (i) Bank Reconciliation Statement on 31st March, 2025 (₹)

Bank Balance as per Cash Book				27,570
Add:	(i)	Subsidy from government received directly by the bank not recorded in the Cash Book	10,250	
	(iii)	Debit balance of ₹ 2,156 brought forward as credit balance on 20th March, 2025 in the Cash Book	4,312	
	(vi)	Cheque issued returned marked 'out of date'	1,725	16,287
				43,857
Less:	(ii)	Cash Book under cast on 15th March, 2025	(350)	
	(iv)	Discount allowed to a customer, however entry made at gross amount in the Cash Book	(100)	
	(v)	Commission charged by bank on discounting of bill, not considered in Cash Book	(200)	
	(vii)	Insurance Premium paid directly by bank under standing instructions	(900)	

	(viii)	Discounted B/R dishonoured; not entered in Cash Book	(1,530)	
	(ix)	Bank recorded short cash deposit	(90)	(3,170)
Balance as per Bank Statement				40,687

6. Statement of Inventory in trade as on 31st March, 2025

	₹	₹
Inventory as on 31st March, 2024	10,50,000	
Less: Book value of abnormal inventory		
(₹ 1,65,000 - ₹ 60,000)	(1,05,000)	9,45,000
Add: Purchases		36,00,000
Manufacturing Expenses		3,00,000
		48,45,000
Less: Cost of goods sold:		
Sales as per books	55,50,000	
Less: Sales of abnormal item	(1,50,000)	
	54,00,000	
Less: Gross Profit @ 20%	(10,80,000)	(43,20,000)
Inventory in trade as on 31st March, 2025		5,25,000

7. Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
01.01.2021	To Bank A/c	1,94,000	31.12.2021	By Depreciation A/c(WN1)	25,000
01.01.2021	To Bank A/c (M1)	6,000	31.12.2021	By Balance c/d	2,75,000
01.07.2021	To Bank A/c (M2) (Purchase Price)	1,00,000			
		3,00,000			3,00,000
01.01.2022	To Balance b/d	2,75,000	31.12.2022	By Depreciation A/c	30,000
			31.12.2022	By Balance c/d	2,45,000
		2,75,000			2,75,000

01.01.2023	To Balance b/d	2,45,000	01.01.2023	By Bank A/c (Sale)(M1)	1,00,000
01.07.2023	To Bank A/c (M3)	1,50,000	01.01.2023	By P&L A/c Loss on sale of machinery	60,000
			31.12.2023	By Depreciation A/c on remaining machineries	17,500
			31.12.2022	By Balance c/d	2,17,500
		3,95,000			3,95,000
01.01.2024	To Balance b/d	2,17,500	31.12.2024	By Depreciation (15%X2,17,500)	32,625
			31.12.2024	By Balance c/d	1,84,875
		2,17,500			2,17,500

Working Notes:

1. Calculation of Depreciation (10% per annum on the Original Cost)

Machinery purchased on	M1 01.01.2021	M2 01.07.2021	M3 01.07.2023
Cost	2,00,000	1,00,000	1,50,000
Depreciation for Year 2021	20,000	5,000	-
Depreciation for Year 2022	20,000	10,000	-
Depreciation for Year 2023	-		
M2 = 2 months		10,000	
M3 = 5.5 months			7,500

2. Calculation of Loss on Sale of Machinery

Particulars	Amount
Original Cost (including Erection Charges)	2,00,000
Less: Total Depreciation (on M1) [Year 1 & Year 2]	40,000
Written Down Value on the Sale of machinery	1,60,000
Less: Sale Proceeds	1,00,000
Loss on Sale of Machinery	60,000

8. Journal Entries in the Books of Mr. Samaveer

Date		Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
2024					
August	1	Bills Receivable A/c Dr.		10,000	
		To Kabir			10,000
		(Being the acceptance received from Kabir to settle his account)			
August	1	Bank A/c Dr.		9,800	
		Discount A/c Dr.		200	
		To Bills Receivable			10,000
		(Being the bill discounted for ₹ 9,800 from bank)			
November	4	Kabir Dr.		10,000	
		To Bank Account			10,000
		(Being the Kabir's acceptance is to be renewed)			
November	4	Kabir Dr.		240	
		To Interest Account			240
		(Being the interest due from Kabir for 3 months i.e., 8000x3/12× 12%=240)			
November	4	Cash A/c Dr.		2,240	
		Bills Receivable A/c Dr.		8,000	
		To Kabir			10,240
		(Being amount and acceptance of new bill received from Kabir)			
December	31	Kabir A/c Dr.		8,000	
		To Bills Receivable A/c			8,000
		(Being Kabir became insolvent)			
December	31	Bank A/c Dr.		3,200	
		Bad debts A/c Dr.		4,800	
		To Kabir			8,000
		(Being the amount received and written off on Kabir's insolvency)			

9. **Journal Entries**

	Particulars		**Dr. (₹)**	**Cr. (₹)**
(i)	Expenses A/c	Dr.	90,000	
	To Drawings			90,000
	(Entry for the amount wrongly debited to the latter A/c, now corrected)			
(ii)	Purchase A/c	Dr.	1,20,000	
	To Creditors			1,20,000
	(Entry for purchases not recorded)			
(iii)	Suspense A/c	Dr.	15,000	
	To Purchase Returns			7,500
	To Sales Returns			7,500
	(Rectification entry for amount wrongly entered in Sales Journal)			
(iv)	Prepaid Expenses A/c	Dr.	45,000	
	To Expenses			45,000
	(Prepaid expenses adjusted)			

Trading, Profit and Loss Account of M/s Thomas & Associates

for the year ending 31st March, 2025

Dr.		₹			*Cr.* ₹
To Opening Stock		4,50,000	By Sales	1,65,00,000	
To Purchases	1,20,00,000		Less: Sales Return		
Add: Amount not recorded	1,20,000		(7,42,500– 7,500)	7,35,000	1,57,65,000
	1,21,20,000		By Closing Stock		7,50,000
Less: Purchases Returns					
(5,17,500+7,500)	5,25,000	1,15,95,000			
To Gross Profit c/f		44,70,000			
		1,65,15,000			1,65,15,000
To Expenses		5,25,000	By Gross Profit		
(4,80,000 – 45,000 + 90,000)					44,70,000
To Rent		90,000	By Interest on Fixed		1,50,000

(1,27,500 –37,500)			Deposit		
To Depreciation	1,05,000		By Interest on Investments		
Add: Further Depreciation $\left(15,00,000 \times \frac{10}{100} \times \frac{6}{12}\right)$	75,000	1,80,000	$\left(18,75,000 \times \frac{12}{100} \times \frac{8}{12}\right)$		1,50,000
To Net Profit		39,75,000			
		47,70,000			47,70,000

Balance Sheet as on 31st March, 2025

Liabilities		₹	***Assets***		₹
Capital	45,00,000		Fixed Assets	10,50,000	
Add: Net Profit	39,75,000		Additions	15,00,000	
Less: Drawings				25,50,000	
(5,25,000–90,000)	(4,35,000)	80,40,000	Less: Depreciation	(1,80,000)	23,70,000
Creditors	16,50,000		Stock		7,50,000
Add: Purchases not recorded	1,20,000	17,70,000	Debtors		18,75,000
			Investments		18,75,000
Overdraft		60,000	Interest accrued		1,50,000
			Bank fixed deposit		15,00,000
			Prepaid Expenses (45,000+37,500)		82,500
			Bank		12,67,500
		98,70,000			98,70,000

10. **Income and Expenditure Account for the year ended 31st March, 2025**

		₹		₹
To Medicines consumed			By Prescription fees	26,40,000
Purchases	9,80,000			
Less: Stock on 31.3.25	(3,80,000)	6,00,000	By Visiting fees	10,00,000
To Motor car expense		3,20,000	By Fees from lectures	96,000
To Wages and salaries (4,20,000 – 30,000)		3,90,000		
To Rent for clinic		2,40,000		
To General charges		1,96,000		
To Interest on loan		1,44,000		

To Net Income	18,46,000		
	37,36,000		37,36,000

Capital Account

for the year ended 31st March, 2025

	₹		₹
To Drawings:		By Cash/bank	8,00,000
Motor car expenses	1,60,000	By Cash/ bank (pension)	12,00,000
(one-third of ₹ 4,80,000)		By Net income from practice (derived from income and expenditure A/c)	18,46,000
Household expenses	7,20,000		
Daughter's marriage exp.	8,60,000		
Wages of domestic servants	30,000		
Household furniture	1,00,000		
To Balance c/d	19,76,000		
	38,46,000		38,46,000

11. **Total Debtors A/c**

Particulars	₹	Particulars	₹
To balance b/d (given)	1,57,500	By Cash / Bank A/c (Cash Received)	3,51,000
To Bills Receivable A/c (Dishonoured)	11,250	By Discount Allowed A/c	20,250
To Creditors A/c (Dishonour of endorsed B/R	6,750	By Bills Receivable A/c (B/R Received)	1,05,750
To Bank A/c (Discounted B/R dishonoured)	4,500	By Sales Returns A/c	24,750
To Sales A/c (bal. fig. = Credit Sales)	5,06,250	By balance c/d (given)	1,84,500
Total	6,86,250	Total	6,86,250

Total Creditors A/c

Particulars	₹	Particulars	₹
To Cash / Bank A/c (Payment)	3,87,000	By balance b/d	1,82,250
To Discount Received A/c	15,750	By Debtors A/c (Dishonour of endorsed B/R)	6,750
To Bills Payable A/c (Issued)	1,19,250	By Purchases A/c (bal. flg. = Credit Purc.)	6,07,500
To Bills Receivable (Endorsement)	60,750		
To balance c/d (given)	2,13,750		
Total	7,96,500	Total	7,96,500

1. Total Sales = Credit Sales ₹5,06,250 + Cash Sales ₹ 3,79,125 = ₹ 8,85,375
2. Total Purchases = Credit Purchases ₹ 6,07,500 + Cash Purchases ₹ 4,45,050= ₹ 10,52,550

12. (a) **Revaluation Account**

Date	*Particulars*	₹	*Date*	*Particulars*	₹
2025			*2025*		
April	To Plant & Machinery	15,000	April	By Land and building	15,000
	To Stock of goods	5,000		By Sundry creditors	5,000
	To Provision for bad and doubtful debts	1,375		By Cash & Bank - Joint life Policy surrendered	18,875
	To Capital accounts (profit on revaluation transferred)				
	Mr. P (2/7) 5,000				
	Mr. Q (3/7) 7,500				
	Mr. R (2/7) 5,000	17,500			
		38,875			38,875

(b) Partners' Capital Accounts

Dr.										Cr.
	Particulars	***P***	***Q***	***R***		***Particulars***	***P***	***Q***	***R***	
		(₹)	***(₹)***	***(₹)***			***(₹)***	***(₹)***	***(₹)***	
To	P's Capital A/c - goodwill	-	2,500	7,500	By	Balance b/d	50,000	75,000	50,000	
To	Cash & bank A/c - (50% dues paid)	32,500	-	-	By	Revaluation A/c	5,000	7,500	5,000	
To	P's Loan A/c - (50% transfer)	32,500	-	-	By	Q & R's Capital A/cs - goodwill	10,000	-	-	
To	Balance c/d	-	87,500	87,500	By	Cash & bank A/c - amount brought in (Balancing figures)	-	7,500	40,000	
		65,000	90,000	95,000			65,000	90,000	95,000	

(c) Cash and Bank Account

	Particulars	**₹**		**Particulars**	**₹**
To	Balance b/d	17,500	By	P's Capital A/c - 50% dues paid	32,500
To	Revaluation A/c – surrender value of joint life policy	18,875	By	Balance b/d	51,375
To	Q's Capital A/c	7,500			
To	R's Capital A/c	40,000			
		83,875			83,875

(d) Balance Sheet of M/s Q & R as on 01.04.2025

Liabilities		**₹**	**Assets**		**₹**
Partners' Capital account			Land and Building	75,000	

Mr. Q	87,500		*Add:* Appreciation 20%	15,000	90,000
Mr. R	87,500	175,000	Plant & Machinery	50,000	
Mr. P's Loan account		32,500	*Less:* Depreciation 30%	15,000	35,000
Sundry Creditors		20,000	Stock of goods	30,000	
			Less: revalued	5,000	25,000
			Sundry Debtors	27,500	
			Less: Provision for bad debts 5%	1,375	26,125
			Cash & Bank balances		51,375
		227,500			227,500

Working Notes:

Adjustment for Goodwill:	
Goodwill of the firm	35,000
Mr. P's Share (2/7)	10,000
Gaining ratio of Q & R;	
Q = ½ - 3/7 = 1/14	
R = ½ - 2/7 = 3/14	
Q:R = 1:3	

Therefore, Q will bear = ¼ × 10,000 = ₹2,500

R will bear = ¾ × 10,000 = ₹7,500

13. **Alfa's Capital Account**

2024		₹	2024		₹
Sep. 30	To Current A/c (90,000 - 15000)	75,000	Jan. 1	By Balance b/d	90,000
			Dec. 31	By Profit and Loss A/c :	
Dec. 31	To Profit and Loss Adjt.	9000		Interest on Capital	7,200
	(Unrecorded Liability)		Dec. 31	Share of Profit	14,205

Dec. 31	To Balance Transferred to Alfa's Executor's A/c	1,15,395		BETA & Gamma (Goodwill)	35,490
			Dec. 31	Insurance Policies A/c	52,500
		1,99,395			1,99,395

Working Notes:

(i) Valuation of Goodwill

Year	Profit before Interest	Interest	Profit after interest
2021	88020	12000	76020
2022	79410	12000	67410
2023	-24960	12000	-36960
	142470	36000	106470

	₹
Average Profit	35490
Goodwill at two years purchase of average net profits	70980
Share of ALFA in the goodwill	35490

(ii) Profit on Separate Life Policy

Alfa's policy	75,000	
Beta and Gamma's policy @ 20% of ₹ 50,000	30,000	1,05,000
Share of Alfa (1/2)		52,500

(iii) Share in profit for 2024:

Profit for the year	40410
Less: Interest on capitals	-12000
	28,410
Alfa's share in profit (1/2)	14205

Note: An unrecorded liability of 18,000 has been charged to Capital Accounts through Profit and Loss Adjustment A/c, no further adjustment in current year's profit is required.

14. **Journal of A Limited**

Date 2025	**Particulars**		**Dr. ₹**	**Cr. ₹**
May 31	Bank A/c (Note 1 – Column 3)	Dr.	28,00,000	
	To Equity Share Application A/c			28,00,000
	(Being application money received on 14,00,000 shares @ ₹ 2 per share)			
June 10	Equity Share Application A/c	Dr.	28,00,000	
	To Equity Share Capital A/c			675,000
	To Equity Share Allotment A/c			
	(Note 1 - Column 5)			13,75,000
	To Bank A/c (Note 1–Column 6)			7,50,000
	(Being application money on 3,37,500 shares transferred to Equity Share Capital Account; on 687,500 shares adjusted with allotment and on 375,000 shares refunded as per Board's Resolution No.....dated...)			
	Equity Share Allotment A/c	Dr.	16,87,500	
	To Equity Share Capital A/c			3,37,500

	To Securities Premium a/c (Being allotment money due on 3,37,500 shares @ ₹ 5 each including premium at ₹ 4 each as per Board's Resolution No....dated...)			13,50,000
	Bank A/c (Note 1 – Column 8) To Equity Share Allotment A/c (Being balance allotment money received)	Dr.	3,12,500	3,12,500
Dec. 31	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call money due on 3,37,500 shares @₹ 7 per share as per Board's Resolution No.....dated....)	Dr.	23,62,500	23,62,500
	Bank A/c To Equity Share Final Call A/c (Being final call money on 3,37,500 shares @₹ 7 each received)	Dr.	23,62,500	23,62,500

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)	25,000	25,000	50,000	50,000	Nil	Nil	1,25,000	1,25,000
(ii)	1,25,000	62,500	2,50,000	1,25,000	1,25,000	Nil	3,12,500	1,87,500
(iii)	12,50,000	2,50,000	25,00,000	5,00,000	12,50,000	7,50,000	12,50,000	Nil
TOTAL	14,00,000	3,37,500	28,00,000	6,75,000	13,75,000	7,50,000	16,87,500	3,12,500

Also,

(i) Amount Received on Application (3) = No. of shares applied for (1) X ₹ 2

(ii) Amount Required on Application (4) = No. of shares allotted (2) X ₹ 2

15. (i) Journal in the Books of Weavers Ltd.

Date	Particulars	LF	(₹ 00)	(₹ 00)
2025				
Apr 1	Bank A/c Dr.		5,70,000	
	To Debenture Application A/c			5,70,000
	(Being debenture application money received for 6,00,000 debentures)			
	Debenture Application A/c Dr.		5,70,000	
	Discount on Issue of Debenture A/c Dr.		25,000	
	To 12% Debenture A/c			5,00,000
	To Bank A/c			95,000
	(Being application money transferred to debenture account and excess refunded)			

(ii) Discount on Issue of Debenture A/c

Date	Particulars	₹'00	Date	Particulars	₹'00
1.4.25	To 12% Debentures A/c	25,000	31.3.26	By Profit & Loss A/c	5,000
			31.3.26	By Balance c/d	20,000
		25,000			25,000
1.4.26	To Balance b/d	20,000	31.3.27	By Profit & Loss A/c	5,000
			31.3.27	By Balance c/d	15,000
		20,000			20,000
1.4.27	To Balance b/d	15,000	31.3.28	By Profit & Loss A/c	5,000
			31.3.28	By Balance c/d	10,000
		15,000			15,000
1.4.28	To Balance b/d	10,000	31.3.29	By Profit & Loss A/c	5,000
			31.3.29	By Balance c/d	5,000
		10,000			10,000

1.4.29	To Balance b/d	5,000	31.3.30	By Profit & Loss A/c	5,000
		5,000			5,000

(iii) Interest A/c

Date	Particulars	₹'00	Date	Particulars	₹'00
31.3.26	To Debenture holder A/c	60,000	31.3.26	By Profit & Loss A/c	60,000
		60,000			60,000
31.3.27	To Debenture holder A/c	60,000	31.3.27	By Profit & Loss A/c	60,000
		60,000			60,000
31.3.28	To Debenture holder A/c	60,000	31.3.28	By Profit & Loss A/c	60,000
		60,000			60,000
31.3.29	To Debenture holder A/c	60,000	31.3.29	By Profit & Loss A/c	60,000
		60,000			60,000
31.3.30	To Debenture holder A/c	60,000	31.3.30	By Profit & Loss A/c	60,000
		60,000			60,000

Debenture holder A/c

Date	Particulars	₹'00	Date	Particulars	₹'00
31.3.26	To Bank A/c	54,000	31.3.26	By Interest A/c	60,000
31.3.26	To TDS A/c	6,000			
		60,000			60,000
31.3.27	To Bank A/c	54,000	31.3.27	By Interest A/c	60,000
31.3.27	To TDS A/c	6,000			
		60,000			60,000
31.3.28	To Bank A/c	54,000	31.3.28	By Interest A/c	60,000
31.3.28	To TDS A/c	6,000			
		60,000			60,000
31.3.29	To Bank A/c	54,000	31.3.29	By Interest A/c	60,000
31.3.29	To TDS A/c	6,000			
		60,000			60,000
31.3.30	To Bank A/c	54,000	31.3.30	By Interest A/c	60,000
31.3.30	To TDS A/c	6,000			
		60,000			60,000

16.

	Number of debentures
Debenture holders opted for conversion (50,000 /100)	500
Option for conversion	20%
Number of debentures to be converted (20% of 500)	100

Redemption value of 40 debentures at a premium of 5% [100 x (100+5)]	₹ 10,500
Equity shares of ₹ 10 each issued on conversion	
[₹ 10,500/ ₹ 20]	525 shares

Calculation of cash to be paid:

	₹
Number of debentures	500
Less: number of debentures to be converted into equity shares	(100)
	400

Redemption value of 400 debentures (400 × ₹ 105) ie. ₹ 42,000

17. **In the books of Super Ltd.**

Journal Entries

			Dr.	*Cr.*
April 1	Capital Redemption Reserve A/c	Dr.	3,00,000	
	Securities Premium A/c	Dr.	1,87,500	
	General Reserve A/c	Dr.	9,00,000	
	Profit and Loss A/c (b.f.)	Dr.	13,12,500	
	To Bonus to Equity Shareholders A/c			27,00,000
	(Being bonus issue @ two shares for every five shares held by utilizing various reserves as per Board's Resolution dated...)			
	Bonus to Shareholders A/c	Dr.	27,00,000	
	To Equity Share Capital A/c			27,00,000
	(Being bonus shares issued)			

Journal Entries

Balance Sheet (Extract) as on 1st April, 2025 (after bonus issue)

		Particulars	Notes	Amount (₹)
		Equity and Liabilities		
1		Shareholders' funds		
	a	Share capital	1	1,00,50,000
	b	Reserves and Surplus	2	1,87,500

Notes to Accounts

1	**Share Capital**		(₹)
	Authorized share capital*:		
	9,45,000 Equity shares of ₹ 10 each		94,50,000
	62,500 10% Preference shares of ₹ 10 each		6,25,000
	Total		1,00,75,000
	Issued, subscribed and fully paid share capital:		
	9,45,000 Equity shares of ₹ 10 each, fully paid (Out of above, 2,70,000 equity shares @ ₹ 10 each were issued by way of bonus)		94,50,000
	60,000 10% Preference shares of ₹ 10 each		6,00,000
	Total		1,00,50,000
2	**Reserves and Surplus**		
	Capital Redemption Reserve	3,00,000	Nil
	Less: Utilized	(3,00,000)	
	Securities Premium	1,87,500	
	Less: Utilised for bonus issue	(1,87,500)	Nil
	General reserve	9,00,000	
	Less: Utilised for bonus issue	(9,00,000)	Nil
	Profit & Loss Account	15,00,000	

	Less: Utilised for bonus issue	(13,12,500)	1,87,500
	Total		71,87,500

Note: *Authorized capital has been increased by the minimum required amount i.e. ₹ 19,50,000 (94,50,000 – 75,00,000) in the above solution.

18. (i) Fundamental Accounting Assumptions: Fundamental accounting assumptions underline the preparation and presentation of financial statements. They are usually not specifically stated because their acceptance and use are assumed. Disclosure is necessary if they are not followed. The Institute of Chartered Accountants of India issued Accounting Standard (AS-1) 'Disclosure of Accounting Policies' according to which the following have been generally accepted as fundamental accounting assumptions:

(i) *Going Concern*: The enterprise is normally viewed as a going concern, i.e., as continuing operations for the foreseeable future. It is assumed that the enterprise has neither the intention nor the necessity of liquidation or of curtailing materially the scale of the operations.

(ii) *Consistency*: It is assumed that accounting policies are consistent from one period to another.

(iii) *Accrual*: Revenues and costs are accrued, i.e. recognised as they are earned or incurred (and not as money is received or paid) and recorded in the financial statements of the periods to which they relate.

(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.

3. *Summarized ledger:* Trial Balance contains the ledger balances on a particular date. Thus, the entire ledger is summarized in the form of a Trial Balance. The position of a particular account can be judged simply by looking at the Trial Balance. The ledger may be seen only when details regarding the accounts are required.

(iii) In a business house a number of small payments, such as for taxi fare, cartage, etc., have to be made. If all these payments are recorded in the cash book, it will become unnecessarily heavy. Also, the main cashier will be overburdened with work.

- Therefore, it is usual for firms to appoint a person as 'Petty Cashier' and to entrust the task of making small payments. of-course he will be reimbursed for the payments made.
- Later, on an analysis, the respective account may be debited.
- Imprest system of petty cash is followed, under this system a fixed sum of money is given to petty cashier for meeting expenses for a prescribed period.

Advantages of Petty cash book are:

(i) Saving of time of the chief cashier

(ii) Saving in labour in writing up the cash book and posting into the ledger

(iii) Control over small payments

(iv) **Machine Hour Rate method of calculating depreciation**: Where it is practicable to keep a record of the actual running hours of each machine, depreciation may be calculated on the basis of hours that the concerned machinery worked. Under machine hour rate method of calculating depreciation, the life of a machine is not estimated in years but in hours. Thus, depreciation is calculated after estimating the total number of hours that machine would work during its whole life; however, it may have to be varied from time to time, on a consideration of the changes in the economic and technological conditions which might take place, to ensure that the amount provided for depreciation corresponds to that considered appropriate in the changed circumstances. Proper records are maintained for running hours of the machine and depreciation is computed accordingly. For example, the cost of a machine is ₹10,00,000 and life of the machine is estimated at 50,000 hours. The hourly depreciation will be calculated as follows:

$$\text{Hourly Depreciation} = \frac{\text{Total cost of Machine}}{\text{Estimated life of Machine}}$$

$$= \frac{₹\,10{,}00{,}000}{50{,}000 \text{ hours}}$$

$$= ₹\ 20 \text{ per hour}$$

If the machine runs for say, 2,000 hours in a particular period, depreciation for the period will be 2,000 hours × ₹ 20 = ₹ 40,000.

(v) Non-Applicability of Garner vs Murray rule:

(i) When the solvent partner has a debit balance in the capital account.

Only solvent partners will bear the loss of capital deficiency of insolvent partner in their capital ratio. If incidentally, a solvent partner has a debit balance in his capital account, he will escape the liability to bear the loss due to insolvency of another partner.

(ii) When the firm has only two partners.

(iii) When there is an agreement between the partners to share the deficiency in capital account of the insolvent partner.

(iv) When all the partners of the firm are insolvent.

PAPER – 2: BUSINESS LAWS

QUESTIONS

Indian Regulatory Framework

1. Explain the hierarchical structure of the Indian Judicial System. Describe the powers and functions of the Supreme Court, High Courts, District Courts and Metropolitan Courts.

The Indian Contract Act, 1872

2. Albert obtained two loans of ₹ 3,00,000 and ₹ 4,00,000 respectively from a reputed Bank. Out of these, loan of ₹ 3,00,000 was guaranteed by Robert. Albert sent ₹ 2,00,000 to bank but did not intimate as to how it is to be appropriated towards the loans. The Bank appropriated the whole of ₹ 2,00,000 to the loan of ₹ 4,00,000 (the loan not guaranteed). Robert objected on the decision of the Bank. He argued with bank that repayment amount should be first adjusted to the guaranteed loan. State with reasons, whether the Bank was correct in its decision under the Indian Contract Act, 1872?

3. CA. Sarthak Jain had decided to get interior work for his new office. For this purpose, he entered into a contract with M/s Sherry Fine Interiors. It was agreed that M/s Sherry Fine Interiors will complete the interior work upto 31.01.2025. On 31.01.2025, CA. Sarthak Jain observed that only 20% to 30% work is completed. He decided to cancel the contract with M/s Sherry Fine Interiors. M/s Sherry Fine Interiors filed the suit against CA. Sarthak Jain for recovery of the cost which he incurred on the interior work. CA. Sarthak Jain argued that M/s Sherry Fine Interiors did not complete the work within the time as per contract and further the work done till 31.01.2025 by M/s Sherry Fine Interiors was of no use to

him as he has to appoint new interior designer. Explain, whether CA. Sarthak Jain is liable to pay the cost of work done by M/s Sherry Fine Interiors under the provisions of the Indian Contract Act, 1872?

4. Rohan of 17 years has purchased a mobile of ₹ 25,000 for his online classes from Mobile Sales Centre on credit. On due date, he did not make the payment of mobile. Mobile Sales Centre sued Rohan and his parents for the price of mobile. Rohan has ₹ 15,000 as his cash balance but his father has enough money to pay the price of mobile. Examine the given situation and answer who will be liable to pay the price of mobile as per the provisions of the Indian Contract Act, 1872?

5. Akhil ordered 100 Kgs of wheat to M/s Sahil Kirana Store, and it promised to supply the wheat by the evening. In the evening, the hawker of M/s Sahil Kirana Store comes with 100 Kgs of wheat but mistakenly he delivered it at the house of neighbor of Akhil. Referring to the provisions of the Indian Contract Act, 1872, advice who will be liable to pay the price of wheat?

6. Rahul hired a car for 15 days from M/s Kushwah Travels. After five days, M/s Kushwah Travels demanded back his car from Rahul. He was also agreed to compensate for any loss suffered by Rahul due to such premature return of goods. But Rahul refused to return the car before the period of bailment i.e. 15 days. M/s Kushwah Travels sued Rahul for recovery of car. Referring to the provisions of the Indian Contract Act, 1872, whether M/s Kushwah Travels can recover the car from the Rahul before the time fixed for bailment?

7. Ajay appoints Vijay to sell his electronic goods lying in his godown. He also agrees to give 10% commission on the sale price to Vijay. Afterwards, Ajay revokes Vijay's authority by sending the letter to Vijay. The letter was sent on 3rd March which was received by Vijay on 7th March. On 5th March, Vijay sold the goods worth ₹1,20,000. He claimed for commission from Ajay, but Ajay refused as he already revoked the agency before sale of goods. Referring the provisions of the Indian Contract Act, 1872, whether Ajay was liable to pay commission to Vijay?

8. Explain the concept of Quantum Meruit with reference to the Indian Contract Act, 1872. Under what circumstances can a party claim compensation under this doctrine?

9. Define co-sureties. State the rights available to surety against the co-sureties relating to contribution under the Indian Contract Act, 1872.

The Sale of Goods Act, 1930

10. 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?

11. 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?

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

12. (i) Raghav 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 clock. Deepa wants to avoid the contract. Can she do so under the provisions of the Sale of Goods Act, 1930?

    (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?

13. (i) State the various essential elements involved in the sale of unascertained goods and their appropriation as per the Sale of Goods Act, 1930.

    (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.

14. What is the concept of "Reservation of Right of Disposal" under Section 25 of the Sale of Goods Act, 1930? Under what circumstances is the seller deemed to have reserved the right of disposal of goods?

The Indian Partnership Act, 1932

15. 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 sell 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 was continuously declining. To save the loss of firm, A sold the stock at lower price. Meanwhile, A tried to contact B but couldn't 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 the Indian Partnership Act, 1932?

16. 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?

17. (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 2025. Due to this, the electricity department cut the connection. Mr. John has to pay the electricity bill of ₹ 2800 and ₹ 200 as a 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. Comment in the light of the relevant legal provision of the Indian Partnership Act, 1932, the legal position and the correctness of the liability of Mr. Ram to pay whole amount of ₹ 3000 to Mr. John?

(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.

18. (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 not wanting to continue operating the business?

(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. Later A comes to know of the fact of B,s conduct on the transaction with C. So he decided to avoid his 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. Comment upon the decision of A in the said transaction.

The Limited Liability Partnership Act, 2008

19. Explain the legal provisions regarding the eligibility of persons to become partners in a Limited Liability Partnership (LLP) under the LLP Act, 2008. What are the consequences if LLP carries on business with less than the minimum number of partners as prescribed?

The Companies Act, 2013

20. 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, 2025 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.

21. In the Flower Fans Private Limited, there are only 5 members. All of them went on a pleasure trip in a boat into an open sea. The boat overturn and all of them were drowned. Explain with reference to the provisions of the 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?

22. 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 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 ABC Limited seeks 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.

23. 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 lakh shares of ₹ 100 each. Pacific Motors Limited is holding five lakh 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 a Government Company under the provisions of the Companies Act, 2013?

The Negotiable Instruments Act, 1881

24. 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.

(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.

25. 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 Instruments Act, 1881?

SUGGESTED ANSWERS/HINTS

1. Hierarchical Structure of the Indian Judicial System

The hierarchical structure of the Indian Judicial System comprised of the Courts for dispute redressal between citizens or between citizens and the Government. Supreme Court is at the top, followed by the High Courts and District Courts. Decisions of the Supreme Court is the final word on the matter and therefore are binding on all High Courts under Article 141 of the Indian Constitution. Whereas decisions of a High Court are binding in the respective state but are only persuasive in other states.

Following are the Powers & the Functions of various courts under the Indian Judicial System.

(i) Supreme Court

The Supreme Court is the apex body of the judiciary, established on 26th January, 1950. The Chief Justice of India is the highest authority appointed under Article 126 of the Constitution of India.

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 of the Constitution of India.

(ii) High Court

It is the highest court of appeal in each state and union territory. Article 214 of the Constitution of India 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 Constitution of India limits a High Court's supervisory power. An individual can seek remedies against violation of fundamental rights in High Court by filing a writ under Article 226 of the Constitution of India.

(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.

On the basis of a pecuniary jurisdiction, a civil judge can try suits valuing not more than Rupees two crore. On the basis of territorial Jurisdiction i.e. courts have power to control the areas covered by them. Cases are decided based on the local limits within which the parties reside or the property under dispute is situated.

(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.

2. Section 60 of the Indian Contract Act, 1872 provides, where the debtor does not intimate and there are no circumstances indicating to which debt the payment is to be applied, the creditor may apply it at his discretion to any lawful debt actually due and payable to him from the debtor. However, it cannot be applied to a disputed debt.

In the instant case, Albert obtained two loans of ₹ 3,00,000 and ₹ 4,00,000 respectively from a reputed Bank of which loan of ₹ 3,00,000 was guaranteed by Robert. Albert sent ₹ 2,00,000 to bank without intimating as to how it is to be appropriated towards the loans. The Bank appropriated the whole of ₹ 2,00,000 to the loan of ₹ 4,00,000 (the loan not guaranteed).

On the basis of the provisions and facts of the case, it can be said that in the absence of clear intimation about the appropriation of payment, it is the sole discretion of the Bank to which loan it can appropriate the amount. Hence, the Bank was correct in its decision under the Indian Contract Act, 1872.

3. Section 2(i) of the Indian Contract Act, 1872 provides that an agreement which is enforceable by law at the option of one or more the parties but not at the option of the other or others is a voidable contract. Further, when a party to a contract promise to perform a work within a specified time, could not perform with in that time, the contract is voidable at the option of the promisee. If promisee has received any benefit, he must return to promisor.

In the instant case, CA Sarthak Jain contracted with M/s Sherry Fine Interiors for doing interior work in his new office and 31.01.2025 was deadline. M/s Sherry Fine Interiors could complete only 20% to 30% work upto 31.01.2025. CA Sarthak Jain cancelled the contract, but M/s Sherry Fine Interiors filed the suit against CA Sarthak Jain for recovery of the cost which he incurred on the interior work.

In the given problem, the contract is voidable at the option of CA Sarthak Jain as work is not completed within the time agreed in the contract. Further, CA Sarthak Jain is not liable to pay the cost incurred by M/s Sherry Fine Interiors as that cost did not provide any benefit to him and he has to appoint a new interior designer.

4. Section 11 of the Indian Contract Act, 1872 provides that a minor is not capable to enter into a contract. A contract with minor is void-ab-initio. A minor cannot be enforced to pay off his liabilities. Parents or guardians of minor are also not liable for any contract entered by minor. However, a minor is liable for supplies of necessaries out of his assets. Minor is not personally liable even for necessaries.

In the instant case, Rohan, a minor, purchased a mobile worth ₹ 25,000 for his studies on credit from Mobile Sales Centre. Mobile Sales Centre sued Rohan and his parents for recovery of the price. Rohan has total ₹ 15,000 as his cash balance as his assets.

On the basis of the facts of the problem, parents of Rohan are not liable for the price of mobile. Rohan's assets are liable to make the payment of price. Hence, the Mobile Sales Centre can recover only ₹15,000 from Rohan i.e. equal to his assets.

5. By virtue of provisions of Section 72 of the Indian Contract Act, 1872, a person to whom money has been paid or anything delivered by mistake or under coercion, must repay or return it. Further, as per decision taken in case of *Shivprasad Vs Sirish Chandra*, every kind of payment of money or delivery of goods for every type of 'mistake' is recoverable.

In the instant case, Akhil contracted M/s Sahil Kirana Store for supply of 100 Kgs of wheat which to be delivered by the evening. In the evening, the hawker of M/s Sahil Kirana Store mistakenly delivered 100 Kgs wheat at the house of neighbor of Akhil.

As the hawker of M/s Sahil Kirana Store mistakenly delivered 100 Kgs wheat at the house of neighbor of Akhil and neighbor accepted the wheat, there is a quasi-contract between M/s Sahil Kirana Store and neighbor. Hence, neighbor will be liable to pay the price of wheat.

6. According to the Section 159 of the Indian Contract Act, 1872, when the goods are lent gratuitously, the bailor can demand back the goods at any time even before the expiry of the time fixed or the achievement of the object. However, due to the premature return of the goods, if the bailee suffers any loss, which is more than the benefit actually obtained by him from the use of the goods bailed, the bailor has to compensate the bailee.

In the given problem, Rahul hired a car for 15 days from M/s Kushwah Travels but just after five days, M/s Kushwah Travels demanded back his car from Rahul. Rahul refused to return the car before the period of bailment, i.e. 15 days. M/s Kushwah Travels filed suit against Rahul for recovery of car.

Premature recovery of goods bailed available only in case of gratuitous bailment. If bailment is for hire, this right is not available to bailor even he is ready to compensate for such premature return. Hence, M/s Kushwah Travels cannot recover back the goods before 15 days.

7. According to 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, Vijay was appointed by Ajay to sell his electronic goods and for which Vijay will be given 10% commission on the sale price. Subsequently, Ajay revokes Vijay's authority by sending the letter to Vijay on 3rd March which was received by Vijay on 7th March. But on 5th March, Vijay already sold the goods worth ₹ 1,20,000. He claimed for commission from Ajay, but Ajay refused.

Since, Vijay came to know about revocation of agency after selling the goods, and so therefore, he has right to claim the commission from Ajay.

8. **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 the 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 merit 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.

9. Rights of Surety against co-sureties

"**Co-sureties-** 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.

10. (i) 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 there in 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.

(ii) If the price of the goods were not settled in cash and some amount would have been pending then Mr. G would 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].

11. **(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.

(c) the goods shall be free from an defect, rendering them unmerchantable, which would not be apparent in reasonable examination of the sample.

In the instant case, in the light of the stated above provision, 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) 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.

12. (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 Raghav. 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 the hammer comes in its normal position after falling onto the 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 the sale of a 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.

13. (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.

14. Reservation of right of disposal (Section 25 of the Sale of Goods Act, 1930)

This section preserves the right of disposal of goods to secure that the price is paid before the property in goods passes to the buyer.

Where there is contract of sale of specific goods or where the goods have been subsequently appropriated to the contract, the seller may, by the terms of the contract or appropriation, as the case may be, reserve the right to dispose of the goods, until certain conditions have been fulfilled. In such a case, in spite of the fact that the goods have already been delivered to the buyer or to a carrier or other bailee for the purpose of transmitting the same to the buyer, the property therein will not pass to the buyer till the condition imposed, if any, by the seller has been fulfilled. (sub-section1)

Circumstances under which the right of disposal may be reserved: In the following circumstances, seller is presumed to have reserved the right of disposal:

(1) If the goods are shipped or delivered to a railway administration for carriage and by the bill of lading or railway receipt, as the case may be, the goods are deliverable to the order of the seller or his agent, then the seller will be prima facie deemed to have reserved the right of disposal. (sub section 2)

(2) Where the seller draws a bill on the buyer for the price and sends to him the bill of exchange together with the bill of lading or (as

the case may be) the railway receipt to secure acceptance or payment thereof, the buyer must return the bill of lading, if he does not accept or pay the bill.

And if he wrongfully retains the bill of lading or the railway receipt, the property in the goods does not pass to him. (sub section 3)

15. According to Section 13(e) of the 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.

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 the 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. A couldn't contact B as he was on foreign trip. B filed the suit to recover the difference of sale price and minimum price to the firm.

On the basis of the 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.

16. 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.

17. (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 the 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 the 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.

18. (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 not wanting to continue operating of 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. Therefore, the decision of A to avoid the liability to C, is not feasible.

19. **Partners (Section 5 of the LLP 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.

Minimum number of partners (Section 6):

(i) Every LLP shall have at least two partners.

(ii) If at any time the number of partners of a LLP is reduced below two and the LLP carries on business for more than six months while the number is so reduced, the person, who is the only partner of the LLP during the time that it so carries on business after those six months and has the knowledge of the fact that it is carrying on business with him alone, shall be liable personally for the obligations of the LLP incurred during that period.

20. 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, 2025 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.

21. **(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.

22. **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.

23. According to the provisions of 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.

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 company 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 the Companies Act, 2013, Rama Auto Private Limited is a subsidiary company of Pacific Motors Limited because Pacific Motors Limited holds 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 a Government Company.

24. (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).

25. 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.

PAPER – 3: QUANTITATIVE APTITUDE

QUESTIONS

1. Find missing term of the series 7,26, 63,124,215, 342, ?

   (a) 391

   (b) 421

   (c) 481

   (d) 511

2. In a certain code, KAVERI is written as VAKIRE. How is MYSORE written in that code?

   (a) EROSYM

   (b) SYMROE

   (c) SYMERO

   (d) SMYERP

3. In a certain code DECEMBER is written as ERMBCEDE. which word will written as ERMBVENO in that code?

   (a) AUGUST

   (b) SEPTEMBER

   (c) OCTOBER

   (d) NOVEMBER

4. Ravi faces towards North. Turning to his right, he walks 25 meters. He turns to his left and walks 30 meters. Next, he moves 25 meters to his right. He then turns to his right again and walks 55 meters. Finally, he

turns to the right and moves 40 meters. In which direction is he now from his starting point?

(a) South-West

b) South

(c) North-West

(d) South-East

5. Ponying to a gentleman, Deepak said, "His only brother is the father of my daughters father." How is gentleman related to Deepak?

(a) Grandfather

(b) Father

(c) Uncle

(d) Brother-in-law

6. Find the value of p from $\left(\sqrt{4}\right)^{-6}$ x $\left(\sqrt{2}\right)^{-4}$ = 2^p

(a) 16

(b) 8

(c) -8

(d) 4

7. If (7p+ 3q) : (3p-2q) = 43:2 , then p:q is __________

(a) 5:4

(b) 4:5

(c) 7: 2

(d) 2:7

8. The sum of the digits of a two digit number is 10. If 18 be subtracted from it, the digits in the resulting number will be equal. The number is

(a) 37

(b) 73

(c) 64

(d) None of these

9. The difference between Compound Interest and Simple Interest on a certain sum for 2 years at 6% p.a. is Rs. 13.50. Find the sum

(a) 3750

(b) 2750

(c) 4750

(d) none of these

10. A machine for which the useful life is estimated to be 5 years, Cost Rs. 5000 and Rate of depreciation is 10% p.a. The scrap value at the end of its life is

(a) 2952.45

(b) 2500

(c) 3000

(d) 2559.50

11. Every two person shakes hands with each other in a party and the total number of hand shakes is 66. The number of guests in the party is

(a) 11

(b) 12

(c) 13

(d) 14

12. The ways of selecting 4 letters from the word EXAMINATION is

(a) 136

(b) 130

(c) 125

(d) none of these

13. If the A.M. and G.M. for two numbers are 6.50 and 6 respectively then the two numbers are

(a) 6 and 7

(b) 9 and 4

(c) 10 and 3

(d) 8 and 5

14. The sixth term of a G.P. with common ratio as 2 and first term being 5 is________.

(a) 160

(b) 32

(c) 800

(d) 64

15. If g(x) = x–1/x, g(–½) is

(a) 1

(b) 2

(c) ½

(d) 3

16. $\text{Lim}_{x \to 3} \frac{x^2 - 9}{x - 3}$ is equal to

(a) 0

(b) 6

(c) -6

(d) Does not exist

17. Evaluate $\int_0^1 (2x^2 - x^3)\, dx$ and the value is

(a) 4/3

(b) 5/12

(c) -4/3

(d) none of these

18. Find $\frac{dy}{dx}$ when $y = 4x^3 + 8x^7$ at $x^2 = 2$

(a) 424

(b) 470

(c) 472

(d) none of these

19. The best method to collect data in case of natural calamity is

(a) Personal interview.

(b) Telephone interview.

(c) Mailed questionnaire method.

(d) Indirect interview.

20. The entire upper part of a table is known as

(a) Caption.

(b) Stub.

(c) Box head

(d) Boady

21. 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 a parameter.

(d) Standard deviation of a statistic.

22. The standard deviation of 25, 32, 43, 53, 62, 59, 48, 31, 24, 33 is

(a) 13.23

(b) 12.23

(c) 11.23

(d) none of these

23. What is the value of the first quartile for observations 15, 18, 10, 20, 23, 28, 12, 16?

(a) 17

(b) 16

(c) 15.75

(d) 12

24. 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

25. If there are two groups containing 30 and 20 observations and having 50 and 60 as arithmetic means, then the combined arithmetic mean is

(a) 55

(b) 56

(c) 54

(d) 52

26. 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

27. If Arithmetic Mean and coefficient of variation of x are 5 and 20 respectively. What is the variance of (15-2x)?

    (a) 16

    (b) 4

    (c) 64

    (d) 32

28. The coefficient of correlation between two variables is 0.5, and then the coefficient of determination is

    (a) 0.5

    (b) 0.25

    (c) -0.5

    (d) 0.05

29. 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

30. What is the chance of picking a heart or a queen not of heart from a pack of 52 cards?

    (a) 17/52

    (b) 4/13

    (c) 1/3

    (d) 3/13

SUGGESTED ANSWERS/HINTS

1.	**(d)**	2.	**(c)**	3.	**(d)**	4.	**(d)**	5.	**(c)**
6.	**(c)**	7.	**(b)**	8.	**(b)**	9.	**(a)**	10.	**(a)**
11.	**(b)**	12.	**(a)**	13.	**(b)**	14.	**(a)**	15.	**(c)**
16.	**(b)**	17.	**(b)**	18.	**(c)**	19.	**(a)**	20.	**(c)**
21.	**(d)**	22.	**(a)**	23.	**(c)**	24.	**(d)**	25.	**(c)**
26.	**(d)**	27.	**(b)**	28.	**(b)**	29.	**(b)**	30.	**(c)**

PAPER – 4: BUSINESS ECONOMICS

QUESTIONS

1. The introduction of the Goods and Services Tax (GST) in India primarily aimed to:

   (a) Replace direct taxes with indirect taxes

   (b) Unify various indirect taxes into a single system

   (c) Increase the tax burden on lower-income groups

   (d) Eliminate the taxation of services

2. Microeconomic theory studies how a free-enterprise economy determines:

   (a) the price of goods

   (b) the price of services

   (c) the price of economic resources

   (d) all of the above.

3. Within the relevant range, isoquants

   (a) are negatively sloped

   (b) are convex to the origin

   (c) cannot cross

   (d) are all of the above.

4. Which of the following is incorrect formula?

   (a) $TC = AC \times Q$

   (b) $\sum MC = TC$

(c) $\sum MC = TVC$

(d) $\sum MC + TFC = TC$

5. The Substitution effect will be stronger when

(a) The goods are closer substitution

(b) There is lower cost of switching to the substitute goods

(c) There is lower Inconvenience while switching to the substitute good

(d) All the above

6. Price discrimination to be profitable elasticity of demand in different submarket will be ____

(a) Different

(b) Uniform

(c) Zero

(d) None of these

7. According to Hicks and Allen the demand curve slope downwards due to ____

(a) Law of diminishing marginal utility

(b) Income effect and substitution effect

(c) Either (a) or (b)

(d) None of these

8. Full Capacity is utilized in the which market condition_____

(a) Perfect Competition

(b) Monopoly

(c) Oligopoly

(d) None of these

9. 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

10. Coincident indicator is not indicated as:

(a) Inflation

(b) Industrial Production

(c) Retail Sales

(d) New order for Plant and equipment

11. 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

12. 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

13. 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.

14. 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.

15. 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

16. 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

17. 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

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. 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.

20. 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

21. What is the primary method for calculating National Income using the income approach?

(a) Adding up all expenditures in the economy

(b) Summing up all factor incomes earned by households and firms

(c) Measuring the value added at each stage of production

(d) Calculating the difference between exports and imports

22. Which of the following is considered a component of M1, the narrowest definition of money supply?

(a) Time deposits

(b) Currency in circulation

(c) Treasury bills

(d) Corporate bonds

23. 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) Traveler's checks
24. Which of the following is a factor income?
    (a) Profits
    (b) Transfer payments
    (c) Subsidies
    (d) Indirect taxes
25. 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

SUGGESTED ANSWERS/HINTS

1.	**(b)**	2.	**(d)**	3.	**(d)**	4.	**(b)**	5.	**(a)**
6.	**(a)**	7.	**(b)**	8.	**(a)**	9.	**(a)**	10.	**(d)**
11.	**(d)**	12.	**(b)**	13.	**(c)**	14.	**(c)**	15.	**(b)**
16.	**(a)**	17.	**(b)**	18.	**(c)**	19.	**(c)**	20.	**(b)**
21.	**(b)**	22.	**(b)**	23.	**(b)**	24.	**(a)**	25.	**(a)**

Applicability of Standards/Guidance Notes/Legislative Amendments etc. for September, 2025 Examination

Foundation Level

Paper 2: Business Laws

The provisions of the Companies Act, 2013 and the Limited Liability Partnership Act, 2008 along with significant Rules/ Notifications/ Circulars/ Clarification/ Orders issued by the Ministry of Corporate Affairs up to 28.02.25 are applicable for September 2025 examination.