

FOUNDATION COURSE

REVISION TEST PAPERS

SEPTEMBER, 2026



BOARD OF STUDIES (ACADEMIC)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

New Delhi

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REVISION TEST PAPER, SEPTEMBER, 2026–OBJECTIVE & APPROACH

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

I. Objective of Revision Test Paper

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

The primary objectives of the RTP are:

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

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

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

Live Virtual Classes by renowned subject experts conducted free of charge for the students of Foundation, Intermediate and Final levels provide the students much required support in preparing for their exams conveniently at home as these classes can be accessed live or viewed later as recorded lectures through hand-held devices such as smart phones, laptops, I-pads, tablets, etc. anytime anywhere. Further,

students are advised to attempt the Multiple-Choice Questions (MCQs) at MCQ Paper Practice Portal which is a holistic platform for self-assessment within the stipulated timeframe.

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

II. Planning and preparing for examination

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

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

Examination tips

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

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

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

III. Subject-wise Applicability

PAPER – 1 : ACCOUNTING

The August, 2024 (Reprint August 2025 and onwards) edition of the Study Material, comprising of two modules, is applicable for the students appearing for September, 2026 Examination. For understanding the coverage of syllabus, it is important to read the Study Material carefully.

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

The RTP consists of eighteen questions together with their answers on different topics discussed in the study material. Answers to the questions

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

PAPER – 2: BUSINESS LAWS

The August 2024 edition (Reprint August 2025 and onwards) of the Study Material is applicable for Paper 2: Business Laws, Foundation Course. The Study Material is based on the provisions of the Indian Contract Act, 1872, the Sale of Goods Act, 1930, the Indian Partnership Act, 1932, the Limited Liability Partnership Act, 2008, the Companies Act, 2013, and the Negotiable Instruments Act, 1881 as amended upto 30th June, 2025. For September 2026 examination, significant notifications and circulars issued upto 28th February, 2026 would be relevant. The same has been provided in the **Part I**.

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

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

PAPER – 3: QUANTITATIVE APTITUDE

The August 2024 edition of the Study Material is applicable for September 2026 Examination of Foundation Course Paper 3: Quantitative Aptitude. The Study material divided into three parts, the first part of the study material Business Mathematics (Chapters 1-8) covers basic mathematical techniques like ratio, proportion, indices, logarithms, equations and linear inequalities, mathematics of finance, permutations and combinations, sequence and series, sets, relations and basic applications of differential and integral calculus in economics and business. The second part of the study material (Chapters 9-12) covers logical reasoning and the third part (Chapters 13-18) of the basic principles of statistical techniques and measurement thereof.

Features of the Study Material:

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

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

About the Revision Test Paper (RTP)

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

PAPER – 4: BUSINESS ECONOMICS

The August 2024 edition of the Study Material is applicable for September 2026 Examination of Foundation Course Paper 4: Business Economics. The Study is having 10 Chapters which includes Microeconomics, Macro Economics, Public Finance, Money Market, International Trade and Indian Economy.

Features of the Study Material:

Simple, clear language for easy understanding

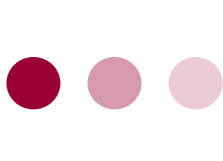
Illustrations and examples in each chapter to clarify concepts and techniques.

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

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

About the Revision Test Paper (RTP)

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



PAPER – 1: ACCOUNTING



QUESTIONS

True and False

1. State with reasons, whether the following statements are true or false:
 - (i) Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations for prompt payment.
 - (ii) A tallied trial balance means that the books of accounts have been prepared as per accepted accounting principles.
 - (iii) "Salary paid in advance" is not an expense because it neither reduces assets nor increases liabilities.
 - (iv) When closing inventory is overstated, net income for the accounting period will be understated.
 - (v) In case of bill of exchange, the drawer and the payee may not be the same person but in case of a promissory note, the maker and the payee may be the same person.
 - (vi) Goodwill is intangible asset therefore it cannot be valued
 - (vii) Laboratory & library Deposits taken from the students in case of an educational Institution are shown on the liabilities side of the Balance Sheet.
 - (vii) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

- (ix) Company X Ltd. is incurring huge losses; the Board of Directors are of the opinion that in case of losses, there is no need to pay interest to debenture holders.

Theoretical Framework

2. (a) Explain Cash and Mercantile system of accounting
(b) Define revenue receipts and give examples. How are these receipts treated?
(c) Change in accounting policy may have a material effect on the items of financial statements." Explain the statement with the help of an example.

Journal Entries

3. (a) Pass a journal entry in each of the following cases:
- (i) A running business was purchased by Arjun with the following assets and liabilities:
Bank – ₹ 70,000
Land – ₹ 1,40,000
Furniture – ₹ 35,000
Stock – ₹ 70,000
Creditors – ₹ 35,000
Bank Overdraft – ₹ 70,000
 - (ii) Sold goods to Harpreet for ₹ 3,50,000 at a trade discount of 20% and charged IGST @ 12%.
 - (iii) Goods distributed by way of free samples amounted to ₹ 35,000.
 - (iv) Goods of list price ₹1,40,000 were returned by Harpreet.
 - (v) Sandeep became insolvent and could pay only 40 paise in a rupee. The amount due from him was ₹21,000.

Capital or Revenue Expenditure

- (b) Classify the following expenditures as capital or revenue expenditure/receipt:
- ₹ 10,000 spent as import duty on machinery purchased.
 - Amount received from debtors during the year.
 - Cost of testing whether the equipment is functioning properly.
 - Insurance claim received on account of a machinery damaged by fire.

Subsidiary Books

4. (a) Prepare a Purchases book from the following transactions of Techno Computers

Date (2026)	Particulars
Jan. 3	Bought from Rocket Computers (Delhi), on credit: 10 RAM @ ₹ 1,400 each 50 Pen Drives @ ₹ 300 each Trade Discount @ 10% CGST @ 9%, SGST @ 9% Freight ₹ 700
Jan. 5	Purchased from Yes Computers (Mumbai), on credit: 20 Hard Disk @ ₹ 3,600 each 10 UPS @ ₹ 2,000 each Trade Discount @ 10% IGST @ 18%
Jan. 17	Bought from Sai Computers (Delhi), on credit: 8 Motherboards @ ₹ 2,500 each

	20 Web Camera @ ₹ 600 each
	Trade Discount @ 5%
	CGST @ 9%, SGST @ 9%
	Freight ₹ 2,500

Rectification of Errors

- (b) Before the preparation of the Trial Balance, the following errors were discovered in the books of Mr. Krishna:
- (i) Minor repairs to office premises amounting to ₹ 3,200 plus CGST and SGST @ 9% each were debited to Building Account.
 - (ii) An amount of ₹ 8,500 due from Mohit Verma, which had been written off as bad debts in the previous year, was recovered during the current year and wrongly credited to Mohit Verma's Personal Account.
 - (iii) Office furniture purchased for ₹35,000 plus CGST and SGST @ 9% each was entered in the Purchases Day Book.
 - (iv) Goods purchased on credit from Rakesh Enterprises amounting to ₹ 24,000 plus IGST @12% have remained completely unrecorded.
 - (v) School fees of proprietor's daughter amounting to ₹ 28,000 were debited to Legal Charges Account.
 - (vi) A cheque received from Ankit Sharma ₹12,600 was credited to the account of Amit Sharma.
 - (vii) Goods costing ₹ 15,000 sold to a customer were returned by him. The goods were received back into inventory, but no entry was passed in the books. CGST and SGST @ 9% each was charged on the original cost.
 - (viii) Wages of ₹ 5,000 paid to workers engaged in manufacturing office furniture were debited to Wages Account.

- (ix) Salary paid to office manager ₹ 18,000 was debited to his Personal Account.
- (x) Cash paid to creditor Naveen Kumar ₹ 9,800 was correctly entered in the Cash Book but omitted from his Personal Account.

Pass the necessary Journal Entries to rectify the above errors.

Bank Reconciliation Statement

5. The Bank Pass Book of Account No.5678 of Mrs. Geeta showed an overdraft of ₹ 33,575 on 31st March 2026. On going through the Pass Book, the accountant found the following:
- (i) A Cheque of ₹ 1,080 credited in the pass book on 28th March 2026 being dishonoured is debited again in the pass book on 1st April 2026. There was no entry in the cash book about the dishonour of the cheque until 15th April 2026.
 - (ii) Bankers had credited her account with ₹ 2,800 for interest collected by them on her behalf, but the same has not been entered in her cash book.
 - (iii) Out of ₹ 20,500 paid in by Mrs. Geeta in cash and by cheques on 31st March 2026 cheques amounting to ₹ 7,500 were collected on 7th April, 2026.
 - (iv) Out of Cheques amounting to ₹ 7,800 drawn by her on 27th March, 2026 a cheque for ₹ 2,500 was encashed on 3rd April, 2026.
 - (v) Bankers seems to have given here wrong credit for ₹ 500 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for ₹ 300 against her account No.8765.
 - (vi) A cheque for ₹ 1,000 entered in Cash Book but omitted to be banked on 31st March, 2026.
 - (vii) A Bill Receivable for ₹ 5,200 previously dishonoured (discounted for ₹ 200) with the Bank had been dishonoured but advice was received on 1st April, 2026.

- (viii) A Bill for ₹ 10,000 was retired /paid by the bank under a rebate of ₹ 175 but the full amount of the bill was credited in the bank column of the Cash Book.
- (ix) A Cheque for ₹ 2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2026.

Prepare Bank Reconciliation Statement as on 31st March, 2026.

Valuation of Inventories

6. Stock taking of Comfort Zone Stores for the year ended 31st March, 2026 was completed by 7th April, 2026, the valuation of which showed a stock figure of ₹ 5,02,500 at cost as on the completion date. After the end of the accounting year and till the date of completion of stock taking, sales for the next year were made for ₹ 20,625, profit margin being 33.33 percent on cost. Purchases for the next year included in the stock amounted to ₹ 27,000 at cost less trade discount 10 percent. During this period, goods were added to stock of the mark-up price of ₹ 900 in respect of sales returns. After stock taking it was found that there were certain very old slow moving items costing ₹ 3,375 which should be taken at ₹ 1,575 to ensure disposal to an interested customer. Due to heavy floods, certain goods costing ₹ 4,650 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be ₹ 3,750 on 31st March, 2026.

You are required to calculate the value of stock for inclusion in the final accounts for the year ended 31st March, 2026. Closing stock is valued by comfort zone Stores on generally accepted accounting principles.

Depreciation and Amortisation

7. A firm purchased a second-hand machinery on 1st April, 2023 for ₹ 30,00,000 subsequent to which ₹ 4,00,000 were spent on its repairs and installation. On 1st October, 2023 another machinery was purchased for ₹ 18,00,000 and cost of installing the machine in a new plant is ₹ 40,000. The firm also shifted the machinery purchased on 1st April, 2023 to the new plant and incurred freight of ₹ 10,000. They adopted a

policy of charging depreciation @ 12% per annum on diminishing balance method.

On 1st April, 2025 it was decided to change the method and rate of depreciation to straight line basis. On this date, the remaining useful life was assessed as 5 years for both the machines purchased with no scrap value.

On 1st October, 2025 the first machine become outdated and sold for ₹ 5,00,000. On the same date, another machinery was purchased for ₹ 17,00,000. The estimated useful life of the machine is 10 years and residual value is ₹ 60,000.

You are required to prepare the machinery account for the year ending March 31, 2026.

Bills of Exchange

8. Mr. Bimal accepted a bill for ₹ 30,000 drawn on him by Mr. Aman on 1st August, 2025 for 3 months. This was for the amount which Bimal owed to Aman. On the same date Mr. Aman got the bill discounted at his bank for ₹ 29,400.

On the due date, Bimal approached Aman for renewal of the bill. Mr. Aman agreed on condition that ₹ 6,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Bimal should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2025, Bimal became insolvent and his estate paid 40%.

You are required to prepare Journal Entries in the books of Mr. Aman

Final accounts

9. The following are the balances as at 31st March, 2026, extracted from the books of Ms. Priya Nandini, proprietor of Nandini Textiles.

	₹		₹
Plant and Machinery	58,650	Bad Debts Recovered	1,350
Furniture and Fittings	30,750	Salaries	83,250
Bank Overdraft	2,40,000	Salaries Payable	7,350

Capital Account	98,100	Prepaid Rent	900
Drawings	24,000	Rent	12,900
Purchases	4,80,000	Carriage Inward	3,375
Opening Stock	96,750	Carriage Outward	4,050
Wages	36,495	Sales	6,45,900
Provision for Doubtful Debts	9,600	Advertisement Expenses	10,050
Provision for Discount on Debtors	4,125	Printing and Stationery	3,750
Sundry Debtors	3,60,000	Cash in Hand	4,350
Sundry Creditors	1,42,500	Cash at Bank	9,375
Bad Debts	3,300	Office Expenses	30,480
Interest Paid on Loan	9,000		

Additional Information:

1. Closing stock as on 31st March, 2026 was ₹ 3,75,000.
2. Create a provision for doubtful debts @ 5% on Sundry Debtors and a provision for discount on debtors @ 2.5% on debtors (after provision for doubtful debts).
3. Depreciation is to be provided on Plant and Machinery @ 15% p.a. and on Furniture and Fittings @ 10% p.a.
4. Manager's commission is payable @ 5% on net profit after charging such commission.
5. Interest on Loan is to be provided @ 8% per annum.
6. Audit fees of ₹ 4,500 are outstanding and have not yet been accounted for.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2026, and a Balance Sheet as on that date.

Financial Statements of Not for Profit Organizations

10. The following is the Receipts and payments account of Masters Club for the year ended on 31st March, 2026

Receipts and payments A/c for the year ended on 31st march 2026

Receipts	Amount (₹)	Payments	Amount (₹)
To balance b/d	8,450	By Salaries and wages	12,250
To Subscription	23,000	By Supply of refreshment	18,250
To Sale of refreshments	22,000		27,500
To Entrance fees	26,000	By Sports equipment	2,800
		By Telephone Charges	
To interest on investments @ 7%	4,550	By Electricity charges	15,600
		By Honorarium charges	6,500
		By balance c/d	1,100
	84,000		84,000

Additional information:

- Following are the assets and liabilities on 31st March, 2025:
 Assets- Sports equipment- ₹ 32,000; Subscription in arrears- ₹ 7,600; furniture- ₹ 12,480
 Liabilities- Outstanding Electricity charges- ₹ 5,400; Subscription in advance- ₹ 6,250
- Following are the assets and liabilities on 31st March, 2026-
 Assets- Sports equipment- ₹ 50,500; Subscription in arrears- ₹ 5,200; furniture- ₹ 11,180
 Liabilities- Outstanding Electricity charges- ₹ 3,800; Subscription in advance- ₹ 4,850
- 50% of the entrance fees to be capitalized.

4. Interest on the investments is being received in full, and the investments have been made on 1.4.2025

You are required to prepare Income and Expenditure account and the Balance Sheet as of 31st March 2026 in the books of Masters Club.

Accounts from Incomplete Records

11. The following is the Balance Sheet of Manish and Suresh as on 1st April, 2025:

Liabilities	₹	Assets	₹
Capital Accounts:		Building	1,00,000
Manish	1,50,000	Machinery	65,000
Suresh	75,000	Stock	40,000
Creditors for goods	30,000	Debtors	50,000
Creditors for expenses	25,000	Bank	25,000
	<u>2,80,000</u>		<u>2,80,000</u>

They give you the following additional information:

- Sales and purchases for the year ended 31st March, 2025 were ₹ 3,00,000 and ₹ 2,40,000 respectively.
- Stock level is maintained uniformly in value throughout all over the year.
- Depreciation on machinery is charged @ 10%, Depreciation on building @ 5% in the current year.
- Sales in the current year will increase by 43.75% in volume.
- Rate of gross profit remains the same.
- Business Expenditures are ₹ 50,000 for the year. All expenditures are paid off in cash.
- All sales and purchases are on credit basis and there are no cash purchases and sales.

You are required to prepare Trading and Profit and Loss Account for the year ended 31.03.2026.

Partnership Accounts

Profit and Loss Appropriation Account

12. Aarav Mehta, Rohan Khanna and Vikram Sharma are in partnership sharing profit and losses at the ratio of 2:5:3. The Balance Sheet of the partnership as on 31.12.2025 was as follows:

Balance Sheet of M/s Aarav Mehta, Rohan Khanna & Vikram Sharma

Liabilities	₹	Assets	₹
Capital A/cs		Sundry fixed assets	15,00,000
Aarav Mehta	2,55,000	Inventory	3,00,000
Rohan Khanna	9,45,000	Trade receivables	1,50,000
Vikram Sharma	6,75,000	Bank	15,000
Trade payables	90,000		
	19,65,000		19,65,000

The partnership earned profit ₹ 6,00,000 in 2025 and the partners withdrew ₹ 4,50,000 during the year. Normal rate of return 30%.

You are required to calculate the value of goodwill on the basis of 5 years' purchase of super profit. For this purpose calculate super profit using average capital employed.

Admission of Partner

13. X and Y are partners in a firm, sharing Profits and Losses in the ratio of 3: 2. The Balance Sheet of X and Y as on 31st March, 2025 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	45,150	Building	91,000
Bill Payable	14,350	Furniture	20,300
Bank Overdraft	31,500	Stock-in-Trade	74,900

Capital Account:		Debtors	1,22,500	
X: 1,54,000		Less: Provision	(700)	1,21,800
Y: <u>1,26,000</u>	2,80,000	Investment		8,750
		Cash		<u>54,250</u>
	<u>3,71,000</u>			3,71,000

'Z' was admitted to the firm on 1.4.2025 on the following terms:

- He is admitted for 1/6th share and introduces a Capital of ₹ 87,500. The new profit sharing ratio of X, Y and Z will be 3 : 2 : 1 respectively.
- Z is unable to bring in cash for his share of goodwill; The partners decided to calculate goodwill on the basis of 'Z's share in the profits and the capital contribution made by him to the firm.
- Furniture is written down by ₹ 3,045 and stock to be depreciated by 5%.
- Building is appreciated to ₹ 1,02,200. Investment value increases by ₹ 1,575.
- Creditors include ₹ 4,900 not to be paid. Provision for Debtors is to be maintained at 5%.
- A printer purchased for ₹ 3,500 on credit was entered in Furniture A/c by mistake. It is now to be treated as Office Equipment, and the liability to the supplier is still outstanding.
- Outstanding wages of ₹ 5,460 are also to be provided

You are required to prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of New Partnership firm after admission of 'Z'.

Dissolution of Partnership

14. A, B and C were partners sharing profits and losses in the ratio of 4 : 3 : 1. Their Balance Sheet as on 31st March, 2025 was as follows :

Liabilities	₹	Assets	₹
A's Capital A/c	1,05,000	Building	90,000

B's Capital A/c	45,000	Machinery	30,000
C's Capital A/c	75,000	Stock	82,500
Creditors	39,000	Debtors	90,000
Bank Loan (Secured)	13,500		
A's Loan	15,000		
	2,92,500		2,92,500

They decided to dissolve the business. The assets were realised gradually and the net amounts were distributed immediately as follows:

2025	₹	Expenses	₹
May, 30	33,000	Expenses paid	3,000
July, 30	25,200	Expenses paid	2,200
Sept. 30	57,000	Expenses paid	4,500
Nov. 30	68,000	Expenses paid	8,000
Dec. 31	1,08,000	Expenses paid	10,000

Show the distribution of cash among partners using maximum possible loss method.

Issue and Forfeiture of Shares

15. DC Limited invited applications for issuing 3,75,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The total amount payable was ₹ 9 per share (including premium) on application and allotment and balance on the First and Final Call

Applications for 15,00,000 equity shares were received. Applications for 10,00,000 equity shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 7,500 shares applied by Mr. Sunil. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹ 4/- per share.

Pass necessary journal entries for the above transactions in the books of DC Limited.

Bonus Issue and Redemption of Preference Shares

16. The following is the summarized Balance Sheet of Globus Ltd. as at 31.3.2025:

Liabilities	₹	Assets	₹
Share Capital		Fixed Assets 3,00,000	
Authorised		Less: Dep <u>1,00,000</u>	2,00,000
10,000 10% Redeemable Preference		Investments	1,00,000
Shares of ₹ 10 each	1,00,000		
90,000 Equity Shares of ₹ 10 each	9,00,000		
	10,00,000		
Issued, Subscribed and Paid-up Capital		Current Assets and Loans and Advances	
10,000 10% Redeemable Preference		Inventory	45,000
Shares of ₹ 10 each	1,00,000	Trade receivables	25,000
10,000 Equity Shares of ₹ 10 each	1,00,000	Cash and Bank Balances	50,000
(A)	2,00,000		
Reserves and Surplus			
General Reserve	1,08,500		
Securities Premium	70,000		
Profit and Loss A/c	30,000		
(B)	2,08,500		
Current Liabilities and Provisions (C)	11,500		
Total (A + B + C)	4,20,000	Total	4,20,000

For the year ended 31.3.2026, the company made a net profit of ₹ 35,000 after providing ₹ 20,000 depreciation.

The following additional information is available with regard to company's operation:

1. The preference dividend for the year ended 31.3. 2026 was paid.
2. Except cash and bank balances other current assets and current liabilities as on 31.3. 2026, was the same as on 31.3.2025.
3. The company redeemed the preference shares at a premium of 10%.
4. The company issued bonus shares in the ratio of one share for every two equity share held as on 31.3.2026.
5. To meet the cash requirements of redemption, the company sold investments.
6. Investments were sold at 90% of cost on 31.3.2026.

You are required to prepare necessary journal entries to record redemption and issue of bonus shares.

Issue of Debentures

17. On 1st April 2025, Vertex Industries Ltd. took over assets of ₹ 27,00,000 and liabilities of ₹ 3,60,000 of Summit Manufacturing Ltd. for a purchase consideration of ₹ 26,40,000.

Vertex Industries Ltd. discharged the purchase consideration by issuing 8% Debentures of ₹ 100 each at a premium of 10% on the same date.

Further, Vertex Industries Ltd. issued 18,000, 8% Debentures of ₹ 100 each at a discount of 10%, redeemable at a premium of 5% after 5 years. According to the terms of issue, ₹30 per debenture was payable on application and the balance on allotment.

It was decided to write off the entire loss on issue of debentures in the year of issue itself.

You are required to pass the necessary journal entries in the books of Vertex Industries Ltd. for the financial year 2025–26.

18. Write short notes on:
- (i) Going Concern concept.
 - (ii) Services a Chartered Accountant can provide to society
 - (iii) Double entry system

- (iv) Factors taken into consideration for calculation of depreciation.
- (v) Noting Charges.
- (vi) Importance of bank reconciliation to an industrial unit.



SUGGESTED ANSWERS/HINTS

1.
 - (i) **False:** Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations other than for prompt payment.
 - (ii) **False:** Trial balance only checks the arithmetical accuracy of the books. Errors of principle and errors of commission will not affect the agreement of the trial balance.
 - (iii) **True:** Salary paid in advance relates to the coming accounting period and it has nothing to do with the current period. Hence it is not taken in the Profit and Loss Account as an expense. It is shown as a Current Asset in the Balance Sheet.
 - (iv) **False:** When closing inventory is overstated, net income for the accounting period will also be overstated.
 - (v) **False:** The drawer and payee may be same person in case of bill of exchange whereas in promissory note maker and payee can't be same person.
 - (vi) **False:** Even though Goodwill is intangible asset it can be valued in terms of money. It can be measured in terms of physical units.
 - (vii) **True:** Laboratory and library deposits are of the nature of security deposits to be refunded to the students on their leaving the College or University. Hence they are shown on the liability side of the Balance Sheet.
 - (viii) **True:** As per Perpetual Existence company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

- (ix) **False:** Even if the company incurs losses, it has to pay interest on debentures. Debenture being debts on the company & debenture holders are not concerned with the profit or loss of the company, the interest is to be paid at the rate fixed on it at the time of issue of debenture.
2. (a) **Cash system** of accounting is a system by which a transaction is recognized only if cash is received or paid. In cash system of accounting, entries are made only when cash is received or paid, no entry being made when a payment or receipt is merely due. Cash system is normally followed by professionals, educational institutions or non-profit making organizations.

On the other hand, mercantile system of accounting is a system of classifying and summarizing transactions into assets, liabilities, equity (owner's fund), costs, revenues and recording thereof. A transaction is recognized when either a liability is created/ impaired and an asset is created /impaired. A record is made on the basis of amounts having become due for payment or receipt irrespective of the fact whether payment is made or received actually.

Mercantile system of accounting is generally accepted accounting system by business entities.

- (b) Receipts which are obtained in course of normal business activities are revenue receipts. Example receipts from sale of goods or services, interest income etc.

Revenue receipts should not be equated with the actual cash receipts. Revenue receipts are credited to the Profit and Loss Account

- (c) Change in accounting policy may have a material effect on the items of financial statements. For example, cost formula used for inventory valuation is changed from weighted average to FIFO. Unless the effect of such change in accounting policy is quantified, the financial statements may not help the users of accounts.

3. (a)

In the books of Arjun
Journal Entries

		₹	₹
(i)	Cash A/c Dr.	70,000	
	Land A/c Dr.	1,40,000	
	Furniture A/c Dr.	35,000	
	Stock A/c Dr.	70,000	
	To Creditors		35,000
	To Bank overdraft		70,000
	To Capital A/c		2,10,000
	(Being commencement of business by Arjun by taking over a running business).		
(ii)	Harpreet's A/c Dr.	3,13,600	
	To Sales A/c		2,80,000
	To Output IGST A/c		33,600
	(Being goods sold to Harpreet at trade discount of 20% and charged IGST @12%)		
(iii)	Advertisement Expenses A/c Dr.	35,000	
	To Purchases A/c		35,000
	(Being goods distributed as free sample)		
(iv)	Sales Return A/c Dr.	1,12,000	
	Output IGST A/c Dr.	13,440	
	To Harpreet A/c		1,25,440
	(Being goods returned by Harpreet and output IGST charged at the time of sales now reversed)		
(v)	Cash A/c Dr.	8,400	
	Bad Debts A/c Dr.	12,600	
	To Sandeep		21,000
	(Being Sandeep become insolvent)		

- (b) (i) Import duty is paid to bring the machinery to a usable condition and is directly related to acquiring a fixed asset and any cost incurred to acquire, install, or make a fixed asset ready for use forms part of the cost of that asset and is **Capital Expenditure**.
- (ii) Amount received from debtors is simply the amount which is already earned as revenue in a prior period. It does not generate any new income, nor does it create or extinguish a long-term asset or liability. It is therefore a **revenue receipt**.
- (iii) Testing costs are incurred before an asset is put into use and this cost is necessary to bring an asset to its working condition. Hence, it is **Capital expenditure**.
- (iv) Insurance claim received on account of machinery damaged by fire is the compensation received on account of loss of a fixed asset. Hence it is a **Capital receipt**.

4. (a) **In the Books of Techno Computers**

Purchases Book

Date	Particulars	L.F.	Details (₹)	Cost (₹)	Input CGST (₹)	Input SGST (₹)	Input IGST (₹)	Freight (₹)	Total (₹)
2026 Jan. 3	Rocket Computers 10 RAM @ ₹ 1,400 each 50 Pen Drives @ ₹ 300 each Less: Trade Discount @10% Add: CGST@ 9% Add: SGST @9%		14,000 <u>15,000</u> 29,000 <u>(2,900)</u> 26,100 2,349 2,349						

	Add: Freight		700						
			<u>31,498</u>	26,100	2,349	2,349		700	31,498
Jan. 5	Yes Computers								
	20 Hard Disk @ ₹ 3,600 each		72,000						
	10 UPS @ ₹ 2,000 each		<u>20,000</u>						
			92,000						
	Less: Trade Discount @10%		<u>(9,200)</u>						
			82,800						
	Add: IGST @18%		<u>14,904</u>						
			<u>97,704</u>	82,800			14,904		97,704
Jan. 17	Sai Computers								
	8 Motherboards @ ₹ 2,500 each		20,000						
	20 Web Camera @ ₹ 600 each		<u>12,000</u>						
			32,000						
	Less: Trade Discount @ 5%		<u>(1,600)</u>						
			30,400						
	Add: CGST @9%		2,736						
	Add: SGST @9%		2,736						
	Add: Freight		2,500						
			<u>38,372</u>	30,400	2,736	2,736		2,500	38,372
				1,39,300	5,085	5,085	14,904	3,200	1,67,574

Working Note:

1. GST is a comprehensive indirect tax applied to the manufacturing, sale, and consumption of goods and services. Input GST is paid on purchases and can be set off against Output GST. Therefore, separate columns are maintained in the Purchases Book for recording Input CGST, Input SGST, and Input IGST.
2. Trade discounts are deducted first, then GST is calculated on the remaining balance.
3. When a supplier charges for shipping, these costs are included in the total invoice value. A separate column for "Freight" is provided in the Purchases Book to track these expenses.

(b)
In the books of Mr. Krishna
Journal Entries

Date	Particulars	Dr. ₹	Cr. ₹
(1)	Repairs A/c Dr. Input CGST A/c Input SGST A/c To Building A/c (Being repairs to building wrongly debited to building now rectified)	3,200 288 288	3,776
(2)	Mohit Verma A/c Dr. To Bad Debts Recovered A/c (Recovery of bad debts wrongly credited to debtor now rectified)	8,500	8,500
(3)	Furniture A/c Dr. Input CGST A/c Input SGST A/c	35,000 3,150 3,150	

	To Purchases A/c (Furniture purchase wrongly treated as goods purchaser, now rectified)		41,300
(4)	Purchases A/c Dr. 24,000 Input ICGST A/c 2,880 To Rakesh Enterprises A/c (Goods purchased from Rakesh enterprises omitted to be recorded now rectified)		26,880
(5)	Drawings A/c Dr. 28,000 To Legal Charges A/c (Proprietor's daughter's school fees wrongly debited to expenses, now rectified)		28,000
(6)	Amit Sharma A/c Dr. 12,600 To Ankit Sharma A/c (Cheque received from Ankit sharma wrongly credited to Amit Sharma, now rectified)		12,600
(7)	Sales Return A/c Dr. 15,000 Output CGST A/c Dr. 1,350 Output SGST A/c Dr. 1,350 To Customer's A/c (Sales return omitted to be recorded now rectified)		17,700
(8)	Furniture A/c Dr. 5,000 To Wages A/c (Furniture-making wages capitalised now rectified)		5,000

(9)	Salaries A/c To Office Manager's Personal A/c (Salary paid to personal manager wrongly debited to personal account now rectified)	Dr.	18,000	18,000
(X)	Naveen Kumar A/c To Suspense A/c (Omission of posting in creditor's account now rectified)	Dr.	9,800	9,800

5. Bank Reconciliation Statement as on 31st March, 2026

Particulars	₹
Bank balance (Debit i.e. overdraft) as per Bank Pass book	33,575
(ii) <i>Add:</i> No entry in Cash book for interest collection by Bank	2,800
(iii) <i>Less:</i> Amount debited in cash book for pending cheques in collection but not credited in Pass Book	(7,500)
(iv) <i>Add:</i> Cheque credited in cash book but not debited in pass book	2,500
(v) <i>Add:</i> Reversal of wrong Credit	500
<i>Less:</i> Reversal of wrong debit	(300)
(vi) <i>Less:</i> Cheque of ₹ 1,0000 entered in cash book but omitted to be banked	(1,000)
(vii) <i>Less:</i> Discounted dishonored but no entry in Cash book	(5,200)
(viii) <i>Add:</i> Rebate on bill retired not entered in cash book	175
(viii) <i>Add:</i> Cheques deposited in bank not yet recorded in cash book	<u>2,400</u>
Balance (Cr. i.e. overdraft) as per Cash book	<u>27,950</u>

Note: A cheque of ₹ 1,080 credited in Pass Book on 28th March, 2026 and later debited in Pass Book on 1st April, 2026 has no effect on Bank Reconciliation statement as at 31st March, 2026.

6. (a) Statement showing the valuation of stock as on 31st March, 2026

		₹
A	Value of Stock as on 7th April, 2026	5,02,500
B	Add: Cost of sales after 31 st March, till stock taking (₹ 20,625 – ₹ 5,157)	15,468
C	Less: Purchases for the next period (net)	(24,300)
D	Less: Cost of Sales Returns	(675)
E	Less: Loss on revaluation of slow moving inventories	(1,800)
F	Less: Reduction in value on account of default	<u>(900)</u>
G	Value of Stock on 31 st March, 2026	<u>4,90,293</u>

Note: Profit margin of 33.33 percent on cost means 25 percent on sale price.

7. Machinery Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2025 April 1	To Bal b/d- Machine 1 26,32,960 Machine 2 <u>15,22,048</u>	41,55,008	2025 Oct. 1	By Depreciation- on machinery 1 sold	2,63,296
		17,00,000	Oct. 1	By Bank – machinery 1 sold	5,00,000
Oct. 1	To Bank A/c (Machine 3)		Oct. 1	By Profit & Loss– Loss on Sale of machinery (WN. 1)	18,69,664
			2026 Mar. 31	By Depreciation (WN. 2) Machine 2 3,04,410 Machine 3 <u>82,000</u>	3,86,410
			Mar. 31	By bal c/d	<u>28,35,638</u>
		58,55,008			58,55,008

Working Note 1:
Calculation of depreciation and Profit/loss on sale:

	Machine 1 purchased on 1 st April, 2023 (₹)	Machine 2 purchased on 1 st October, 2023 (₹)	Total (₹)
Cost of Purchase	30,00,000	18,00,000	
	<u>4,00,000</u>	<u>40,000</u>	
Total Cost	34,00,000	18,40,000	
Less: Depreciation @ 12%			
Machine 1 (12 months)	(4,08,000)		
Machine 2 (6 months)		(1,10,400)	5,18,400
W.D.V. on 31-3-2024	29,92,000	17,29,600	
Less: Depreciation @ 12%	(3,59,040)	(2,07,552)	5,66,592
W.D.V. on 31-3-2025	26,32,960	15,22,048	
Less: Depreciation on SLM Basis (WN. 2)	(2,63,296)	(3,04,410)	5,67,706
	23,69,664	12,17,638	
Less: Sale proceeds on 1-10-2025	(5,00,000)		
Loss on sale of machinery	18,96,664		

Working Note 2:

Calculation of Depreciation on the basis of Straight-line method with effect from April 1,2025

- Machine 1 (purchased on 1st April,2025) = $34,00,000 - 4,08,000 - 3,59,040 = 26,32,960 / 5 = 5,26,592 / 2 = 2,63,296$
- Machine 2 (purchased on 1st October, 2023) = $18,40,000 - 1,10,400 - 2,07,552 = 15,22,048 / 5 = ₹ 3,04,410$
- Machine 3 (purchased on 1st Oct,2025) = $\frac{17,00,000 - 60,000}{10} = 1,64,000 / 2 = ₹ 82,000$

Note: Freight incurred on Machinery purchased on 1st April, 2023 is to be excluded from the cost of machinery since this cost is incurred only for shifting the machinery to the new plant and does not increase the operating capacity of the machinery.

8. Journal Entries in the Books of Mr. Aman

Date 2025	Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
August 1	Bills Receivable A/c To Bimal (Being the acceptance received from Bimal to settle his account)	Dr.	30,000	30,000
August 1	Bank A/c Discount A/c To Bills Receivable (Being the bill discounted for ₹ 9,800 from bank)	Dr. Dr.	29,400 600	30,000
November 4	Bimal To Bank A/c (Being the Bimal's acceptance is to be renewed)	Dr.	30,000	30,000
November 4	Bimal To Interest A/c (Being the interest due from Bimal for 3 months i.e., $8000 \times \frac{3}{12} \times 12\% = 240$)	Dr.	720	720
November 4	Cash A/c Bills Receivable A/c To Bimal (Being amount and acceptance of new bill received from Bimal)	Dr. Dr.	6,720 24,000	30,720

December 31	Bimal A/c Dr. To Bills Receivable A/c (Being Bimal became insolvent)	24,000	24,000
December 31	Cash A/c Dr. Bad debts A/c Dr. To Bimal (Being the amount received and written off on Bimal's insolvency)	9,600 14,400	24,000

9. In the books of Ms. Priya Nandini (Nandini Textiles)

Trading A/c for the year ended 31st March, 2026

	Particulars	₹		Particulars	₹
To	Opening Stock	96,750	By	Sales	6,45,900
To	Purchases	4,80,000	By	Closing Stock	3,75,000
To	Carriage Inward	3,375			
To	Wages	36,495			
To	Gross Profit c/d	4,04,280			
		10,20,900			10,20,900

Profit and Loss A/c for the year ended 31st March, 2026

	Particulars	₹		Particulars	₹
To	Salaries	83,250	By	Gross Profit b/d	4,04,280
To	Rent	12,900	By	Bad Debts Recovered	1,350
To	Advertisement Expenses	10,050			
To	Printing and Stationery	3,750			
To	Bad Debts	3,300			
To	Carriage Outward	4,050			
To	Provision for Doubtful Debts (WN 1)	8,400			

To	Provision for Discount on Debtors (WN 2)	4,425			
To	Depreciation (WN-4)	11,873			
To	Office Expenses	30,480			
To	Interest on Loan	9,000			
To	Audit Fees	4,500			
To	Manager's Commission (WN 3)	10,460			
To	Net Profit (to Capital A/c)	2,09,192			
		4,05,630			4,05,630

Balance Sheet at on 31st March, 2026

Liabilities	₹	₹	Assets	₹	₹
Capital Account	98,100		Plant and Machinery	58,650	
Add: Net Profit	<u>2,09,192</u>		Less: Depreciation	<u>(8,798)</u>	49,852
	3,07,292		Furniture and Fittings	30,750	
Less: Drawings	<u>(24,000)</u>	2,83,292	Less: Depreciation	<u>(3,075)</u>	27,675
			Closing Stock		3,75,000
Bank Overdraft		2,40,000	Sundry Debtors	3,60,000	
Sundry Creditors		1,42,500	Less: Prov. for Doubtful Debts	<u>(18,000)</u>	
Salaries Payable		7,350	Less: Prov. for Discount on Debtors	<u>(8,550)</u>	3,33,450
Manager's Commission Payable		10,460	Prepaid Rent		900
Outstanding Audit Fees		4,500	Cash in Hand		4,350
Loan (WN 5)		<u>1,12,500</u>	Cash at Bank		<u>9,375</u>
		<u>8,00,602</u>			<u>8,00,602</u>

Working Notes

1. Provision for Doubtful Debts	Amount
Sundry Debtors balance	₹ 3,60,000
New provision @ 5% of ₹3,60,000	₹ 18,000
Less: Existing provision	<u>₹ (9,600)</u>
Additional provision charged to P&L	<u>₹ 8,400</u>
2. Provision for Discount on Debtors	
Net Debtors after provision for doubtful debts	₹ 3,42,000
New provision @ 2.5% of ₹3,42,000	₹ 8,550
Less: Existing provision	<u>₹ (4,125)</u>
Additional provision charged to P&L	<u>₹ 4,425</u>
3. Manager's Commission	
Profit before manager's commission (after interest on capital)	₹ 2,19,652
Commission = $5/105 \times ₹ 2,19,652$	<u>₹ (10,460)</u>
Net Profit (transferred to Capital Account)	<u>₹ 2,09,192</u>
4. Depreciation	
Plant and Machinery: 15% on ₹58,650	₹ 8,798
Furniture and Fittings: 10% on ₹30,750	<u>₹ 3,075</u>
Total Depreciation	<u>₹ 11,873</u>
5. Loan	
Interest on Loan @8%	9,000
Total Loan = $9,000/8\%$	1,12,500

10. **In the books of Masters Club**
Income and expenditure Account for the year ended on
31st March, 2026

Expenditure	Amount (₹)	Income	Amount (₹)
To Salaries and wages	12,250	By Subscriptions (W.N. 4)	22,000

To Depreciation (W.N. 3)	10,300	By Net proceeds from refreshments (22,000-18,250)	3,750
To Telephone Charges	2,800	By Entrance fees (50% x 26,000)	13,000
To Electricity charges (W.N. 5)	14,000	By Interest on investments	4,550
To Honorarium charges	6,500	By Excess of expenditure over income	2,550
	45,850		45,850

Balance sheet as at 31st March, 2026

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital as on 31 st Mar,25		Sports Equipment	50,500
1,13,880	1,11,330	Furniture	11,180
Less: Deficit (2,550)		7% Investments	65,000
Entrance fees	13,000	Subscription in arrears	5,200
Outstanding electricity charges	3,800	Cash	1,100
Subscription in advance	4,850		
	1,32,980		1,32,980

Working notes

1. Investments made $\frac{\text{Income earned during the year}}{\text{Rate of interest}} = \frac{4,550}{7\%} = 65,000$

2. Balance sheet as at 31st March, 2025

Liabilities	Amount (₹)	Assets	Amount (₹)
capital fund (B/f)	1,13,880	Sports Equipment	32,000
Outstanding electricity charges	5,400	Furniture	12,480
Subscription in advance	6,250	7% Investments	65,000
		Subscription Outstanding	7,600
		Cash	8,450
	1,25,530		1,25,530

3. Calculation of depreciation of Sports equipment

Particulars	Amount (₹)
Sports equipment as on 31 st March, 2025	32,000
Add: Purchases during the year	27,500
Less: Closing balance of equipment as on 31 st March, 2026	(50,500)
Depreciation on sports equipment for the year ended 31 st March, 2026	9,000

Calculation of depreciation of Furniture

Particulars	Amount (₹)
Furniture as on 31 st , March 2025	12,480
Add: Purchases during the year	-
Less: Closing balance of equipment as on 31 st March, 2026	(11,180)
Depreciation on furniture for the year ended 31 st March, 2026	1,300

Total Depreciation = ₹ 10,300 (9,000+1,300)

4. Subscription to be credited to income and expenditure account for the year 2026

Dr. Subscription A/c (year ended on 31st March, 2026) **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Outstanding at the beginning (2025)	7,600	By Advance at the beginning (2025)	6,250
To Income and Expenditure A/c	22,000	By Receipts and payments A/c	23,000
To Advance at the end (2026)	4,850	By Outstanding at the end (2026)	5,200
	34,450		34,450

5. Electricity charges to be debited to Income and expenditure Account

Electricity charges paid for year 2026	15,600
Add: Outstanding charges for year 2026	3,800
Less: Outstanding charges for year 2025	(5,400)
Electricity charges to be debited to Income and Expenditure A/c	14,000

11. Trading and Profit and Loss account for the year ending 31st March, 2026

Particulars	₹	Particulars	₹
To Opening Stock	40,000	By Sales (WN (ii))	4,31,250
To Purchases (WN (iii))	3,45,000	By Closing Stock	40,000
To Gross Profit c/d (20% on sales)	<u>86,250</u>		
	<u>4,71,250</u>		<u>4,71,250</u>
To Business Expenses	50,000	By Gross Profit b/d	86,250
To Depreciation on:			
Machinery 6,500			
Building <u>5,000</u>	11,500		
To Net profit	<u>24,750</u>		
	<u>86,250</u>		<u>86,250</u>

Working Note:

		₹
(i)	Calculation of Rate of Gross Profit earned during previous year	
A	Sales during previous year	3,00,000
B	Purchases	2,40,000
C	Cost of Goods Sold (₹ 40,000 + ₹ 2,40,000 – ₹ 40,000)	<u>2,40,000</u>
D	Gross Profit (A-C)	60,000

E	Rate of Gross Profit $\frac{₹ 60,000}{₹ 3,00,000} \times 100$	20%
(ii)	Calculation of sales during current year	₹
A	Cost of goods sold during previous year	2,40,000
B	Add: Increases in volume @ 43.75 %	<u>1,05,000</u>
C	Cost of goods sold during Current Year	3,45,000
D	Add: Gross profit @ 25% on cost (20% on sales)	<u>86,250</u>
E	Sales for current year [C+D]	<u>4,31,250</u>
(iii)	Calculation of Purchases during current year	
	Cost of Goods Sold	3,45,000
	Add: Closing Stock	40,000
	Less: Opening Stock	<u>40,000</u>
	Purchases	<u>3,45,000</u>

12.

	Valuation of Goodwill:	₹
(1)	Average Capital Employed	
	Total Assets less Trade payables as on 31.12.2025	18,75,000
	Add: 1/2 of the amount withdrawn by partners	<u>2,25,000</u>
		21,00,000
	Less: 1/2 of the profit earned in 2025	<u>(3,00,000)</u>
		<u>18,00,000</u>
(2)	Super Profit:	
	Profit of M/s Aarav Mehta, Rohan Khanna & Vikram Sharma	6,00,000
	Normal profit @ 30% on ₹ 18,00,000	<u>(5,40,000)</u>
	Super Profit	<u>60,000</u>
(3)	Value of Goodwill	
	5 Years' Purchase of Super profit (₹ 60,000 × 5)	₹ 3,00,000

13. (i) Revaluation Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Furniture	3,045	By Building	11,200
To Stock (5% of 74,900)	3,745	By Sundry Creditors	4,900
To Prov. for Doubtful Debts (6,125 - 700)	5,425	By Investment	1,575
To Outstanding Wages	5,460		
To Office Equip. Supplier	3,500	By Loss transferred to Capital A/cs:	
		X's Capital A/c (3/5)	2,100
		Y's Capital A/c (2/5)	<u>1,400</u>
	21,175		21,175

(ii) Partners' Capital Accounts

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Revaluation Loss	2,100	1,400	—	By Balance b/d	1,54,000	1,26,000	—
To X & Y Capital A/c			26,250	By Cash A/c	—	—	87,500
To Balance c/d	1,67,650	1,35,100	61,250	By Z's Capital A/c (WN-1)	15,750	10,500	—
	<u>1,69,750</u>	<u>1,36,500</u>	<u>87,500</u>		<u>1,69,750</u>	<u>1,36,500</u>	<u>87,500</u>

(iii) Balance Sheet of X, Y & Z as at 1st April, 2025

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts:			
X's Capital A/c = 1,67,650		Building	1,02,200
Y's Capital A/c = 1,35,100		Furniture (20,300 - 3,045 - 3,500)	13,755
Z's Capital A/c = <u>61,250</u>	3,64,000	Office Equipment	3,500
Bills Payable	14,350	Stock-in-Trade (74,900 - 3,745)	71,155

Bank Overdraft	31,500	Debtors (1,22,500 - 6,125)	1,16,375
Sundry Creditors (45,150 - 4,900)	40,250	Investment	10,325
Outstanding Wages	5,460	Cash (54,250 + 87,500)	1,41,750
Supplier for Office Equipment	3,500		
	4,59,060		4,59,060

Working Note:
1. Calculation of goodwill

Z's contribution of ₹ 87,500 consists only 1/6th of capital.

Therefore, total capital of firm should be ₹ 87,500 × 6 = ₹ 5,25,000.

But combined capital of X, Y and Z amounts ₹ 1,54,000 + 1,26,000 + 87,500 = 3,67,500

Thus Hidden goodwill is ₹ 5,25,000 - ₹ 3,67,500 = ₹ 1,57,500.

Z's Share of Goodwill = 1,57,500 × 1/6 = 26,250

Calculation of sacrificing ratio

Partner	New Share		Old Share		Difference
X	3/6	–	3/5	=	3/30
Y	2/6	–	2/5	=	2/30
Z	1/6	–		=	1/6 (gain)

14. Statement showing distribution of cash

Details	Bank Loan	Creditors	A's Loan	A's Capital	B's Capital	C's Capital
Amount due on 1-4-2025	13,500	39,000	15,000	1,05,000	45,000	75,000
Net cash realized (33,000 – 3,000)						
30,000						
Paid Bank Loan	(13,500)					

Paid Creditors		(16,500)				
Balance due 30-07-2025	Nil	22,500	15,000	1,05,000	45,000	75,000
Net Cash realized (25,200 – 2,200) 23,000						
Paid to Creditors		(22,500)				
Paid A's Loan			(500)			
Balance due 30-9-2025		Nil	14,500	1,05,000	45,000	75,000
Net Cash realized (57,000 – 4,500) 52,500						
Paid A's Loan			(14,500)			
Balance Due	Nil	Nil	Nil	1,05,000	45,000	75,000
Balance Cash available 38,000						
Maximum Loss (1,05,000 + 45,000 + 75,000 – 38,000) ₹ 1,87,000 distributed to A, B and C in 4:3:1				(93,500)	(70,125)	(23,375)
				11,500	(25,125)	51,625
B's deficiency transferred to A and C in their capital ratio 7 : 5				(14,656)	25,125	(10,469)
				(3,156)	-	41,156
A's deficiency borne by C				3,156		(3,156)

Paid to A	-	-	38,000
Balance due on 30-11-2025	1,05,000	45,000	37,000
Net Cash realised (68,000 - 8,000) = 60,000	-	-	-
Maximum Loss (1,05,000 + 45,000 + 37,000 - 60,000) = 1,27,000 allocated to partners in the Ratio of 4 : 3 : 1	-	-	-
—	(63,500)	(47,625)	(15,875)
Deficiency of <i>B</i> transferred to A & C in 7 : 5 ratio	41,500	(2,625)	21,125
Paid to A and C	(1,532)	2,625	(1,093)
Balance due on 31-12-2025	39,968	-	20,032
Net Cash realised (1,08,000 - 10,000) = 98,000	65,032	45,000	16,968
Maximum Loss (65,032 + 45,000 + 16,968 - 98,000) = 29,000	-	-	-
Allocated in ratio of 4 : 3 : 1	-	-	-
Paid to A, B and C	(14,500)	(10,875)	(3,625)
Balances in Capital Account left unpaid	50,532	34,125	13,343
	14,500	10,875	3,625

15. Journal Entries in the books of DC Ltd.

Sr. No.	Particulars	L/F	Debit (₹)	Credit (₹)
1	Bank A/c (15,00,000 × ₹ 9) Dr. To Equity Share Application & Allot. A/c (Being application money received)		1,35,00,000	1,35,00,000
2	Equity Share Application & Allot. A/c Dr. To Equity Share Capital A/c (3,75,000 × 4) To Securities Premium A/c (3,75,000 × 5) To Bank A/c (10,00,000 × 9) To Equity share First & Final Call A/c (Being application and allotment money transferred, adjusted and excess amount refunded)		1,35,00,000	15,00,000 18,75,000 90,00,000 11,25,000
3)	Equity Share First & Final Call A/c Dr. To Equity Share Capital A/c (Being call money due)		22,50,000	22,50,000
4)	Bank A/c (WN 1) Dr. Calls-in-arrears A/c Dr. To Equity Share First & Final Call A/c (WN 1) (Being first and final call money received)		11,08,125 16,875	11,25,000
5)	Equity Share Capital A/c (5,625 × 10) Dr. To Calls-in-arrear A/c (WN-2) To Forfeited shares A/c (Being shares of Mr. Sunil forfeited)		56,250	16,875 39,375
6)	Bank A/c (5,625 × 6) Dr. Forfeited shares A/c Dr.		33,750 22,500	

7)	To Equity Share Capital A/c (5,625 × 10) (Being shares reissued)			56,250
	Forfeited Share A/c	Dr.	16,875	
	To Capital Reserve (Being shares forfeiture transferred to Capital Reserve)			16,875

Working Note:

- Calculation of Amount due on first and Final Call

Application money received (5,00,000 × 9)	45,00,000
Amount due on application	<u>(33,75,000)</u>
Excess money adjusted in First and Final Call	<u>11,25,000</u>
Amount due on First and Final Call	22,50,000
Excess amount received on Share application and Allotment adjusted in First and Final Call	<u>(11,25,000)</u>
Amount due on First and Final Call	<u>11,25,000</u>

- Calculation of Calls-in-arrears of Mr. Sunil

Sr. no.	Particulars	Amount in ₹
i.	Application Received	7,500
ii.	Allotment of shares $(7,500 \times \frac{3,75,000}{5,00,000})$	5,625
iii.	Application and allotment money received (i × 9)	67,500
iv.	Application and allotment money due (ii × 9)	<u>50,625</u>
v.	Excess adjusted in first and Final Call (iii – iv)	16,875
vi.	First and Final Call Money due (ii × 6)	33,750
vii.	Adjustment in First and Final Call: (v)	<u>16,875</u>
viii.	Arrears (vi – vii)	16,875

16. Journal Entries in the Books of Globus Ltd.

Particulars		Dr.	Cr.
		₹	₹
Dividend to preference shareholders A/c To Bank A/c (Dividend on preference shares paid)	Dr.	10,000	10,000
Profit & Loss A/c To Dividend to preference shareholders A/c (Dividend on preference shares written off to profit and loss account)	Dr.	10,000	10,000
10% Redeemable Preference Capital Premium on redemption of Preference Shares To Preference Shareholders (Amount payable to preference shareholders on redemption)	Dr. Dr.	1,00,000 10,000	1,10,000
Profit & Loss A/c To Premium on Redemption of Preference shares (Amount of premium payable on redemption of preference shares)	Dr.	10,000	10,000
Bank A/c Profit and Loss A/c To Investments A/c (Amount realised on sale of Investments and loss thereon adjusted)	Dr. Dr.	90,000 10,000	1,00,000
Preference shareholders A/c To Bank (Payment made to preference shareholders)	Dr.	1,10,000	1,10,000
General Reserve A/c To Capital Redemption Reserve A/c (Transfer to the Capital redemption reserve account on redemption of shares)	Dr.	1,00,000	1,00,000
Capital Redemption Reserve A/c To Bonus to Equity Shareholders A/c (Amount adjusted by issuing bonus shares in the ratio of 1:2)	Dr.	50,000	50,000

Bonus to Equity Shareholders A/c	Dr.	50,000	
To Equity Share Capital			50,000
(Balance on Bonus to equity shareholder account transferred to equity share capital)			

17.
In the books of Vetex Ltd.
Journal Entries

Date	Particular	L.F	Dr.	Cr.
2025	Sundry Assets A/c	Dr.	27,00,000	
April	Goodwill A/c (Bal. fig)	Dr.	3,00,000	
	To Summit Manufacturing Ltd. A/c			26,40,000
	To Sundry Liabilities A/c			3,60,000
	(Assets and liabilities taken over for a net consideration of ₹ 26,40,000)			
	Summit Manufacturing Ltd. A/c	Dr.	26,40,000	
	To 8% Debentures A/c			24,00,000
	To Securities Premium A/c			2,40,000
	(24000; 8% Debenture of ₹ 100 each issued at a premium of 10%)			
	Bank A/c	Dr.	5,40,000	
	To Debenture Application A/c			5,40,000
	(Application money received for 18000, 8% Debenture)			
	Debenture Application A/c	Dr.	5,40,000	
	To 8% Debenture A/c			5,40,000
	(18000; 8% Debenture allotted)			
	Debentures allotment A/c	Dr.	10,80,000	
	Loss on issue of debenture A/c	Dr.	2,70,000	
	To 8% Debentures A/c			12,60,000
	To Premium on redemption of debentures A/c			90,000
	(Allotment money due on 18,000; 8% Debentures at 10% discount and redeemable at 5% premium)			

2026 Mar, 31	Bank A/c Dr.	10,80,000	
	To Debentures Allotment A/c (Allotment money received)		10,80,000
	Profit and Loss A/c Dr.	2,70,000	
	To Loss on issue of Debenture A/c (Loss on issue of debenture written off)		2,70,000

18. (i) Going Concern concept: The financial statements are normally prepared on the assumption that an enterprise is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the enterprise has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used is disclosed.
- (ii) The practice of accountancy has crossed its usual domain of preparation of financial statements, interpretation of such statements and audit thereof. Chartered Accountants are presently taking active role in company laws and other corporate legislation matters, in taxation laws matters (both direct and indirect) and in general management problems.

Some of the services rendered by chartered accountants to the society are briefly mentioned hereunder:

- (i) Maintenance of books of accounts;
- (ii) Statutory audit;
- (iii) Internal Audit;
- (iv) Taxation;
- (v) Management accounting and consultancy services;
- (vi) Financial advice and financial investigations etc.

- (vii) Other services like secretarial work, share registration work, company formation receiverships, arbitrations etc.
- (iii) Double entry system may be defined as that system which recognizes and records both the aspects of a transaction.

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

This system offers the under mentioned advantages:

- (a) By the use of this system, the accuracy of the accounting work can be established through the device of trial balance.
 - (b) The profit earned or loss suffered during a period can be ascertained together with details.
 - (c) The financial position of the firm or the institution concerned, can be ascertained at the end of each period, through preparation of the balance sheet.
 - (d) The system permits accounts to be kept in as much detail as necessary and therefore, affords significant information for the purpose of control etc.
 - (e) Result of one year may be compared with those of previous years and reasons for the change may be ascertained. It is because of these advantages that the double entry system has been used extensively in all countries.
- (iv) Following factors are taken into consideration for calculation of depreciation.
1. **Cost of asset** including expenses for installation, commissioning, trial run etc.- Cost of a depreciable asset represents its money outlay or its equivalent in connection with its acquisition, installation and commissioning as well as

for additions to or improvement thereof for the purpose of increase in efficiency.

2. **Estimated useful life of the asset** - Useful Life' is either (i) the period over which a depreciable asset is expected to be used by the enterprise or (ii) the number of production or similar units expected to be obtained from the use of the asset by the enterprise. Determination of the useful life is a matter of estimation and is normally based on various factors including experience with similar type of assets. Several other factors like estimated working hours, production capacity, repairs and renewals, etc. are also taken into consideration on demanding situation.
 3. **Estimated scrap value** (if any) is calculated at the end of useful life of the asset. If such value is considered as insignificant, it is normally regarded as nil. On the other hand, if the residual value is likely to be significant, it is estimated at the time of acquisition/installation, or at the time of subsequent revaluation of asset.
- (v) It is necessary that the fact of dishonour and the causes of dishonour should be established. If there is a fear of dishonour, the bill will be given to the public official known as "Notary Public". These officials present the bill for payment and if the money is received, they will hand over the money to the original party. But, if the bill is dishonoured they will note the fact of dishonour, and the reasons given and give the bill back to their client. For this service, they charge a small fee. This fee is known as noting charges. The amount of noting charges is recoverable from the party who is responsible for dishonour.
- (vi) Banks are essential to modern society, but for an industrial unit, it serves as a necessary instrument in the commercial world. Most of the transactions of the business are done through bank whether it is a receipt or payment. Rather, it is legally necessary to operate

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



PAPER – 2: BUSINESS LAWS

PART – I: AMENDMENTS FOR SEPTEMBER 2026 EXAMINATIONS

CHAPTER 6: THE COMPANIES ACT, 2013

Notification G.S.R. 880(E) dated 1st December, 2025

The Central Government has amended the Companies (Specification of definition details) Rules, 2014, through the Companies (Specification of definition details) Amendment Rules, 2025.

Amendment:

In the Companies (Specification of definition details) Rules, 2014, in rule 2, in sub-rule (1), for clause (t), the following clause shall be substituted, namely:-

"(t) For the purposes of sub-clause (i) and sub-clause (ii) of clause (85) of section 2 of the Act, paid up capital and turnover of the small company shall not exceed rupees ten crores and rupees one hundred crores respectively."

New Law

Page 6.14 of the Study material

Small Company: Small company is given under the Section 2(85) of the Companies Act, 2013 which means a company, other than a public company—

1. **paid-up share capital** of which **does not exceed rupees ten crores** or such higher amount as may be prescribed which shall not be more than ten crore rupees; and
2. **turnover** of which as per profit and loss account for the immediately preceding financial year **does not exceed rupees one hundred crores** or such higher amount as may be prescribed which shall not be more than one hundred crore rupees:

Exceptions: This clause shall not apply to:

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

Small Company –significant points

- ◆ A private company
- ◆ Paid up capital – not more than ₹ 10 crores
and
- ◆ Turnover – not more than ₹ 100 crores.
- ◆ Should not be – Section 8 company
- ◆ Holding or a Subsidiary company

PART – II: QUESTION AND ANSWERS

**QUESTIONS****Indian Regulatory Framework**

1. What do you understand by Law? Also, elaborate the procedure for making a law.

The Indian Contract Act, 1872

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

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

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

- (i) Whether sale of laptops after revoking Sarthak's authority is binding on Rahul?
 - (ii) Whether Sarthak will be able to recover his commission from Rahul, if yes, what will be the amount of such commission?
4. Preeti, a minor, falsely representing her age, enters into an agreement with an authorised Laptop dealer Mr. Mittal, owner of MP Laptops, for purchase of Laptop on credit amounting ₹ 60,000/- on 1st August 2022. She promised to pay back the outstanding amount with interest @ 16% p.a. by 31st July 2023. She told him that in case she won't be able to pay the outstanding amount, her father Mr. Ram will pay back on her behalf. After One year, when Preeti was asked to pay the outstanding amount with interest she refused to pay the amount and told the owner that she is minor and now he can't recover a single penny from her.
- She will be a major on 1st January 2025 and only after that agreement can be ratified. Explain by which of the following ways, Mr. Mittal will succeed in recovering the outstanding amount with reference to the Indian Contract Act, 1872.
- (i) By filing a case against Preeti, a minor for recovery of outstanding amount with interest?
 - (ii) By filing a case against Mr. Ram, father of Preeti for recovery of outstanding amount?
 - (iii) By filing a case against Preeti, a minor for recovery of outstanding amount after she attains majority?
5. (i) Mr. L let out his residential house to Mr. M for ₹ 50,000 p.m. for a period of one year. According to the Rent agreement, electricity bill will be paid by Mr. L. But Mr. L could not pay electricity dues up to 5 months, due to his financial hardships. The Electricity Board sent the notice of disconnection, if it is not paid within a week's time. To avoid all this, Mr. M paid the electricity bill of ₹ 50,000 with penalty. Later on, L refused to reimburse ₹ 50,000 and argued that he has paid bill voluntarily because of his own interest. Decide with reference to provisions of the Indian Contract Act, 1872 whether Mr. M is entitled to be reimbursed by Mr. L?

- (ii) Mr. A offered to sell 25 chairs to Mr. B @ ₹ 1,500 per chair on 12th February 2024. A promised B that he would keep the offer open till 15th February 2024. However, on 13th February 2024, he sold those chairs to Mr. C @ ₹ 1,700 per chair without the knowledge of B. Mr. B communicated the acceptance of the above offer on 14th February 2024.

Advise, with reference to provisions of the Indian Contract Act, 1872 whether Mr. B can claim damages from Mr. A?

- (iii) Mr. A was running an orphanage. His friend Mr. S, a philanthropist agreed to donate ₹ 2 lakh for treatment of a child, who was suffering from cancer. On emergency, Mr. A incurred ₹ 1.5 lakh on treatment of child. Now, Mr. S refused to pay. Whether Mr. A can claim ₹ 1.5 lakh from Mr. S with reference to provisions of the Indian Contract Act, 1872?

6. Mr. Sohan, a wealthy individual provided a loan of ₹ 80,000 to Mr. Mukesh on 26th February, 2025. The borrower, Mr. Mukesh asked for a further loan of ₹ 1,50,000.

Mr. Sohan agreed but provided the loan in parts on different dates. He provided ₹ 1,00,000 on 28th February, 2025 and remaining ₹ 50,000 on 3rd March, 2025.

On 10th March, 2025 Mr. Mukesh while paying off part ₹ 75,000 to Mr. Sohan insisted that the lender should adjust ₹ 50,000 towards the loan taken on 3rd March, 2025 and balance as against the loan on 26th February, 2025.

Mr. Sohan objected to this arrangement and asked the borrower to adjust in the order of date of borrowal of funds.

Now you decide:

- (i) Whether the contention of Mr. Mukesh correct or otherwise as per the provisions of the Indian Contract Act, 1872?
- (ii) What would be the answer in case the borrower does not insist on such order of adjustment of repayment?

- (iii) What would be the mode of adjustment/appropriation of such part payment in case neither Mr. Sohan nor Mr. Mukesh insist on any order of adjustment on their part?
- 7. In light of provisions of the Indian Contract Act, 1872 answer the following:
 - (i) Mr. S and Mr. R made contract wherein Mr. S agreed to deliver paper cup manufacture machine to Mr. R and to receive payment on delivery. On the delivery date, Mr. R did not pay the agreed price. Decide whether Mr. S is bound to fulfil his promise at the time of delivery?
 - (ii) Mr. Y has given loan to Mr. G of ₹ 30,00,000. Mr. G defaulted the loan on due date and debt became time barred. After the time barred debt, Mr. G agreed to settle the full amount to Mr. Y. Whether acceptance of time barred debt Contract is enforceable as per the Indian Contract Act, 1872?
- 8. Some objects and consideration are unlawful. Define any six with reference to provisions of the Indian Contract Act, 1872.

The Sale of Goods Act, 1930

- 9. What are the implied conditions in a contract of 'Sale by sample' under the Sale of Goods Act, 1930? Also state the implied warranties operative under the Act.
- 10. "Delivery of goods is an essential aspect of a contract of sale." Discuss the statement. Explain the various kinds of delivery recognised under the Sale of Goods Act, 1930.
- 11. J, a wholesaler of premium Basmati rice delivered on approval 100 bags of rice of 10 kg each to a local retailer, on sale or returnable basis within a month of delivery. The next day the retailer sold 5 bags of rice to a regular customer K. A week later K informed the retailer that the quality of rice was not as per the price.

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

Also briefly describe the provisions underlying in this context of the Sale of Goods Act, 1930.

12. Ritvik sold 500 bags of wheat to Anoj. Each bag contains 50 Kilograms of wheat. Ritvik sent 450 bags by road transport and Anoj himself took remaining 50 bags. Before Anoj receives delivery of 450 bags sent by road transport, he becomes bankrupt. Ritvik being still unpaid, stops the bags in transit. The official receiver, on Anoj's insolvency claims the bags. Decide the case with reference to the provisions of the Sale of Goods Act, 1930.
13. Mr. Mukesh was running a shop selling good quality washing machines. Mr. Vivaan came to his shop and asked for washing machine which is suitable for washing woollen clothes. Mr. Mukesh showed him a particular machine which Mr. Vivaan liked and paid for it. Later on, when the machine was delivered to Mr. Vivaan's house, it was found that it was the wrong machine and also unfit for washing woollen clothes. He immediately informed Mr. Mukesh about the delivery of the wrong machine. Mr. Mukesh refused to exchange the same, saying that the contract was complete after the delivery of the washing machine and payment of price. With reference to the provisions of the Sale of Goods Act, 1930, discuss whether Mr. Mukesh is right in refusing to exchange the washing machine.
14. Neeraj entered in a contract with Rahul to purchase 1000 litres of mustard oil at the price which should be fixed by Aakash. Rahul already delivered 600 litres out of 1000 litres to Neeraj but when remaining 400 litres was ready to deliver, Aakash denied fixing the price of mustard oil. Rahul asked Neeraj to return the oil already delivered and avoid the delivery of 400 litres. Neeraj sued Rahul for non-delivery of remaining 400 litres mustard oil. Advise in the light of the Sale of Goods Act, 1930.

The Indian Partnership Act, 1932

15. With reference to the provisions of Indian Partnership Act, 1932 explain the various effects of insolvency of a partner.
16. Ram and Sarthak are partners in a partnership firm styled as RS & Co. (the firm). Gopal, a renowned businessman, is their common friend. Ram

introduced Gopal to Sundar, a supplier to the firm, as his newly joined partner. Gopal knowing that he is not a partner preferred to keep quiet on such an introduction. This information about Gopal, being a partner of the firm, was shared by Sundar with another businessman Madhav. Next day, Sundar supplied the raw material on credit and Madhav lent ₹ 5 lakhs to the firm for a short period on the understanding that Gopal is a partner of the firm. On due dates, the firm failed to discharge its liability towards both. Advise Gopal, whether he is liable to Sundar and Madhav for the aforesaid liability of the firm.

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

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

18. A, B and C are partners in an unregistered partnership firm named M/s ABC & Associates. Is the suit maintainable in the following cases as per the provisions of the Indian Partnership Act, 1932? Give justification also.
 - (i) A filed a suit against B who had stolen the goods of the firm.
 - (ii) A filed a suit against M/s ABC & Associates for claiming shares of the assets on its dissolution.
 - (iii) M filed a suit against the firm M/s ABC & Associates for the recovery of ₹ 10,000/- dues from the firm. M also owed ₹ 4,000/- to the firm. The firm claimed a set off of ₹ 4,000/-.

The Limited Liability Partnership Act, 2008

19. (i) Who are the individuals which shall not be capable of becoming a partner of a Limited Liability Partnership?
- (ii) What are the effects of registration of Limited Liability Partnership?

The Companies Act, 2013

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

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

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

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

21. (i) Mr. Vijay sold his business of cotton production to a cotton production company, CPL Private Limited, in which he held all the shares except one which was held by his wife. He is also the creditor in the company for a certain amount. He also got the insurance of the stock of cotton of CPL Private Limited in his own name and not in the name of the company. After one month, all the stocks of the cotton of CPL Private Limited were destroyed by fire. Mr. Vijay filed the claim for such loss with the Insurance company. State with reasons that whether the insurance company is liable to pay the claim?

- (ii) Alfa school is a section 8 company which started imparting education on 1.4.2015, with the sole objective of providing education to children of weaker society either free of cost or at a very nominal fee depending upon the financial condition of their parents. However, on 31st March 2023, it came to the knowledge of the Central Government that the said school was operating by violating the objects of its objective clause due to which it was granted the status of a section 8 company under the Companies Act, 2013. Describe what powers can be exercised by the Central Government against the Alfa School, in such a case?
22. (i) What do you mean by 'Common Seal'? Is it necessary for a company to have Common Seal? Discuss as per provisions of the Companies Act, 2013.
- (ii) Whether the phrases "Company Limited by Shares" and "Company Limited by Guarantee" are same? If not, explain any four differences between these two according to provisions of the Companies Act, 2013.

The Negotiable Instruments Act, 1881

23. Advik purchased a mobile from Bhanu. He issued a promissory note to Bhanu which was payable on demand but no specific place for payment was mentioned on it. On maturity, Bhanu did not present the promissory note for payment. As the promissory note was not duly presented for payment, whether Advik would be discharged from liability under the provisions of the Negotiable Instruments Act, 1881?
24. Shiva gave a gift of ₹ 21,000 to his sister through a cheque issued in her favour on the occasion of Raksha Bandhan. Afterwards, Shiva informed his sister not to present the cheque for payment and also informed the bank to stop the payment. Examining the provisions of the Negotiable Instruments Act, 1881, decide whether Shiva's acts constitute an offence under section 138 of the Act?

**SUGGESTED ANSWERS/HINTS**

1. **Meaning of Law:** Law is a set of obligations and duties imposed by the government for securing welfare and providing justice to society. India's legal framework reflects the social, political, economic, and cultural aspects of our vast and diversified country.

The Process of Making a Law

- When a law is proposed in parliament, it is called a Bill.
 - After discussion and debate, the law is passed in Lok Sabha.
 - Thereafter, it has to be passed in Rajya Sabha.
 - It then has to obtain the assent of the President of India.
 - Finally, the law will be notified by the Government in the publication called the Official Gazette of India.
 - The law will become applicable from the date mentioned in the notification as the effective date.
 - Once it is notified and effective, it is called an Act of Parliament.
2. As per section 126 of the Indian Contract Act, 1872, the contract of guarantee is defined as a contract to perform the promise or discharge the liability of a third person in case of his default.

In this case, S has given a guarantee for P's payment obligation towards R. When P defaulted after making four monthly instalments and became insolvent, S's liability as a guarantor will come into existence.

According to Section 128 of the Act, the liability of the surety is co-extensive with that of the principal debtor, unless it is otherwise provided by the contract.

Since P failed to pay the remaining instalments due to insolvency, S, as the guarantor, is liable to pay the balance price of the water purifier to R. In the given situation, S will have to pay the balance amount of ₹ 30,000 to R. $[54,000 - (4 \times 6,000)]$

In the second situation, R sold the water purifier misrepresenting it as having a copper filter, while it actually has a normal filter; this changes the situation significantly.

According to Section 142 of the Act, any guarantee which has been obtained by means of misrepresentation made by the creditor, or with his knowledge and assent, concerning a material part of the transaction, is invalid. Here, guarantee is obtained by means of misrepresentation made by the creditor (R), and therefore the guarantee is invalid.

Furthermore, under Section 143, any guarantee which the creditor has obtained by means of keeping silence as to material circumstances, is invalid.

Here R misrepresented the filter type and both P and S were unaware of this fact. The creditor (R) has obtained the guarantee by remaining silent as to material circumstances. Therefore, the guarantee obtained from S will be considered to be invalid.

Consequently, S cannot be held liable to pay the balance price of the water purifier to R.

3. When termination of agent's authority takes effect as to agent, and as to third persons [Section 208 of the Indian Contract Act, 1872]:

The termination of the authority of an agent does not, so far as regards the agent, take effect before it becomes known to him, or, so far as regards third persons, before it becomes known to them.

In the instant case,

- (i) The revocation of Sarthak's authority becomes effective only when it is communicated to and received by Sarthak. Since Sarthak had not received the revocation letter at the time of selling the laptops, his authority to sell on behalf of Rahul was still valid. Hence, the sale of laptops conducted by Sarthak is binding on Rahul.
- (ii) Sarthak is entitled to receive his commission for the sales made while he still had the authority to sell. Since he sold the laptops before receiving the revocation, he is entitled to his commission as per the initial agreement with Rahul.

Amount of Commission: Sarthak sold 5 laptops at the price fixed by Rahul, which is ₹1 lakh each. The total sales amount to ₹5 lakh. The agreed commission rate is 11% i.e. ₹ 55,000.

4. **A contract made with or by a minor is void ab-initio:** Pursuant to Section 11 of the Indian Contract Act, 1872, a minor is not competent to contract and any agreement with or by a minor is void from the very beginning.

- (i) By following the above provision, Mr. Mittal will not succeed in recovering the outstanding amount by filing a case against Preeti, a minor.
- (ii) **Minor cannot bind parent or guardian:** In the absence of authority, express or implied, a minor is not capable of binding his parent or guardian, even for necessities. The parents will be held liable only when the child is acting as an agent for parents.

In the instant case, Mr. Mittal will not succeed in recovering the outstanding amount by filing a case against Mr. Ram, father of Preeti.

- (iii) **No ratification after attaining majority:** A minor cannot ratify the agreement on attaining majority as the original agreement is void ab initio and a void agreement can never be ratified.

Hence, in this case also, Mr. Mittal will not succeed in recovering the outstanding amount by filing a case against Preeti, after she attains majority.

5. (i) According to Section 69 of the Indian Contract Act, 1872, a person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other.

In the instant case, Mr. M paid the electricity bill to avoid the disconnection that was pending due to Mr. L's failure to fulfil his contractual obligation. Hence, Mr. M is entitled to be reimbursed ₹ 50,000 from Mr. L.

- (ii) In terms of Section 5 of the Indian Contract Act, 1872, a proposal can be revoked at any time before the communication of its acceptance is complete as against the proposer.

Accordingly, an offer may be revoked by the offeror before its acceptance, even though he had originally agreed to hold it open for a definite period of time. So long as it is a mere offer, it can be withdrawn whenever the offeror desires.

In the instant case, B cannot claim damages from A because the offer made by A is a mere offer and it can be withdrawn whenever A desires.

- (iii) The general rule is that an agreement made without consideration is void (Section 25 of the Indian Contract Act, 1872).

However, in the following case, the agreement though made without consideration, will be valid and enforceable.

Charity: If a promisee undertakes the liability on the promise of the person to contribute to charity, there the contract shall be valid.

In the instant case, Mr. A can claim 1.5 lakh from Mr. S.

- 6. Appropriation of Payments:** In case where a debtor owes several debts to the same creditor and makes payment, which is not sufficient to discharge all the debts, the payment shall be appropriated (i.e. adjusted against the debts) as per the provisions of Section 59 to 61 of the Indian Contract Act, 1872.

- (i) As per the provisions of 59 of the Act, where a debtor owing several distinct debts to one person, makes a payment to him either with express intimation or under circumstances implying that the payment is to be applied to the discharge of some particular debt, the payment, if accepted, must be applied accordingly.

Therefore, the contention of Mr. Mukesh is correct, and he can specify the manner of appropriation of repayment of debt.

- (ii) As per the provisions of 60 of the Act, where the debtor has omitted to intimate and there are no other circumstances indicating to which debt the payment is to be applied, the creditor may apply it at his discretion to any lawful debt actually due and payable to him from the debtor, where its recovery is or is not barred by the law in force for the time being as to the limitation of suits.

Hence in case Mr. Mukesh fails to specify the manner of appropriation of debt on part repayment, Mr. Sohan the creditor, can appropriate the payment as per his choice.

- (iii) As per the provisions of 61 of the Act, where neither party makes any appropriation, the payment shall be applied in discharge of the debts in order of time, whether they are or are not barred by the law in force for the time being as to the limitation of suits. If the debts are of equal standing, the payments shall be applied in discharge of each proportionately.

Hence in case where neither Mr. Mukesh nor Mr. Sohan specifies the manner of appropriation of debt on part repayment, the appropriation can be made in proportion of debts.

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

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

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

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

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

8. Some objects and consideration are unlawful

Under Section 23 of the Indian Contract Act, 1872 in each of the following cases the consideration or object of an agreement is said to be unlawful:

(i)	When consideration or object is forbidden by Law: Acts forbidden by law are those which are punishable under any statute as well as those prohibited by regulations or orders made in exercise of the authority conferred by the legislature.
(ii)	When consideration or object are of such a nature that if permitted, it would defeat the provisions of Law: If the consideration or the object of an agreement is of such a nature that not directly but indirectly, it would defeat the provisions of the law, the agreement is void.
(iii)	When it is Fraudulent: Agreements which are entered into to promote Fraud are Void. Example: A, B and C enter into an agreement for the division among them of gains acquired, or to be acquired, by them by fraud. The agreement is void, as its object, viz., acquisition of gains by fraud are unlawful.
(iv)	The general term "injury" means criminal or wrongful harm. In the following example, the object or consideration is unlawful as it involves injury to the person or property of another. Example: An agreement to print a book in violation of another's copyright is void, as the object is to cause injury to

	the property of another. It is also void as the object of the agreement is forbidden by the law relating to copyright.
(v)	When consideration is Immoral: The following are the examples of agreements where the object or consideration is unlawful, being immoral.
(vi)	When consideration is opposed to Public Policy: The expression 'public policy' can be interpreted either in a wide or in a narrow sense. The freedom to contract may become illusory, unless the scope of 'public policy' is restricted. In the name of public policy, freedom of contract is restricted by law only for the good for the community.

9. (i) **Sale by sample [Section 17 of the Sale of Goods Act, 1930]:** In a contract of sale by sample, there is an implied condition that
- the bulk shall correspond with the sample in quality;
 - the buyer shall have a reasonable opportunity of comparing the bulk with the sample,
 - the goods shall be free from any defect rendering them unmerchantable, which would not be apparent on reasonable examination of the sample. This condition is applicable only with regard to defects, which could not be discovered by an ordinary examination of the goods. If the defects are latent, then the buyer can avoid the contract. This simply means that the goods shall be free from any latent defect i.e. a hidden defect.
- (ii) **The following are the implied warranties operative under the Act:**
- Warranty as to undisturbed possession [Section 14(b)]:**
An implied warranty that the buyer shall have and enjoy quiet possession of the goods. That is to say, if the buyer having got possession of the goods, is later on disturbed in his possession, he is entitled to sue the seller for the breach of the warranty.

2. **Warranty as to non-existence of encumbrances [Section 14(c)]:** An implied warranty that the goods shall be free from any charge or encumbrance in favour of any third party not declared or known to the buyer before or at the time the contract is entered into.

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

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

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

10. **Delivery - its forms and derivatives:** Delivery means voluntary transfer of possession from one person to another [Section 2(2)]. As a general rule, delivery of goods may be made by doing anything, which has the effect of putting the goods in the possession of the buyer, or any person authorized to hold them on his behalf.

Forms of delivery: Following are the kinds of delivery for transfer of possession:

- Actual delivery
- Constructive delivery
- Symbolic delivery

(i) **Actual delivery:** When the goods are physically delivered to the buyer. Actual delivery takes place when the seller transfers the physical possession of the goods to the buyer or to a third person

authorised to hold goods on behalf of the buyer. This is the most common method of delivery.

- (ii) **Constructive delivery:** When transfer of goods is effected without any change in the custody or actual possession of the thing as in the case of delivery by attornment (acknowledgement)

Constructive delivery takes place when a person in possession of the goods belonging to the seller acknowledges to the buyer that he holds the goods on buyer's behalf.

- (iii) **Symbolic delivery:** When there is a delivery of a thing in token of a transfer of something else, i.e., delivery of goods in the course of transit may be made by handing over documents of title to goods, like bill of lading or railway receipt or delivery orders or the key of a warehouse containing the goods is handed over to buyer. Where actual delivery is not possible, there may be delivery of the means of getting possession of the goods.

11. According to Section 24 of the Sale of Goods Act, 1930, in case of delivery of goods on approval basis, the property in goods passes from seller to the buyer:

- (i) When the person to whom the goods are given either accepts them or does an act which implies adopting the transaction.
- (ii) When the person to whom the goods are given retains the goods without giving his approval or giving notice of rejection beyond the time fixed for the return of goods and in case no time is fixed after the lapse of reasonable time.

In the given case, J (seller) has delivered on approval 100 bags of rice of 10 kg each to local retailer (buyer) on sale or returnable basis within a month of delivery. Out of these 100 bags, the local retailer sold 5 bags to K (customer). It implies that the local retailer has accepted 5 bags out of 100.

A week later, local retailer received the complaint of some defect in the rice bags, so, he wanted to return all the bags to the J (seller).

According to the above provisions, the local retailer is entitled to return only 95 bags to the J (seller) and not those 4 bags which are not used by

K. Because, as per clause (i) above, the local retailer has already sold 5 bags, signifying that he has done an act which implies adopting the transaction relating to those 5 bags.

- 12. Right of stoppage in transit (Section 50 of the Sale of Goods Act, 1930):** Subject to the provisions of this Act, when the buyer of goods becomes insolvent, the unpaid seller who has parted with the possession of the goods has the right of stopping them in transit, that is to say, he may resume possession of the goods as long as they are in the course of transit and may retain them until paid or tendered price of the goods.

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

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

- 13.** According to Section 15 of the Sale of Goods Act, 1930, whenever the goods are sold as per sample as well as by description, the implied condition is that the goods must correspond to both sample as well as description. In case the goods do not correspond to a sample or description, the buyer has the right to repudiate the contract.

Further under Sale of Goods Act, 1930, when the buyer makes known to the seller, the particular purpose for which the goods are required and he relies on his judgment and skill of the seller, it is the duty of the seller to supply such goods which are fit for that purpose.

In the given case, Mr. Vivaan informed Mr. Mukesh that he wanted the washing machine for washing woollen clothes. However, the machine which was delivered by Mr. Mukesh was unfit for the purpose for which Mr. Vivaan wanted the machine.

Based on the above provision and facts of case, there is breach of implied condition as to sample as well as description, therefore Mr. Vivaan can either repudiate the contract or claim the refund of the price

paid by him or he may require Mr. Mukesh to replace the washing machine with desired one.

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

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

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

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

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

- 15. Effects of insolvency of a partner (Section 34 of the Indian Partnership Act, 1932):**

- (i) The insolvent partner cannot be continued as a partner.
- (ii) He will be ceased to be a partner from the very date on which the order of adjudication is made.
- (iii) The estate of the insolvent partner is not liable for the acts of the firm done after the date of order of adjudication.

- (iv) The firm is also not liable for any act of the insolvent partner after the date of the order of adjudication.
- (v) Ordinarily, the insolvency of a partner results in dissolution of a firm; but the partners are competent to agree among themselves that the adjudication of a partner as an insolvent will not give rise to dissolution of the firm.

16. Partner by holding out (Section 28 of the Indian Partnership Act, 1932): Anyone who by words spoken or written or by conduct represents himself, or knowingly permits himself to be represented, to be a partner in a firm, is liable as a partner in that firm to anyone who has on the faith of any such representation given credit to the firm, whether the person representing himself or represented to be a partner does or does not know that the representation has reached the person so giving credit.

In the instant case, since Gopal allowed himself to be represented as a partner to the RS & Co. and third parties acted based on this belief and therefore, Gopal is held liable to Sundar as he represented himself by his act to be a partner to the RS & Co.

However, Gopal is not liable to Madhav for the liabilities incurred by the firm. Information of Gopal being a partner to the firm was shared by the Sundar (Supplier to the firm) which is not falling within the ambit of doctrine of holding out.

Hence Gopal is liable to Sundar and not to Madhav for the liability of the Firm.

17. According to Section 4 of the Indian Partnership Act, 1932, "Partnership" is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all. Therefore, for determining the existence of partnership, it must be proved that:

1. There must be an agreement between all the persons concerned;
2. The agreement must be to carry on some business;
3. The agreement must be to share the profits of a business and
4. The business was carried on by all or any of them acting for all.

On the basis of above provisions and facts provided in the question, Mr. Ram and Mr. Rakesh cannot be said under partnership as they are teachers in a school and just purchased a flat jointly.

By merely giving the flat on rent, they are not doing business. They are just earning the income from the property under their co-ownership. Hence, there is no partnership between them. Therefore, Mr. Ram is liable to pay his share only i.e. ₹ 1500. Mr. John has to claim the rest of ₹ 1500 from Mr. Rakesh.

18. (i) A filed a suit against B who had stolen the goods of the firm:

The said suit by A is Maintainable.

Justification: According to Section 69(1) of the Indian Partnership Act, 1932, a partner of an unregistered firm cannot file a suit in any court against the firm or any partner to enforce a right arising from a contract, unless the firm is registered. Section 69 only bars civil suits to enforce contractual rights. It does not prevent criminal action. But, in this case, A had filed a suit against B for stealing the goods of the firm which is a criminal offense.

Hence the suit filed against B for the theft of the goods of the firm, is maintainable.

(ii) A filed a suit against M/s. ABC & Associates for claiming share of the assets on its dissolution

The said suit by A is Maintainable.

Justification: According to Section 69(3) of the Indian Partnership Act, 1932, a partner of an unregistered firm is precluded from bringing legal action against the firm. But such a person may sue for realization of his share in the firm's property where the firm is dissolved. Here, A's claim is valid as the shares are the assets of the dissolved firm and A can claim it even if the firm is unregistered.

(iii) M filed a suit against the firm for recovery of ₹10,000/- dues. M also owed ₹4,000/-. The firm claimed a set-off.

The said suit by M is Maintainable

Justification: According to Section 69(2) of the Indian Partnership Act, 1932, in case of an unregistered firm, an action can be brought against the firm by a third party. 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.

Here, M filed a suit against the firm for the recovery of ₹ 10,000 dues from the firm. M also owed ₹ 4,000/- to the firm.

The firm cannot set-off the claim of ₹ 4,000/- as it is more than ₹ 100/. – Nevertheless, M is entitled for recovery of ₹ 10,000 from firm.

19. (i) Partners (Section 5 of Limited Liability Partnership Act, 2008): Any individual or body corporate may be a partner in a LLP.

However, an individual shall not be capable of becoming a partner of a LLP, if—

- (a) he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;
- (b) he is an undischarged insolvent; or
- (c) he has applied to be adjudicated as an insolvent and his application is pending.

(ii) Effect of registration (Section 14 of Limited Liability Partnership Act, 2008): On registration, a LLP shall, by its name, be capable of—

- (a) suing and being sued;
- (b) acquiring, owning, holding and developing or disposing of property, whether movable or immovable, tangible or intangible;
- (c) having a common seal, if it decides to have one; and
- (d) doing and suffering such other acts and things as bodies corporate may lawfully do and suffer.

20. (i) Fate of the suit and the liability of Mr. R towards the company: Doctrine of the Indoor Management

According to the Doctrine of Indoor Management, the outsiders are not deemed to have notice of the internal affairs of the company. They are entitled to assume that the acts of the directors or other officers of the company are validly performed, if they are within the scope of their apparent authority. So long as an act is valid under the articles, if done in a particular manner, an outsider dealing with the company is entitled to assume that it has been done in the manner required. This is the indoor management rule, that the company's indoor affairs are the company's problem. This rule has been laid down in the landmark case-the *Royal British Bank vs. Turquand*. (Known as "Turquand Rule")

In the instant case, Mr. R is not liable to pay the amount of ₹ 1,50,000 to MNO Private Limited as he had genuine reasons to trust Mr. C, an employee of the company who had issued him a signed and sealed receipt.

(ii) Liability of Mr. R in case no receipt is issued by Mr. C:

Exceptions to doctrine of indoor management: Suspicion of irregularity is an exception to the doctrine of indoor management. The doctrine of indoor management in no way rewards those who behave negligently. It is the duty of the outsider to make the necessary enquiry, if the transaction is not in the ordinary course of business.

If a receipt under the company seal was not issued by Mr. C after receiving payment, Mr. R is liable to pay the said amount as this will be deemed to be a negligence on the part of Mr. R and it is his duty to make the necessary enquiry to check that whether Mr. C is eligible to take the payment or not.

21. (i) According to the decision taken in the case of *Salomon Vs. Salomon & Co. Ltd.*, a company has a separate legal entity. A company is different from its members. Further, according to the decision taken in the case of *Macaura Vs. Northern Assurance Co. Ltd.*, a member or creditor does not have any insurable interest in the property of the

company. Members or creditors of the company cannot claim ownership in the property of company.

On the basis of the above provisions and facts, it can be said that Mr. Vijay and CPL Private Limited are separate entities. Mr. Vijay cannot have any insurable interest in the property of CPL Private Limited neither as member nor as creditor. Hence, the insurance company is not liable to pay to Mr. Vijay for the claim for the loss of stock by fire.

- (ii) Section 8 of the Companies Act, 2013 deals with the formation of companies which are formed to promote the charitable objects of commerce, art, science, education, sports etc. Such company intends to apply its profit in promoting its objects. Section 8 companies are registered by the Registrar only when a license is issued by the Central Government to them. Since, Alfa School was a Section 8 company and it had started violating the objects of its objective clause, hence in such a situation the following powers can be exercised by the Central Government:
 - (a) 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.
 - (b) 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.

- (c) 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.

22. (i) **Meaning of Common Seal:** Common seal is the official signature of a company, which is affixed by the officers and employees of the company on its every document. The common seal is a seal used by a corporation as the symbol of its incorporation.

Is it necessary for a Company to have a Common Seal?

Having a common seal is optional now. The Companies (Amendment) Act, 2015 has made the common seal optional by omitting the words "and a common seal" from Section 9 of the Companies Act, 2013 so as to provide an alternative mode of authorization for companies who opt not to have a common seal. This amendment provides that the documents which need to be authenticated by a common seal will be required to be so done, only if the company opts to have a common seal.

In case a company does not have a common seal, the authorization shall be made by two directors or by a director and the Company Secretary, wherever the company has appointed a Company Secretary.

- (ii) **Whether the phrases 'Company Limited by Shares' and 'Company Limited by Guarantee' are same?**

No, the phrases 'Company Limited by Shares' and 'Company Limited by Guarantee' are not same.

Distinction between "Company Limited by Shares" and "Company Limited by Guarantee" is tabulated as under:

S. No.	Company Limited by Shares	Company Limited by Guarantee
1.	It is defined under Section 2(22) of the Companies Act, 2013.	It is defined under Section 2(21) of the Companies Act, 2013.
2.	It is a company when the liability of the members of a company is limited by its Memorandum of Association to the amount (if any) unpaid on the shares held by them.	It is a company having the liability of its members limited by the Memorandum to contribute to the assets of the company in the event of its being wound up.
3.	The members may be called upon to discharge their liability only after commencement of the winding up and only subject to certain conditions.	The members may be called upon to discharge their liability at any time, either during the company's life-time or during its winding up.
4.	This company can raise its initial working funds from its members.	This company does not raise its initial working funds from its members.
5.	For meeting the debts of the Company, the shareholder may be called upon to contribute only to the extent of the amount which remains unpaid on his shareholdings. His separate property cannot be encompassed to meet the Company's debt.	The liability of a member of a guarantee company is limited to a stipulated sum mentioned in the memorandum. Members cannot be called upon to contribute beyond that stipulated sum.

- 23.** Section 64 of the Negotiable Instruments Act, 1881 provides, Promissory notes, bill of exchange and cheques must be presented for payment to the maker, acceptor or drawee thereof respectively, by or on behalf of the holder as hereinafter provided. In default of such presentment, the other parties thereto are not liable thereon to such holder. However, where a promissory note is payable on demand and is not payable at a specified place, no presentment is necessary in order to charge the maker thereof.

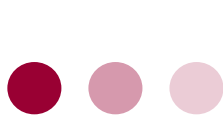
In the instant case, Advik issued a promissory note to Bhanu payable on demand without mentioning any specific place for payment. On maturity, the promissory note was not presented by Bhanu for payment.

On the basis of the above provisions and facts of the case, although non-presentment of promissory note for payment results in discharge of maker from liability but the given case is covered under the exception to section 64. Hence, Advik would not be discharged from liability even the non-presentment by Bhanu as the promissory note was payable on demand and no specific place for payment was mentioned.

- 24.** Section 138 of the Negotiable Instruments Act, 1881 provides where any cheque drawn by a person for the discharge, in whole or in part, of any debt or other liability, is returned by the bank unpaid due to insufficiency of fund, the drawer is punishable with imprisonment upto 2 years or fine upto 2 times the amount of cheque or Both. In other words, the liability under section 138 arises only if the drawer had issued the cheque to discharge a legally enforceable debt or other liability. Thus, where the drawer issues a cheque as a gift or charity, he is not liable under section 138 even if cheque is dishonoured.

In the instant case, Shiva gifted a cheque of ₹ 21,000 to his sister. Afterwards, Shiva informed his sister not to present the cheque for payment and also informed the bank to stop the payment.

On the basis of above, as the cheque was given as gift, provisions of section 138 will not be applicable on Shiva.



PAPER – 3: QUANTITATIVE APTITUDE



QUESTIONS

1. If $2^{n-1} + 2^{n+1} = 320$, then n value is equals
 - (a) 6
 - (b) 8
 - (c) 5
 - (d) 7
2. What is the value of $\frac{P+Q}{P-Q}$ if $\frac{P}{Q} = 7$.
 - (a) $\frac{4}{3}$
 - (b) $\frac{2}{3}$
 - (c) $\frac{2}{6}$
 - (d) $\frac{7}{8}$
3. If $\log_4(x^2+x) - \log_4(x^2+1) = 2$, then the value of x is:
 - (a) 2
 - (b) 4
 - (c) 8
 - (d) 16
4. If a certain sum of money is double in 8 years at a given simple interest in how many years will it be four times?
 - (a) 24 years

- (b) 15 years
 - (c) 20 years
 - (d) none of these
5. The average salary of the whole employees in a company is ₹ 400 per day. The average salary of officers is ₹ 800 per day and that of clerks is ₹ 320 per day. If the number of officers is 40, then find the number of clerks in the company?
- (a) 50
 - (b) 100
 - (c) 150
 - (d) 200
6. If two dice are thrown then what is the probability that the sum of the faces of dice are square or cube number?
- (a) $\frac{1}{4}$
 - (b) $\frac{1}{2}$
 - (c) $\frac{1}{3}$
 - (d) None of these
7. An examination paper consists of 12 questions divided into two parts A and B. Part A contains 7 questions and Part B contains 5 questions. A candidate is required to attempt 8 questions selecting at least 3 from each part, in how many maximum ways can the candidate select the questions?
- (a) 35
 - (b) 175
 - (c) 210
 - (d) 420
8. The sum of terms of an infinite GP is 15. And the sum of the squares of the term is 45. Find the common ratio
- (a) $\frac{3}{2}$

- (b) 1
(c) $-\frac{2}{3}$
(d) $\frac{2}{3}$
9. If $A = \{1,2,3,4\}$ $B = \{2,4,6,8\}$ $F(1) = 2$, $f(2) = 4$, $f(3) = 6$ and $f(4) = 8$, and $f: A \rightarrow B$ then f^{-1} is:
- (a) $\{(2,1), (4,2), (6,3), (8,4)\}$
(b) $\{(1,2), (2,4), (3,6), (4,8)\}$
(c) $\{(1,4), (2,2), (3,6), (4,8)\}$
(d) None of these
10. Suppose E and F are two events of a random experiment. If the probability of occurrence of E is $\frac{1}{5}$ and the probability of occurrence of F given E is $\frac{1}{10}$, then the probability of non-occurrence of at least one of the events E and F is :
- (a) $\frac{1}{50}$
(b) $\frac{1}{25}$
(c) $\frac{13}{50}$
(d) $\frac{49}{50}$
11. Find the effective rate of interest on ₹ 10,000 on which interest is payable half yearly at 5% p.a.
- (a) 5.06%
(b) 4%
(c) 0.4%
(d) 3%
12. What is the mean of X having the following density function?
- $$f(x) = \frac{1}{\sqrt{2\pi}} e^{-\frac{(x-10)^2}{32}} \text{ for } -\infty < x < \infty$$
- (a) 4
(b) 10

- (c) 40
- (d) None of these
13. In a Poisson distribution if $P(x=4) = P(x=5)$ then the parameter of Poisson distribution is:
- (a) $\frac{4}{5}$
- (b) $\frac{5}{4}$
- (c) 4
- (d) 5
14. If the two lines of regression are $x + 2y - 5 = 0$ and $2x + 3y - 8 = 0$, then the regression line of y on x is:
- (a) $x + 2y - 5 = 0$
- (b) $x + 2y = 0$
- (c) $2x + 3y - 8 = 0$
- (d) $2x + 3y = 0$
15. Ram is known to hit a target in 2 out of 3 shots whereas Shyam is known to hit the same target in 5 out of 11 shots. What is the probability that the target would be hit if they both try?
- (a) $\frac{9}{11}$
- (b) $\frac{6}{11}$
- (c) $\frac{10}{33}$
- (d) $\frac{3}{11}$
16. In the following number series only one number is wrong. Find out the wrong number.
- 18.3, 20.6, 16, 22.9, 13.7, 2.2, 11.4
- (a) 2.2

- (b) 18.3
(c) 13.7
(d) 22.9
17. The equation $x^3 - x^2 - 12x = 0$ is satisfied by ____
(a) 1, 4, -3
(b) 0, 4, -3
(c) 0, -4, 3
(d) none of these
18. Find D6 for the following observations. 7, 9, 5, 4, 10, 15, 14, 18, 6, 20
(a) 11.40
(b) 12.40
(c) 13.40
(d) 13.80
19. The appropriate measure of dispersion for open-end classification is
(a) Standard deviation
(b) Mean deviation
(c) Quartile deviation
(d) All these measures
20. Evaluate the value of $\int_0^3 (3x^2 + 5x + 2) dx$
(a) 55
(b) 55.5
(c) 57
(d) 56

21. If $y = ax^3 + bx^2 + cx + d$, then $\frac{dy}{dx}$ is equal to
- (a) $3ax^2 + 2bx + c$
 - (b) $\frac{ax^4}{4} + \frac{bx^3}{3} + \frac{cx^2}{2} + dx$
 - (c) 0
 - (d) 1
22. When the data are classified in respect of successive time points, they are known as_____.
- (a) Chronological data
 - (b) Geographical data
 - (c) Ordinal data
 - (d) Cardinal data
23. Two variables x and y are related by $5x + 6y + 9 = 0$ and $\bar{x} = 6$, then $\bar{y}$ is
- (a) 6.50
 - (b) 6.66
 - (c) -6.50
 - (d) -6.66
24. A variable is known to be _____ if it can assume any value from a given interval.
- (a) Discrete
 - (b) Continuous
 - (c) Attribute
 - (d) Characteristic

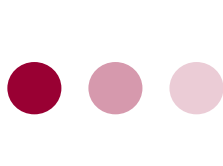
25. Following are the marks of 10 students: 82, 79, 56, 79, 85, 95, 55, 72, 70, 66. Find coefficient of range.
- 25.66
 - 26.67
 - 27.66
 - 28.67
26. Which term of series $3, \sqrt{3}, 1, \frac{1}{\sqrt{3}}, \dots$ is $\frac{1}{243}$?
- 13
 - 14
 - 15
 - 12
27. The series $1^2 + 2^2 + 3^2 + 4^2 + \dots + 10^2$ is equal to
- 385
 - 386
 - 384
 - None of these
28. $\lim_{x \rightarrow 0} \frac{\log(1+x)}{x}$ is equal to _____
- 0
 - 1
 - 1
 - ∞
29. A card is drawn from each of two well-shuffled packs of cards. The probability that at least one of them is an ace is
- 1/169
 - 25/169

- (c) $\frac{2}{13}$
- (d) None of these
30. If $P(A) = \frac{1}{2}$; $P(B) = \frac{1}{3}$ and $P(A \cap B) = \frac{1}{4}$ then the value of $P(\bar{A} \cap \bar{B})$ is
- (a) $\frac{5}{12}$
- (b) $\frac{7}{12}$
- (c) $\frac{1}{12}$
- (d) None of these



SUGGESTED ANSWERS

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



PAPER – 4: BUSINESS ECONOMICS



QUESTIONS

1. A key objective of Business Economics is to help managers:
 - (A) Eliminate competition
 - (B) Apply economic theory and analysis to real business problems
 - (C) Only measure profits
 - (D) Focus purely on macro-objectives
2. Business Economics is described as normative because it:
 - (A) Only describes what is
 - (B) Rejects economic theory
 - (C) Avoids value judgments
 - (D) Suggests what ought to be done
3. If two goods X and Y have a positive cross elasticity, these goods are:
 - (A) Unrelated
 - (B) Substitutes
 - (C) Complements
 - (D) Inferior goods
4. A key limitation of the Law of Diminishing MU is that it assumes utility is:
 - (A) Cardinaly measurable
 - (B) Ordinal

- (C) Constant
 - (D) Total
5. The consumer surplus concept supports pricing strategy because:
- (A) It measures producer costs only
 - (B) It identifies hidden value consumers derive compared to what they pay
 - (C) It shows price increases raise surplus
 - (D) It ignores demand curves
6. For a discriminating monopolist, price discrimination depends mainly on:
- (A) Cost of production
 - (B) Size of market
 - (C) Elasticity of demand
 - (D) Government regulation
7. If technological advancement occurs, supply curve will:
- (A) Shift leftward
 - (B) Shift rightward
 - (C) Stay same
 - (D) Become vertical
8. Price determination differs across markets mainly due to:
- (A) Equal market power
 - (B) Varying competition and barriers
 - (C) Fixed output only
 - (D) Government controls always
9. Which phase of the business cycle is characterized by rising GDP, increasing employment, and expanding investments?
- (A) Peak

- (B) Contraction
 - (C) Expansion
 - (D) Trough
10. Which of the following is an external cause of business cycles fluctuations?
- (A) Monetary policy changes
 - (B) Changes in money supply
 - (C) Natural disasters
 - (D) Effective demand shifts
11. In the four-sector Keynesian model, the equilibrium income condition is:
- (A) $Y = C + I$
 - (B) $Y = C + I + G$
 - (C) $Y = C + I + G + (X - M)$
 - (D) $Y = C + S + T$
12. Maximum price ceilings imposed on essential commodities aim to:
- (A) Protect producers
 - (B) Increase exports
 - (C) Protect consumers
 - (D) Increase profits
13. Money demand is said to be 'derived' because:
- (A) It is decided by the government
 - (B) People hold money because it earns interest
 - (C) People demand money to facilitate expenditure
 - (D) Money supply controls demand

14. Monetary policy primarily aims to regulate:
 - (A) Tax rates
 - (B) Money supply and credit conditions
 - (C) Government expenditure
 - (D) Export levels
15. Which policy action is most likely to reduce inflation?
 - (A) Expansionary monetary policy
 - (B) Contractionary monetary policy
 - (C) Lower reserve ratio
 - (D) Higher government spending
16. The Heckscher-Ohlin model predicts that a country will export goods that:
 - (A) Use its scarce factors intensely
 - (B) Use its abundant factors intensely
 - (C) It cannot produce efficiently
 - (D) Are cheap in the world market
17. A specific tariff is different from an ad valorem tariff because it is:
 - (A) A percentage of trade value
 - (B) A fixed amount per unit of imported goods
 - (C) Applied only to exports
 - (D) Used only under GATT
18. Non-tariff measures (NTMs) include all *except*:
 - (A) Import quotas
 - (B) Export subsidies
 - (C) Sanitary and phytosanitary (SPS) measures
 - (D) Floating exchange rates

19. Foreign Direct Investment (FDI) is best distinguished from Foreign Portfolio Investment (FPI) by its:
- (A) Ownership of foreign currency
 - (B) Intent to gain management control in foreign enterprises
 - (C) Duration of investment only
 - (D) Government backing
20. Real exchange rate increases if:
- (A) Domestic prices rise faster than foreign prices
 - (B) Foreign prices rise relative to domestic prices
 - (C) Nominal exchange rate is fixed
 - (D) Trade barriers increase only
21. An important principle of GATT and WTO is the Most-Favoured-Nation (MFN) treatment, which means:
- (A) Preferential tariffs for select partners only
 - (B) Equal trade advantages given to all members
 - (C) National treatment for domestic goods only
 - (D) Exclusive bilateral treaties outside WTO
22. One of the early steps in 1991 reforms was:
- (A) Rupee devaluation
 - (B) Nationalisation of banks
 - (C) Abolition of tax reforms
 - (D) Trade protection
23. Post-reform export growth led to:
- (A) Decline in forex reserves
 - (B) Increase in foreign exchange reserves

- (C) Reduced trade volume
- (D) Collapse in services exports
24. Reforms in the capital market after 1991 strengthened through:
- (A) RBI takeover of markets
- (B) Establishment of SEBI autonomy
- (C) Complete ban on foreign investment
- (D) Closing stock exchanges
25. Structural reforms differ from stabilization policies because they:
- (A) Address long-term efficiency issues
- (B) Focus only on inflation
- (C) Control exchange rates
- (D) Increase tariffs


SUGGESTED ANSWERS

1.	(B)	2.	(D)	3.	(B)	4.	(A)	5.	(B)
6.	(C)	7.	(B)	8.	(B)	9.	(C)	10.	(C)
11.	(C)	12.	(C)	13.	(C)	14.	(B)	15.	(B)
16.	(B)	17.	(B)	18.	(D)	19.	(B)	20.	(B)
21.	(B)	22.	(A)	23.	(B)	24.	(B)	25.	(A)

**Applicability of Standards/Guidance Notes/Legislative Amendments etc. for
September, 2026 Examination**

Foundation Level

Paper 2: Business Laws

The provisions of the Companies Act, 2013 and the Limited Liability Partnership Act, 2008 along with significant Rules/ Notifications/ Circulars/ Clarification/ Orders issued by the Ministry of Corporate Affairs up to 28.02.26 are applicable for September 2026 examination.

The Study Material has to be read along with the 'Relevant Legislative amendments for September 2026 examinations' for the period of 1.5.2024 to 28.02.26.