

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

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

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

Working Notes should form part of the answer.

(Time allowed: 3 Hours)

(100 Marks)

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

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

(6 statements x 2 Marks= 12 Marks)

(b) Discuss the limitations which must be kept in mind while evaluating the Financial Statements.

(4 Marks)

(c) The following errors were committed by the Accountant of Hari Om Toys.

- (i) Purchase of Rs. 1620 from Anupam & Co. passed through Sales Day Book as Rs. 1260
- (ii) Credit sale of Rs. 1600 to Soni & Co. was posted to the credit of their account.

How would you rectify the errors assuming that :

- (a) they were detected before preparation of Trial Balance.
- (b) they were detected after preparation of Trial Balance but before preparing Final Accounts, the difference was taken to Suspense A/c.
- (c) they were detected after preparing Final Accounts.

(4 Marks)

2. (a) M/s. JP Wires Co. purchased a second-hand machine on 1st January, 2017 for Rs. 3,20,000. Overhauling and erection charges amounted to Rs. 80,000.

Another machine was purchased for Rs. 1,60,000 on 1st July, 2017.

On 1st July, 2019, the machine installed on 1st January, 2017 was sold for Rs. 1,60,000. Another machine amounted to Rs. 60,000 was purchased and was installed on 30th September, 2019.

Under the existing practice the company provides depreciation @ 20% p.a. on original cost. However, from the year 2020 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2017 to 2020.

- (b) Universe Ltd. keeps no stock records but a physical inventory of stock is made at the end of each quarter and the valuation is taken at cost. The company's year ends on 31st March, 2021 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2021 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2021 with the stock figure as on 31st December, 2020 and some other information is available to you:

- (i) The cost of stock on 31st December, 2020 as shown by the inventory sheet was Rs. 2,40,000.
- (ii) On 31st December, stock sheet showed the following discrepancies:
 - (a) A page total of Rs. 15,000 had been carried to summary sheet as Rs. 18,000.
 - (b) The total of a page had been undercast by Rs. 600.
- (iii) Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2021 totalled Rs. 2,10,000. Out of this Rs. 9,000 related to goods received prior to 31st December, 2020. Invoices entered in April, 2021 relating to goods received in March, 2021 totalled Rs. 12,000.
- (iv) Sales invoiced to customers totalled Rs. 2,70,000 from January to March, 2021. Of this Rs. 15,000 related to goods dispatched before 31st December, 2020. Goods dispatched to customers before 31st March, 2021 but invoiced in April, 2021 totalled Rs. 12,000.
- (v) During the final quarter, credit notes at invoiced value of Rs. 3,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2021. **(10 + 10 = 20 Marks)**

3. (a) Mr. Z accepted a bill for Rs. 50,000 drawn on him by Mr. Y on 1st August, 2020 for 3 months. This was for the amount which Z owed to Y. On the same date Mr. Y got the bill discounted at his bank for Rs. 49,000.

On the due date, Z approached Y for renewal of the bill. Mr. Y agreed on condition that Rs. 10,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Z should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2020, Z became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. Y.

(10 Marks)

- (b) On 31st March, 2021 goods sold at a sale price of Rs. 30,000 were lying with customer, Sapan to whom these goods were sold on 'sale or return basis' were recorded as actual sales. Since no consent has been received from Sapan, you are required to pass adjustment entries presuming goods were sent on approval at a profit of cost plus 25%. Present market price is 20% less than the cost price.

(5 Marks)

- (c) Meera purchases goods on credit. His due dates for payments are given below. You are required to calculate average due date.

<i>Transaction Date</i>	<i>Rs.</i>	<i>Due Date</i>
August 5	600	Sept. 08
Sept. 15	400	Oct. 18
Oct. 10	550	Nov. 13
Nov. 5	800	Dec. 10

(5 Marks)

4. From the following data, prepare an Income and Expenditure Account for the year ended 31st December 2020, and Balance Sheet as at that date of the New Max Hospital:

**Receipts and Payments Account for the
year ended 31 December, 2020**

RECEIPTS	Rs.		PAYMENTS		Rs.
To Balance b/d			By Salaries:		
Cash	400		(Rs. 3,600 for 2019)		15,600
Bank	<u>2,600</u>	3,000	By Hospital Equipment		8,500
To Subscriptions:			By Furniture purchased		3,000
For 2019		2,550	By Additions to Building		25,000
For 2020		12,250	By Printing and Stationery		1,200
For 2021		1,200	By Diet expenses		7,800
To Government Grant:			By Rent and rates (Rs. 150 for 2021)		1,000
For building		40,000	By Electricity and water charges		1,200
For maintenance		10,000	By Office expenses		1,000
Fees from sundry Patients		2,400	By Investments		10,000
To Donations (not to be capitalized)		4,000	By Balances:		
To Net collections from benefit shows		3,000	Cash	700	
			Bank	<u>3,400</u>	4,100
		<u>78,400</u>			<u>78,400</u>
Additional information :					Rs.
Value of building under construction as on 31.12.2020					70,000
Value of hospital equipment on 31.12.2020					25,500
Building Fund as on 1.1. 2020					40,000
Subscriptions in arrears as on 31.12.2019					3,250
Investments in 8% Govt. securities were made on 1st July, 2020.					

(20 Marks)

5. (a) The following are the balances as at 31st March, 2021 extracted from the books of Mr. Vijay.

Particulars	Rs.	Particulars	Rs.
Plant and Machinery	39,100	Bad debts recovered	900
Furniture and Fittings	20,500	Salaries	45,100
Bank Overdraft	1,60,000	Salaries payable	4,900
Capital Account	1,30,000	Prepaid rent	600
Drawings	16,000	Rent	8,600
Purchases	3,20,000	Carriage inward	2,250
Opening Stock	64,500	Carriage outward	2,700
Wages	24,330	Sales	4,30,600
Provision for doubtful debts	6,400	Advertisement Expenses	6,700

Provision for Discount on debtors	2,750	Printing and Stationery	2,500
Sundry Debtors	2,40,000	Cash in hand	2,900
Sundry Creditors	95,000	Cash at bank	6,250
Bad debts	2,200	Office Expenses	20,320
		Interest paid on loan	6,000

Additional Information:

1. Purchases include sales return of Rs. 5,150 and sales include purchases return of Rs. 3,450.
2. Free samples distributed for publicity costing Rs. 1,650.
3. Goods withdrawn by Mr. Vijay for own consumption Rs. 7,000 included in purchases.
4. Wages paid in the month of April for installation of plant and machinery amounting to Rs. 900 were included in wages account.
5. Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
6. Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.
7. Closing stock as on 31st March, 2021 is Rs. 2,50,000.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2021, and a Balance Sheet as on that date.

- (b) The following is the Balance Sheet of M/s. Krishna Bros as at 31st March, 2021, they share profit and losses equally:

Balance Sheet as at 31st March, 2021

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

Sumit died on 1st April, 2021 and the following agreement was to be put into effect.

- (a) Assets were to be revalued: Machinery to Rs. 35,100; Furniture to Rs. 13,800; Inventory to Rs. 4,500.
- (b) Goodwill was valued at Rs. 18,000 and was to be credited with his share, without using a Goodwill Account.
- (c) Rs. 6,000 is to be paid to the executors of the dead partner on 5th April, 2021.
- (d) After death of Sumit, Amit and Lalit share profit equally.

You are required to prepare:

- (i) Journal Entry for Goodwill adjustment.
- (ii) Revaluation Account and Capital Accounts of the partners. **(12 + 8 = 20 Marks)**

6. (a) Deepak Chemicals Ltd. invited applications for 10 lakhs shares of Rs. 100 each payable as follows:

	Rs.
On Application	10
On Allotment (on 1st June, 2020)	30
On First Call (on 1st Nov., 2020)	30
On Final Call (on 1st March., 2021)	30

All the shares were applied for and allotted. A shareholder holding 15,000 shares paid the whole of the amount due along with allotment.

You are required to prepare the journal entries for the above-mentioned transactions, assuming all sums due were received. Interest was paid to the shareholder concerned on 1st March, 2021.

(10 Marks)

- (b) Tim Tim Limited issued 10,000 8% Debentures of the nominal value of Rs.10,00,000 as follows:
- (a) To sundry persons for cash at 90% of nominal value of Rs. 5,00,000.
 - (b) To a vendor for purchase of fixed assets worth Rs. 2,00,000 – Rs. 2,50,000 nominal value.
 - (c) To the banker as collateral security for a loan of Rs. 2,00,000 – Rs. 2,50,000 nominal value.

You are required to prepare necessary Journal Entries.

(5 Marks)

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

OR

Which subsidiary books are normally used in a business?

(5 Marks)

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ANSWERS

1. (a) 1. **True** - The balance represents the cash physically in existence and is therefore an asset.
2. **False** - Finished goods are normally valued at cost or net realizable value whichever is lower.
3. **False** - Current year subscription shall be shown in the credit side of the income and expenditure account and not in the balance sheet, as it is not a capital item.
4. **False** - When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with amount received on shares forfeited.
5. **True** - Discount at the time of retirement of a bill is a gain for the drawee and loss for the drawer.
6. **True** - Yes they are types of subsidiary books which is alternate to the journals.
- (b) Limitations which must be kept in mind while evaluating the Financial Statements are as follows:
- The factors which may be relevant in assessing the worth of the enterprise don't find place in the accounts as they cannot be measured in terms of money.
 - Balance Sheet shows the position of the business on the day of its preparation and not on the future date while the users of the accounts are interested in knowing the position of the business in the near future and also in long run and not for the past date.
 - Accounting ignores changes in some money factors like inflation etc.
 - There are occasions when accounting principles conflict with each other.
 - Certain accounting estimates depend on the sheer personal judgement of the accountant.
 - Different accounting policies for the treatment of same item adds to the probability of manipulations.
- (c) (i) **Purchase of Rs. 1,620 is wrongly recorded through sales day book as Rs. 1,260.**

Correct Entry		Entry Made Wrongly	
Purchase A/c	Dr. 1,620	Anupam & Co.	Dr. 1,260
To Anupam & Co.	1,620	To Sales	1,260

Rectification Entry

Before Trial Balance		After Trial Balance		After Final Accounts	
Sales A/c	Dr. 1,260	Sales A/c	Dr. 1,260	Profit & Loss Adj. A/c	Dr. 2,880
Purchase A/c	Dr. 1,620	Purchase A/c	Dr. 1,620	To Anupam & Co.	2,880
To Anupam & Co.	2,880	To Anupam & Co.	2,880		

- (ii) This is one sided error. Soni & Co. account is credited instead of debit. Amount posted to the wrong side and therefore while rectifying the account, double the amount (Rs. 3200) will be taken.

Before Trial Balance	After Trial Balance	After Final Accounts
No Entry Debit Soni A/c with Rs. 3200	Soni & Co. A/c Dr. 3200 To Suspense A/c 3200	Soni & Co. A/c Dr. 3200 To Suspense A/c 3200

2. (a)

In the books of M/s. JP Wires Co.

Machinery Account

Date	Particulars	Amount Rs.	Date	Particulars	Amount Rs.
1.1.2017	To Bank A/c	3,20,000	31.12.2017	By Depreciation A/c (Rs.80,000+ Rs. 16,000)	96,000
	To Bank A/c (Erection charges)	80,000	31.12.2017	By Balance c/d (Rs.3,20,000+ Rs.1,44,000)	4,64,000
1.7.2017	To Bank A/c	1,60,000			
		<u>5,60,000</u>			<u>5,60,000</u>
01.01.18	To Balance b/d	4,64,000	31.12.2018	By Depreciation A/c (Rs.80,000+ Rs. 32,000)	1,12,000
			31.12.2018	By Balance c/d (Rs.2,40,000+Rs. 1,12,000)	3,52,000
		<u>4,64,000</u>			<u>4,64,000</u>
01.01.19	To Balance b/d	3,52,000	01.07.2019	By Bank A/c	1,60,000
30.9.19	To Bank A/c	60,000		By Profit and Loss A/c (Loss on Sale – W.N.)	40,000
			31.12.2019	By Depreciation A/c (Rs. 40,000 + Rs. 32,000 + Rs. 3,000)	75,000
				By Balance c/d (Rs. 80,000 + Rs. 57,000)	1,37,000
		<u>4,12,000</u>			<u>4,12,000</u>
01.01.20	To Balance b/d	1,37,000	31.12.2020	By Depreciation A/c (Rs. 12,000 + Rs. 8,550)	20,550
				By Balance c/d (Rs. 68,000 + Rs. 48,450)	1,16,450
		<u>1,37,000</u>			<u>1,37,000</u>

Working Notes:

Book Value of machines (Straight line method)

	Machine I	Machine II	Machine III
	Rs.	Rs.	Rs.
Cost	4,00,000	1,60,000	60,000
Depreciation for 2017	<u>80,000</u>	<u>16,000</u>	

Written down value as on 31.12.2017	3,20,000	1,44,000	
Depreciation for 2018	<u>80,000</u>	<u>32,000</u>	
Written down value as on 31.12.2018	2,40,000	1,12,000	
Depreciation for 2019	<u>40,000</u>	<u>32,000</u>	<u>3,000</u>
Written down value as on 31.12.2019	2,00,000	<u>80,000</u>	<u>57,000</u>
Sale proceeds	<u>1,60,000</u>		
Loss on sale	<u>40,000</u>		

(b) Valuation of Physical Stock as at March 31, 2021

		Rs.
Stock at cost on 31.12.2020		2,40,000
Add: (1) Undercasting of a page total	600	
(2) Goods purchased and delivered during January – March, 2021 Rs. (2,10,000 – 9,000 + 12,000)	2,13,000	
(3) Cost of sales return Rs. (3,000 – 600)	<u>2,400</u>	
		<u>2,16,000</u>
		4,56,000
Less: (1) Overcasting of a page total Rs. (18,000 – 15,000)	3,000	
(2) Goods sold and dispatched during January – March, 2021 Rs. (2,70,000 – 15,000 + 12,000)	2,67,000	
Less: Profit margin $2,67,000 \times \frac{25}{125}$	<u>53,400</u>	
	<u>2,13,600</u>	
		<u>(2,16,600)</u>
Value of stock as on 31st March, 2021		<u>2,39,400</u>

Note: In the above solution, transfer of ownership is assumed to take place at the time of delivery of goods. If it is assumed that transfer of ownership takes place on the date of invoice, then Rs. 12,000 goods delivered in March 2021 for which invoice was received in April, 2021, would be treated as purchases of the accounting year 2020-2021 and thus excluded. Similarly, goods dispatched in March, 2021 but invoiced in April, 2021 would be excluded and treated as sale of the year 2020-2021.

3. (a) Journal Entries in the Books of Mr. Y

Date		Particulars	L.F.	Dr. Amount Rs.	Cr. Amount Rs.
2020					
August	1	Bills Receivable A/c To Z A/c (Being the acceptance received from Z to settle his account)	Dr.	50,000	50,000
August	1	Bank A/c Discount A/c To Bills Receivable (Being the bill discounted for Rs. 49,000 from bank)	Dr. Dr.	49,000 1,000	50,000
November	4	Z A/c	Dr.	50,000	

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

(b) **Journal Entries**

Date 2021	Particulars		Dr. Rs.	Cr. Rs.
31 st March	Sales A/c	Dr.	30,000	
	To Sapan A/c (Being cancellation of entry for sale of goods, not yet approved)			30,000
	Inventories with customers A/c (Refer W.N.)	Dr.	19,200	
	To Trading A/c (Being Inventories with customers recorded at market price)			19,200

Working Note:

Calculation of cost and market price of Inventories with customer

Sale price of goods sent on approval	Rs.30,000
Less: Profit ($30,000 \times 25/125$)	<u>Rs. 6,000</u>
Cost of goods	<u>Rs.24,000</u>

Market price = $24,000 - (24,000 \times 20\%) = \text{Rs. } 19,200$.

(c) **Calculation of average due date (Base date: 8th September)**

Due Date	Amount	No. of days from base date	Product
	Rs.		Rs.
8th September	600	0	0
18th October	400	40	16,000
13th November	550	66	36,300

10th December	<u>800</u>	93	<u>74,400</u>
	<u>2,350</u>		<u>1,26,700</u>

$$\text{Average due date} = \text{Base date} \pm \frac{\text{Total Product}}{\text{Total Amount}}$$

$$= 8\text{th September} + 1,26,700/2,350$$

$$= 8\text{th September} + 54 \text{ days} = 1\text{st November}$$

4. (a)

New Max Hospital

**Income & Expenditure Account
for the year ended 31 December, 2020**

Expenditure	(Rs.)	Income	(Rs.)
To Salaries	12,000	By Subscriptions	12,250
To Diet expenses	7,800	By Govt. Grants (Maintenance)	10,000
To Rent & Rates	850	By Fees, Sundry Patients	2,400
To Printing & Stationery	1,200	By Donations	4,000
To Electricity & Water-charges	1,200	By Benefit shows (net collections)	3,000
To Office expenses	1,000	By Interest on Investments	400
To Excess of Income over expenditure transferred to Capital Fund	8,000		
	<u>32,050</u>		<u>32,050</u>

Balance Sheet as at 31st Dec., 2020

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital Fund :			Building :		
Opening balance	24,650		Opening balance	45,000	
Excess of Income			Addition	<u>25,000</u>	70,000
Over Expenditure	<u>8,000</u>	32,650	Hospital Equipment :		
Building Fund :			Opening balance	17,000	
Opening balance	40,000		Addition	<u>8,500</u>	25,500
Add : Govt. Grant	<u>40,000</u>	80,000	Furniture		3,000
Subscriptions received in advance		1,200	Investments-		
			8% Govt. Securities		10,000
			Subscriptions receivable		700
			Accrued interest		400
			Prepaid expenses (Rent)		150
			Cash at Bank		3,400
			Cash in hand		700
		<u>1,13,850</u>			<u>1,13,850</u>

Working Notes:

(1) Balance sheet as at 31st Dec., 2019

Liabilities	Rs.	Assets	Rs.
Capital Fund		Building	45,000
(Balancing Figure)	24,650	Equipment	17,000
Building Fund	40,000	Subscription Receivable	3,250
Creditors for Expenses :		Cash at Bank	2,600
Salaries payable	<u>3,600</u>	Cash in hand	<u>400</u>
	<u>68,250</u>		<u>68,250</u>

(2) Value of Building	Rs.
Balance on 31st Dec. 2020	70,000
Paid during the year	<u>(25,000)</u>
Balance on 31st Dec. 2019	<u>45,000</u>
(3) Value of Equipment	
Balance on 31st Dec. 2020	25,500
Paid during the year	<u>(8,500)</u>
Balance on 31st Dec. 2019	<u>17,000</u>
(4) Subscription due for 2019	
Receivable on 31st Dec. 2019	3,250
Received in 2020	<u>2,550</u>
Still Receivable for 2019	<u>700</u>

**5. (a) Trading and Profit and Loss Account of Mr. Vijay
for the year ended 31st March, 2021**

Dr.				Cr.			
Particulars		Amount		Particulars		Amount	
	Rs.	Rs.			Rs.	Rs.	
To Opening stock		64,500	By Sales	4,27,150			
To Purchases	3,06,200		Less: Sales return	<u>5,150</u>		4,22,000	
Less: Purchases return	<u>3,450</u>	3,02,750	By Closing stock			2,50,000	
To Carriage inward		2,250					
To Wages		23,430					
To Gross profit c/d		<u>2,79,070</u>					
		<u>6,72,000</u>				<u>6,72,000</u>	
To Salaries		45,100	By Gross profit b/d			2,79,070	
To Rent		8,600	By Bad debts recovered			900	
To Advertisement expenses		8,350					

To	Printing and stationery		2,500			
To	Bad debts		2,200			
To	Carriage outward		2,700			
To	Provision for doubtful debts					
	5% of Rs. 2,40,000	12,000				
	Less: Existing provision	<u>6,400</u>	5,600			
To	Provision for discount on debtors					
	2.5% of Rs. 2,28,000	5,700				
	Less: Existing provision	<u>2,750</u>	2,950			
To	Depreciation:					
	Plant and machinery	6,000				
	Furniture and fittings	<u>2,050</u>	8,050			
To	Office expenses		20,320			
To	Interest on loan		6,000			
To	Net profit (Transferred to capital account)					
			<u>1,67,600</u>			
			<u>2,79,970</u>			<u>2,79,970</u>

Balance Sheet of Mr. Vijay as on 31st March, 2021

Liabilities	Rs.	Amount Rs.	Assets	Rs.	Amount Rs.
Capital account	1,30,000		Plant and machinery	40,000	
Add: Net profit	<u>1,67,600</u>		Less: Depreciation	<u>6,000</u>	34,000
	2,97,600		Furniture and fittings	20,500	
Less: Drawings	<u>23,000</u>	2,74,600	Less: Depreciation	<u>2,050</u>	18,450
Bank overdraft		1,60,000	Closing stock		2,50,000
Sundry creditors		95,000	Sundry debtors	2,40,000	
Payable salaries		4,900	Less: Provision for doubtful debts	12,000	
			Less: Provision for bad debts	<u>5,700</u>	2,22,300
			Prepaid rent		600
			Cash in hand		2,900
			Cash at bank		6,250
		<u>5,34,500</u>			<u>5,34,500</u>

(b) (i) **Journal Entry in the books of the M/s Krishna**

Date	Particulars		Dr. Rs.	Cr. Rs.
April, 1 2021	Amit's Capital A/c Lalit's Capital A/c To Sumit's Capital A/c (Being the required adjustment for goodwill through partner's capital accounts)	Dr. Dr.	3,000 3,000	6,000

(ii) **Revaluation Account**

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Furniture A/c (Rs. 16,800 – 13,800)	3,000	By Machinery A/c (Rs. 35,100 - 30,000)	5,100
To Inventory A/c (Rs 5,700 – 4,500)	1,200		
To Partners' Capital A/cs (Amit - Rs. 300, Lalit - Rs. 300, Sumit - Rs. 300)	900		
	5,100		5,100

Partners' Capital Accounts

Particulars	Amit	Lalit	Sumit	Particulars	Amit	Lalit	Sumit
To Sumit (Goodwill)	3,000	3,000	–	By Balance b/d	24,600	24,600	27,000
To Cash A/c	–	–	6,000	By General Reserve A/c	3,000	3,000	3,000
To Executors A/c	–	–	30,300	By Revaluation A/c (Profit)	300	300	300
To Balance C/d	24,900	24,900	–	By Amit (Goodwill)	–	–	3,000
				By Lalit (Goodwill)	–	–	3,000
	27,900	27,900	36,300		27,900	27,900	36,300

Working Note:

Statement showing the Required Adjustment for Goodwill

Particulars	Amit	Lalit	Sumit
Right of goodwill before death	1/3	1/3	1/3
Right of goodwill after death	1/2	1/2	–
Gain / (Sacrifice)	(+) 1/6	(+) 1/6	(-) 1/3

6. (a) **Journal of Deepak Chemicals Ltd.**

2020			Dr. Rs. in lakhs	Cr. Rs. in lakhs
June 1	Bank A/c To Shares Application A/c (Receipt of applications for 10 lakh shares along with application money of Rs. 10 per share.)	Dr.	100	100

June 1	Share Application and Allotment A/c Share Allotment A/c To Share Capital A/c (The allotment of 10 lakh shares : payable on application Rs. 10 share and Rs. 30 on allotment as per Directors' resolution no... dated...)	Dr. Dr.	100 300		400
June 1	Bank A/c To Shares Allotment A/c To Calls in Advance A/c [Receipt of money due on allotment @ Rs. 30, also the two calls (Rs. 30 and Rs. 30) on 15,000 shares.]	Dr.	309		300 9
Nov. 1	Share First Call A/c To Share Capital A/c (The amount due on 10 lakh shares @ Rs. 30 on first call, as per Directors, resolution no... dated...)	Dr.	300		300
	Bank A/c Calls in Advance A/c To Share First Call A/c (Receipt of the first call on 9.85 lakh shares, the balance having been previously received and now debited to call in advance account.)	Dr. Dr.	295.5 4.5		300
2021 March 1	Share Final Call A/c To Share Capital A/c (The amount due on Final Call on 10 lakh shares @ Rs. 30 per share, as per Directors' resolution no... dated...)	Dr.	300		300
March 1	Bank A/c Calls in Advance A/c To Share Final Call A/c (Receipt of the moneys due on final call on 9.85 lakhs shares, the balance having been previously received.)	Dr. Dr.	295.5 4.5		300
March 1	Interest on calls in Advance A/c To Shareholder A/c (Being interest on call in advance made due)	Dr.	0.63		0.63
March 1	Shareholder A/c To Bank A/c (Being interest paid)	Dr.	0.63		0.63

Working Note:

The interest on calls in advance paid @ 12% on :	Rs.
Rs. 4,50,000 (first call) from 1st June to 1st Nov., 2020–5 months	22,500
Rs. 4,50,000 (final call) from 1st June to 1st March., 2021–9 months	40,500
Total Interest Amount Due	63,000

(b) In the books of Tim Tim Ltd.**Journal Entries**

Date	Particulars		Dr. Rs.	Cr. Rs.
(a)	Bank A/c To Debentures Application A/c (Being the application money received on 5,000 debentures @ Rs. 90 each)	Dr.	4,50,000	4,50,000
	Debentures Application A/c Discount on issue of Debentures A/c To 8% Debentures A/c (Being the issue of 5,000 8% Debentures @ 90% as per Board's Resolution No....dated....)	Dr. Dr.	4,50,000 50,000	5,00,000
(b)	Fixed Assets A/c To Vendor A/c (Being the purchase of fixed assets from vendor)	Dr.	2,00,000	2,00,000
	Vendor A/c Discount on Issue of Debentures A/c To 8% Debentures A/c (Being the issue of debentures of Rs. 2,50,000 to vendor to satisfy his claim)	Dr. Dr.	2,00,000 50,000	2,50,000
(c)	Bank A/c To Bank Loan A/c (See Note) (Being a loan of Rs. 2,00,000 taken from bank by issuing debentures of Rs.2,50,000 as collateral security)	Dr.	2,00,000	2,00,000

Note: No entry is made in the books of account of the company at the time of making issue of such debentures. In the "Notes to Accounts" of Balance Sheet, the fact that the debentures being issued as collateral security and outstanding are shown by a note under the liability secured.

- (c)** The difference between the balance shown by the passbook and the cashbook may arise on account of the following:
- Cheques issued but not yet presented for payment.
 - Cheques deposited into the bank but not yet cleared.
 - Interest allowed by the bank.
 - Interest and expenses charged by the bank.
 - Interest and dividends collected by the bank.

- (vi) Direct payments by the bank.
- (vii) Direct deposits into the bank by a customer.
- (viii) Dishonour of a bill discounted with the bank.
- (ix) Bills collected by the bank on behalf of the customer.
- (x) An error committed by the bank etc.

OR

(c) Normally, the following subsidiary books are used in a business:

- (i) Cash book to record receipts and payments of cash, including receipts into and payments out of the bank.
- (ii) Purchases book to record credit purchases of goods dealt in or of the materials and stores required in the factory.
- (iii) Purchase Returns Books to record the returns of goods and materials previously purchased.
- (iv) Sales Book to record the sales of the goods dealt in by the firm.
- (v) Sale Returns Book to record the returns made by the customers.
- (vi) Bills receivable books to record the receipts of promissory notes or hundies from various parties.
- (vii) Bills Payable Book to record the issue of the promissory notes or hundies to other parties.
- (viii) Journal (proper) to record the transactions which cannot be recorded in any of the seven books mentioned above.

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING

SECTION A: BUSINESS LAWS

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

1. (i) Krish, Kamyra and Ketan are partners in a firm. They jointly promised to pay Rs. 6,00,000 to Dia. Kamyra become insolvent and her private assets are sufficient to pay 1/5 of her share of debts. Krish is compelled to pay the whole amount to Dia. Examining the provisions of the Indian Contract Act, 1872, decide the extent to which Krish can recover the amount from Ketan.

(4 Marks)
- (ii) Akbar, an assessee, was a wealthy man earning huge income by way of dividend and interest. He formed three Private Companies and agreed with each to hold a bloc of investment as an agent for them. The dividend and interest income received by the companies was handed back to Akbar as a pretended loan. This way, Akbar divided his income into three parts in a bid to reduce his tax liability.
Decide, for what purpose the three companies were established? Whether the legal personality of all the three companies may be disregarded.

(4 Marks)
- (iii) Distinguish between a 'Condition' and a 'Warranty' in a contract of sale. When shall a 'breach of condition' be treated as 'breach of warranty' under the provisions of the Sale of Goods Act, 1930? Explain.

(4 Marks)
2. (i) State the grounds upon which a contract may be discharged under the provisions of the Indian Contract Act, 1872.

(7 Marks)
- (ii) Enumerate the circumstances in which LLP may be wound up by Tribunal.

(5 Marks)
3. (i) "Though a minor cannot be a partner in a firm, he can nonetheless be admitted to the benefits of partnership."
(a) Referring to the provisions of the Indian Partnership Act, 1932, state the rights which can be enjoyed by a minor partner.
(b) State the liabilities of a minor partner both:
(i) Before attaining majority and
(ii) After attaining majority.

(6 Marks)
- (ii) P sells by auction to Q a horse which P knows to be unsound. The horse appears to be sound but P knows about the unsoundness of the horse. Is this contract valid in the following circumstances under the Indian Contract Act, 1872:
(a) If P says nothing about the unsoundness of the horse to Q.
(b) If P says nothing about it to Q who is P's daughter who has just come of age.
(c) If Q says to P "If you do not deny it, I shall assume that the horse is sound." P says nothing.

(3 Marks)

- (iii) Shyam induced Ram to buy his motorcycle saying that it was in a very good condition. After taking the motorcycle, Ram complained that there were many defects in the motorcycle. Shyam proposed to get it repaired and promised to pay 45% cost of repairs. After a few days, the motorcycle did not work at all. Now Ram wants to rescind the contract. Decide giving reasons. **(3 Marks)**
4. (i) What are the implied conditions in a contract of 'Sale by sample' under the Sale of Goods Act, 1930? State also the implied warranties operatives under the said Act. **(6 Marks)**
- (ii) X, Y and Z are partners in a Partnership Firm. They were carrying their business successfully for the past several years. Spouses of X and Y fought in ladies club on their personal issue and X's wife was hurt badly. X got angry on the incident and he convinced Z to expel Y from their partnership firm. Y was expelled from partnership without any notice from X and Z. Considering the provisions of the Indian Partnership Act, 1932, state whether they can expel a partner from the firm. What are the criteria for test of good faith in such circumstances? **(6 Marks)**
5. (i) M/s Woodworth & Associates, a firm dealing with the wholesale and retail buying and selling of various kinds of wooden logs, customized as per the requirement of the customers. They dealt with Rose wood, Mango wood, Teak wood, Burma wood etc.
- Mr. Das, a customer came to the shop and asked for wooden logs measuring 4 inches broad and 8 feet long as required by the carpenter. Mr. Das specifically mentioned that he required the wood which would be best suited for the purpose of making wooden doors and window frames. The Shop owner agreed and arranged the wooden pieces cut into as per the buyers requirements.
- The carpenter visited Mr. Das's house next day, and he found that the seller has supplied Mango Tree wood which would most unsuitable for the purpose. The carpenter asked Mr. Das to return the wooden logs as it would not meet his requirements.
- The Shop owner refused to return the wooden logs on the plea that logs were cut to specific requirements of Mr. Das and hence could not be resold.
- (a) Explain the duty of the buyer as well as the seller according to the doctrine of "Caveat Emptor".
- (b) Whether Mr. Das would be able to get the money back or the right kind of wood as required serving his purpose? **(6 Marks)**
- (ii) The persons (not being members) dealing with the company are always protected by the doctrine of indoor management. Explain. Also, explain when doctrine of Constructive Notice will apply. **(6 Marks)**
6. (a) "When a party to a contract has refused to perform, or disabled himself from performing his promise in its entirety, the promisee may put an end to the contract". Explain. **(5 Marks)**
- (b) "Indian Partnership Act does not make the registration of firms compulsory nor does it impose any penalty for non-registration." Explain. Discuss the various disabilities or disadvantages that a non-registered partnership firm can face in brief? **(4 Marks)**
- (c) Alfa school started imparting education on 1.4.2010, with the sole objective of providing education to children of weaker society either free of cost or at a very nominal fee depending upon the financial condition of their parents. However, on 30th March 2018, it came to the knowledge of the Central Government that the said school was operating by violating the objects of its objective clause due to which it was granted the status of a section 8 company under the Companies Act, 2013. Describe what powers can be exercised by the Central Government against the Alfa School, in such a case? **(3 Marks)**

PAPER 2: SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING

The Question Paper comprises of 5 questions of 10 marks each.

*Question No. 1 is compulsory. Out of questions 2 to 5, attempt any **three**.*

Total Marks: 40

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

People love music for much the same reason they're drawn to, drugs, gambling and delicious food, according to new research. When you listen to tunes that move you, the study found, your brain releases dopamine, a chemical involved in both motivation and addiction.

Even just anticipating the sounds of a composition like Vivaldi's "Four Seasons" or Phish's "You Enjoy Myself" can get the feel-good chemical flowing, found the study, which was the first to make a concrete link between dopamine release and musical pleasure.

The findings offer a biological explanation for why music has been such a major part of major emotional events in cultures around the world since the beginning of human history. Through music, the study also offers new insights into how the human pleasure system works.

'You're following these tunes and anticipating what's going to come next and whether it's going to confirm or surprise you, and all of these little cognitive nuances are what's giving you this amazing pleasure,' said Valorie Salimpoor, a neuroscientist at McGill University in Montreal. "The reinforcement or reward happens almost entirely because of dopamine." "This basically explains why music has been around for so long," she added. "The intense pleasure we get from it is actually biologically reinforcing in the brain, and now here's proof for it."

In a previous study, Salimpoor and colleagues linked music-induced pleasure with a surge in intense emotional arousal, including changes in heart rate, pulse, breathing rate and other measurements. Along with these physical changes, people often report feelings of shivers or chills. When that happens during a listening experience, Salimpoor's group and others have found evidence that blood flows to regions in the brain involved in dopamine release.

To solidify the dopamine link, the researchers recruited eight music-lovers, who brought to the lab samples of music that gave them chills of pleasure. Most picks were classical, with some jazz, rock and popular music mixed in, including Led Zeppelin and Dave Matthews Band. The most popular selection was Barber's Adagio for Strings.

After 15 minutes of listening, scientists injected participants with a radioactive substance that binds to dopamine receptors. With a machine called a PET scanner, the scientists were then able to see if that substance simply circulated through listeners' blood, which would indicate that they had already released a lot of dopamine, and that the dopamine was tying up all available receptors. If most of their dopamine receptors were free, on the other hand, the radioactive substance would bind to them.

The technique showed, definitively for the first time, that people's brains released large amounts of dopamine when they listened to music that gave them chills, the researchers reported in the journal Nature Neuroscience. When the same people listened to less moving music the next day, their dopamine receptors remained wide open.

Once the researchers knew for sure that dopamine was behind the pleasure of music, they put participants in an MRI machine and played the moving music for them again. In this part of the experiment, the scanners showed that the brain pumped out dopamine both during the phase of musical anticipation and at the moment when chills hit in full force. The two surges happened in different areas of the brain.

“It is amazing that we can release dopamine in anticipation of something abstract, complex and not concrete,” Salimpoor said. “This is the first study to show that dopamine can be released in response to an aesthetic stimulus.”

1. The aim of the study is to explain:
 - (a) how brain releases dopamine.
 - (b) why music is an integral part of emotional events in all cultures.
 - (c) how human pleasure system works.
 - (d) both (b) and (c).
2. If the radioactive substance circulated through the listener's blood it would show:
 - (a) the listeners were music lovers.
 - (b) PET scan is crucial in such studies.
 - (c) dopamine had been released during listening to music.
 - (d) all radioactive substances can detect dopamine.
3. Why is dopamine referred to as the 'feel-good' chemical?
4. Why was the PET scanner used?
5. On whom was the study reported in the journal Nature Neuroscience conducted?

(1*5 = 5 Marks)

(b) Read the passage given below.

- (i) Make notes, using headings, sub-headings, and abbreviations wherever necessary.

(3 Marks)

- (ii) Write summary.

(2 Marks)

Silk is the most elegant textile in the world with unparalleled grandeur, natural sheen, and inherent affinity for dyes, high absorbance, light weight, soft touch and high durability and known as the “Queen of Textiles” the world over. On the other hand, it stands for livelihood opportunity for millions owing to high employment oriented, low capital intensive and remunerative nature of its production. The very nature of this industry with its rural based on-farm and off-farm activities and enormous employment generation potential has attracted the attention of the planners and policy makers to recognize the industry among one of the most appropriate avenues for socio-economic development of a largely agrarian economy like India.

Silk has been intermingled with the life and culture of the Indians. India has a rich and complex history in silk production and its silk trade dates back to 15th century. Sericulture industry provides employment to approximately 8.25 million persons in rural and semi-urban areas in India during 2015-16. Of these, a sizeable number of workers belongs to the economically weaker sections of society, including women. India's traditional and culture bound domestic market and an amazing diversity of silk garments that reflect geographic specificity have helped the country to achieve a leading position in silk industry.

Silk production in India has the unique distinction of being the only country producing all the five known commercial silks, namely, mulberry, tropical tasar, oak tasar, eri and muga, of which muga with its golden yellow glitter is unique and prerogative of India. Mulberry sericulture is mainly practised in states namely, Karnataka, Andhra Pradesh, Assam and Bodoland, West Bengal. Jharkhand and Tamil Nadu are major silk producing states in the country. North East has the unique distinction of being the only region producing four varieties of silk viz., Mulberry, Oak Tasar, Muga and Eri. Overall NE region contributes 18%

of India's total silk production. India is the second largest producer of silk in the world. Among the four varieties of silk produced in 2015-16, Mulberry accounts for 71.8% (20,434 MT), Tasar 9.9% (2,818 MT), Eri 17.8% (5,054 MT) and Muga 0.6% (166 MT) of the total raw silk production of 28,472 MT. The demand for superior quality bivoltine silk is increasing in India for domestic consumption as well as value added silk products for the export market.

2. (a) What do you understand by completeness in communication? **(1 Mark)**

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

Wreak

- (a) to twist
- (b) to sweat
- (c) to inflict
- (d) to grasp

(1 Mark)

(ii) Select a suitable antonym for the word given below.

Profane

- (a) Beautiful
- (b) Sacred
- (c) Glorious
- (d) Insane

(1 Mark)

(iii) Change the following sentence into passive voice.

(1 Mark)

Who is creating this mess?

(iv) Change the following sentences to indirect speech.

(1 Mark)

Soni said to Dhiraj, "Let him come, then we shall see."

(c) Write a précis and give appropriate title to the passage given below. **(5 Marks)**

When Martin Luther King, Jr. was in high school, he won an oratorical contest sponsored by the Negro Elks. He and a beloved teacher were returning home in triumph, riding on a bus, when some white passengers got on. The white bus driver ordered King and his teacher to give up their seats, and cursed them. King wanted to stay seated, but his teacher urged him to obey the law. They had to stand in the aisle for the 90 miles back to Atlanta.

"That night will never leave my memory," King told an interviewer, decades later. "It was the angriest I have ever been in my life." And King is an example of someone who showed a kind of genius for turning that emotion into positive action. "My father was extremely angry from that incident. So much so that he expressed it later on by saying that he came very dangerously close, at that particular time, to hating all white people," says Bernice King, who now runs The King Center in Atlanta.

As he grew older, and went to college and theological school, Martin Luther King, Jr. realized that non-violent resistance offered a way to channel anger into positive forms of protest. "If you internalize anger, and you don't find a channel, it can destroy you," she says. "That's why when Daddy reiterated, 'Hate is too great a burden to bear,' he knew it was corrosive and erosive."

Though King became an icon of non-violence and peace, he also inwardly wrestled with anger and, at times, would snap at those he loved. Looking at how King dealt with anger reveals its dual nature—how it can be a motivating force for change, while also containing the potential for destruction.

3. (a) Define paralanguage. (1 Mark)
- (b) (i) Choose the word which best expresses the meaning of the given word. (1 Mark)
- Augury
- (a) dispute
- (b) altar
- (c) refuge
- (d) omen
- (ii) Select a suitable antonym for the word given below. (1 Mark)
- Brazen
- (a) shy
- (b) generous
- (c) insolent
- (d) bold
- (iii) Change the following sentences into passive voice: (1 Mark)
- She spoke to the official on duty.
- (iv) Change the following sentence to indirect speech. (1 Mark)
- He said, "I hardly have time to attend any party."
- (c) (i) You are ABC, Senior Manager Administration of BNM Solutions Pvt. Ltd. Draft a complaint letter to GHJ Printers regarding delay in delivery of visiting cards ordered 2 weeks ago. (3 Marks)
- (ii) You are Senior Manager HR, Draft a mail to employees of your department, inviting them for a meeting to discuss about the new recruitments to be done in various departments of the company. (2 Marks)
4. (a) Differentiate between vertical and circuit network in communication. (2 Marks)
- (b) (i) Select the suitable antonym for the given word: (1 Mark)
- Bawdy
- (a) dirty
- (b) careless
- (c) decent
- (d) inflexible
- (ii) Rewrite the following sentence in passive voice: (1 Mark)
- A child could not have done this mischief.
- (iii) Change the following sentence into Indirect speech. (1 Mark)
- The young knight asked, "Which way did the princess go?"
- (c) Write an Article in 250-300 words on the topic '**Medical Tourism in India**'. (5 Marks)
- Or**
- Write a report in 250-300 words on your visit to an **Old Age Home**
5. (a) Briefly explain emotional, attitude and perception barriers in communication. How can these be overcome? (2 Marks)

(b) (i) Select the correct meaning of the idioms/phrases given below. **(1 Mark)**

(1) Go to the dogs

(a) very fast

(b) aimless

(c) become angry

(d) become disordered

(ii) Out of the woods **(1 Mark)**

(a) After a long time

(b) no longer in danger

(c) out in open

(d) out of the dark

(iii) Change the following sentence into Indirect speech. **(1 Mark)**

"I don't know the way. Do you?" She asked.

(c) You are Senior Manager in a company. Due to the pandemic, the company had to allow work from home to employees travelling long distances. Others residing close by to attend office thrice a week. Prepare minutes of a meeting discussing the arrangements and resources to be provided to employees. Include the IT staff and supervisors. **(5 Marks)**

OR

Prepare a cover letter and detailed résumé in the functional format for a candidate applying for the post of Article Assistant in a CA firm

Name: XXX

Qualifications: CA Intermediate one group

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 2 BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING

PAPER A: BUSINESS LAWS

1. (i) As per section 43 of the Indian Contract Act, 1872, when two or more persons make a joint promise, the promisee may, in the absence of express agreement to the contrary, compel any one or more of such joint promisors to perform the whole of the promise.

Each of two or more joint promisors may compel every other joint promisor to contribute equally with himself to the performance of the promise, unless a contrary intention appears from the contract.

If any one of two or more joint promisors makes default in such contribution, the remaining joint promisors must bear the loss arising from such default in equal shares.

In the instant case, Krish, Kamya and Ketan jointly promised to pay Rs. 6,00,000 to Dia. Kamya become insolvent and her private assets are sufficient to pay 1/5 of her share of debts. Krish is compelled to pay the whole amount. Krish is entitled to receive Rs. 40,000 from Kamya's estate, and Rs. 2,80,000 from Ketan.

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

- (1) The problem asked in the question is based upon the aforesaid facts. The three companies were formed by the assessee purely and simply as a means of avoiding tax and the companies were nothing more than the façade of the assessee himself. Therefore, the whole idea of Mr. Akbar was simply to split his income into three parts with a view to evade tax. No other business was done by the company.

- (2) The legal personality of the three private companies may be disregarded because the companies were formed only to avoid tax liability. It carried no other business, but was created simply as a legal entity to ostensibly receive the dividend and interest and to hand them over to the assessee as pretended loans.

(iii) Difference between Condition and Warranty

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

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

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

2. (i) Discharge of a Contract:

A Contract may be discharged either by an act of parties or by an operation of law which may be enumerated as follows:

- (1) **Discharge by performance** which may be actual performance or attempted performance. Actual performance is said to have taken place, when each of the parties has done what he had agreed to do under the agreement. When the promisor offers to perform his obligation, but the promisee refuses to accept the performance, it amounts to attempted performance or tender.
- (2) **Discharge by mutual agreement:** Section 62 of the Indian Contract Act, 1872 provides that if the parties to a contract agree to substitute a new contract for it or to refund or remit or alter it, the original contract need not to be performed. Novation, Rescission, Alteration and Remission are also the same ground of this nature.
- (3) **Discharge by impossibility of performance:** The impossibility may exist from its initiation. Alternatively, it may be supervening impossibility which may take place owing to (a) unforeseen change in law (b) The destruction of subject matter (c) The non-existence or non-occurrence of particular state of things (d) the declaration of war (Section 56).
- (4) **Discharge by lapse of time:** A contract should be performed within a specific period as prescribed in the Law of Limitation Act, 1963. If it is not performed the party is deprived of remedy at law.
- (5) **Discharge by operation of law:** It may occur by death of the promisor, by insolvency etc.
- (6) **Discharge by breach of contract:** Breach of contract may be actual breach of contract or anticipatory breach of contract. If one party defaults in performing his part of the contract on the due date, he is said to have committed breach thereof. When on the other hand, a person repudiates a contract before the stipulated time for its performance has arrived, he is deemed to have committed anticipatory breach. If one of the parties to a contract breaks the promise the party injured thereby, has not only a right of action for damages but he is also discharged from performing his part of the contract (Section 64).
- (7) A promisee may dispense with or remit, wholly or in part, the performance of the promise made to him, or may extend the time for such performance or may accept instead of it any satisfaction he thinks fit. In other words, a contract may be discharged by remission. (Section 63).
- (8) When a promisee neglects or refuses to afford the promisor reasonable facilities for the performance of the promise, the promisor is excused by such neglect or refusal (Section 67).

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

- (a) if the LLP decides that LLP be wound up by the Tribunal;

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

3. (i) (a) Rights which can be enjoyed by a minor partner:

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

(b) (1) Liabilities of a minor partner before attaining majority:

- (a) The liability of the minor is confined only to the extent of his share in the profits and the property of the firm.
- (b) Minor has no personal liability for the debts of the firm incurred during his minority.
- (c) Minor cannot be declared insolvent, but if the firm is declared insolvent his share in the firm vests in the Official Receiver/Assignee.

(2) Liabilities of a minor partner after attaining majority:

Within 6 months of his attaining majority or on his obtaining knowledge that he had been admitted to the benefits of partnership, whichever date is later, the minor partner has to decide whether he shall remain a partner or leave the firm.

Where he has elected not to become partner he may give public notice that he has elected not to become partner and such notice shall determine his position as regards the firm. If he fails to give such notice he shall become a partner in the firm on the expiry of the said six months.

- (ii) According to Section 17 of the Indian Contract Act, 1872, mere silence as to facts likely to affect the willingness of a person to enter into a contract is not fraud, unless the circumstances of the case are such that, regard being had to them, it is the duty of the person keeping silence to speak, or unless his silence is, in itself, equivalent to speech. Hence, in the instant case,
 - (i) This contract is valid since as per section 17 mere silence as to the facts likely to affect the willingness of a person to enter into a contract is not fraud. Here, it is not the duty of the seller to disclose defects.
 - (ii) This contract is not valid since as per section 17 it becomes P's duty to tell Q about the unsoundness of the horse because a fiduciary relationship exists between P and his daughter Q. Here, P's silence is equivalent to speech and hence amounts to fraud.
 - (iii) This contract is not valid since as per section 17, P's silence is equivalent to speech and hence amounts to fraud.

- (iii) In the instant case, the aggrieved party, in case of misrepresentation by the other party, can avoid or rescind the contract [Section 19, Indian Contract Act, 1872]. The aggrieved party loses the right to rescind the contract if he, after becoming aware of the misrepresentation, takes a benefit under the contract or in some way affirms it.

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

4. (i) The following are implied conditions in a contract of sale by sample in accordance with Section 17 of the Sale of Goods Act, 1930;
- (a) that the bulk shall correspond with the sample in quality;
 - (b) that the buyer shall have a reasonable opportunity of comparing the bulk with the sample.
 - (c) that the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on a reasonable examination of the sample.

Implied Warrants:

1. *Warranty as to undisturbed possession [Section 14(b)]*: An implied warranty that the buyer shall have and enjoy quiet possession of the goods. That is to say, if the buyer having got possession of the goods, is later on disturbed in his possession, he is entitled to sue the seller for the breach of the warranty.
 2. *Warranty as to non-existence of encumbrances [Section 14(c)]*: An implied warranty that the goods shall be free from any charge or encumbrance in favour of any third party not declared or known to the buyer before or at the time the contract is entered into.
 3. *Warranty as to quality or fitness by usage of trade [Section 16(3)]*. An implied warranty as to quality or fitness for a particular purpose may be annexed by the usage of trade.
 4. *Warranty to disclose dangerous nature of goods*: Where a person sells goods, knowing that the goods are inherently dangerous or they are likely to be dangerous to the buyer and that the buyer is ignorant of the danger, he must warn the buyer of the probable danger, otherwise he will be liable in damages.
- (ii) A partner may not be expelled from a firm by a majority of partners except in exercise, in good faith, of powers conferred by contract between the partners. It is, thus, essential that:
- (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.

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

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

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

Thus, according to the test of good faith as required under Section 33(1), expulsion of Partner Y is not valid.

5. (i) (a) **Duty of the buyer according to the doctrine of “Caveat Emptor”:** In case of sale of goods, the doctrine ‘Caveat Emptor’ means ‘let the buyer beware’. When sellers display their goods in the open market, it is for the buyers to make a proper selection or choice of the goods. If the goods turn out to be defective he cannot hold the seller liable. The seller is in no way responsible for the bad selection of the buyer. The seller is not bound to disclose the defects in the goods which he is selling.

Duty of the seller according to the doctrine of “Caveat Emptor”: The following exceptions to the Caveat Emptor are the duties of the seller:

1. Fitness as to quality or use
2. Goods purchased under patent or brand name
3. Goods sold by description
4. Goods of Merchantable Quality
5. Sale by sample
6. Goods by sample as well as description
7. Trade usage
8. Seller actively conceals a defect or is guilty of fraud

- (b) As Mr. Das has specifically mentioned that he required the wood which would be best suited for the purpose of making wooden doors and window frames but the seller supplied Mango tree wood which is most unsuitable for the purpose. Mr. Das is entitled to get the money back or the right kind of wood as required serving his purpose. It is the duty of the seller to supply such goods as are reasonably fit for the purpose mentioned by buyer. [Section 16(1) of the Sale of Goods Act, 1930]

(ii) **Doctrine of Indoor Management**

According to this doctrine, persons dealing with the company need not inquire whether internal proceedings relating to the contract are followed correctly, once they are satisfied that the transaction is in accordance with the memorandum and articles of association.

Stakeholders need not enquire whether the necessary meeting was convened and held properly or whether necessary resolution was passed properly. They are entitled to take it for granted that the company had gone through all these proceedings in a regular manner.

The doctrine helps to protect external members from the company and states that the people are entitled to presume that internal proceedings are as per documents submitted with the Registrar of Companies.

The doctrine of indoor management is opposite to the doctrine of constructive notice. Whereas the doctrine of constructive notice protects a company against outsiders, the doctrine of indoor management protects outsiders against the actions of a company. This doctrine also is a safeguard against the possibility of abusing the doctrine of constructive notice.

Exceptions to Doctrine of Indoor Management (Applicability of doctrine of constructive notice)

- (i) **Knowledge of irregularity:** In case an ‘outsider’ has actual knowledge of irregularity within the company, the benefit under the rule of indoor management would no longer be available. In fact, he/she may well be considered part of the irregularity.
- (ii) **Negligence:** If, with a minimum of effort, the irregularities within a company could be discovered, the benefit of the rule of indoor management would not apply. The protection of

the rule is also not available where the circumstances surrounding the contract are so suspicious as to invite inquiry, and the outsider dealing with the company does not make proper inquiry.

- (iii) **Forgery:** The rule does not apply where a person relies upon a document that turns out to be forged since nothing can validate forgery. A company can never be held bound for forgeries committed by its officers.

6. (i) **Effect of a Refusal of Party to Perform Promise**

According to Section 39, when a party to a contract has refused to perform, or disabled himself from performing his promise in its entirety, the promisee may put an end to the contract, unless he has signified, by words or conduct, his acquiescence in its continuance.

From language of Section 39 it is clear that in the case under consideration, the following two rights accrue to the aggrieved party, namely, (a) to terminate the contract; (b) to indicate by words or by conduct that he is interested in its continuance.

In case the promisee decides to continue the contract, he would not be entitled to put an end to the contract on this ground subsequently. In either case, the promisee would be able to claim damages that he suffers as a result on the breach.

- (ii) Under the English Law, the registration of firms is compulsory. Therefore, there is a penalty for non-registration of firms. But the Indian Partnership Act, 1932 does not make the registration of firms compulsory nor does it impose any penalty for non-registration. The registration of a partnership is optional and one partner cannot compel another partner to join in the registration of the firm. It is not essential that the firm should be registered from the very beginning.

However, **under Section 69**, non-registration of partnership gives rise to a number of disabilities which are as follows:

- (i) **No suit in a civil court by firm or other co-partners against third party:** The firm or any other person on its behalf cannot bring an action against the third party for breach of contract entered into by the firm, unless the firm is registered and the persons suing are or have been shown in the register of firms as partners in the firm.
 - (ii) **No relief to partners for set-off of claim:** If an action is brought against the firm by a third party, then neither the firm nor the partner can claim any set-off, if the suit be valued for more than ₹ 100 or pursue other proceedings to enforce the rights arising from any contract.
 - (iii) **Aggrieved partner cannot bring legal action against other partner or the firm:** A partner of an unregistered firm (or any other person on his behalf) is precluded from bringing legal action against the firm or any person alleged to be or to have been a partner in the firm.
 - (iv) **Third party can sue the firm:** In case of an unregistered firm, an action can be brought against the firm by a third party.
- (iii) Section 8 of the Companies Act, 2013 deals with the formation of companies which are formed to promote the charitable objects of commerce, art, science, education, sports etc. Such company intends to apply its profit in promoting its objects. Section 8 companies are registered by the Registrar only when a license is issued by the Central Government to them. Since, Alfa School was a Section 8 company and it had started violating the objects of its objective clause, hence in such a situation the following powers can be exercised by the Central Government:
 - (i) The Central Government may by order revoke the licence of the company where the company contravenes any of the requirements or the conditions of this sections subject to which a licence is issued or where the affairs of the company are conducted fraudulently, or violative of the objects of the company or prejudicial to public interest, and on revocation the

Registrar shall put 'Limited' or 'Private Limited' against the company's name in the register. But before such revocation, the Central Government must give it a written notice of its intention to revoke the licence and opportunity to be heard in the matter.

- (ii) Where a licence is revoked, the Central Government may, by order, if it is satisfied that it is essential in the public interest, direct that the company be wound up under this Act or amalgamated with another company registered under this section.

However, no such order shall be made unless the company is given a reasonable opportunity of being heard.

- (iii) Where a licence is revoked and where the Central Government is satisfied that it is essential in the public interest that the company registered under this section should be amalgamated with another company registered under this section and having similar objects, then, notwithstanding anything to the contrary contained in this Act, the Central Government may, by order, provide for such amalgamation to form a single company with such constitution, properties, powers, rights, interest, authorities and privileges and with such liabilities, duties and obligations as may be specified in the order.

PAPER 2: SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING

ANSWERS

1. (a) 1. d
2. c
3. Dopamine gives one the feeling of pleasure and happiness.
4. PET scanner enabled the scientists to see if a radioactive substance simply circulated listeners' blood.
5. The experiment was conducted on eight music-lovers, who reported that listening to their favourite music gave them chills of pleasure.

(b) Notes

Sericulture in India (Heading)

1. Silk 'Queen of Textiles' characteristics
 - 1.1 Shine, light weight
 - 1.2 Affinity for dyes
 - 1.3 softness, durability
2. Economic importance of silk
 - 2.1 Provides livelihood
 - 2.2 Low capital intensive
 - 2.3 Offers socio economic dev. of weaker sections
 - 2.4 Employs 8.25 million including women
3. Silk prodn. In India
 - 3.1 Since 15th century
 - 3.2 Second largest producer in the world
 - 3.3 Prdcs. all five known varieties
 - 3.4 Major Silk producers:
 - 3.4.1 Karnataka, AP, Assam, WB , Jharkhand and TN
 - 3.4.2 NE prdcs.
 - 3.4.2.1 18% of total prdn.
 - 3.4.2.2 4 varieties except Tropical Tasar
4. Varieties prdcd. in India
 - 4.1 Mulberry
 - 4.1.1 Prdcd. in Karnataka, AP, Assam, WB
 - 4.1.2 71.8% of total prdn.
 - 4.2 Tropical Tasar & Oak Tasar
 - 4.2.1 9.9% of total prdn.
 - 4.3 Muga

- 4.3.1 Has unique yellow glitter
- 4.3.2 0.6% of total prdn.
- 4.4 Eri,
 - 4.4.1 17.8% of total prdn.

Key used:

- Dev: development
- Prdcs.: produces
- Prodn.:production
- Prdcd:produced
- NE: North East
- AP: Andhra Pradesh
- WB: West Bengal
- TN: Tamil Nadu

Summary

Silk is considered the 'Queen of textiles' with its unique characteristics viz. softness, sheen, dyeability and durability. Sericulture is highly labour intensive, provides livelihood to almost 8.25 million people from the weaker sections in India including women. In India, sericulture dates back to 15th century and India is the second largest producer of silk and has the distinction of producing all the five varieties viz. Mulberry, Tropical tasar, Oak Tasar, Eri and Muga that has a distinctive yellow glitter. Major silk producing states are Karnataka, Andhra Pradesh, West Bengal and Assam that produce the Mulberry variety. Jharkhand and Tamil Nadu are also amongst major silk producers. The North East produces 4 varieties except the Tropical Tasar and contributes nearly 18% of the total silk production. In 2015-16 India produced about 71.8% of Mulberry, 17.8% of Eri, 9.9% of Tasar and 0.6% of Muga silk.

2. (a) A complete communication conveys all facts and information required by the recipient. It keeps in mind the receiver's intellect and attitude and conveys the message accordingly. A complete communication helps in building the company's reputation, aids in better decision making as all relevant and required information is available with the receiver.

- (b) (i) c

- (ii) b

- (iii) By whom is this mess being created?

- (iv) Soni told Dhiraj that they would see him if he might come.

- (c) **Precis:** Title Martin Luther King Junior: Icon of non-violence

Martin Luther King Junior recalled an incident during an interview decades later, how he and his teacher were forced to vacate the seats and were cursed by the driver of the bus when a few white passengers had boarded. He confessed that he had never been angrier in his life. During his college days he channeled his emotion into non-violence as positive means of expressing his dissidence against the discrimination from the white community. He realized that hatred is destructive. While he grappled with his anger, he found a way to contain it and went on to become an icon of non-violence.

3. (a) Paralanguage: The way you say something, more than the actual words used, reveal the intent of the message, The voice quality, intonation, pitch, stress, emotion, tone, and style of speaking, communicates approval, interest or the lack of it.
- (b) (i) d
(ii) a
(iii) The official on duty was spoken to by her
(iv) He said that he hardly had time to attend any party.

Apr 3, 20XX

The Sales Manager

GHJ Printers

A-12, Netaji Nagar

New Delhi- 1100xx

Dear Sir,

Subject: Complaint for delay in delivery of Order No. XX/XX/XXXXXX

With reference to the subject, I would like to bring to your notice that the order was placed on March 15, 20XX, at the behest of Director HR. It was committed that the delivery of visiting cards will be made in a weeks' time. As on date, it has already been more than two weeks and the order has not been delivered yet.

The senior management is facing a lot of inconvenience during meetings with clients. You are hereby directed to deliver the order in the next two days positively else the order will be summarily cancelled.

Looking forward to immediate action in the matter.

ABC

Senior Manager(Administration)

BNM Solutions Pvt. Ltd.

- (c) (ii)

Dear Colleagues,

Subject: Meeting on fresh recruitments

Greetings! As you know that we need to hire fresh recruits in various departments as notified by the respective Head of Departments.

As desired by the management, we need to start the process in a month.

To discuss the modalities as well as macro and micro level details, we shall meet in the Meeting Room No. 3 on the first floor at 2 PM today.

Kindly make it convenient to attend.

Best Regards,

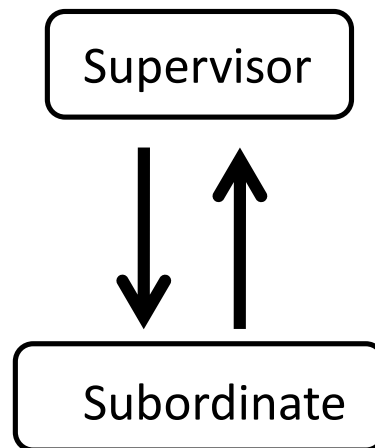
SPJ

Senior Manager, HR

QWE Consulting Pvt. Ltd.

4. (a) **Vertical Network:**

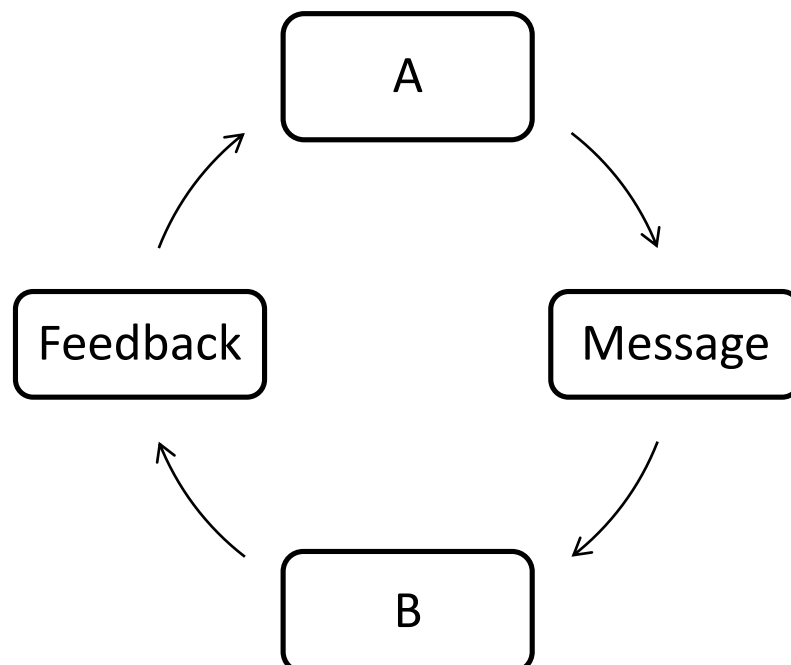
The vertical network is a formal network. It is usually between a higher ranking employee and a subordinate. In this two-way communication, immediate feedback is possible.



Vertical Network

2. **Circuit Network:**

When two persons communicate with each other sending messages and feedbacks, they form a communication circuit. Therefore it is known as circuit network. The two people interacting can be colleagues placed at the same hierarchical level in the organisation.



Circuit Network

(b) (i) c

(ii) This mischief could not have been done by a child.

(iii) The young knight enquired which way the princess had gone.

(c) **Article Hints:**

- World class Health care readily available across India
- Specializes in prognosis, diagnosis, treatment and therapeutical care.
- India leading player in healthcare infrastructure, research, pharmaceuticals and post trauma care
- Hub of generic medicines, vaccines and hi-tech medical equipment.
- Affordable prices as compared to developed countries
- Experienced doctors and highly skilled medical staff
- Specialized care for serious diseases viz. cancers, complicated heart surgeries and rare transplants
- Special care facilities for infants, elderly and the differently abled
- Easy visa norms
- Affordable cost of living for a prolonged stay

Report Hints:

- Facilities for the elderly
 - Spacious rooms single and twin sharing
 - Lush green lawns
 - Attendants provided for the needy
 - Recreational facilities
 - Special yoga classes
 - Monthly health check-ups, vaccination for Covid done
 - Picnic trips
 - Complete Covid care including quarantine facility and medication
- Interaction with staff and occupants
 - Dedicated staff
 - Homely environment
 - Get love, care and affection
 - Share experiences
 - Playing cricket with the elderly
 - Joy of living life to the fullest

5. (a) **Emotional barriers:** Your emotions sometimes affect your communication. Negative such as anger, fear of criticism or ridicule, mistrust, suspicion, jealousy, anxiety play with our minds and affect our communication ability and quality. If we are upset and disturbed, we cannot pass on or receive information appropriately and objectively. Once we overcome our emotions, we can

communicate rationally.

Attitude barriers- Our attitudes can affect communication, especially in a formal setup. If we are proactive and self-motivated, we will communicate promptly owning complete responsibility of the repercussions. Whereas, if we are dissatisfied, disgruntled, shy, introvert or lazy in our approach, we will delay, hesitate in taking the initiative, or refuse to communicate. Correcting our attitude can certainly improve our communication.

Perception Barriers- Each one of us perceives the world differently and this causes problems in communicating. The same communication is interpreted differently once our perception about others changes. We can avoid miscommunications and misunderstandings by changing our perception.

- (b) (i) d
(ii) b
(iii) She said that she didn't know the way and asked me if I did.

(c) **Minutes of the Meeting**

Participants in attendance: Senior Manager Accounts, IT head, IT Executive, Senior Executives (supervisors) Manager Client Relations

Date: April 3, 20xx

Meeting started at 11: 00 am.

Mr. ST, Senior Manager Accounts informed the agenda of the meeting i.e making arrangements to facilitate work from home and preparing a roster for others to attend office thrice a week.

Mr. RR, Mr. SD and Mr. MP Senior Executives presented details of their subordinate staff including their address and mode of transport (own or public)

Mr. ST asked Mr. RR, Mr. SD and Mr. MP to

- Prepare a roster for staff residing within 5 km radius from the office
- Circulate the same amongst staff members
- Plan a regular reporting system through mails and Whats App Groups about critical tasks
- Regular virtual meetings with the staff on Bluejeans/ Zoom
- Send a mail asking their staff to request for Laptops and plug-in internet devices OR They may carry their desktops home with prior approval from the IT section.
- Contact Mr. DR IT Executive, to assist them to remotely access their office desktop from their laptops from home in case of any exigency.

Mr. ST asked Mr. RV IT Head to procure at least 20 laptops with internet plug-ins to be given to the staff. Mr. RV to report to Mr.ST in 3 days.

Mr. ST asked Mr. TR Manager Client Relations, to prepare a list of deliverables to various clients and to share complete details regarding outstanding payment to be received.

Mr. ST delivered vote of thanks.

ATR to be submitted by **Mr. RR, Mr SD and Mr. MP, Mr. RV and Mr. TR to Mr. ST by April 7, 20xx**

Group to again meet virtually on April 8, 20xx at same time.

or

Cover Letter

To

Date: Apr 3, 20XX

Manager (HR)

ASD Consultants

A-12/3, Sham Nagar

New Delhi 1100xx

Sir,

Subject: Application for the post of Articled Assistant

Greetings for the day ! I am writing this letter to express my interest in the position of Articled Assistant in your firm.

I have qualified CA Intermediate Group-1 in January 2021. Right now, I am looking for an opportunity in a prestigious firm like yours so that I can learn different aspects of the profession and make a worthy contribution.

I am ready to present myself for a personal interaction as per your convenience. I assure you that I shall work with utmost allegiance to your firm.

My detailed resume is enclosed herewith for your perusal. Looking forward to a positive response.

Best Regards,

XXX

C-12,

S. Enclave,

New Delhi-1100xx

Resume

Name: XXX

Address: C-12, S. Enclave,

New Delhi-1100xx

Email id: XXX@gmail.com

Mobile No.- +91 XXXXXXXX

Objective

- I seek to join a firm where I can learn various aspects of profession and use my skills and knowledge of MS Excel, MIS, Tally, and Taxation with GST.
- I wish to contribute towards organizational goal through my technical skills, hard work and initiative.

Academics

Qualification	University/Board	Year of Passing	Score/Marks
B.Com	DU	Pursuing	
CA Intermediate Group-1	ICAI	Feb 2021	66%
CA Foundation	ICAI	2020	72%
XII	CBSE	2019	93%
X	CBSE	2017	90%

Skills

MS-Office, Tally, Advance Excel, Payroll, MIS

Good analytical and decision making skills

Achievements

- As captain of the school cricket team won 2 consecutive zonal inter- school championship trophy
- Part of the team that won the third prize at the national inter-school quiz contest organized by Ministry of Education and HR in 2019.

Personal Details

Father's Name:

Date of Birth:

Nationality:

Declaration

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

Date:

XXX,

Signature

MOCK TEST PAPER SERIES -1

FOUNDATION COURSE

PAPER 3: BUSINESS MATHEMATICS, LOGICAL REASONING AND STATISTICS

Time: 2 hours

Marks: 100

Section A: Business Mathematics and Logical Reasoning

1. Two numbers are in the ratio 7: 8 if 3 is added to each of them, their ratio becomes 8:9, the numbers are
 - (a) 14, 16
 - (b) 24, 27
 - (c) 21, 24
 - (d) 16, 18
2. Which of the numbers are not in proportions?
 - (a) 6,8,5,7
 - (b) 7.3,14,6
 - (c) 18,27,12,18
 - (d) 8,6,12, 9
3. If $x^2 + y^2 = 7xy$, then $\log \frac{1}{3}(x + y) =$ then x is
 - (a) $(\log x + \log y)$
 - (b) $\frac{1}{2}(\log x + \log y)$
 - (c) $\frac{1}{3}(\log x + \log y)$
 - (d) $3(\log x / \log y)$
4. The value of $\frac{2^n + 2^{n-1}}{2^{n+1} - 2^n}$ is
 - (a) $\frac{1}{2}$
 - (b) $\frac{3}{2}$
 - (c) $\frac{2}{3}$
 - (d) 2
5. If $3^x = 5^y = 75^z$ then
 - (a) $x+y-z= 0$
 - (b) $\frac{2}{x} + \frac{1}{y} = \frac{1}{z}$
 - (c) $\frac{1}{x} + \frac{2}{y} = \frac{1}{z}$

(d) $\frac{2}{x} + \frac{1}{z} = \frac{1}{y}$

6. The value of $\sqrt{6 + \sqrt{6 + \sqrt{6 + \dots \infty}}}$ is

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

7. If one root of the equation $x^2 - 3x + k = 0$ is 2, then value of k will be

- (a) -10
- (b) 0
- (c) 2
- (d) 10

8. If arithmetic mean between roots of a quadratic equation is 8 and the geometric mean between them is 5, the equation is _____

- (a) $x^2 - 16x - 25 = 0$
- (b) $x^2 - 16x + 25 = 0$
- (c) $x^2 + 16x + 25 = 0$
- (d) None of these

9. The transpose of a column matrix is a

- (a) null matrix
- (b) row matrix
- (c) scalar matrix
- (d) column matrix

10. $\begin{pmatrix} a & -b \\ b & a \end{pmatrix} \times \begin{pmatrix} -a & b \\ b & a \end{pmatrix}$

- (a) $\begin{pmatrix} a^2 + b^2 & 0 \\ 0 & a^2 + b^2 \end{pmatrix}$
- (b) $\begin{pmatrix} -a^2 - b^2 & 0 \\ 0 & a^2 + b^2 \end{pmatrix}$
- (c) $\begin{pmatrix} a^2 - b^2 & 0 \\ 0 & a^2 + b^2 \end{pmatrix}$
- (d) $\begin{pmatrix} a^2 - b^2 & 0 \\ 0 & a^2 - b^2 \end{pmatrix}$

11. The solution of the inequality $\frac{(5-2x)}{3} \leq \frac{x}{6} - 5$ is
- (a) $x \geq 8$
 - (b) $x \leq 8$
 - (c) $x = 8$
 - (d) None of these
12. On the average, experienced person does 5 units of work while a fresh one 3 units work daily but the employer have to maintain the output of atleast 30 units of work per day. The situation can be expressed as.
- (a) $5x + 3y \leq 30$
 - (b) $5x + 3y \geq 30$
 - (c) $5x + 3y = 30$
 - (d) None of these
13. Rs. 8,000 becomes Rs. 10,000 in two years at simple interest. The amount that will become Rs. 6,875 in 3 years at the same rate of interest is:
- (a) Rs. 4,850
 - (b) Rs. 5,000
 - (c) Rs. 5,500
 - (d) Rs. 5,275
14. The difference between the simple and compound interest on a certain sum for 3 year at 5% p.a. is Rs. 228.75. The compound interest on the sum for 2 years at 5% p.a. is:
- (a) Rs. 3,175
 - (b) Rs. 3,075
 - (c) Rs. 3,275
 - (d) Rs. 2,975
15. A sum of money doubles itself in 10 years. The number of years it would treble itself is:
- (a) 25 years
 - (b) 15 years
 - (c) 20 years
 - (d) None
16. The effective rate equivalent to nominal rate of 6% compounded monthly is:
- (a) 6.05
 - (b) 6.17
 - (c) 6.26
 - (d) 6.07

17. A person borrows Rs. 5,000 for 2 years at 4% p.a. simple interest. He immediately lends to another person at $6\frac{1}{4}\%$ p.a. for 2 years. Find his gain in the transaction per year:
- Rs. 112.50
 - Rs. 125
 - Rs. 225
 - Rs. 167.50
18. Future value of an ordinary annuity
- $A(n, i) = A \left[\frac{(1+i)^n - 1}{i} \right]$
 - $A(n, i) = A \left[\frac{(1+i)^n + 1}{i} \right]$
 - $A(n, i) = A \left[\frac{1 - (1+i)^n}{i} \right]$
 - $A(n, i) = A \left[\frac{(1+i)^n - 1}{i(1+i)^n} \right]$
19. The cost of machinery is Rs. 1,25,000/- if its useful life is estimated to be 20 years and the rate of depreciation of its cost is 10% p.a., then the scrap value of the Machinery is [given that $(0.9)^{20} = 0.12158$]
- 15,197
 - 15,400
 - 15,300
 - 15,250
20. If A person invests Rs.5,000 in a three years' investment that pays you 12% per annum. Calculate the future value of the investment.
- Rs.7024.64
 - Rs. 7124.78
 - Rs.7324.48
 - Rs.7526.48
21. A company is considering proposal of purchasing a machine either by making full payment of Rs.4000 or by leasing it for four years at an annual rate of Rs.1250. Which course of action is preferable if the company can borrow money at 14% compounded annually? [$P(4, 0.14) = 2.9137$]
- leasing is not preferable
 - leasing is preferable
 - Cannot determined
 - none of these

22. Anil bought a motor cycle costing Rs.1,50,000 by making a down payment of Rs.50, 000 and agreeing to make equal annual payment for five years. How much would be each payment if the interest on unpaid amount be 10% compounded annually? [$P(5, 0.10) = 3.7908$]
- Rs.26379.66
 - Rs.26300.70
 - Rs.26500.70
 - Rs.26370.70
23. Shoba borrows Rs.50,00,000 to buy a house. If he pays equal instalments for 20 years and 10% interest on outstanding balance, what will be the equal annual instalment?
[Given : $P(20,0.10) = 8.51356$]
- Rs.687298.4
 - Rs.685298.4
 - Rs.585298.4
 - Rs.587298.4
24. How much money is to be invested every year so to accumulate Rs. 3,00,000 at the end of 10 years if interest is compounded annually at 10% [$A(10,0.1) = 15.9374$]
- Rs.18823.65
 - Rs.18833.64
 - Rs.18223.60
 - Rs.16823.65
25. The number of triangles that can be formed by choosing the vertices from a set of 12 points, seven of which lie on the same straight line, is:
- 185
 - 175
 - 115
 - 105
26. An examination paper consists of 12 questions divided into two parts A and B. Part A contains 7 questions and Part B contains 5 questions. A candidate is required to attempt 8 questions selecting at least 3 from each part, in how many maximum ways can the candidate select the questions?
- 35
 - 175
 - 210
 - 420
27. In how many ways can the letters of the word FAILURE be arranged so that the consonants may occupy only odd positions?
- 576
 - 476
 - 376
 - 276

28. Find the number of combinations of the letters of the word COLLEGE taken four together:
- 18
 - 16
 - 20
 - 26
29. If $A = \{1, 2, 3, 4, 5\}$ and $B = \{6, 7, 8, 9\}$, then cardinal number of $A \times B$ is:
- 20
 - 5
 - 3
 - 8
30. The number of subsets of the set $A = \{1, 2, 3, 4, 5, 6, 7, 8\}$ is
- 36
 - 128
 - 256
 - None of these
31. If $f(x) = \left(\frac{x^2 - 4}{x - 2} \right)$, then $f(2)$ is
- 0
 - 2
 - 4
 - 1
32. Find the sum to n terms of the series : $7+77+777+\dots$ to n terms:
- $\frac{7}{9}(10^{n+1}-10)-\frac{7n}{9}$
 - $\frac{7}{9}(10^{n+1}-10)+\frac{7n}{9}$
 - $\frac{7}{81}(10^{n+1}-10)-\frac{7n}{9}$
 - $\frac{7}{81}(10^{n+1}-10)+\frac{7n}{9}$
33. If the sum of n terms of an A.P. is $(3n^2 - n)$ and its common difference is 6, then its third term is:
- 10
 - 12
 - 14
 - 16
34. Insert 4 A.M.'s between 3 and 18:
- 12,15,9,6

- (b) 6,9,12,15
 (c) 9,6,12,15
 (d) 15,12,9,6
35. $\sum n^2$ defines:
- (a) $\frac{n(n+1)(2n+1)}{6}$
 (b) $\frac{n(n+1)}{2}$
 (c) $\left[\frac{n(n+1)}{2} \right]^2$
 (d) None of these
36. If $A = (1,2,3,4,5)$ $B = (2,4)$ and $C = (1,3,5)$ then $(A-C) \times B$ is
- (a) $\{(2,2), (2,4), (4,2), (4,4), (5,2), (5,4)\}$
 (b) $\{(1,2), (1,4), (3,2), (3,4), (5,2), (5,4)\}$
 (c) $\{(2,2), (4,2), (4,4), (4,5)\}$
 (d) $\{(2,2), (2,4), (4,2), (4,4)\}$
37. If $f(x) = x^k$ and $f'(1) = 10$ then the value of k is
- (a) 10
 (b) -10
 (c) 1/10
 (d) None
38. Given $x = 2t + 5$; $y = t^2 - 2$, then $\frac{dy}{dx}$ is calculated as:
- (a) t
 (b) $1/t$
 (c) $-1/t$
 (d) None
39. Evaluate $\int \frac{2x+1}{x(x+1)} dx$
- (a) $\log(x^2 - x) + c$
 (b) $\log(x^2 + x) + c$
 (c) $\log(x^2 + 1) + c$
 (d) None of these

40. Evaluate $\int_0^2 x^5 dx$
- (a) $32/3$
 - (b) $1/3$
 - (c) $1/2$
 - (d) 1
41. Find the missing term of the series 27,32,30,35, 33, ?
- (a) 28
 - (b) 31
 - (c) 36
 - (d) 38
42. Find out the letter series AZY, EXW, IVU, ?
- (a) MTS
 - (b) MQR
 - (c) NRQ
 - (d) LST
43. Find wrong number of the series 22,37, 52,67, 84, 97
- (a) 52
 - (b) 84
 - (c) 97
 - (d) 67
44. If TWENTY is written as 863985 and ELEVEN is written as 323039 , then TWELVE can be coded
- (a) 863203
 - (b) 863302
 - (c) 863320
 - (d) 683302
45. If 'LOSE' is coded 1357 and 'GAIN' is coded as 2468 What do the figure 82146 for
- (a) NGLAI
 - (b) NGLIA
 - (c) GNLIA
 - (d) GNLAI
46. If B = 2 and BAG = 10, then BOX = ?
- (a) 36
 - (b) 39
 - (c) 41
 - (d) 52

47. A man stands on a point and starts walking towards north then turns left then turns right and then left in which direction he is moving.
- West
 - North
 - East
 - South
48. One evening before sunset, two friends Ravi and Raj were talking to each other face to face. If Ravi's shadow was exactly to his left side, which direction was Raj facing ?
- West
 - East
 - North
 - South
49. If South-West becomes North, then what will be the North-East be ?
- North
 - South-East
 - South
 - East
50. Six children A, B, C, D, E and F are sitting in a row facing north. B is between F and D. E is between A and C. A does Not Stand next to F and D. C does not stand next to D. F is between which of the following pairs of children?
- B and E
 - B and C
 - B and D
 - B and A
51. Five boys A, B, C, D and E are sitting in a row facing north. A is to the immediate right of B and E is on the immediate left of B but on the right of C and A is on the left of D. Who is second from the left end?
- D
 - A
 - E
 - B

(Q. No 52-53) Read the following information carefully and answer the questions that follow.

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

52. who is third to left of D ?

- F
- E

- (c) A
- (d) Cannot be determined.
53. Who is sitting between H and D
- (a) F
- (b) E
- (c) A
- (d) Cannot be determined.
54. If A+B means A is the sister of B, A x B means A is the wife of B, A % B means A is the father of B and A – B means A is the brother of B. Which of the following means T is the daughter of P?
- (a) P x Q % R + S – T
- (b) P x Q % R – T + S
- (c) P x Q % R + T – S
- (d) P x Q % R – T + S
55. Anil said "This girl is the wife of the grandson of my mother". How is Anil related to the girl?
- (a) Brother
- (b) Grandfather
- (c) Husband
- (d) Father-in-law
56. P is the mother of K, K is the sister of D. D is the father of J. How is P related to j?
- (a) Mother
- (b) Grandmother
- (c) Aunt
- (d) Data is inadequate.
57. In a family, there are six members A, B, C, D, E and F. A and B are a married couple, A being the male member. D is the only son of C, who is the brother of A. E is the sister of D. B is the daughter-in-law of F, whose husband has died. How is E related to C ?
- (a) Sister
- (b) Daughter
- (c) Cousin
- (d) Mother

(58-60) Each of the following questions contains two statements followed by two conclusions numbered I and II. You have to consider the two statements to be true, even if they seem to be at variance with the commonly known facts. You have to decide which of the given conclusions definitely follows from the given statements.

58. Statements: I. Some banks are colleges.

II: All colleges are schools.

Conclusions: I. Atleast some banks are schools.

II. All schools are colleges

- (a) only conclusion I follows
- (b) only conclusion II follows
- (c) either I or II follows
- (d) neither I and II follows.

59. Statements: I. All bottles are glasses.

II: No cup is a glass.

Conclusions: I. No bottle is a cup.

II. Atleast some glasses are bottles.

- (a) only conclusion I follows
- (b) only conclusion II follows
- (c) either I or II follows
- (d) Both I and II follows.

60. Statements: I. Some cities are towns.

II: Some villagers are cities.

Conclusions: I. Aleast some villagers are towns.

II. No village is a town.

- (a) only conclusion I follows
- (b) only conclusion II follows
- (c) either I or II follows
- (d) Both I and II follows.

Part B Statistics (40 Marks)

61. Histogram is used for presentation of the following type of series

- (a) Time Service
- (b) Continuous Frequency Series
- (c) Discrete Series
- (d) Individual Series

62. The graphical representation of cumulative frequency distribution is called–

- (a) Histogram
- (b) Pie Chart
- (c) Frequency Polygon
- (d) Ogive

63.

No. of Accidents	0	1	2	3	4	5	6	7
Frequency	36	27	33	29	24	27	18	9

In how many cases 5 or more accidents occur?

- (a) 96
- (b) 133
- (c) 78
- (d) 54

64. The difference between upper limit and lower limit of a class is called:

- (a) Class interval
- (b) Class boundaries
- (c) Mid-value
- (d) Frequency

65. A man travels at a speed of 20km/hr and then returns at a speed of 30 km/ hr. His average speed of the whole journey is :

- (a) 25 km/ hr
- (b) 24.5 km/hr
- (c) 24 km/hr
- (d) None

66. The sum of the squares of deviations of a set of observations has the smallest value, when the deviations are taken from their:

- (a) A.M.
- (b) H.M.
- (c) G.M.
- (d) None

67. If two variables x and y are related by $2x + 3y - 7 = 0$ and the mean and mean deviation about mean of x are 1 and 0.3 respectively, then the co-efficient of mean deviation of y about mean is:

- (a) -5
- (b) 4
- (c) 12
- (d) 50

68. If the A.M. and H.M. for two numbers are 5 and 3.2 respectively then the G.M. will be:

- (a) 4.05
- (b) 16
- (c) 4
- (d) 4.10

69. What is the coefficient of range for the following distribution?

Class interval	10-19	20-29	30-39	40-49	50-59
Frequency	11	25	16	7	3

- (a) 22

- (b) 50
 - (c) 75.82
 - (d) 72.46
70. If there are two groups with 75 and 65 as harmonic means and containing 15 and 13 observations. Then the combined H.M. is given by:
- (a) 70
 - (b) 80
 - (c) 70.35
 - (d) 69.48
71. If X and Y are two random variables then $v(x+y)$, when x is independent of y
- (a) $v(x) + v(y)$
 - (b) $v(x) + v(y) - 2 v(x,y)$
 - (c) $v(x) + v(y) + 2 v(x,y)$
 - (d) $v(x) - v(y)$
72. G.M is a better measure than others when,
- (a) ratios and percentages are given
 - (b) interval of scale is given
 - (c) Both (a) and (b)
 - (d) Either (a) or (b)
73. The sum of squares of deviation from mean of 10 observations is 250. Mean of the data is 10. Find the coefficient of variation.
- (a) 10%
 - (b) 25%
 - (c) 50%
 - (d) 0%
74. The equation of a line is $5x + 2y = 17$. Mean deviation of y about mean is 5. Calculate mean deviation of x about mean.
- (a) -2
 - (b) 2
 - (c) -4
 - (d) None
75. If variance of x is 5, then find the variance of $(2-3x)$
- (a) 10
 - (b) 45
 - (c) 5
 - (d) -13

76. Let the mean of the variable 'x' be 50, then the mean of $u=10+5x$ will be:
- 250
 - 260
 - 265
 - 273
77. If sum of squares of the values = 3390, $N = 30$ and standard deviation = 7, find out the mean.
- 113
 - 210
 - 8
 - None of these
78. Which of the following measures of central tendency cannot be calculated by graphical method?
- Mean
 - Mode
 - Median
 - Quartile
79. In a non-leap year, the probability of getting 53 Sundays or 53 Tuesday or 53 Thursday is :
- $\frac{4}{7}$
 - $\frac{2}{7}$
 - $\frac{3}{7}$
 - $\frac{1}{7}$
80. If A and B are two events and $P(A) = \frac{2}{3}$, $P(B) = \frac{3}{5}$, $P(A \cup B) = \frac{5}{6}$, then the value of $P(A' \cap B')$ is :
- $\frac{1}{4}$
 - $\frac{5}{12}$
 - $\frac{5}{8}$
 - $\frac{5}{4}$
81. The odds are 9:5 against a person who is 50 years living till he is 70 and 8:6 against a person who is 60 living till he is 80. Find the probability that at least one of them will be alive after 20 years.
- $\frac{11}{14}$
 - $\frac{22}{49}$
 - $\frac{31}{49}$
 - $\frac{35}{49}$
82. What is the chance of throwing at least 7 in a single cast with two dices?
- $\frac{5}{12}$
 - $\frac{7}{12}$
 - $\frac{1}{4}$

- (d) $17/36$
83. Correlation coefficient r , b_{xy} and b_{yx} are all have ____ signs
- different
 - same
 - both
 - none
84. The covariance between two variables is
- Strictly Positive
 - Strictly negative
 - Always Zero
 - Either Positive or Zero or Negative
85. If $u+5x = 6$ and $3y-7v = 20$ and correlation coefficient between x and y is 0.58 then what be the correlation coefficient between U and V ?
- 0.58
 - -0.58
 - -0.84
 - 0.84
86. The coefficient of two variables is 0.9 , then coefficient of non-determination is
- 0.9
 - 0.19
 - 0.81
 - 0.1
87. If $y = 3x+4$ is the regression line y on x and the arithmetic mean of x is -1 , what is the arithmetic mean of y
- 1
 - -1
 - 7
 - none of these
88. if the sum of squares in difference of ranks, given by two judges A and B of 8 students is 21, What is the value of rank correlation coefficient?
- 0.7
 - 0.65
 - 0.75
 - 0.8
89. In normal distribution what is the ratio of QD:MD:SD
- $12:10:15$

- (b) 15:10:12
 - (c) 10:15:12
 - (d) 10:12:15
90. Area covered normal curve by $\mu \pm 3\sigma$
- (a) 68.28%
 - (b) 95.96%
 - (c) 99.73%
 - (d) 99.23%
91. If x is binomial variate with parameter 15 and $\frac{1}{3}$ what is the value of mode of the distribution.
- (a) 5 & 6
 - (b) 5.5
 - (c) 5
 - (d) 6
92. In Poisson distribution which of the following is same.
- (a) Mean and variance.
 - (b) Mean and SD
 - (c) Both
 - (d) None of these
93. The Quartile Deviation of Normal Distribution with mean is 10 and variance is 16 is
- (a) 54.24
 - (b) 23.20
 - (c) 0.275
 - (d) 2.70
94. What is the standard deviation of number recoveries among 48 patients when the probability of recovering is 0.75 ?
- (a) 36
 - (b) 81
 - (c) 9
 - (d) 3
95. Fishers Price Index number is equal is
- (a) G. M of Kelly's Price Index number and Paasche's Price Index number
 - (b) G.M of Laspyres and Paaches Price Index number
 - (c) G.M of Bowley's price index number and Paasche's Index number.
 - (d) None of these
96. The prices of commodity in the year 2015 and 2020 were 25 and 30 respectively taking 2015 as base year the price relative is
- (a) 109.8

- (b) 110.25
 - (c) 113.25
 - (d) 83.33
97. For year 2015, price index was 267% with base year 2005. The percentage increase in price index over base year 2005 is:
- (a) 267%
 - (b) 67%
 - (c) 167%
 - (d) None of these
98. In time Series Seasonal variations can occur within a period of
- (a) one year
 - (b) Three years
 - (c) Nine years
 - (d) Five years
99. Damages due to floods, droughts, strikes fires and political disturbances are called in time series
- (a) Trend
 - (b) Seasonal
 - (c) Cyclical
 - (d) Irregular
100. The Multiplicative Time Series Model is
- (a) $Y = T+S+C+I$
 - (b) $Y = T.S.C.I$
 - (c) $Y = a+bx$
 - (d) $Y = a+bx +Cx^2$

Paper 3: Business Mathematics, Logical Reasoning and Statistics

Key Part A: Business Mathematics and Logical Reasoning

1	(c)	2	(a)	3	(b)	4	(b)	5	(c)
6	(c)	7	(c)	8	(b)	9	(b)	10	(a)
11	(a)	12	(b)	13	(b)	14	(b)	15	(c)
16	(b)	17	(a)	18	(a)	19	(a)	20	(a)
21	(b)	22	(a)	23	(d)	24	(a)	25	(a)
26	(d)	27	(a)	28	(a)	29	(a)	30	(c)
31	(c)	32	(c)	33	(c)	34	(b)	35	(a)
36	(d)	37	(a)	38	(a)	39	(b)	40	(a)

41	(d)	42	(a)	43	(b)	44	(a)	45	(a)
46	(c)	47	(a)	48	(c)	49	(c)	50	(b)
51	(c)	52	(a)	53	(b)	54	(b)	55	(d)
56	(b)	57	(b)	58	(a)	59	(d)	60	(c)

Key Part B: Statistics

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

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

1. The Book "The Wealth of Nations" is written by:
 - (a) Adam Smith
 - (b) Arthur Pigou
 - (c) Robinson
 - (d) Ragnar Nurske
2. The Nature of Business Economics:
 - (a) Business Economics is a Science
 - (b) Incorporate elements of Macro Analysis
 - (c) Interdisciplinary in Nature
 - (d) All the above
3. Which of these country is a purely socialist economy?
 - (a) USSR
 - (b) China
 - (c) Vietnam
 - (d) None of these
4. Rational decision making requires that:
 - (a) one's choice be arrived at logically and without error.
 - (b) one's choice be consistent with one's goal.
 - (c) one's choice never vary.
 - (d) the consumer plan's to attain the highest possible level of satisfaction.
5. The substitution effect will be stronger when:
 - (a) the goods are closer substitute
 - (b) there is lower cost of switching to the substitute good.
 - (c) there is lower inconvenience while switching to the substitute good.
 - (d) all the above
6. What are the internal causes of business cycle?
 - (a) fluctuations in effective demand.
 - (b) macroeconomic policies
 - (c) money Supply

- (d) All the above
7. According to Hawtrey trade cycle is a _
- monetary Phenomenon
 - unplanned Phenomenon
 - fiscal Phenomenon
 - all the above
8. Which of the following describe a typical business cycle?
- economic expansions are followed by contractions.
 - inflation is followed by rising income and unemployment.
 - economic expansion are followed by economic growth and development.
 - stagflation is followed by Inflationary growth.
- (9) A relative price is:
- price expressed in terms of money.
 - the ratio of one money price to another
 - equal to money price.
 - none of these.
10. In case of substitute product:
- demand curve slope upwards.
 - demand curve slope downwards
 - demand curve is perfectly elastic
 - none of these.
11. A dealer sells only two brands of Motorcycle- Royal and Hero. It was observed that when the price of royal rises by 10% the demand for Hero increases by 15%. What is the cross elasticity of Hero against the Price of Royal?
- + 1.5
 - 1.5
 - 2.5
 - none of these
12. When $e = 0$, elasticity of demand is :
- perfectly elastic
 - unitary elastic
 - inelastic
 - perfectly inelastic demand
13. A rise in price will –
- increase in consumer surplus
 - decrease in consumer surplus
 - no change in consumer surplus

- (d) none of these
14. Marginal Product is the slope of –
- (a) marginal product curve
 - (b) average product curve
 - (c) total product curve
 - (d) implicit product curve
15. Law of Production does not include _
- (a) least cost combination of factors
 - (b) law of variable proportion
 - (c) law of diminishing returns to a factor
 - (d) return to scale
16. Which of the following statement is correct concerning the relationship among the firm's cost function:
- (a) $TC = TVC - TFC$
 - (b) $TFC = TC - TVC$
 - (c) $TC = TFC - TVC$
 - (d) $TVC = TFC - TC$
17. In the Cobb Douglas function the change in output due to increase in one additional unit of an input is called?
- (a) elasticity
 - (b) return to scale
 - (c) total product
 - (d) marginal revenue
18. The condition for pure competition to be fulfilled are –
- (a) large numbers of buyers and sellers
 - (b) products are homogeneous
 - (c) firms are free from entry and exit from the market
 - (d) all the above
19. When the firm is in the long run equilibrium in perfect competition which of the following is true –
- (a) $AC = MR$
 - (b) $TR = TC$
 - (c) the firm are earning supernormal profit
 - (d) None of these
20. The opportunity cost of a good is :
- (a) loss of interest in using savings
 - (b) time lost in finding it.
 - (c) quality of other goods sacrificed to get another unit of that good.
 - (d) none of these

21. Which is not the characteristics of monopolistic competition:
 - (a) large number of sellers
 - (b) homogeneous Product
 - (c) freedom of entry and exit
 - (d) non price discrimination
22. Demand Curve in the monopolistic competition is –
 - (a) infinitely elastic
 - (b) downward sloping and highly inelastic
 - (c) downward sloping and more elastic demand curve.
 - (d) none of these.
23. The concept of price rigidity in Sweezy's model is related to which market form:
 - (a) oligopoly market
 - (b) perfect competition market
 - (c) monopoly market
 - (d) monopolistic market
24. Which of the following statement is incorrect ?
 - (a) there is no difference between a firm and an Industry
 - (b) monopolist may raise the price and restrict the output
 - (c) heterogeneous product are offered for sale in perfect competition
 - (d) in monopolistic competition product differentiation is peculiar.
25. Foreign Exchange market is an example of –
 - (a) perfect competition
 - (b) oligopoly
 - (c) monopoly
 - (d) monopolistic competition
26. Under which market form price discrimination cannot persist –
 - (a) oligopoly
 - (b) monopolistic competition
 - (c) monopoly
 - (d) perfect competition.
27. The Relationship between AR, MR and Price Elasticity –
 - (a) $MR = AR \times e^{-1} \div e$
 - (b) $AR = MR \times e^{-1} \div e$
 - (c) $AR - MR = e^{-1} \div e$
 - (d) None of these
28. The Price elasticity for Monopolistic Firm is :
 - (a) $e > 1$

- (b) $e < 1$
 - (c) $e = 1$
 - (d) none of these
29. Dynamic fare charged by Indian railways is an example of :
- (a) pure monopoly
 - (b) discriminating monopoly
 - (c) perfect competition
 - (d) none of these
30. Price discrimination is possible when
- (a) seller should have some control over the supply of the Product
 - (b) price elasticity of the product should be different in different submarket
 - (c) seller should be able to divide his market into two or more submarket
 - (d) none of these
31. When a small change in price leads to a large change in demand the demand is
- (a) inelastic
 - (b) elastic
 - (c) stagnant
 - (d) fixed
32. The relationship between price and quantity supplied in law of supply is:
- (a) proportionate
 - (b) homogenous
 - (c) inverse
 - (d) direct
33. The stages in law of variable proportion is :
- (a) 1
 - (b) 2
 - (c) 3
 - (d) 4
34. Certain benefit an Industry gets when it expands its scale of production is known as:
- (a) Internal economies
 - (b) diseconomies
 - (c) external economies
 - (d) profit
35. The Interest on own capital is:
- (a) implicit cost
 - (b) future cost
 - (c) explicit cost

- (d) past cost
36. The shape of TR curve of the monopolist is :
- (a) u shaped
 - (b) inverted u shaped
 - (c) downward sloping
 - (d) none of these.
37. The distinction between selling cost and production cost was made by:
- (a) Chamberlin
 - (b) Sweezy
 - (c) Mrs Joan Robinson
 - (d) None of these
38. The firm and industry are same in :
- (a) duopoly
 - (b) monopoly
 - (c) perfect competition
 - (d) none of these
39. For luxuries goods the income elasticity is :
- (a) $e > 1$
 - (b) $e < 1$
 - (c) $e = 0$
 - (d) none of these
40. Long run average cost (LAC) is :
- (a) u shaped
 - (b) is also called envelope curve
 - (c) both a and b
 - (d) none of these
41. Under perfect competition the supply curve is derived from :
- (a) MC curve
 - (b) AC curve
 - (c) TC Curve
 - (d) none of these.
42. When goods are complementary the indifference curve is :
- (a) is a straight line
 - (b) is convex to the origin
 - (c) consist of two straight line with a right angle bent.
 - (d) none of these

43. The Consumer is in equilibrium when:
- (a) the budget line is tangent to the indifference curve
 - (b) marginal rate of substitution of one good for another must be equal to the price ratio of the two goods
 - (c) either a or b
 - (d) none of these
44. When average cost is equal to average revenue of a firm, it gets _____.
- (a) sub normal profit
 - (b) normal profit
 - (c) abnormal profit
 - (d) super profit
45. Demand for factor of production is
- (a) supplementary demand
 - (b) intermediate goods
 - (c) derived demand
 - (d) complementary demand
46. The producer's demand for a factor of production is governed by the ____ of that factor.
- (a) price
 - (b) marginal productivity
 - (c) availability
 - (d) profitability
47. A rise in supply and demand in equal proportion will result in
- (a) increase in equilibrium price and decrease in equilibrium quantity
 - (b) decrease in equilibrium price and increase in equilibrium quantity
 - (c) no change in equilibrium price and increase in equilibrium quantity
 - (d) increase in equilibrium price and no change in equilibrium quantity
48. The slope of isoquant is :
- (a) upward to the left
 - (b) downward to the right
 - (c) downward to the left
 - (d) upward to the right
49. The cross elasticity between tea and coffee is :
- (a) infinite
 - (b) positive
 - (c) zero
 - (d) negative

50. When the output increases from 20 to 30 units and TR increases from Rs 400 to Rs 500 then MR is
- (a) 20
 - (b) 10
 - (c) 15
 - (d) none of these
51. In case of diminishing return to a factor:
- (a) marginal product diminishes
 - (b) total product increase at increasing rate
 - (c) total product increases at diminishing rate
 - (d) both a and b
52. Break even point indicate which of the following ?
- (a) $TR = TC$
 - (b) $TR > TC$
 - (c) $TR = TVC$
 - (d) none of these
53. Negative return sets in at the stage when:
- (a) MP is negative
 - (b) MP is diminishing
 - (c) MP is rising
 - (d) none of these
54. The problem what to produce relates to:
- (a) choice of goods and services
 - (b) distribution of Income
 - (c) choice of technique
 - (d) market value of goods and services
55. When violation of law of demand occurs:
- (a) substitution effect is negative
 - (b) income effect is negative
 - (c) negative income effect is less than substitution effect
 - (d) negative income effect is greater than substitution effect
56. Average revenue curve is more elastic under monopolistic competition than monopoly due to
- (a) low degree of governmental control
 - (b) lack of close substitute
 - (c) availability of close substitute
 - (d) none of these

57. The producer reduces supply from 100 units to 50 units. When the price falls from Rs 20 to Rs 10, the price elasticity of supply will be :
- (a) 1
 - (b) 2
 - (c) 4
 - (d) none of these
58. The Government offer minimum assured price to the farmers to purchase their output is called:
- (a) market Price
 - (b) support Price
 - (c) equilibrium Price
 - (d) ceiling Price
59. The price in collusive oligopoly is decided by:
- (a) firm
 - (b) price leader
 - (c) industry
 - (d) none of these
60. The marginal utility from last unit consumed of commodity Y = 50 Units and $MU_m = 10$. The consumer is in equilibrium and consuming commodity y only. Find the Price of Commodity Y—
- (a) 5
 - (b) 10
 - (c) 40
 - (d) None of these

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

1. Which of the following concern is related to business and commercial knowledge?
 - (a) Sustainability
 - (b) Sociology
 - (c) Traditional
 - (d) Social at large
2. Which of the following is least appropriate for business environment?
 - (a) It is Dynamic
 - (b) It is Multi-faceted
 - (c) It is rigid
 - (d) It is complex
3. Where is India's largest SEZ?
 - (a) Hazira
 - (b) Dhamra
 - (c) Tehri
 - (d) Mundra
4. Indigo, Spice Jet and Vistara, operating in Indian aviation, are a result of?
 - (a) Privatisation
 - (b) Liberalisation
 - (c) Globalisation
 - (d) Foreign Direct Investment
5. Which of the following is Government's initiative for furthering and facilitating businesses in India?
 - (a) Goods and Service Tax
 - (b) Make in India
 - (c) Skill India
 - (d) Beti Bachao Beti Padhao
6. People occupy different job positions and deliver their respective responsibilities to meet the organization's administrative role. Which facet of business is concerned with above statement?
 - (a) Administrative Facet
 - (b) HR Facet
 - (c) Technical Facet

- (d) Financial Facet
- 7. Which of the following is not a domain/characteristic of business and commercial knowledge?
 - (a) It is Independent
 - (b) It is Ever Expanding
 - (c) It is Vast
 - (d) It is Multi-Disciplinary
- 8. Business environment is important to understand for the following reasons, except?
 - (a) Gives direction for growth
 - (b) Determines opportunities and threats
 - (c) Continuous learning
 - (d) Overlooking Competition
- 9. Who is Axis Bank's Chief Financial Officer?
 - (a) Jairam Sridharan
 - (b) Nikhil Asopa
 - (c) Narayan Swaminathan
 - (d) Rakesh Makhija
- 10. Foreign Exchange Management Act (FEMA), would fall under which of the following type of Public Policy?
 - (a) Restrictive
 - (b) Regulatory
 - (c) Facilitating
 - (d) Advisory
- 11. Which of the following is not a Funding Institution?
 - (a) World Bank
 - (b) NABARD
 - (c) Reserve Bank of India
 - (d) International Monetary Fund
- 12. A stock market where number of transactions are very low and thus, the volatility in the market is huge, is called?
 - (a) Thin Market
 - (b) Slow Market
 - (c) Lazy Market
 - (d) Weak Market

13. The Indian Companies Act, 2013 provides for the registration of:
- (a) Private Limited
 - (b) Public Company
 - (c) One Person Company
 - (d) All of the above
14. The businesses should continuously _____ and _____ to the environment if it is to service and prosper.
- (a) Identify, appraise
 - (b) Monitor, adapt
 - (c) Identify, monitor
 - (d) Monitor, appraise
15. Who founded Wipro Limited?
- (a) Azim Premji
 - (b) Mohamed Premji
 - (c) Ratan Tata
 - (d) Narayan Murthy
16. Reforms in Dowry Act and Divorce Act are the examples of:
- (a) Economic Reforms
 - (b) Cultural Reforms
 - (c) Commercial Reforms
 - (d) Socio-cultural Reforms
17. All scheduled banks are required to maintain a certain minimum cash reserve ratio with the RBI. This provision enables RBI to ensure what?
- (a) Forex Rate Fluctuation
 - (b) Credit Position of the Country
 - (c) Savings of People
 - (d) Collect Public Data of Money held by People
18. 'Personal selling' is done through:
- (a) Written communication
 - (b) Oral communication
 - (c) TV and media
 - (d) Sign language
19. Which of the following is not true about a Limited Liability Partnership (LLP)?
- (a) Separate Legal Entity

- (b) Incorporation not mandatory like normal partnership
 - (c) Designated Partners
 - (d) Hybrid Form of Business Organisation
20. Which of the following is not part of internal environment of a business organisation?
- (a) Labor Unions
 - (b) Corporate Culture
 - (c) Customers
 - (d) Organisational Structure
21. Ministry of Petroleum and Natural Gas owns which of the following?
- (a) Indian Oil Corporation Ltd.
 - (b) GAIL Ltd.
 - (c) Bharat Petroleum
 - (d) Reliance Industries Ltd.
22. Foreign brands were welcomed in India and were also allowed to use their foreign brand name. Which of the following does use of foreign brand name relate to?
- (a) Globalisation
 - (b) Privatisation
 - (c) Liberalisation
 - (d) Autonomy of Economy
23. Under which section of IRDAI Act can IRDAI function and impart its duties?
- (a) Section 11 of IRDAI Act, 1999
 - (b) Section 21 of IRDAI Act, 1999
 - (c) Section 19 of IRDAI Act, 1999
 - (d) Section 14 of IRDAI Act, 1999
24. A company is said to undergo _____ when its assets are sold off piecemeal rather than one single operating entity?
- (a) Acquisition
 - (b) Merger
 - (c) Liquidation
 - (d) Sale off
25. The maximum number of members of a private company is limited to
- (a) 50

- (b) 20
 - (c) 100
 - (d) 200
26. The performance of business in the private sector is measured by:
- (a) Profitability
 - (b) Customer Satisfaction
 - (c) No of employees
 - (d) The salary of Managing Director
27. Who was the founder of Walmart?
- (a) Sam Walton
 - (b) Bret Biggs
 - (c) Greg Penner
 - (d) Luca Maestri
28. FIPB stands for:
- (a) Foreign Institutional Promotion Board
 - (b) Foreign Institutional Preparatory Board
 - (c) Foreign Investment Priority Board
 - (d) Foreign Investment Promotion Board
29. Which one of the following is an Indian Regulatory Body that facilitates business organizations?
- (a) EXIM Bank
 - (b) NABARD
 - (c) IRDA
 - (d) IFCI
30. _____ is the measure of return on investments in terms of percentage.
- (a) Yield
 - (b) Index
 - (c) Equity
 - (d) Bonus
31. Members of a Hindu Undivided Family are called?
- (a) Father
 - (b) Karta
 - (c) Coparcener
 - (d) Mitakshara

32. Which of the following statements is true?
- (a) Consumer and Customer are always the same person
 - (b) Customer may or may not be the consumer
 - (c) Environmental study is optional for any business
 - (d) Micro Environment is a part of Internal Environment
33. "To empower every person and every organization on the planet to achieve more" is the mission statement of?
- (a) Bharti Airtel
 - (b) Amazon
 - (c) Microsoft
 - (d) HDFC Bank
34. Goods and Service Tax (GST), is a form of?
- (a) International Trade Policy
 - (b) Inclusive Policy
 - (c) Policy Reform
 - (d) Public Welfare Scheme
35. Which of the following does SEBI not cater to?
- (a) Government Organizations
 - (b) Investors
 - (c) Intermediaries
 - (d) Security Issuing Companies
36. Token money paid in the early stages of Negotiation is called?
- (a) Early Money Deposit
 - (b) Earning Money Deposit
 - (c) Token E-Cash
 - (d) Earnest Money Deposit
37. Current Reverse Repo Rate is 2.5%. The difference between repo and reverse repo shall be 250 basis points. RBI increases reverse repo by 150 basis points. What is the new Repo Rate?
- (a) 6%
 - (b) 6.5%
 - (c) 7%
 - (d) 7.5%

38. People in the stock market who anticipate lower returns are called?
- (a) Sharks
 - (b) Bears
 - (c) Bulls
 - (d) Elephants
39. Intermediaries exert a considerable influence on the business organisation. This statement is true for?
- (a) Micro Environment
 - (b) Macro Environment
 - (c) Internal Environment
 - (d) Economic Environment
40. A position when a person's assets are not enough to pay off the liabilities due, is called?
- (a) Poverty
 - (b) Risk Adjustment
 - (c) Payoff
 - (d) Insolvency

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART - I: BUSINESS ECONOMICS

ANSWERS

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

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

ANSWERS

1	2	3	4	5	6	7	8	9	10
(a)	(c)	(d)	(a)	(b)	(b)	(a)	(d)	(a)	(b)
11	12	13	14	15	16	17	18	19	20
(c)	(a)	(d)	(b)	(b)	(d)	(b)	(b)	(b)	(c)
21	22	23	24	25	26	27	28	29	30
(b)	(c)	(d)	(c)	(d)	(b)	(a)	(d)	(c)	(a)
31	32	33	34	35	36	37	38	39	40
(c)	(b)	(c)	(c)	(a)	(d)	(b)	(b)	(a)	(d)