

FOUNDATION COURSE

REVISION TEST PAPERS

JANUARY, 2027



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, JANUARY 2027–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 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 and 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 January, 2027 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 (Reprint August 2025 and onwards) edition of the Study Material is applicable for Paper 2: Business Laws, Foundation Course. The Study Material is based on the provisions of the Indian Contract Act, 1872, the Sale of Goods Act, 1930, the Indian Partnership Act, 1932, the Limited Liability Partnership Act, 2008, the Companies Act, 2013, and the Negotiable Instruments Act, 1881 as amended upto 30th June, 2024.

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

This RTP consists of twenty-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 (Reprint August, 2025 and onwards) edition of the Study Material is applicable for January, 2027 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 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 (Reprint August, 2025 and onwards) edition of the Study Material is applicable for January, 2027 Examination of Foundation Course Paper 4: Business Economics. The Study is having 10 Chapters which includes Microeconomics, Macro Economics, Public Finance, Money Market, International Trade and Indian Economy.

Features of the Study Material:

Simple, clear language for easy understanding

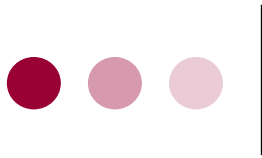
Illustrations and examples in each chapter to clarify concepts and techniques.

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

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

About the Revision Test Paper (RTP)

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



PAPER – 1: ACCOUNTING



QUESTIONS

True and False

1. State with reasons, whether the following statements are true or false:
 - (a) "Salary paid in advance" is not an expense because it neither reduces assets nor increases liabilities.
 - (b) Prior period items need not be separately disclosed in the current statement of profit and loss.
 - (c) Bank reconciliation statement is prepared to arrive at the bank balance.
 - (d) The provision for bad debts is debited to sundry debtors account.
 - (e) Depreciation is a non-cash expense and does not result in any cash outflow.
 - (f) Fees received for Life Membership is a revenue receipt as it is of recurring nature.
 - (g) A withdrawal of cash from the business by the proprietor for his personal use should be charged to profit and loss account as an expense.
 - (h) Legal heirs of a deceased partner are entitled to his capital account balance only.
 - (i) "Listed company" means a company which has its securities only listed with National stock exchange.

- (j) A fixed charge generally covers all the assets of the company including future one.

Theoretical Framework

2. (a) Define accounting policy. What are the conditions under which a company can change its accounting policy?
- (b) What is the difference between liability and contingent liability?

Journal Entries

3. (a) You are required to pass necessary journal entries in the books of Dheeraj:
- (i) Sold goods to Mohit for ₹ 50,000 and charged CGST and SGST @ 5% each. Out of the amount due 40% is received by cheque immediately.
 - (ii) Withdrawn for personal use: Goods (Sales Price ₹ 8,000, Cost ₹ 6,000), cash ₹ 1,000
 - (iii) Received commission ₹ 10,000, half of which does not relate of current year and is received in advance.
 - (iv) Purchased second hand machinery from Jawahar industries for ₹ 3,00,000 plus CGST and SGST @ 6% each. Paid ₹ 1,00,000 immediately by cheque and balance to be paid after two months.
 - (v) Sandeep (a debtor) 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:
- (i) Expenditure on renovation of a theatre which as increased the seating capacity by 10%.
 - (ii) Wages paid to workers to produce a tool to be captively consumed.
 - (iii) Expenditure for advertisement in newspaper.

- (iv) Cost of repairs on second-hand car purchased to bring it into working condition.
- (v) Amount spent on renewal fee of patent rights.

Subsidiary Books

4. Enter the following transactions in Purchase Book and post them into ledger.

2026

April 4: Purchased from Mehra Textiles, Panipat

200 Woolen Blankets @ ₹ 120 per each

400 Cotton Bed Sheets @ ₹ 300 per each

Less: Trade discount @ 10%

Freight charged ₹ 300.

April 15: Purchased from Gupta Home Furnishings, Ludhiana

100 Double Bed Sheets @ ₹ 400 per each

200 Single Blankets @ ₹ 140 per each

Less: Trade discount @ 10%

Freight charged ₹ 400.

April 28: Purchased from Shree Handloom Industries, Karnal in cash

80 Quilted Blankets @ ₹ 400 each

200 Printed Bed Sheets @ ₹ 180 per each

Less: Trade discount @ 10%

Freight charged ₹ 200

Rectification of Errors

5. The following errors were identified in the books of Mr. Rajeev for the year ended 31st March, 2026. Pass the rectification entries using suspense A/c :

- (i) The total of Purchase Returns Book for March 2026 has been casted short by ₹ 1,000.
- (ii) Freight paid for installation of a Machine ₹ 6,500 was posted to the Freight Account as ₹ 5,600.
- (iii) Goods of the value of ₹ 5,200 returned by a customer were entered in the Sales day Book and posted therefrom to the credit of his account.
- (iv) ₹ 18,000 paid for purchase of old Motorcycle for personal use of Mr. Rajeev was debited to conveyance account.
- (v) Sale of old Almirah for ₹ 2,200 treated as sale of goods.
- (vi) Receipt of cash ₹ 5,000 from Mr. Shiv was posted to the debit of his account.
- (vii) A cheque for ₹ 9,000 received from Mr. Alok had been dishonoured and was posted to the debit of Mr. Ashok.
- (viii) Sale of ₹ 8,500 to Mr. Sandeep was recorded in the sales book correctly but while posting in ledger credited to his account.
- (ix) The total of "Discount Allowed" column for the year ending March, 2026 amounting to 7,200 was not posted.

You are required to pass necessary journal entries with narrations to rectify the above errors.

Bank Reconciliation Statement

- 6. On 31st March, 2026 Manoj's Cash Book showed a Bank Overdraft of ₹ 98,700. On comparison, he finds the following:
 - 1. Out of the total Cheques of ₹ 8,900 issued on 27th March, one cheque of ₹ 7,400 was presented for payment on 4th April and the other cheque of ₹ 1,500 handed over to the Customer, was returned by him and in lieu of that a New Cheque of the same amount was issued to him on 1st April. No entry for the return was made.

2. Out of the ₹6,800 deposited into the bank on 24 March, a cheque of ₹ 2,600 was credited by the bank on 3 April, whereas a cheque of ₹ 500 was dishonoured and returned by the bank on 4 April.
3. Bank charges worth ₹ 200 have been entered twice in the cash book whereas Insurance charges for ₹ 175 directly paid by Bank was not at all entered in the Cash Book.
4. A Cheque deposited in his another account of ₹ 1,550 wrongly credited to this account by Bank.
5. A Cheque of ₹ 1,400, drawn on this account, was wrongly debited in another account by the Bank.
6. A debit of ₹ 3,500 appearing in the Bank Statement for an unpaid Cheque returned for being 'out of date' had been re-dated and deposited in the Bank Account again on 5th April.
7. The Bank allowed interest on deposit ₹ 1,000.
8. A Customer who received a cash discount of 4% on his account of ₹ 1,00,000 paid a cheque on 20th March, 2026. The Cashier erroneously entered the gross amount in the bank column of the Cash Book.
9. The credit side of bank column of Cash Book was undercast by ₹ 5,000.

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

Valuation of Inventories

7. From the following particulars ascertain the value of inventories as on 31st March, 2026 :

Inventory as on 1 st April, 2025	₹ 3,50,000
Purchase made during the year	₹ 12,00,000
Sales	₹ 18,50,000
Manufacturing Expenses	₹ 1,00,000
Selling and Distribution Expenses	₹ 50,000
Administration Expenses	₹ 80,000

At the time of valuing inventory as on 31st March, 2025, a sum of ₹ 20,000 was written off on a particular item which was originally purchased for ₹ 55,000 and was sold during the year for ₹ 50,000.

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

Depreciation and Amortisation

8. M/s Sharma Engineering Works purchased an old machine i.e. Machine A for ₹1,11,000 on 1st April 2022 and spent ₹ 9,000 on its overhauling. On 1st October 2023, another machine (Machine B) was purchased for ₹ 30,000. On 1st October 2024, Machine A was sold for ₹ 84,000, and on the same day a new machine (Machine C) costing ₹ 75,000 was purchased. On 1st October 2025, Machine B was sold for ₹ 6,000.

Depreciation is charged @ 15% per annum on the straight line method. The firm changed to the diminishing balance method with effect from 1st April 2025, and the rate was changed to 10% per annum. The books are closed on 31st March every year.

Prepare the Machinery Account for four years from 1st April 2022.

Bills of Exchange

9. Rohan draws a bill on Priya for ₹30,000 on 01.01.2026 for 3 months. Priya accepts the bill and returns it to Rohan, who discounts it for ₹28,000. Rohan remits $\frac{1}{4}$ th of the amount to Priya. On the due date Rohan cannot pay his share to Priya, and instead accepts a bill of ₹40,000 for 3 months. The bill was discounted by Priya for ₹37,300. After paying the first bill, Priya sends $\frac{3}{4}$ th of the remaining amount to Rohan. On maturity of the second bill, Rohan becomes bankrupt and his estate pays 40 paise in the rupee.

Give the journal entries in the books of Priya.

Preparation of Financial Statement of Sole Proprietors

10. From the following trial balance of M/s Sunrise Enterprises on 31st March, 2026, prepare trading, profit and Loss Account and Balance Sheet as on 31st March, 2026

Trial Balance of M/s Sunrise Enterprises as at 31st March,2026

Particulars	Dr. (₹)	Cr. (₹)
Cash in Hand	1,080	
Cash at Bank	5,260	
Purchases	81,350	
Returns Outward		1,000
Sales Account		1,97,560
Returns Inward	1,360	
Wages	20,960	
Fuel and Power	9,460	
Carriage	4,080	
Stock (1 st April,2025)	11,520	
Building	60,000	
Freehold land	20,000	
Machinery	40,000	
Salaries	30,000	
Furniture	15,000	
General Expenses	6,000	
Insurance premium	1,200	
Capital		1,46,000
Drawings	10,490	
Sundry Debtors	29,000	
Phone and Internet Charges	6,400	
Sundry Creditors		12,600
Input CGST	5,000	
Input SGST	5,000	
Output CGST		3,000
Output SGST		<u>3,000</u>
Total	3,63,160	3,63,160

Additional Information

- (a) Stock on hand on 31st March,2026 is ₹ 13,600.

- (b) Machinery is to be depreciated at the rate of 10% and furniture at the rate of 20%.
- (c) Salaries for the month of March, 2026 amounting to ₹ 3,000 were unpaid.
- (d) Insurance included a premium of ₹ 170 for next year. CGST and SGST is paid @ 6% each.
- (e) Stock valued at ₹ 4,000 were used by the owner for his personal use, the cost of which has not been adjusted in the books of accounts. These goods were purchased by paying CGST and SGST @ 6% each.
- (f) A provision for Doubtful Debts is to be created to the extent of 5% on sundry debtors.
- (g) Goods costing ₹ 3,000 were distributed to the employees for staff welfare. These goods were purchased by paying CGST and SGST @ 6% each.
- (h) Goods costing ₹ 3,000 were destroyed by a fire, which occurred on 7th April, 2026. These goods were purchased by paying CGST and SGST @ 6% each.

Financial Statements of Not for Profit Organizations

11. From the following information supplied by ABC Club, prepare Receipts and Payments Account and Income and Expenditure Account for the year ended 31st March 2026.

	01.04.2025 ₹	31.03.2026 ₹
Outstanding subscription	8,40,000	12,00,000
Advance subscription	1,50,000	1,80,000
Outstanding salaries	90,000	1,08,000
Cash in Hand and at Bank	6,60,000	?
10% Investment	8,40,000	4,20,000
Furniture	1,68,000	84,000

Machinery	60,000	120000
Sports goods	90,000	150000

Subscription for the year amount to ₹ 18,00,000. Salaries paid ₹ 3,60,000. Face value of the Investment was ₹ 10,50,000, 50% of the Investment was sold at 80% of Face Value on 31st March, 2026. Interest on investments was received ₹ 84,000. Furniture was sold for ₹ 48,000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports goods and @10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses: ₹ 3,00,000
 Rent: ₹ 1,44,000 out of which ₹ 12,000 outstanding
 Misc. Expenses: ₹ 30,000

Accounts from Incomplete Records

12. Veda Enterprises maintain their books of accounts under single entry system. The Balance-Sheet as on 31st March, 2025 was as follows :

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c	6,75,000	Furniture & fixtures	1,50,000
Trade creditors	7,57,500	Stock	9,15,000
Outstanding expenses	67,500	Trade debtors	3,12,000
		Prepaid insurance	3,000
		Cash in hand & at bank	1,20,000
	15,00,000		15,00,000

The following was the summary of cash and bank book for the year ended 31st March, 2026:

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand & at Bank on 1 st April, 2025	1,20,000	Payment to trade creditors	1,24,83,000
Cash sales	1,10,70,000	Sundry expenses paid	9,31,050
Receipts from trade debtors	27,75,000	Drawings	3,60,000
		Cash in hand & at Bank on 31 st March, 2026	<u>1,90,950</u>
	<u>1,39,65,000</u>		<u>1,39,65,000</u>

Additional Information:

- Discount allowed to trade debtors and received from trade creditors amounted to ₹ 54,000 and ₹ 42,500 respectively (for the year ended 31st March, 2026).
- Annual fire insurance premium of ₹ 9,000 was paid every year on 1st August for the renewal of the policy.
- Furniture & fixtures were subject to depreciation @ 15% p.a. on diminishing balance method.
- The following are the balances as on 31st March, 2026:

Stock	₹ 9,75,000
Trade debtors	₹ 3,43,000
Outstanding expenses	₹ 55,200
- Gross profit is to be maintained at 10% on total sales.

You are required to prepare Trading and Profit & Loss account for the year ended 31st March, 2026, and Balance Sheet as on that date.

Partnership Accounts

Calculation of Goodwill

13. Mr. Aarav was carrying on a business. On 1st April, 2025, he admitted Bharat as a partner, giving him one-fourth share in profits. It was agreed that the goodwill of the firm would be ₹ 12,000. On 1st July, 2025, Charu was admitted as a partner and it was agreed that the goodwill of the firm be determined at ₹ 20,000 and the new profit-sharing ratio of Aarav, Bharat and Charu would be 3:1:1. On 1st April, 2026, Charu decided to retire and Deepak was admitted as a partner. Goodwill was agreed at ₹ 50,000 and the profit-sharing ratio amongst Aarav, Bharat and Deepak was agreed to be 4:3:3.

All these agreements about goodwill have not been taken into account. On 1st April, 2026, when Charu retires and Deepak is admitted, the partners decided to account for goodwill by making the necessary entries in respect of goodwill in the books, without keeping the Goodwill Account in the books.

You are required to show the working of goodwill and pass the required journal entry.

Death of Partner

14. Ashish, Aakash and Amit are partners sharing profits & losses in the ratio of 3:2:1. The following is the Balance Sheet of their firm M/s Mayfield as on 31 March, 2026:

Balance Sheet as at 31st March, 2026

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts:		Land & Building	7,20,000
Ashish	8,40,000	Machinery	4,50,000
Aakash	5,70,000	Furniture & Fixtures	3,15,000
Amit	4,50,000	Trade Receivables	4,65,600
General Reserve	4,05,000	Less: Provision for	
Trade Payables	2,92,200	Doubtful debts (17,100)	4,48,500

		Stock	2,56,800
		Joint Life Policy	2,70,000
		Cash & Bank	96,900
	25,57,200		25,57,200

Amit died on 30th June, 2026. As per Partnership deed the following arrangement was to be put into effect:

- Goodwill of firm was to be valued at 2 years' purchase of average profit of four years to 31 March preceding the death of partner. The profits were as under:
 31st March, 2023 ₹ 3,42,000
 31st March, 2024 ₹ 3,66,000
 31st March, 2025 ₹ 3,57,000
 31st March, 2026 ₹ 3,75,000
 Goodwill Account will not be opened in the books of accounts and Amit was to be credited with his share. The new profit-sharing ratio of Ashish and Aakash will be 5:3.
- Profit till the date of death to be ascertained on the basis of average profit of previous four years and share of Amit was to be credited to his capital account.
- Assets were to be revalued: Land & Building was appreciated by 15%, Machinery to be depreciated by 5%, Furniture & Fixtures to be revalued at ₹ 3,00,000 and the value of Stock to be taken at ₹ 2,70,000.
- Provision for doubtful debts to be increased by ₹ 5,400.
- A sum of ₹ 7,20,000 was received from insurance company against Joint Life Policy.
- Amount due to Amit was paid to the executors.

You are required to prepare Revaluation Account, Partners Capital Accounts and Balance Sheet as on 30th June, 2026, along with necessary workings.

Issue and Redemption of Shares

15. Bright Limited registered with an authorised equity capital of ₹ 16,00,000 divided into 16,000 shares of ₹ 100 each, issued for subscription of 8,000 shares payable at ₹ 25 per share on application, ₹ 30 per share on allotment, ₹ 20 per share on first call and the balance as and when required. Application money on 8,000 shares was duly received and allotment was made to them. The allotment amount was received in full, but when the first call was made, one shareholder Mr. Manas failed to pay the amount on 800 shares held by him and another shareholder Mr. Akhil with 400 shares, paid the entire amount on his shares. There was a time gap of 2 months between both the calls. Mr. Manas having 800 shares agreed to pay his due amount 3 months after final call along with call in arrears at 10% p.a. The company also paid interest on calls in advance @ 12% p.a. to Mr. Akhil after final call is received. Give the necessary journal entries in the books of the company to record these transactions. (Ignore date column)

Issue and Redemption of Debentures

16. A company had issued 20,000, 8% partly convertible debentures of ₹ 100 each on April 1, 2025. The debentures are due for redemption on June 1, 2026. The terms of issue of debentures provided that 30% of the debentures will be converted into equity shares (Nominal Value ₹ 10) at a price of 20 per share and remaining will be redeemable at a premium of 5%.
- (i) Calculate the number of equity shares to be allotted to the debenture holders at the time of conversion.
 - (ii) Give the necessary journal entries related to the conversion and redemption of debentures assuming that the company has created the Debenture Redemption Reserve and also invested required amount for redemption of debentures at the time of issue. Debenture Redemption Reserve Investment are sold at par value.

Bonus Issue and Right Issue

17. Following notes pertain to the Balance Sheet of Synergy Company Limited as at 31st March, 2026:

	₹ in lakhs
Authorized capital:	
15,00,000 shares of ₹ 100 each	<u>1,500</u>
	<u>1,500</u>
Issued and Subscribed capital:	
4,50,000 Equity Shares of ₹ 100 each, ₹ 70 paid up	315
30,000 11% Preference Shares of ₹ 100 each fully paid	<u>30</u>
	<u>345</u>
Reserves and Surplus:	
Revaluation Reserve	15.60
General Reserve	75
Capital Redemption Reserve	75
Securities premium	90
Profit and Loss Account (Cr. Balance)	60

On 30th April, 2026, the Company has made final call@ ₹ 30 each on 4,50,000 equity shares. The call money was received by 31st May, 2026.

Thereafter, on 1st July, 2026 the company decided to issue bonus shares at the rate of 2 equity shares for every 5 equity shares held by way of capitalising its reserves, it decided that there should be minimum usage of balance in Profit & Loss A/c.

On 1st November, 2026, the Company issued right shares at the rate of one equity share for every five shares held on that date at a premium of 10%. All the rights shares were accepted by the existing shareholders and the money was duly received by 30th November, 2026.

Show necessary journal entries in the books of the Synergy for bonus issue and rights issue. Also prepare notes on Share Capital & Reserve & Surplus relevant to the Balance Sheet of the company after the issue of bonus shares & rights share.

18. Write short notes on the following:

(i) Accounting conventions.

- (ii) Objectives of preparing Trial Balance.
- (iii) Distinction between Income and Expenditure Account and Receipts and Payments Account.
- (iv) Inclusions and exclusions of Cost of Property, Plant and Equipment.
- (v) Advantages and Disadvantages of Right Issue.



SUGGESTED ANSWERS/HINTS

1. (a) **True:** Salary paid in advance relates to the coming accounting period. 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.
- (b) **False:** Prior Period Items should be separately disclosed in the current statement of profit and loss together with their nature and amount in a manner that their impact on current profit or loss can be perceived.
- (c) **False:** Bank reconciliation statement is prepared to reconcile and explain the causes of differences between bank balance as per cash book and the same as per bank statement as on a particular date.
- (d) **False:** The provision for bad debts is debited to Profit and loss Account and in Balance Sheet it is shown either on liability side or deducted from the head debtors.
- (e) **True:** Depreciation is a non-cash expense and unlike other normal expenditure (e.g. wages, rent, etc.) does not result in any cash outflow. Therefore depreciation is a non-cash expense and does not result in any cash outflow.
- (f) **False:** Life Membership Fee received for life membership is a capital receipt as it is of non-recurring nature. It is directly added to capital fund or general fund.

- (g) **False:** Cash withdrawal by the proprietor from his business should be treated as his drawings and not a business expense. Such drawings should be deducted from the proprietors capital.
 - (h) **False:** Legal heirs of a deceased partner are entitled to all the dues of deceased partner.
 - (i) **False:** As per Section 2 (52) of the Companies Act, 2013, "listed company" means a company which has any of its securities listed on any recognised stock exchange.
 - (j) **False:** A fixed charge is a mortgage on specific assets. A floating charge generally covers all the assets of the company including future one.
2. (a) Accounting Policies refer to specific accounting principles and methods of applying these principles adopted by the enterprise in the preparation and presentation of financial statements; and
- Policies are based on various accounting concepts, principles, and conventions.
- Conditions under which change takes place:
- A change in accounting policies shall be made in the following conditions:
- (a) It is required by some statute or for compliance with an Accounting Standard
 - (b) Change would result in more appropriate presentation of financial statement.
- (b) A liability is defined as the present financial obligation of an enterprise, which arises from past events. The settlement of a liability results in an outflow from the enterprises of resources embodying economic benefits.
- On the other hand, in the case of contingent liability, either outflow of resources to settle the obligation is not probable or the amount expected to be paid to settle the liability cannot be measured with sufficient reliability. For example- claims against the enterprise not acknowledged as debts, guarantees given in respect

of third parties, liability in respect of bills discounted and statutory liabilities under dispute etc. In addition to present obligations that are recognized as liabilities in the balance sheet, enterprises are also required to disclose contingent liability in their balance sheets by way of notes.

3. (a)

In the books of Dheeraj

Journal entries

	Particulars	Dr.	Cr.
		Amount ₹	Amount ₹
(i)	Bank A/c Dr. Mohit's A/c Dr. To Sales A/c To Output CGST A/c To Output SGST A/c (Being goods sold to Mohit, charged CGST and SGST @ 5% each and received 40% in cash)	22,000 33,000	50,000 2,500 2,500
(ii)	Drawings Dr. To Purchases A/c To Cash A/c (Being goods and cash withdrawn for personal use).	7,000	6,000 1,000
(iii)	Bank A/c Dr. To Commission A/c (Being commission received).	10,000	10,000
(iv)	Commission A/c Dr. To Prepaid Commission A/c (Being commission received in advance adjusted).	5,000	5,000

(v)	Machinery A/c	Dr.	3,00,000	
	Input CGST A/c	Dr.	18,000	
	Input SGST A/c	Dr.	18,000	
	To Bank A/c			1,00,000
	To Mewar Industries A/c			2,36,000
(Being machinery purchased from Jawahar and paid 1,00,000 immediately CGST and SGST @ 6% each)				
(vi)	Cash A/c	Dr.	8,400	
	Bad Debts A/c	Dr.	12,600	
	To Sandeep			21,000
	(Being Sandeep become insolvent)			

- (b) (i) Capital expenditure
(ii) Capital expenditure
(iii) Revenue expenditure
(iv) Capital expenditure
(v) Revenue expenditure

4.

Purchase Book

Date 2026	Particulars	Details	Gross Amount	Trade Discount	Net Price	Freight	Total Amount
April 4	Mehra Textiles, Panipat						
	200 Woolen Blankets @ ₹ 120 per each	24,000					
	400 Cotton Bed Sheets @ ₹300 per each	1,20,000					
	Less: trade discount @ 10%	(14,400)					

	Add: freight	300					
	(A)	1,29,900	1,44,000	14,400	1,29,600	300	1,29,900
April 15	Gupta Home Furnishings, Ludhiana						
	100 Double Bed Sheets @ ₹400 per each	40,000					
	200 Single Blankets @ ₹140 per each	28,000					
	Less: Trade discount @ 10%	(6,800)					
	Add: freight	400					
	(B)	61,600	68,000	6,800	61,200	400	61,600
	Total (A+ B)	1,91,500	2,12,000	21,200	1,90,800	700	1,91,500

Purchased from Shree Handloom Industries, Karnal will not be recorded since this transaction is in cash.

5. Journal Entries in the Books of Mr. Rajeev

Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i) Suspense A/c Dr. To Purchase Return A/c (Being the mistake in totalling the Purchase return Book rectified)		1,000	1,000
(ii) Machinery A/c Dr. To Freight A/c To Suspense A/c (Being the freight paid for installation of machinery should have been capitalised and not to be charged to freight Account)		6,500	5,600 900
(iii) Sales Return A/c Dr. Sales A/c Dr.		5,200 5,200	

	To Suspense A/c (Being value of goods returned by a customer wrongly posted to sales and omission of debit to sales returns account, now rectified)			10,400
(iv)	Drawings A/c Dr. To Conveyance A/c (Being the motorcycle purchased for Mr. Rajeev debited to his Drawings Account instead of Conveyance Account as previously done by mistake)		18,000	18,000
(v)	Sales A/c Dr. To Furniture A/c (Being the rectification of mistake by which sales of Almirah was entered in sales book and hence now corrected by debiting the sales A/c)		2,200	2,200
(vi)	Suspense A/c Dr. To Mr. Shiv's A/c (Being cash received for Rs 5,000 wrongly posted to the debit of his account now rectified)		10,000	10,000
(vii)	Mr. Alok's A/c Dr. To Ashok's A/c (Being the cheque of Mr. Alok dishonoured, previously debited to Mr. Ashok)		9,000	9,000
(viii)	Sandeep A/c Dr. To Suspense A/c (Being the correction of mistake by which the account of Sandeep A/c was credited instead of being debited)		17,000	17,000
(ix)	Discount A/c Dr. To Suspense A/c (Being the total of discount allowed was not posted; error now rectified)		7,200	7,200

6. **Bank Reconciliation Statement of Mr. Manoj as on 31st March, 2026**

	₹
Balance as per Cash Book (Overdraft Balance)	98,700
Add: Cheques deposited into Bank but collected only on 3rd April, 2026	2,600
Cheques deposited and returned as out of date	3,500
Gross amount entered erroneously in cash book by cashier	4,000
Insurance charges not entered in Cash Book	175
Credit side of the Cash Book undercast	5,000
Less: Cheques issued, but not presented till 31st March	(8,900)
Interest allowed by Bank	(1,000)
Cheque wrongly debited by Bank in another account	(1,400)
Cheque wrongly credited by Bank in another account	(1,550)
Bank Charges entered twice in the Cash Book	(200)
Overdraft as per Pass Book	1,00,925

7. **Statement of Inventory in trade as on 31st March, 2026**

	₹	₹
Inventory as on 31 st March, 2025	3,50,000	
Less: Book value of abnormal inventory		
(₹ 55,000 - ₹ 20,000)	(35,000)	3,15,000
Add: Purchases	12,00,000	
Manufacturing Expenses	1,00,000	13,00,000
		16,15,000
Less: Cost of goods sold:		

Sales as per books	18,50,000	
Less: Sales of abnormal item	<u>(50,000)</u>	
	18,00,000	
Less: Gross Profit @ 20%	<u>(3,60,000)</u>	<u>14,40,000</u>
Inventory in trade as on 31 st March, 2026		<u>1,75,000</u>

8. In the books of M/s Sharma Engineering works

Machinery Account

Date	Particulars	₹	Date	Particulars	₹
1.4.2022	To Bank A/c (Machine A)	1,11,000	31.3.2023	By Depreciation A/c	18,000
	To Bank A/c (overhauling charges)	9,000	31.3.2023	By Balance c/d	1,02,000
		<u>1,20,000</u>			<u>1,20,000</u>
1.4.2023	To Balance b/d	1,02,000	31.3.2024	By Depreciation A/c (18,000+2,250)	20,250
1.10.2023	To Bank A/c (Machine B)	30,000	31.3.2024	By Balance c/d	1,11,750
		<u>1,32,000</u>			<u>1,32,000</u>
1.4.2024	To Balance b/d	1,11,750	1.10.2024	By Bank A/c (sale of Machine A)	84,000
1.10.2024	To Bank A/c (Machine C)	75,000			
1.10.2024	To Profit and Loss A/c- profit on Sale of Machine A (WN 1)	9,000	31.3.2025	By Depreciation A/c (9,000+5,625+4,500)	19,125

			31.3.2025	By Balance c/d	92,625
		<u>1,95,750</u>			<u>1,95,750</u>
1.4.2025	To Balance b/d	92,625	1.10.2025	By Bank A/c (sale of Machine B)	6,000
			1.10.2025	By Profit and Loss A/c (Loss on Sale - W.N. 1)	16,087.5
			31.3.2026	By Depreciation A/c (₹1,162.5 + ₹6,937.5)	8,100
		<u>92,625</u>	31.3.2026	By Balance c/d	<u>62,437.5</u>
					92,625

Working Note:
Book Value of machines

	Machine A	Machine B	Machine C
	₹	₹	₹
Cost of all machinery	1,20,000	30,000	75,000
Depreciation for 2022-23	<u>18,000</u>		
Written down value as on 31.3.2023	1,02,000		
Purchase 1.10.2023 (6 months)		30,000	
Depreciation for 2023-24	<u>18,000</u>	<u>2,250</u>	
Written down value as on 31.3.2024	84,000	27,750	
Depreciation for 6 months (2024)	<u>9,000</u>		
Written down value as on 1.10.2024	75,000		
Sale proceeds	<u>84,000</u>		
profit on sale	<u>9,000</u>		
Purchase 1.10.2024			75,000

Depreciation for 2024-25		<u>4,500</u>	<u>5,625</u>
Written down value as on 31.3.2025		23,250	69,375
Depreciation for 6 months in 1.10.2025		<u>1,162.5</u>	
Written down value as on 1.10.2025		22,087.5	
Sale proceeds		<u>6,000</u>	
Loss on sale		<u>16,087.5</u>	
Depreciation for 2025-2026			<u>6,937.5</u>
Written down value as on 31.3.2026			<u>62,437.5</u>

9. In the books of Priya

Journal Entries

Date	Particulars	DR. (in ₹)	CR. (in ₹)
1/1/2026	Rohan Dr. To Bills payable A/c (Being bill of exchange accepted and sent to Mr. Rohan)	30,000	30,000
1/4/2026	Bank A/c Dr. Discount charges A/c Dr. To Rohan (Being the amount received from Rohan on account of the bills receivable)	7,000 500	7,500
1/4/2026	Bills receivable A/c Dr. To Rohan (Being the bills accepted by Rohan)	40,000	40,000
1/4/2026	Bank A/c Dr. Discount charges A/c Dr. To Bills receivable A/c (Being Rohan acceptance discounted with bank)	37,300 2,700	40,000

4/4/2026	Bills payable A/c To Bank A/c (Being the amount met on the due date)	Dr.	30,000	30,000
4/4/2026	Rohan To Bank A/c To Discount A/c $\{(2,700/40,000) \times 30,000\}$ (Being the amount paid and the discount debited to Rohan)	Dr.	7,500	5,475 2,025
7/7/2026	Rohan To Bank A/c (Being Rohan's acceptance discounted with bank dishonoured due to Rohan's bankruptcy)	Dr.	40,000	40,000
7/7/2026	Bank A/c Bad debts A/c To Rohan (The amount received from Rohan and the balance being written off as debt)	Dr. Dr.	12,000 18,000	30,000

10. Trading Account for the year ended 31st March, 2026

Particulars	Amt. (₹)	Amt. (₹)	Particulars	Amt. (₹)	Amt. (₹)
To Opening Stock		11,520	By Sales	1,97,560	
To Purchases	81,350		Less: Returns Inward	<u>1,360</u>	1,96,200
Less: Goods distributed for staff welfare	(3,000)		By Closing Stock		13,600
Less: Goods taken for personal use	(4,000)				
Less: Returns Outward	<u>(1,000)</u>	73,350			

To Wages	20,960		
To Fuel and Power	9,460		
To Carriage	4,080		
To Gross Profit transferred to Profit and Loss A/c	90,430		
	<u>2,09,800</u>		<u>2,09,800</u>

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

Particulars	Amt. (₹)	Amt. (₹)	Particulars	Amt. (₹)	Amt. (₹)
To phone and Internet Charges		6,400	By Gross Profit transferred from Trading A/c		90,430
To Salaries	30,000				
Add: Outstanding Salaries	<u>3,000</u>	33,000			
To General Expenses		6,000			
To Insurance premium	1,200				
Less: Prepaid Insurance (WN:1)	<u>170</u>	1,030			
To Depreciation Machinery (₹ 40,000 × 10%)	4,000				
furniture (₹ 15,000 × 20%)	<u>3,000</u>	7,000			
To Provision for Doubtful Debts (₹ 29,000 × 5%)		1,450			
To Staff Welfare Expenses (WN:2)		3,360			
To Net Profit transferred to Capital A/c		<u>32,190</u>			
		90,430			<u>90,430</u>

Balance Sheet as at 31st March,2026

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	1,46,000		Buildings		60,000
Add: Net Profit	<u>32,190</u>		Freehold Land		20,000
	1,78,190		Machinery	40,000	
Less: Drawings (10,490+4,480)	<u>(14,970)</u>	1,63,220	Less: Depreciation	<u>4,000</u>	36,000
Sundry Creditors		12,600	Furniture	15,000	
Outstanding Salaries		3,000	Less: Depreciation	<u>3,000</u>	12,000
			Debtors	29,000	
			Less: Prov. for Doubtful Debts	<u>1,450</u>	27,550
			Prepaid Insurance		190
			Closing Stock		13,600
			Cash in Hand		1,080
			Cash at Bank		5,260
			Input CGST (WN:4)		1,570
			Input SGST (WN:4)		<u>1,570</u>
		1,78,820			1,78,820

Note : No adjustment is required for the goods costing ₹3,000 destroyed by fire, as the event occurred on 7 April 2026, after the Balance Sheet date.

Working Note:

1. Journal entry of Prepaid Insurance

Prepaid Insurance A/c	Dr. 190
To Insurance Premium A/c	170
To Input CGST	10
To Input SGST	10

2. Journal Entry for goods distributed for staff welfare:

Staff Welfare Expenses A/c	Dr. ₹3,360
To Purchases A/c	3,000
To Input CGST A/c	180
To Input SGST A/c	180

(Being goods distributed to employees for staff welfare and Input CGST and Input SGST reversed)

3. Journal Entry for goods withdrawn for personal use will be:

Drawings A/c	Dr. 4,480
To Purchases A/c	4,000
To Input CGST A/c	240
To Input SGST A/c	240

(Being goods withdrawn for personal use and Input CGST and Input SGST reversed)

4. Input CGST and Input SGST to be shown on the Assets Side of Balance Sheet.

Particulars	CGST (₹)	SGST (₹)
Input CGST and Input SGST in the Trial Balance	5,000	5,000
Less: Output CGST and Output SGST	(3,000)	(3,000)
Less: Input CGST and Input SGST on Drawings	(240)	(240)
Less: Input CGST and Input SGST on Staff Welfare	(180)	(180)
Less: Input CGST and Input SGST on prepaid Insurance	<u>(10)</u>	<u>(10)</u>
Input CGST & Input SGST to be shown on Assets Side	1,570	1,570

11. Receipts and Payments Account for the year ended 31-03-2026

Receipts	₹	Payments	₹
To balance b/d		By Salaries	3,60,000
Cash and bank	6,60,000	By Purchase of sports goods	60,000
To Subscription received (W.N.1)	14,70,000	₹ (1,50,000-90,000)	
To Sale of investments (W.N.2)	4,20,000	By Purchase of machinery	60,000
To Interest received on investment	84,000	₹ (1,20,000-60,000)	
To Sale of furniture	48,000	By Sports expenses	3,00,000
		By Rent paid	1,32,000
		₹ (1,44,000-12,000)	
		By Miscellaneous expenses	30,000
		By Balance c/d	
		Cash and bank	17,40,000
	<u>26,82,000</u>		<u>26,82,000</u>

Income and Expenditure account for the year ended 31-03-2026

Expenditure	₹	₹	Income	₹	₹
To Salaries	3,60,000		By Subscription		18,00,000
Add: Outstanding for 2026	<u>1,08,000</u>		By Interest on Investment		
	4,68,000		Received	84,000	
Less: Outstanding for 2026	<u>(90,000)</u>	3,78,000	Accrued (W.N.5)	<u>21,000</u>	1,05,000
To Sports expenses		3,00,000			
To Rent		1,44,000			
To Miscellaneous exp.		30,000			
To Loss on sale of furniture (W.N.3)		36,000			

To Depreciation (W.N.4)					
Furniture	8,400				
Machinery	9,000				
Sports goods	<u>13,500</u>	30,900			
To Surplus		<u>9,86,100</u>			
		<u>19,05,000</u>			<u>19,05,000</u>

Working Notes:
1. Calculation of Subscription received during the year 2025-26

	₹
Subscription due for 2025-26	18,00,000
Add: Outstanding of 2025	8,40,000
Less: Outstanding of 2026	(12,00,000)
Add: Subscription of 2026 received in advance	1,80,000
Less: Subscription of 2025 received in advance	<u>(1,50,000)</u>
	<u>14,70,000</u>

2. Calculation of Sale price and profit on sale of investment

Face value of investment sold: ₹ 10,50,000 × 50% = ₹ 5,25,000

Sales price: ₹ 5,25,000 × 80% = ₹ 4,20,000

Cost price of investment sold: ₹ 8,40,000 × 50% = ₹ 4,20,000

Profit/loss on sale of investment: ₹ 4,20,000 - ₹ 4,20,000 = NIL

3. Loss on sale of furniture

	₹
Value of furniture as on 01-04-2025	1,68,000
Value of furniture as on 31-03-2026	84,000
Value of furniture sold at the beginning of the year	84,000
Less: Sales price of furniture	<u>(48,000)</u>
Loss on sale of furniture	<u>36,000</u>

4. Depreciation

Furniture -	₹ 84,000 × 10%	=	8,400
Machinery -	₹ 60,000 × 15%	=	9,000
Sports goods -	₹ 90,000 × 15%	=	13500

5. Interest accrued on investment

	₹
Face value of investment on 01-04-2025	10,50,000
Interest @ 10%	1,05,000
Less: Interest received during the year	<u>(84,000)</u>
Interest accrued during the year	<u>21,000</u>

12. Trading and Profit and Loss Account of Veda Enterprises for the year ended 31st March, 2026.

	₹			₹
To Opening Stock	9,15,000	By Sales		
To Purchases (W.N. 2)	125,97,000	Cash	110,70,000	
To Gross profit c/d (10% of 139,30,000)	13,93,000	Credit (W.N. 1)	28,60,000	139,30,000
		By Closing stock		9,75,000
	149,05,000			149,05,000
To Sundry expenses (W.N. 4)	9,18,750	By Gross profit b/d		13,93,000
To Discount allowed	54,000	By Discount received		42,500
To Depreciation (15% ₹ 1,50,000)	22,500			
To Net Profit (b.f.)	4,40,250			
	14,35,500			14,35,500

Balance Sheet of Veda Enterprises as at 31st March, 2026

Liabilities	Amount ₹	Assets	Amount ₹
Capital		Furniture & Fittings 1,50,000	
Opening balance 6,75,000		Less: Depreciation (22,500)	1,27,500
Less: Drawing (3,60,000)		Stock	9,75,000
3,15,000		Trade Debtors	3,43,000
Add: Net profit for the years 4,40,250	7,55,250	Unexpired insurance	3,000
Trade creditors (W.N. 3)	8,29,000	Cash in hand & at bank	1,90,950
Outstanding expenses	55,200		
	16,39,450		16,39,450

Working Notes:

1. Trade Debtors Account

	₹		₹
To Balance b/d	3,12,000	By Bank A/c	27,75,000
To Credit sales	28,60,000	By Discount allowed	54,000
(Bal. fig.)		By Balance c/d	3,43,000
	31,72,000		31,72,000

2. Memorandum Trading Account

	₹		₹
To Opening stock	9,15,000	By Sales	1,39,30,000
To Purchases (Balancing figure)	1,25,97,000	By Closing stock	9,75,000
To Gross Profit (10% on sales)	13,93,000		
	149,05,000		149,05,000

3. Trade Creditors Account

	₹		₹
To Cash/Bank	1,24,83,000	By Balance b/d	7,57,500
To Discount received	42,500	By Purchases (as calculated	1,25,97,000
To Balance c/d		in W.N. 2)	
(balancing figure)	8,29,000		
	133,54,500		133,54,500

4. Computation of sundry expenses to be charged to Profit & Loss A/c

	₹
Sundry expenses paid (as per cash and Bank book)	9,31,050
Add: Prepaid expenses as on 31-3-2025	3,000
	9,34,050
Less: Outstanding expenses as on 31-3-2025	(67,500)
	8,66,550
Add: Outstanding expenses as on 31-3-2026	55,200
	9,21,750
Less: Prepaid expenses as on 31-3-2026 (Insurance paid till July, 2026) (9,000 x 4/12)	(3,000)
	9,18,750

13. Adjustment Journal Entry for Goodwill

Bharat's Capital A/c	Dr.	7,000	
Deepak's Capital A/c	Dr.	15,000	
To Aarav's Capital A/c			16,000
To Charu's Capital A/c			6,000
(Being partners' Capital Accounts adjusted for goodwill on admission and retirement)			

Working Note:**Calculation of Ratios and Goodwill****1. 1-4-2025 — Bharat is admitted**

Bharat's share of goodwill = ₹ 12,000 × $\frac{1}{4}$ = ₹ 3,000

New profit-sharing ratio of Aarav and Bharat = 3:1

Sacrifice ratio = 1, since the entire sacrifice is made by Aarav alone.

2. 1-7-2025 — Charu is admitted

Old ratio = 3:1

New ratio = 3:1:1

Sacrifice ratio of Aarav and Bharat = 3:1

Charu's share of goodwill = ₹ 20,000 × $\frac{1}{5}$ = ₹ 4,000

Distribution in sacrifice ratio 3:1:

Aarav = ₹ 4,000 × $\frac{3}{4}$ = ₹ 3,000

Bharat = ₹ 4,000 × $\frac{1}{4}$ = ₹ 1,000

3. 1-4-2026 — Charu retires and Deepak is admitted

Old ratio (Aarav : Bharat : Charu) = 3:1:1

New ratio (Aarav : Bharat : Deepak) = 4:3:3

Partners' sacrifice/gain = Old Share – New Share

Aarav = $\frac{3}{5} - \frac{4}{10} = \frac{6}{10} - \frac{4}{10} = \frac{2}{10}$ (Sacrifice)

Bharat = $\frac{1}{5} - \frac{3}{10} = \frac{2}{10} - \frac{3}{10} = -\frac{1}{10}$ (Gain)

Charu = $\frac{1}{5} - 0 = \frac{2}{10}$ (Sacrifice — entire share on retirement)

Deepak = $0 - \frac{3}{10} = -\frac{3}{10}$ (Gain)

Goodwill = ₹ 50,000

Aarav's share = ₹ 50,000 × $\frac{2}{10}$ = ₹ 10,000 (Cr.)

Bharat's share = ₹ 50,000 × $\frac{1}{10}$ = ₹ 5,000 (Dr.)

Charu's share = ₹ 50,000 × $\frac{2}{10}$ = ₹ 10,000 (Cr.)

Deepak's share = ₹ 50,000 × 3/10 = ₹ 15,000 (Dr.)

Statement Showing Goodwill Distribution Among Partners

Goodwill share distribution	Aarav	Bharat	Charu	Deepak
On admission of Bharat	₹3,000 (Cr.)	₹ 3,000 (Dr.)	—	—
On admission of Charu	₹3,000 (Cr.)	₹ 1,000 (Cr.)	₹ 4,000 (Dr.)	—
On retirement of Charu and admission of Deepak	₹10,000 (Cr.)	₹ 5,000 (Dr.)	₹ 10,000 (Cr.)	₹ 15,000 (Dr.)
Total Effect	₹ 16,000 (Cr.)	₹ 7,000 (Dr.)	₹ 6,000 (Cr.)	₹ 15,000 (Dr.)

14.

Revaluation Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	22,500	By Land and Building A/c	1,08,000
To Furniture and Fixtures	15,000	By Stock	13,200
To Provision for doubtful debt	5,400		
To Capital A/c (Revaluation Profit)			
Ashish = 78,300 × 3/6			
= 39,150			
Aakash = 78,300 × 2/6			
= 26,100			
Amit = 78,300 × 1/6			
= 13,050			
	78,300		
	1,21,200		1,21,200

Partners' Capital Accounts

Particulars	Ashish (₹)	Aakash (₹)	Amit (₹)	Particulars	Ashish (₹)	Aakash (₹)	Amit (₹)
To Bank A/c- Amit's Executor's			7,40,550	By Balance b/d	8,40,000	5,70,000	4,50,000
To Amit's Capital A/c	90,000	30,000		By General reserve	2,02,500	1,35,000	67,500
To Balance c/d	12,16,650	8,51,100		By Ashish and Aakash's Capital A/c	—	—	1,20,000
				By Revaluation A/c	39,150	26,100	13,050
				By Joint Life Policy (WN. 3)	2,25,000	1,50,000	75,000
				By Profit and Loss suspense A/c (WN. 1)			15,000
	13,06,650	8,81,100	7,40,550		13,06,650	8,81,100	7,40,550

Balance Sheet of M/s Mayfield as at 30th June,2026

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts:		Land and Building	8,28,000
Ashish	12,16,650	Machinery	4,27,500
Aakash	8,51,100	Stock	2,70,000
		Furniture & fixtures	3,00,000
Trade payables	2,92,200	Trade Receivables	4,65,600
		Less: Prov. for Doubtful Debt	(22,500)
		Cash & bank (WN 2)	76,350
		Profit and Loss Suspense A/c	15,000
	23,59,950		23,59,950

Working Note:
1. Calculation of goodwill and Amit's share of profit

(a)	Average of last four year's profits and losses	Profit/(loss) (₹)
	Year ended on	
	31.3.2023	3,42,000
	31.3.2024	3,66,000
	31.3.2025	3,57,000
	31.3.2026	3,75,000
		14,40,000
	Average profit (14,40,000/4)	3,60,000
(b)	Goodwill at 2 years' purchase ₹ 3,60,000 x 2 = ₹ 7,20,000 Goodwill calculated at the time of death of partner Amit's ₹ 7,20,000 Amit's Share in Goodwill (₹ 7,20,000/6 = ₹ 1,20,000)	
(c)	Amit's share of profits from the period 1.4.2026 to 30.06.2026 ₹ 3,60,000 x 3/12 x 1/6 = ₹ 15,000	

Calculation of Gaining Ratio

Partner	Old Share	New Share	Gain
Ashish	$\frac{3}{6}$	$\frac{5}{8}$	$\frac{6}{48}$
Aakash	$\frac{2}{6}$	$\frac{3}{8}$	$\frac{2}{48}$
Amit	$\frac{1}{6}$	—	—

Adjusting entry:

Ashish's Capital A/c	Dr.	90,000	
Aakash's Capital A/c	Dr.	30,000	
To Amit's Capital A/c			1,20,000
(Adjustment for goodwill on the death of Amit on the basis of gaining ratio)			

2. Bank A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance B/d	96,900	By Amit's executors A/c	7,40,550
To Joint Life Policy	7,20,000	By Balance c/d (bal fig)	76,350
	8,16,900		8,16,900

3. The Joint life policy is calculated on the basis of surrender value method- where in the amount shown in the balance sheet shall be deducted from the JLP proceeds received from insurance co, on the death of a partner. Hence, ₹ 7,20,000- ₹2,70,000 = ₹ 4,50,000 (divided in profit sharing ratio between the partners.)

15. Journal entries in the books of Bright Limited

Bank A/c	Dr.	2,00,000	
To Equity Share Application A/c			2,00,000
(Money received on application for 8,000 shares @ ₹ 25 per share)			
Equity Share Application A/c	Dr.	2,00,000	
To Equity Share Capital A/c			2,00,000
(Transfer of application money on 8,000 shares to share capital)			

Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of 8,000 shares @ ₹ 30 per share)	Dr.	2,40,000	2,40,000
Bank A/c To Equity Share Allotment A/c (Allotment money received)	Dr.	2,40,000	2,40,000
Equity Share First Call A/c To Equity Share Capital A/c (First call money due on 8,000 shares @ ₹ 20 per share)	Dr.	1,60,000	1,60,000
Bank A/c Calls-in-Arrears A/c To Equity Share First Call A/c To Calls-in-Advance A/c (First call money received on 7,200 shares and calls-in-advance on 400 shares @ ₹ 25 per share)	Dr. Dr.	1,54,000 16,000	1,60,000 10,000
Share final Call A/c To Equity share Capital (Being final call money become due)	Dr.	2,00,000	2,00,000
Bank A/c Calls in Arrears A/c Calls in Advance A/c To Share final Call A/c (Final call received from 6,800 shares; ₹ 20,000 due from Manas on 800 shares)	Dr. Dr. Dr.	1,70,000 20,000 10,000	2,00,000
Interest on calls in Advance A/c To Bank A/c	Dr.	200	200

(Interest at 12% p.a. paid to Akhil on advance of ₹10,000 for 2 months)			
Bank A/c		37,167	
To Calls in Arrears A/c			36,000
To Interest on Calls in Arrears (WN 1)			1,167
(Manas paid arrears of ₹36,000 along with interest at 10% p.a. after three months)			

WN -1 Calculation of Interest on Calls in arrears of Mr. Manas

First Calls arrears = ₹ 16,000 × 10% × 5/12 = 667

Final Calls arrears = ₹ 20,000 × 10% × 3/12 = 500

Total ₹ 1,167

Total calls in arrears = ₹ 16,000 + ₹ 20,000 = ₹ 36,000

16.

Particulars	Number of debentures
Number of convertible Debenture issued	20,000
Converted into equity shares	30%
Number of debentures to be converted (30% of 20,000)	6,000
Value per Debenture	₹ 100
Equity shares of ₹ 10 each issued on conversion [₹ 6,000 × 100/ ₹ 20]	30,000 shares

Journal Entries

Date	Particulars	Amount (₹) Dr.	Amount (₹) Cr.
1-6-26	8% Debentures Dr.	20,00,000	
	Premium on Redemption of Debentures Dr.	70,000	

To Debenture holders A/c (Being amount payable to debenture holders on redemption)			20,70,000
Debenture holders A/c	Dr.	6,00,000	
To Equity Share Capital			3,00,000
To Securities Premium			3,00,000
(Being 30,000 equity shares issued on conversion)			
Debenture holders A/c	Dr.	14,70,000	
To Bank A/c			14,70,000
(Being amount paid to debenture holders)			
Profit and Loss A/c	Dr.	70,000	
To Premium on redemption of Debentures			70,000
(Being premium on redemption of debentures transferred to Profit and Loss A/c)			
Debenture Redemption Reserve A/c	Dr.	1,40,000	
To General Reserve			1,40,000
(Being DRR transferred to General Reserve)			
Bank A/c	Dr.	2,10,000	
To DRR Investment A/c			2,10,000
(Being DRR Investment realised)			

Note: In case of partly convertible debentures, DRR shall be created in respect of non-convertible portion of debenture issue. Amount of DRR created at the time of issue is 10% of ₹ 14,00,000 = ₹ 1,40,000

Amount of DRR investment should be 15% of ₹ 14,00,000 = ₹ 2,10,000

17.

In the books of Synergy Limited

Journal Entries

Date		Dr. (₹)	Cr. (₹)
2026	Equity Share Final Call A/c Dr.	1,35,00,000	
April 30	To Equity Share Capital A/c (Final call of ₹ 30 per share on 4,50,000 equity shares made due)		1,35,00,000
May 31	Bank A/c Dr. To Equity Share Final Call A/c (Final call money on equity shares received)	1,35,00,000	1,35,00,000
July 1	Securities Premium A/c Dr. General Reserve A/c Dr. Capital Redemption Reserve A/c Dr. (b.f.) To Bonus to Shareholders A/c (Bonus issue of 2 shares for every 5 shares held, by utilising various reserves as per Board's resolution dated.....)	90,00,000 75,00,000 15,00,000	1,80,00,000
	Bonus to Shareholders A/c Dr. To Equity Share Capital A/c (Capitalisation of profit)	1,80,00,000	1,80,00,000
Nov 1	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being Right issue of 1 shares for every 5 shares held as per board resolution dated)	1,38,60,000	1,26,00,000 12,60,000

Notes to Balance Sheet as at 30th November, 2026 (after bonus issue)
(₹ in Lakhs)

		₹
<i>Authorised Capital</i>		
15,00,000 shares of ₹ 100 each		<u>1,500</u>
		<u>1,500</u>
<i>Issued and subscribed capital</i>		
30,000 11% Preference shares of ₹ 100 each, fully paid	30	
7,56,000 Equity shares of ₹ 100 each, fully paid	756	786
(Out of the above, 1,80,000 equity shares @ ₹ 100 each were issued by way of bonus shares and 1,26,000 shares issued at 110 per share)		
Revaluation Reserve		15.60
Securities premium	90	
Less: Utilised for bonus issue	(90)	NIL
Add: Received from right shares	<u>12.6</u>	12.6
General Reserve	75	
Less: Utilised for bonus issue	<u>(75)</u>	
Capital Redemption Reserve	75	
Less: Utilised for bonus issue	<u>(15)</u>	<u>60</u>
Profit and Loss Account		<u>60</u>
Closing Balance		<u>148.20</u>

Working Note:

- Number of bonus shares to be issued- $4,50,000 \times \frac{2}{5} = 1,80,000$ shares
- The Issued and subscribed and paid-up capital should be increased as per details given below:

Existing issued Equity share capital	4,50,00,000
Add: Issue of bonus shares to equity shareholders	1,80,00,000
Add: Issue of right share to Equity Shareholders	<u>1,26,00,000</u>
	<u>7,56,00,000</u>

- (i) Accounting conventions emerge out of accounting practices,

commonly known as accounting principles, adopted by various organizations over a period of time. These conventions are derived by usage and practice. The accountancy bodies of the world may change any of the convention to improve the quality of accounting information. Accounting conventions need not have universal application.

(ii) Objectives of preparing trial balance

The preparation of trial balance has the following objectives:

1. **Checking of the arithmetical accuracy of the accounting entries:** Trial Balance enables one to establish whether the posting and other accounting processes have been carried out without committing arithmetical errors. In other words, the trial balance helps to establish the arithmetical accuracy of the books.
2. **Basis for preparation of financial statements:** Trial Balance forms the basis for preparing financial statements such as the Income Statement and the Balance Sheet. The Trial Balance represents all transactions relating to different accounts in a summarized form for a particular period. In case, the Trial Balance is not prepared, it will be almost impossible to prepare the financial statements to know the profit or loss made by the business during a particular period or its financial position on a particular date.
3. **Summarized ledger:** Trial Balance contains the ledger balances on a particular date. Thus, the entire ledger is summarized in the form of a Trial Balance. The position of a particular account can be judged simply by looking at the Trial Balance. The ledger may be seen only when details regarding the accounts are required.

- (iii) Distinction between Income and Expenditure Account and Receipt and Payment Account are as follows:

Income and Expenditure Account	Receipts and Payments Account
It is prepared to ascertain the surplus or deficit of a not-for-profit organisation for a particular accounting period.	It is prepared to ascertain the cash and bank position of a not-for-profit organisation.
Income and Expenditure A/c is prepared on the accrual basis.	Receipt and Payment A/c is prepared on the cash basis.
It records only revenue income and expenditure related to the current accounting period.	It records both revenue and capital receipts and payments and includes all cash receipts and payments, irrespective of the accounting period to which they relate.
Outstanding and accrued items of income and expenditure are included.	Outstanding and accrued items are not recorded unless actually received or paid.
Prepaid expenses and income received in advance relating to future periods are excluded.	Receipts and payments relating to current, previous or future periods are included if cash is received or paid during the period.
The balance may be surplus or deficit.	The balance is generally a debit balance, representing cash in hand and at bank.

- (iv) Cost of Property, Plant and Equipment comprises of:
- (a) its purchase price, including non-refundable import duties and purchase taxes, after deducting trade discounts and rebates.

- (b) any cost directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in a manner intended by the enterprise.
- (c) the initial estimate of the costs of dismantling, removing, the item and restoring the site on which an asset is located.

Examples of directly attributable costs included in the cost of Plant property and equipment are:

- (a) cost of employee benefits arising directly from acquisition or construction of an item of property, plant and equipment.
- (b) cost of site preparation
- (c) initial delivery and handling costs
- (d) installation and assembly costs
- (e) cost of testing whether the asset is functioning properly, after deducting the net proceeds from selling the items produced while testing (such as samples produced while testing)
- (f) professional fees e.g. engineers hired to help with the installation of a machine

Thus, all the expenses which are necessary for the asset to bring it in condition and location of desired use will become part of cost of the asset.

However, following expenses should not be included as a part of the cost of asset:

- (a) costs of opening a new facility or business, such as inauguration costs;
- (b) cost of introducing new product or service (for example cost of advertisement or promotional activities).
- (c) cost of conducting business in a new location or with a new class of customer (including cost of staff training); and
- (d) administration and other general overhead costs.

(v) Advantages of Right Issue

1. Right issue enables the existing shareholders to maintain their proportional holding in the company and retain their financial and governance rights. It works as a deterrent to the management, which may like to issue shares to known persons with a view to have a better control over the company's affairs.
2. In well-functioning capital markets, the right issue necessarily leads to dilution in the value of share. However, the existing shareholders are not affected by it because getting new shares at a discounted value from their cum-right value will compensate decrease in the value of shares. The cum-right value is maintained otherwise also, if the existing shareholders renounce their right in favour of a third party.
3. Right issue is a natural hedge against the issue expenses normally incurred by the company in relation to public issue.
4. Right issue has an image enhancement effect, as public and shareholders view it positively.
5. The chance of success of a right issue is better than that of a general public issue and is logistically much easier to handle.

Disadvantages of Right Issue

1. The right issue invariably leads to dilution in the market value of the share of the company.
2. The attractive price of the right issue should be objectively assessed against its true worth to ensure that you get a bargained deal.



PAPER – 2: BUSINESS LAWS

PART I: AMENDMENTS FOR JANUARY 2027 EXAMINATIONS

CHAPTER 6: THE COMPANIES ACT, 2013

I. 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

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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—

- (i) 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
- (ii) 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: QUESTIONS AND ANSWERS



QUESTIONS

Indian Regulatory Framework

1. Write a short note on the following:
 - (i) Ministry of Corporate Affairs
 - (ii) Ministry of Home Affairs

The Indian Contract Act, 1872

2. Mr. Y aged 21 years, lost his mental balance after the death of his parents in an accident. He was left with his grandmother aged 85 years, incapable of walking and dependent upon him. Mr. M, their neighbour, out of pity, started supplying food and other necessities to both of them. Mr. Y and his grandmother used to live in the house built by his parents. Mr. M also provided grandmother with some financial assistance for her emergency medical treatment. After supplying

necessaries to Mr. Y for four years, Mr. M approached the former asking him to payback ₹ 15 Lakhs inclusive of ₹ 7 Lakhs incurred for the medical treatment of the lady (grandmother). Mr. Y pleaded that he has got his parents' jewellery to sell to a maximum value of ₹ 4 Lakhs, which may be adjusted against the dues. Mr. M refused and threatened Mr. Y with a legal suit to be brought against for recovering the money.

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

- (i) Will Mr. M succeed in filing the suit to recover money?
 - (ii) What is the maximum amount of money that can be recovered by Mr. M?
 - (iii) Shall the provisions of the above Act also apply to the medical treatment given to the grandmother?
3. Rakesh intending to sell his used car, approached his friend to suggest the name of a reliable used car broker who can help to sell his car. His friend recommended the name of Vikash, a renowned and reliable broker. Vikash inspected the vehicle and there on the spot Rakesh informed Vikash that he has decided to sell the car for ₹12 Lakhs. He also informed Vikash that anyone who will be interested must give a token advance amount of ₹ 5 Lakhs at the time of the deal and to pay the balance amount of ₹ 7 Lakhs at the time of delivery of the vehicle. Vikash brought a potential customer Ravi for inspection of the vehicle, who inspected the same along with a mechanic brought by him. He was satisfied with the condition of the car.

When Ravi informed Vikash about his interest, he came to know about the price of the car offered by Rakesh. Ravi told Vikash that he was prepared to purchase the car only for a total consideration of ₹ 10 Lakhs and immediately transferred an amount of ₹ 5 lakhs to Vikash's Bank Account through NEFT as advance, which was immediately transferred by Vikash to Rakesh. After a week when the parties met to conclude the sale, Ravi issued another cheque for only ₹ 5 lakhs as the final payment, which Rakesh rejected. Vikash tried to convince Rakesh that the

condition of the car is such that it would not fetch more than ₹ 10 Lakhs. But Rakesh did not agree with Vikash.

Analysing the applicable provisions of the Indian Contract Act, 1872, answer the following questions as per the information given above:

- (i) Whether there is a legally valid and enforceable contract in this case.
 - (ii) Briefly discuss the remedies available to Rakesh in this situation.
 - (iii) What if Vikash (the broker) never actually (though unintentionally) told Ravi about the price of ₹ 12 Lakhs, however received ₹ 5 Lakhs anyway?
4. (i) Mr. A, the employer induced his employee Mr. B to sell his one room flat to him at less than the market value to secure promotion. Mr. B sold the flat to Mr. A. Later on, Mr. B changed his mind and decided to sue Mr. A. Examine the validity of the contract as per the provisions of the Indian Contract Act, 1872.
- (ii) Mr. S promises Mr. M to paint a family picture for ₹ 20,000 and assures to complete his assignment by 15th March, 2026. Unfortunately, Mr. S died in a road accident on 1st March, 2026 and his assignment remains undone. Can Mr. M bind the legal representative of Mr. S for the promise made by Mr. S? Suppose Mr. S had promised to deliver some photographs to Mr. M on 15th March, 2026 against a payment of ₹ 10,000 but he dies before that day. Will his representative be bound to deliver the photographs in this situation?

Decide as per the provisions of the Indian Contract Act, 1872.

5. In light of provisions of the Indian Contract Act, 1872 answer the following:
- (i) Mr. S and Mr. R made contract wherein Mr. S agreed to deliver paper cup manufacture machine to Mr. R and to receive payment on delivery. On the delivery date, Mr. R did not pay the agreed price. Decide whether Mr. S is bound to fulfil his promise at the time of delivery?

- (ii) Mr. Y has given loan to Mr. G of ₹ 30,00,000. Mr. G defaulted the loan on due date and debt became time barred. After the time barred debt, Mr. G agreed to settle the full amount to Mr. Y. Whether acceptance of time barred debt Contract is enforceable as per the Indian Contract Act, 1872?
 - (iii) A & B entered into a contract to supply unique item, alternate of which is not available in the market. A refused to supply the agreed unique item to B. What directions could be given by the court for breach of such contract?
6. Mr. Bhusan is a businessman dealing in retail sale of jewellery made of gold and precious stones. He had approached RCK Bank Ltd. for a loan of ₹ 70 Lakhs for the purpose of expansion of his business. For availing the loan, Mr. Bhusan mortgaged gold bar worth ₹ 5 Lakhs and has arranged personal guarantee from Suresh, Suyash, Sumati and Suman, who have agreed to provide guarantee for ₹ 30 Lakhs, ₹ 20 Lakhs, ₹ 10 Lakhs and ₹ 10 Lakhs respectively in event of repayment failure on part of Mr. Bhusan. Mr. Bhusan invested the loan amount in the business and increased stock of jewellery and set up an additional jewellery showroom in the nearby area.

The gold bars which were mortgaged to the bank by physical transfer were lost due to a burglary committed in connivance with a bank's staff who could not be traced till today. Earlier Mr. Bhusan had also sold a Ganesha Idol made of gold during Diwali to the Bank (on the request of the Bank) to be kept at the Bank's main counter which was worth ₹ 5 Lakhs for which payment has not been made by the Bank so far. Meanwhile, due to a business downturn, Mr. Bhusan could not repay the loan and the Bank had to approach the guarantors for repayment of the unpaid amount. The Bank has asked the guarantors to contribute the deficit amount equally. Analysing the relevant provisions of the Indian Contract Act, 1872, decide:

- (i) Whether the Bank's contention as to equal contribution by the persons who have provided guarantee is valid and if not, what amount should be paid by each of the guarantors.
- (ii) What would be your answer regarding liability of each guarantor towards contribution in case the Bank makes changes in terms and

conditions of the loan with Mr. Bhusan without consent and knowledge of any of the guarantors?

7. (i) Mr. Chetan was travelling to Manali with his wife by bus of Himalayan Travels Pvt. Ltd. Due to some technical default in the bus, the driver has to stop the bus mid-way in cold night. The driver advised the passengers to get to the shelter in the nearest hotel which was at a distance of only one kilometer from that place. The wife of Mr. Chetan caught cold and fell ill due to being asked to get down and she had to walk in cold night to reach hotel. Mr. Chetan filed the suit against Himalayan Travels Pvt. Ltd. for damages for personal inconvenience, hotel charges and medical treatment for his wife. Explain, whether Mr. Chetan would get compensation for which he filed the suit under the Indian Contract Act, 1872?
- (ii) Sahil sells Rohan a horse which Sahil knows to be unsound by auction. The horse appears to be sound, but Sahil knows about the unsoundness of the horse. Is this contract valid in the following circumstances under the Indian Contract Act, 1872:
 - (A) If Sahil says nothing about the unsoundness of the horse to Rohan.
 - (B) If Sahil says nothing about it to Rohan who is Sahil's son.
 - (C) If Rohan says to Sahil "If you do not deny it, I shall assume that the horse is sound." Sahil says nothing.
8. Who is considered as an agent under the Indian Contract Act, 1872, and what are the duties and obligations associated with this role?

The Sale of Goods Act, 1930

9. Explain any six circumstances in detail in which a non-owner can convey better title to the bona fide purchaser of goods for value under the Sale of Goods Act, 1930.
10. Explain the various modes in which a contract of sale may be made under Section 5 of the Sale of Goods Act, 1930.
11. (i) Ashok, a trader, delivered a camera to Mangesh on 'sale or return' basis. Mangesh delivers the camera to Rahul on the terms of 'sale for cash only or return'. Afterward, Rahul delivered it to Vishal on a 'sale

or return' basis without paying cash to Mangesh. The camera, which was in possession of Vishal was lost by theft though he exercised due care for its safety. Referring to the provisions of the Sale of Goods Act, 1930, analyse the situation and advise, whether Mangesh, Rahul or Vishal are, jointly or severally, liable to pay the price of the camera to Ashok.

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

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

- (A) Whether Ansari has right to stop the goods in transit?
(B) Whether Baburam can claim loss suffered due to non-delivery from Ansari?

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

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

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

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

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

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

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

13. Ram Bilas Yadav is a farmer. Anna Chips Company approached him and entered in a contract to supply 100 quintals of potatoes which to be grown in the fields belonging to Ram Bilas Yadav @ ₹ 1000/- per quintal. Anna Chips Company made the payment of price but delivery to be made after six months. Before the time of delivery, the whole crop of potatoes was destroyed due to flood. Anna Chips Company demanded the payment of price which it already made by it. Ram Bilas Yadav denied returning the price by saying that contract of sale was already entered and hence crop belongs to Anna Chips Company. Hence loss of crop must be borne by it. Referring the provisions of the Sale of Goods Act 1930, whether Anna Chips Company recover amount from Ram Bilas Yadav?
14. Priyansh ordered 600 tins of apple juice from an American Company M/s Amjuice Plc. The company informed that tins would be packed in boxes each containing 50 tins. On delivery, it was found that a substantial part was in boxes containing only 30 tins. Priyansh rejected the whole order as the tins were not packed according to the description given in the contract as the packing of tins was an essential part of the contract. M/s Amjuice Plc. sued Priyansh for the recovery of price. State with reason whether Priyansh can avoid the contract under the Sale of Goods Act, 1930?

The Indian Partnership Act, 1932

15. (i) Subject to agreement by partners, state the rules that should be observed by the partners in settling the accounts of the firm after dissolution under the provisions of the Indian Partnership Act, 1932.
- (ii) State the legal position of a minor partner under the Indian Partnership Act, 1932 after attaining majority:
- (A) When he opts to become a partner of the same firm.
- (B) When he decides not to become a partner.
16. Suman, having 10% share in the property of ₹ 200 lakh of a firm retires from the firm on 31st March, 2024. The firm continues with the business thereafter without final settlement of accounts between the existing and retired partners and earned profits of ₹ 10 lakh during the financial year ending 31st March, 2025. Suman, in her own interest and in the absence of any provision in the partnership firm on this point, claimed ₹ 3 lakh from the firm toward the use of her share in the property and profit of the firm which was rejected by the partners. There is no contract between the partners contrary to the provisions of the Act in this regard. Examine the validity of the amount claimed by Suman under the provisions of the Indian Partnership Act, 1932.
17. P, Q and R formed a partnership agreement to operate motor buses along specific routes for a duration of 12 years. After operating the business for four years, it was observed that the business incurred losses each year. Despite this, P is determined to continue the business for the remaining Period. Examine with reference to the Indian Partnership Act, 1932, can P insist to continue the business? If so, what options are available to Q and R who are reluctant to continue operating the business?
18. State giving reasons whether the following are partnerships as per the provisions under the Indian Partnership Act, 1932.
- (i) X, Y, and Z agree to divide the profits equally, but the loss, if any, is to be borne by X alone. Is it case of partnership?

- (ii) X, a publisher, agrees to publish a book at his own expense written by Y and to pay Y, half of the net profit. Does this create a relationship of partnership between X and Y? Can paper dealer i.e. third party make Y liable for paper supplied to X?
- (iii) A and B purchase a tea shop and incur additional expenses for purchasing utensils etc. each contributing half of the total expense. The shop is leased out on daily rent which is divided between both. Does this arrangement constitute a partnership between A and B?

The Limited Liability Partnership Act, 2008

19. (i) Referring to the provisions of the Limited Liability Partnership Act, 2008 discuss the powers of the Central Government for issuing directions for taking corrective steps against an LLP being registered with a similar name of an existing LLP, company or a registered trademark of a proprietor under the Trade Marks Act, 1999 as is likely to be mistaken for it. Also discuss the power of the Central Government to suo-moto take steps towards redressal of the above issue on persisting non-compliance of such directions.
- (ii) "Out of the designated partners atleast one should be a resident in India". Elaborate upon the provision relating to designated partners as laid down, further defining a resident partner as provided in the Limited Liability Partnership Act, 2008.

The Companies Act, 2013

20. (i) ABC Limited has allotted equity shares with voting rights to XYZ Limited worth ₹ 15 Crores during the Financial Year 2023-24. After that the total Paid-up Equity Share Capital of ABC Limited is ₹ 100 Crores.

Define the Meaning of Associate Company and comment on whether ABC Limited and XYZ Limited would be called Associate Company as per the provisions of the Companies Act, 2013?

- (ii) MTK Private Limited is a company registered under the Companies Act, 2013 on 5th January 2022. The company did not start its business till 31st July 2024. Identify under which category

MTK Private Limited company is classified. Explain the definition of the category of the company in detail.

21. (i) The Object clause of Memorandum of Association of ABC Pvt. Ltd. authorized the company to carry on the business of trading in property in Gurgaon. Since the company was not doing well, the Directors of the company in a recent board meeting planned to diversify the business and enter into Construction business. For this purpose, they borrowed a sum of ₹ 5 crores from Magnum Finance Ltd. But the members of the company did not approve the decision of the board hence, company refused to repay the loan. According to provisions of the Companies Act, 2013 what is the recourse available to Magnum Finance Ltd. for recovery of the loan?
- (ii) SNM Ltd. was registered in 2021 with a share capital of ₹ 50 Lakh divided into 5 lakhs equity share of ₹ 10 each under Section 8 of the Companies Act, 2013 for promotion of art in Jaipur. Company earned huge profits during the financial year ending on 31st March 2025 due to boom in the market. On 10th May 2025, 75% members of the company demanded to distribute 10% dividend to the equity shareholders. For this purpose, they passed special resolution in EGM.

With reference to provisions of the Companies Act, 2013 decide whether SNM Ltd. can declare dividend @ 10% to equity shareholders for the year ending 31st March 2025.

22. Do you agree that a company is an artificial person? Elucidate. Also explain how the authorization by M/s Beeta Limited, a company incorporated under the Companies Act, 2013 can be made in case it does not have a common seal.

The Negotiable Instruments Act, 1881

23. (i) M owes money to N. Therefore, he makes a promissory note for the amount in favor of N, for safety of transmission he cuts the note in half and posts one half to N. He then changes his mind and calls upon N to return half of the note which he had sent. N requires M to send the other half of the promissory note. Decide how rights of the parties are to be adjusted.

- (ii) Rama executes a promissory note in the following form, 'I promise to pay a sum of ₹10,000 after three months'. Decide whether the promissory note is a valid promissory note.
24. Mr. Y issued a cheque for ₹ 10,000 to Mr. Z which was dishonoured by the Bank because Y did not have enough funds in his account and has no authority to overdraw. Examine as per the provisions of the Negotiable Instruments Act, 1881 whether-
- (i) Mr. Y is liable for dishonour of cheque, if yes, what are the consequences for such an offence?
- (ii) What would be your answer if Y issued a cheque as a donation to Mr. Z?



SUGGESTED ANSWERS/HINTS

1. (i) **Ministry of Corporate Affairs:** MCA is an Indian Government Ministry which primarily concerned with administration of the Companies Act, 2013, the Companies Act, 1956, the Limited Liability Partnership Act, 2008, and the Insolvency and Bankruptcy Code, 2016. It is responsible mainly for the regulation of Indian enterprises in the industrial and services sector.
- The Ministry is mostly run by civil servants of the ICLS cadre. These officers are elected through the Civil Services Examination conducted by Union Public Service Commission.
- The highest post, Director General of Corporate Affairs (DGCoA), is fixed at Apex Scale for the ICLS.
- (ii) **Ministry of Home Affairs:** It is a ministry of the Government of India. As an interior ministry of India, it is mainly responsible for the maintenance of internal security and domestic policy. The Home Ministry is headed by Union Minister of Home Affairs.
2. (i) **Claim for necessities supplied to persons incapable of contracting (Section 68 of the Indian Contract Act, 1872):** If a person, incapable of entering into a contract, or anyone whom he

is legally bound to support, is supplied by another person with necessaries suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person.

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

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

3. (i) Whether there is a legally valid and enforceable contract?

When a person to whom the proposal is made signifies his assent thereto, proposal is said to be accepted. The proposal when accepted, becomes a promise [Section 2(b) of the Indian Contract Act, 1872].

For a contract to be valid, acceptance must be absolute and unqualified. If the offeree accepts the offer but modifies, alters, or adds new conditions, it is not an acceptance, but a counter-offer (Section 7).

A counter-offer has the effect of rejecting and extinguishing the original offer (*Hyde Vs. Wrench*).

Two or more persons are said to consent when they agree upon the same thing in the same sense (Section 13).

In the present case, Rakesh offered to sell the car for ₹ 12 lakhs. However, Ravi informed Vikash (the broker) that he was willing to

purchase the car only for ₹ 10 lakhs before remitting the advance amount. Ravi's response was not an acceptance of Rakesh's offer; rather, it was a counter-offer. Consequently, Rakesh's original offer to sell the car for ₹ 12 lakhs came to an end the moment Ravi proposed to buy it for ₹ 10 lakhs. Thus, a counter-offer results in rejection of the original offer.

The parties never agreed on the same price and there was no meeting of minds on the essential term of price as required under Section 13 of the Act.

Therefore, since there was no valid acceptance of any offer, no legally binding contract was formed. The transaction is void for want of agreement on essential terms.

(ii) **Remedies available to Rakesh:** Even though no valid contract is formed, Rakesh has the following remedies:

1. **Right to Refuse Delivery:** As no valid contract exists, Rakesh is not bound to deliver the car for ₹ 10 Lakhs.
2. **Refund of Advance Amount:** Since the contract was not valid, Rakesh should refund the advance amount of ₹ 5 Lakhs to Ravi.
3. **Remedy Against Vikash (Broker):** An agent is bound to conduct the business of his principal according to the direction given by the principal (Section 211). Also, where, an agent does more than he is authorized to do, and what he does beyond the scope of his authority cannot be separated from what is within it, the principal is not bound to recognize the transaction (Section 228).

Here, Vikash has exceeded his authority, Rakesh may hold him liable for negligence or breach of duty.

4. **Right to Sell to Another Buyer:** As ownership never transferred to Ravi, Rakesh continues to remain the lawful owner and may sell the car to another buyer.

5. **Sue for Specific Performance or Damages:** Since no contract existed, specific performance is not applicable. However, if Ravi's counter-offer had been accepted and he then breached it, Rakesh could have sued for damages under Section 73 of the Indian Contract Act, 1872.

- (iii) If Vikash unintentionally failed to inform Ravi about the actual price fixed by Rakesh, then Ravi believed the car price was ₹ 10 Lakhs, whereas Rakesh intended to sell only for ₹ 12 Lakhs.

Being an agent/broker, Vikash had a duty to correctly communicate the principal's terms. Failure to do so, even unintentionally, constitutes misrepresentation under Section 18 of the Act. His negligence may make him liable to Rakesh, but Rakesh still cannot be compelled to sell the car for ₹ 10 Lakhs.

Ravi can rescind the contract on the ground of misrepresentation, since he was induced to pay ₹5 Lakhs without full knowledge of the asking price.

Ravi is entitled to recover the ₹5 Lakhs paid since the transaction was based on incomplete information. He is not bound by any contract he entered into without knowing the true selling price.

Vikash would be liable to both Rakesh (for breach of agency duty) and Ravi (for misrepresentation). Ravi can demand back the ₹5 Lakhs, and Rakesh can seek compensation from Vikash for any loss.

4. (i) According to section 16 of the Indian Contract Act, 1872, a contract is said to be induced by 'undue influence' where the relations subsisting between the parties are such that one of the parties is in a position to dominate the will of the other and he uses that position to obtain an unfair advantage over the other.

When consent to an agreement is caused by undue influence, the contract is voidable at the option of the party, whose consent was so caused.

Hence, the contract between Mr. A and Mr. B is voidable at the option of Mr. B as it was induced by undue influence by Mr. A and therefore Mr. B can sue Mr. A.

- (ii) The parties to a contract must either perform, or offer to perform, their respective promises, unless such performance is dispensed with or excused under the provisions of this Act, or of any other law.

Promises to bind the representatives of the promisors in case of the death of such promisors before performance, unless a contrary intention appears from the contract. (Section 37 of the Indian Contract Act, 1872).

As per the provisions of Section 40 of the Indian Contract Act, 1872, if it appears from the nature of the case that it was the intention of the parties to any contract that any promise contained in it should be performed by the promisor himself, such promise must be performed by the promisor. In other cases, the promisor or his representative may employ a competent person to perform it.

In terms of the provisions of Section 40 stated above, in case where Mr. S has to paint a family picture for Mr. M, Mr. M cannot ask the legal representative of Mr. S to complete the painting work on Mr. S's death, since painting involves the use of personal skill.

In terms of the provisions of Section 37 stated above, in case where Mr. S had promised to deliver some photographs to Mr. M, the legal representatives of Mr. S shall be bound to deliver the photographs in this situation.

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

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

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

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

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

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

6. (i) **Co-sureties liable to contribute equally (Section 146 of the Indian Contract Act, 1872):**

Unless otherwise agreed, each surety is liable to contribute equally for discharge of whole debt or part of the debt remains unpaid by debtor.

Liability of co-sureties bound in different sums (Section 147):

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

Surety's right to benefit of creditor's securities [Section 141]:

A surety is entitled to the benefit of every security which the creditor has against the principal debtor at the time when the contract of suretyship is entered into, whether the surety knows of the existence of such security or not; and, if the creditor loses, or, without the consent of the surety, parts with such security, the surety is discharged to the extent of the value of the security.

Right to set off: If the creditor sues the surety, for payment of principal debtor's liability, the surety may have the benefit of the set off, if any, that the principal debtor had against the creditor.

In the instant case, the RCK Bank granted a loan of ₹ 70 Lakhs to Mr. Bhusan. The Bank also possessed following securities:

- Gold bars worth ₹ 5 Lakhs mortgaged by Mr. Bhusan, were lost due to negligence/connivance of bank staff discharges the sureties to the extent of ₹ 5 Lakhs.
- Ganesha Idol worth ₹ 5 Lakhs sold to the Bank, for which payment was not made, that amount is also adjustable against the liability.

Hence, effective unpaid liability = ₹ 70 Lakhs – ₹ 10 Lakhs = ₹ 60 Lakhs.

As per the rule relating to co-sureties bound in different sums, contribution shall first be equal as far as possible, but not beyond individual limits.

Therefore, equal contribution among four sureties towards ₹ 60 Lakhs would be ₹ 15 Lakhs each. However, Sumati and Suman can each be made liable only up to ₹ 10 Lakhs.

Hence, the liabilities are

Sumati = ₹ 10 Lakhs

Suman = ₹ 10 Lakhs

Remaining liability = ₹ 40 Lakhs

This remaining amount will be equally shared between Suresh and Suyash:

Suresh = ₹ 20 Lakhs

Suyash = ₹ 20 Lakhs

Accordingly, the Bank's contention that all guarantors should contribute equally is not fully valid because liability cannot exceed the amount guaranteed by each surety.

- (ii) **By variance in terms of contract (Section 133):** Where there is any variance in the terms of contract between the principal debtor and creditor without surety's consent, it would discharge the surety in respect of all transactions taking place subsequent to such variance.

The discharge is absolute: The Guarantors cannot be held liable for any default occurring after the variation in terms.

A surety undertakes liability for a specific risk, if the terms of the contract are changed, the nature of the risk itself changes, and the surety cannot be held for a risk he did not agree to guarantee.

Therefore, if the Bank changes the terms and conditions of the loan with Mr. Bhusan without the consent and knowledge of the guarantors, all the guarantors shall be discharged from their liability in respect of transactions subsequent to such change.

7. (i) Section 73 of the Indian Contract Act, 1872 provides that when a contract has been broken, the party who suffers by such breach is entitled to receive, from the party who has broken the contract, compensation for any loss or damage caused to him thereby, which naturally arose in the usual course of things from such breach, or which the parties knew, when they made the contract, to be likely to result from the breach of it. But such compensation is not to be given for any remote and indirect loss or damage sustained by reason of the breach.

In the instant case, Mr. Chetan filed the suit against Himalayan Travels Pvt. Ltd. for damages for the personal inconvenience, hotel charges and medical treatment for his wife.

On the basis of above provisions and facts of the case, it can be said that Mr. Chetan can claim damages for the personal inconvenience and hotel charges but not for medical treatment for his wife because it is a remote or indirect loss.

(ii) According to section 17 of the Indian Contract Act, 1872, mere silence as to facts likely to affect the willingness of a person to enter into a contract is not fraud, unless the circumstances of the case are such that, regard being had to them, it is the duty of the person keeping silence to speak, or unless his silence is, in itself, equivalent to speech. Hence, in the instant case,

(A) This contract is valid since as per section 17, mere silence as to the facts likely to affect the willingness of a person to enter into a contract is not fraud. Here, it is not the duty of the seller to disclose defects.

(B) This contract is not valid since as per section 17, it becomes Sahil's duty to tell Rohan about the unsoundness of the horse because a fiduciary relationship exists between Sahil and his son Rohan. Here, Sahil's silence is equivalent to speech and hence amounts to fraud.

(C) This contract is not valid since as per section 17, Sahil's silence is equivalent to speech and hence amounts to fraud.

8. The Indian Contract Act, 1872 does not define the word 'Agency'. However, section 182 of the Indian Contract Act, 1872 defines Agent and Principal as:

Agent means a person employed to do any act for another or to represent another in dealing with the third persons and

The principal means a person for whom such act is done or who is so represented.

Duties and obligations of an Agent

(i) **Duty to follow instructions or customs:** According to Section 211, an agent is bound to conduct the business of his principal according to the direction given by the principal, or, in

the absence of any such directions, according to the customs which prevails in doing business of the same kind at the place where the agent conducts such business. When the agent acts otherwise and any loss is sustained by the Principal, he must indemnify him, and, if any profit accrues, he must account for it.

- (ii) **Duty of reasonable care and skill:** According to section 212, an agent is bound to conduct the business of the principal with as much skill as is generally possessed by persons engaged in similar business, unless the principal has notice of his want of skill.

The agent is always bound to act with reasonable diligence, and to use such skill as he possesses; and to make compensation to his principal in respect of the direct consequences of his own neglect, want of skill or misconduct, but not in respect of loss of damage which are indirectly or remotely caused by such neglect, want of skill or misconduct.

- (iii) **Duty to render proper accounts [Section 213]:** An agent is bound to render proper accounts to his principal on demand. Rendering accounts does not mean showing the accounts but the accounts supported by vouchers. (*Anandprasad vs. Dwarkanath*)
- (iv) **Agent's duty to communicate with principal [Section 214]:** It is the duty of an agent, in cases of difficulty, to use all reasonable diligence in communicating with his principal, and in seeking to obtain his instructions.
- (v) **Duty not to deal on his own account:** Agent should not deal on his own account without first obtaining the consent of the principal, otherwise the principal may—
- (a) repudiate the transaction, (Section 215)
 - (b) claim from the agent any benefit which may have resulted to him from the transaction. (Section 216)
- (vi) **Duty not to make secret profits:** It is the duty of an agent not to make any secret profit in the business of agency. His relationship with the principal is of fiduciary nature and this requires absolute good faith in the conduct of agency.

Secret Profit means any advantage obtained by the agent over and above his agreed remuneration and which he would not have been able to make but for his position as agent.

(vii) **Duty not to delegate:** According to section 190, an agent cannot lawfully employ to perform acts which he has expressly or impliedly undertaken to perform personally, unless by the ordinary custom of trade a sub-agent may, or, from the nature of agency, a sub-agent, must be employed.

(viii) **Agent's duty to pay sums received for principal [Section 218]:** Subject to such deductions, the agent is bound to pay to his principal all sums received on his account.

(ix) **Duty not to use any confidential information received in the course of agency against the principal.**

9. In the following cases, a non-owner can convey better title to the bona fide purchaser of goods for value:

(1) **Sale by a Mercantile Agent:** A sale made by a mercantile agent of the goods for document of title to goods would pass a good title to the buyer in the following circumstances; namely;

- (a) If he was in possession of the goods or documents with the consent of the owner;
- (b) If the sale was made by him when acting in the ordinary course of business as a mercantile agent; and
- (c) If the buyer had acted in good faith and has at the time of the contract of sale, no notice of the fact that the seller had no authority to sell.

Mercantile Agent means an agent having in the customary course of business as such agent has authority either to sell goods, or to consign goods for the purposes of sale, or to buy goods, or to raise money on the security of goods.

(2) **Sale by one of the joint owners (Section 28):** If one of several joint owners of goods has the sole possession of them by permission of the co-owners, the property in the goods is

transferred to any person who buys them from such joint owner in good faith and has not at the time of the contract of sale notice that the seller has no authority to sell.

- (3) **Sale by a person in possession under voidable contract:** A buyer would acquire a good title to the goods sold to him by a seller who had obtained possession of the goods under a contract voidable on the ground of coercion, fraud, misrepresentation or undue influence provided that the contract had not been rescinded until the time of the sale **(Section 29)**.
- (4) **Sale by one who has already sold the goods but continues in possession thereof:** If a person has sold goods but continues to be in possession of them or of the documents of title to them, he may sell them to a third person, and if such person obtains the delivery thereof in good faith and without notice of the previous sale, he would have good title to them, although the property in the goods had passed to the first buyer earlier. A pledge or other disposition of the goods or documents of title by the seller in possession are equally valid **[Section 30(1)]**.
- (5) **Sale by buyer obtaining possession before the property in the goods has vested in him:** Where a buyer with the consent of the seller obtains possession of the goods before the property in them has passed to him, he may sell, pledge or otherwise dispose of the goods to a third person, and if such person obtains delivery of the goods in good faith and without notice of the lien or other right of the original seller in respect of the goods, he would get a good title to them **[Section 30(2)]**.

However, a person in possession of goods under a 'hire-purchase' agreement which gives him only an option to buy is not covered within the section unless it amounts to a sale.

- (6) **Effect of Estoppel:** Where the owner is estopped by the conduct from denying the seller's authority to sell, the transferee will get a good title as against the true owner. But before a good title by estoppel can be made, it must be shown that the true owner had

actively suffered or held out the other person in question as the true owner or as a person authorized to sell the goods.

- (7) **Sale by an unpaid seller:** Where an unpaid seller who had exercised his right of lien or stoppage in transit resells the goods, the buyer acquires a good title to the goods as against the original buyer [Section 54 (3)].

(8) **Sale under the provisions of other Acts:**

- (i) Sale by an Official Receiver or Liquidator of the Company will give the purchaser a valid title.
- (ii) Purchase of goods from a finder of goods will get a valid title under circumstances [Section 169 of the Indian Contract Act, 1872].
- (iii) A sale by pawnee can convey a good title to the buyer [Section 176 of the Indian Contract Act, 1872].

10. According to Section 5(1) of the Sale of Goods Act, 1930, a contract of sale may be made in any of the following modes:

- (i) Contract of sale is made by an offer to buy or sell goods for a price and acceptance of such offer.
- (ii) There may be immediate delivery of the goods; or
- (iii) There may be immediate payment of price, but it may be agreed that the delivery is to be made at some future date; or
- (iv) There may be immediate delivery of the goods and an immediate payment of price; or
- (v) It may be agreed that the delivery or payment or both are to be made in instalments; or
- (vi) It may be agreed that the delivery or payment or both are to be made at some future date.

11. (i) As per the provisions of section 24 of the Sale of Goods Act, 1930, when goods are delivered to the buyer on approval or "on sale or return" or other similar terms, the property therein passes to the buyer when he does something to the good which is equivalent to

accepting the goods e.g. he pledges or sells the goods.

Referring to the above provisions, we can analyse the situation given in the question.

Since, Mangesh, who had taken delivery of the camera on Sale or Return basis and delivers the same to Rahul on sale for cash only or return, has attracted the third condition that he has done something to the good which is equivalent to accepting the goods e.g. he pledges or sells the goods. Therefore, the property therein (Camera) passes to Mangesh.

Now, Rahul delivered it to Vishal on a sale or return without paying cash to Mangesh.

Since Rahul did not pay cash and had not exercised the option to purchase, ownership of the camera did not pass to Rahul. Therefore, Rahul is not liable to pay the price of the camera either.

Since Vishal did not accept the goods and the camera was lost by theft (despite his due care), Vishal is not liable for the price of the camera as ownership had not passed to him.

Therefore, Mangesh is solely liable to pay the price of the camera to Ashok, as he accepted the camera on a "sale or return" basis and did not return it within a reasonable time.

- (ii) According to Section 51 of the Sale of Goods Act, 1930, when the carrier wrongfully refuses to deliver the goods to buyer, the right of stoppage in transit is lost and transit comes to an end.

On the other hand, according to section 57 of the Sale of Goods Act, 1930, where buyer suffers losses due to non-delivery, he can sue seller for damages on account of non-delivery.

In the instant case, the transit came to an end when Chetan wrongfully refused to deliver the goods to Baburam, and he suffered a huge loss due to non-delivery. Hence, Ansari cannot exercise the right of stoppage of goods in transit as the transit has already come to an end.

Baburam can claim loss suffered due to non-delivery from Ansari.

12. An 'Auction Sale' is a mode of selling property by inviting bids publicly and the property is sold to the highest bidder. Section 64 of the Sale of Goods Act, 1930 regulates the legal requirements for the sale by auction.

In terms of the provisions of the above Section, following are some of the requirements, which inter alia are required to be complied with for conduct of a valid auction sale-

- (i) **Where the goods are sold in lots:** Where the goods are put up for sale in lots, each lot is prima facie deemed to be subject of a separate contract of sale.
- (ii) **Right to bid may be reserved:** Right to bid may be reserved expressly by or on behalf of the seller and where such a right is expressly reserved, but not otherwise, the seller or any one person on his behalf may bid at the auction.
- (iii) **Where the sale is not notified by the seller:** Where the sale is not notified to be subject to a right to bid on behalf of the seller, it shall not be lawful for the seller to bid himself or to employ any person to bid at such sale, or for the auctioneer knowingly to take any bid from the seller or any such person; and any sale contravening this rule may be treated as fraudulent by the buyer.
- (iv) **Reserved price:** The sale may be notified to be subject to a reserve or upset price;

In the first Auction sale, the rejection of Mr. Dev's bidding was not justified since the information as to the right to bid was not expressly given. Therefore, this auction sale was unlawful.

In auction sale of lot 2, since right to bid was not notified, it shall not be lawful for the seller to bid himself or to employ any person to bid at such sale. Therefore, auction made in favour of Mr. Dheer will be considered lawful.

13. As per Section 4(3) of the Sale of Goods Act, 1930, where under a contract of sale, the property in the goods is transferred from the seller to the buyer, the contract is called a sale, but where the transfer of the property in the goods is to take place at a future time or subject to some condition thereafter to be fulfilled, the contract is called an

agreement to sell. As per Section 4(4), an agreement to sell becomes a sale when the time elapses or the conditions are fulfilled subject to which the property in the goods is to be transferred.

Further Section 2(6) defines "future goods" means goods to be manufactured or produced or acquired by the seller after the making of the contract of sale.

In the instant case, it can be said that there was an agreement to sell between Ram Bilas Yadav and Anna Chips Company and not a sale because the goods under agreement were future goods. Even if the payment was made by Anna Chips Company, the property in goods can be transferred only after the goods are ascertained. As the goods were not ascertained, property is not passed to buyer.

Hence, Ram Bilas Yadav must return the price to Anna Chips Company.

14. By virtue of provisions of Section 15 of the Sale of Goods Act, 1930, where there is a contract of sale of goods by description, there is an implied condition that the goods shall correspond with the description. The buyer is not bound to accept and pay for the goods which are not in accordance with the description of goods. Thus, it has to be determined whether the buyer has undertaken to purchase the goods by their description, i.e., whether the description was essential for identifying the goods where the buyer had agreed to purchase. If that is required and the goods tendered do not correspond with the description, it would be breach of condition, entitling the buyer to reject the goods.

In the instant case, the sale of apple juice tins was based on sale by description, but actual delivery was not as per the description given by seller at the time of contract.

Hence, Priyansh is correct in rejection of the goods.

15. (i) **Mode of Settlement of partnership accounts:** As per Section 48 of the Indian Partnership Act, 1932, in settling the accounts of a firm after dissolution, the following rules shall, subject to agreement by the partners, be observed:-
- (i) Losses, including deficiencies of capital, shall be paid first out of profits, next out of capital, and, lastly, if necessary, by the

partners individually in the proportions in which they were entitled to share profits;

- (ii) The assets of the firm, including any sums contributed by the partners to make up deficiencies of capital, must be applied in the following manner and order:

- (a) in paying the debts of the firm to third parties;
- (b) in paying to each partner rateably what is due to him from capital;
- (c) in paying to each partner rateably what is due to him on account of capital; and
- (d) the residue, if any, shall be divided among the partners in the proportions in which they were entitled to share profits.

- (ii) **(A) When he becomes partner:** If the minor becomes a partner on his own willingness or by his failure to give the public notice within specified time, his rights and liabilities as given in Section 30(7) of the Indian Partnership Act, 1932, are as follows:

- (a) He becomes personally liable to third parties for all acts of the firm done since he was admitted to the benefits of partnership.
- (b) His share in the property and the profits of the firm remains the same to which he was entitled as a minor.

- (B) When he elects not to become a partner:**

- (a) His rights and liabilities continue to be those of a minor up to the date of giving public notice.
- (b) His share shall not be liable for any acts of the firm done after the date of the notice.
- (c) He shall be entitled to sue the partners for his share of the property and profits. It may be noted that such minor shall give notice to the Registrar that he has or has not become a partner.

16. According to section 37 of the Indian Partnership Act, 1932,

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

In the instant case, Suman is entitled to claim either interest on her share in the property i.e. ₹ 1,20,000 (6% of ₹ 20 Lakh) or a share of the profits i.e. ₹ 1 Lakh (10% of ₹ 10 Lakh) from the firm for the use of her share in the property.

Therefore, claim of Suman of ₹ 3 Lakh is not valid.

17. Section 40 of the Indian Partnership Act, 1932, gives right to the partners to dissolve the partnership by agreement with the consent of all the partners or in accordance with a contract between the partners. 'Contract between the partners' means a contract already made.

Also, according to section 44, the Court may, at the suit of a partner, may dissolve a firm on various grounds including where the business of the firm cannot be carried on except at a loss (in future also).

In the instant case, P wants to continue the partnership business despite the losses incurred over the past four years and Q and R are reluctant to continue operating the business due to continuous losses.

Here, P can insist on continuing the business if the partnership agreement does not specifically provide such a right to one or more partner/ partners since Section 40 specifies that with the consent of all

the partners or in accordance with a contract between the partners the firm can be dissolved.

Options available to Q and R

Mutual Agreement to Dissolve the Partnership: Q and R can propose to P that the partnership be dissolved by mutual agreement. If P agrees, the partnership can be dissolved amicably.

Dissolution by the Court: If P does not agree to dissolve the partnership mutually, Q and R can approach the court for an order under Section 44.

18. As per Section 4 of the Indian Partnership Act, 1932, "Partnership" is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.

(i) Yes, it is a case of partnership.

Reason: The sharing of profits is an essential feature of partnership. There can be no partnership where only one of the partners is entitled to the whole of the profits of the business. Partners must agree to share the profits in any manner they choose. But an agreement to share losses is not an essential requirement. It is open to one or more partners to agree to share all the losses.

(ii) No, it is not a case of partnership

Reason: Sharing of profit, which is a prima facie evidence, exists but mutual agency among X and Y, which is an essential element, does not exist here. Since there is no partnership, the third party i.e. paper dealer cannot make Y liable for the paper supplied by him to X.

(iii) No, it is not a case of partnership

Reason: Persons who share amongst themselves the rent derived from a piece of land are not partners, rather they are co-owners. Because, neither there is existence of business, nor mutual agency is there.

19. (i) Powers of Central Government for corrective steps against LLP with similar names [LLP Act, 2008]

Change of name of LLP (Section 17 of the LLP Act, 2008):

Notwithstanding anything contained in Sections 15 and 16 of the LLP Act, 2008, if through inadvertence or otherwise, a LLP, on its first registration or on its registration by a new body corporate, its registered name, is registered by a name which is identical with or too nearly resembles to —

- (a) that of any other LLP or a company; or
- (b) a registered trade mark of a proprietor under the Trade Marks Act, 1999, as is likely to be mistaken for it, then on an application of such LLP or proprietor referred to in clauses (a) and (b) respectively or a company, the Central Government may direct that such LLP to change its name or new name within a period of 3 months from the date of issue of such direction.

Suo-motu Powers on Non-Compliance: If an LLP fails to comply with a direction given under sub-section (1), the Central Government shall have the power to allot a new name to such LLP and the Registrar shall enter the new name in the register of LLPs in place of the old name and issue a fresh certificate of incorporation with the new name, and the LLP shall carry on its business under the new name so allotted from the date of such certificate and the Registrar shall enter the new name in the Register of LLPs in place of the old name and issue a fresh certificate of incorporation. The old name shall be deemed to be altered to the new name assigned by the Central Government.

(ii) Designated Partner [Section 2(j)]: "Designated partner" means any partner designated as such pursuant to Section 7 of the LLP Act, 2008.

Every LLP shall have at least two designated partners who are individuals, and at least one of them shall be a resident of India.

A resident in India means a person who stayed in India for a period of not less than 120 days during the financial year.

All partners of an LLP may be designated partners if they consent to act as such. Their details and changes must be intimated to the Registrar.

Further, if in an LLP, all the partners are bodies corporate, or in which one or more partners are individuals and bodies corporate, at least two individuals who are partners of such LLP or nominees of such bodies corporate shall act as designated partners.

20. (i) As per Section 2(6) of the Companies Act, 2013, an Associate Company in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

The term "significant influence" means control of at least 20% of total voting power, or control of or participation in business decisions under an agreement.

In the given case, ABC Ltd. has allotted equity shares with voting rights to XYZ Limited of ₹ 15 crore, which is less than requisite control of 20% of total share capital (i.e. ₹ 100 crore) to have a significant influence of XYZ Ltd. Since the said requirement is not complied therefore ABC Ltd. and XYZ Ltd. are not associate companies as per the Companies Act, 2013.

- (ii) **"Inactive company"** means a company which has not been carrying on any business or operation or has not made any **significant accounting transaction** during the last two financial years or has not filed financial statements and annual returns during the last two financial years. [Explanation (i) to Section 455 of the Companies Act, 2013]

"Significant accounting transaction" means any transaction other than—

- (a) payment of fees by a company to the Registrar;
- (b) payments made by it to fulfil the requirements of this Act or any other law;
- (c) allotment of shares to fulfil the requirements of this Act; and

(d) payments for maintenance of its office and records.

In the instant case, MTK Private Limited was registered on 5th January 2022 and did not start its business till 31st July 2024. Since the Company has not started its business and a period of more than two years has already elapsed, it will be treated as an inactive company.

- 21. (i)** It is a fundamental rule of Company Law that the objects of a company as stated in its memorandum can be departed from only to the extent permitted by the Act, thus far and no further. In consequence, any act done or a contract made by the company which travels beyond the powers not only of the directors but also of the company is wholly void and inoperative in law and is therefore not binding on the company.

On this account, a company can be restrained from employing its fund for purposes other than those sanctioned by the memorandum. Likewise, it can be restrained from carrying on a trade different from the one it is authorised to carry on.

The impact of the doctrine of ultra vires is that a company can neither be sued on an ultra vires transaction, nor can it sue on it.

Since the memorandum is a "public document", it is open to public inspection. Therefore, when one deals with a company one is deemed to know about the powers of the company. If in spite of this you enter into a transaction which is ultra vires the company, you cannot enforce it against the company.

In the instant case, ABC Pvt. Ltd. was authorised to trade in property only, so taking loan for construction business was ultra vires the power of the company.

Therefore, Magnum Finance Ltd. cannot enforce against ABC Pvt. Ltd. for recovery of the loan. But,

- (a) It can recover the money to the extent it has been utilised in meeting lawful debt of the company, then it steps into shoes of the debtor paid off and consequently it would be entitled to recover the loan to that extent from the company.

- (b) if the money is not spent, it may stop ABC Pvt. Ltd. from spending by means of injunction and recover the unspent amount.

(ii) Formation of companies with charitable objects etc. (Section 8 company): 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, sports, education, research, social welfare, religion, charity, protection of environment etc.
- Such company intends to apply its profit in promoting its objects and
- prohibiting the payment of any dividend to its members.

In the instant case, SNM Ltd. cannot declare dividend @10% to equity shareholders for the year ending 31st March, 2025 as it is a Section 8 company which are specifically prohibited from paying dividend. The profits of a section 8 company must be applied towards promoting its objects. Therefore, the special resolution passed in the EGM to declare a dividend is invalid.

22. Yes, I agree that a company is an Artificial Person: A Company incorporated under the provisions of the Companies Act, 2013 is an artificial person as it is created by a process other than natural birth. It is legal or judicial as it is created by law.

Further, the Company being a separate legal entity can own property, have banking account, raise loans, incur liabilities and enter into contracts. Even members can contract with company, acquire right against it or incur liability to it. It can sue and be sued in its own name. It can do everything which any natural person can do except be sent to jail, take an oath, marry or practice a learned profession. Hence, it is a legal person in its own sense.

As the Company is an artificial person, it can act only through some human agency, viz., directors. The directors can control affairs of the company but they are not the "agents" of the members of the company.

The directors can either on their own or through the common seal, if any, (of the company) can authenticate its formal acts.

Further, the Company being an artificial person has perpetual succession and it continues to exist until it is legally dissolved. The members of a company may come and go but the company will go on forever.

However, the Company being an artificial person cannot have citizenship, lack of physical action and corporate veil can be lifted.

Thus, a company is an artificial legal person.

Authorization by a Company not having 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.

Hence, M/s Beeta Limited can do the authorization as mentioned in the above manner.

23. (i) The question arising in this problem is whether the making of promissory note is complete when one half of the note was delivered to N. Under Section 46 of the N.I. Act, 1881, the making of a Promissory Note (P/N) is completed by delivery, actual or constructive. Delivery refers to the whole of the instrument and not merely a part of it. Delivery of half instrument cannot be treated as constructive delivery of the whole. So, the claim of N to have the other half of the P/N sent to him is not maintainable. M is justified in demanding the return of the first half sent by him. He can change his mind and refuse to send the other half of the P/N.
- (ii) The promissory note is an unconditional promise in writing. In the above question, the amount is certain but the date and name of the payee is missing, thus making it a bearer instrument. As per Reserve Bank of India Act, 1934, a promissory note cannot be made payable to bearer - whether on demand or after certain days. Hence, the instrument is illegal as per Reserve Bank of India Act, 1934 and cannot be legally enforced.

24. Dishonour of Cheque for Insufficiency, Etc., of funds in the accounts

[Section 138 of the Negotiable Instruments Act, 1881]: Where any cheque drawn by a person on an account maintained by him with a banker-

- for payment of any amount of money
- to another person from that account
- for the discharge, in whole or in part, of any debt or other liability, [A cheque given as gift or donation, or as a security or in discharge of a mere moral obligation, or for an illegal consideration, would be outside the purview of this section]
- is returned by the bank unpaid,
- either because of the—
 - o amount of money standing to the credit of that account is insufficient to honour the cheque, or
 - o that it exceeds the amount arranged to be paid from that account by an agreement made with that bank,

such person shall be deemed to have committed an offence and shall, be punished with imprisonment for a term which may extend to two years, or with fine which may extend to twice the amount of the cheque, or with both.

In the instant case,

- (i) Since Y's cheque was dishonoured by the Bank due to insufficiency of funds in his account, he shall be deemed to have committed an offence and shall, be punished with imprisonment for a term which may extend to two years, or with fine which may extend to ₹ 20,000, or with both.
- (ii) A cheque given as gift or donation, or as a security or in discharge of a mere moral obligation, or for an illegal consideration, would be outside the purview of this section. Hence, if Y issued a cheque as a donation to Mr. Z, he shall not be liable under section 138 of the Act.



PAPER – 3: QUANTITATIVE APTITUDE



QUESTIONS

1. If $x = 2 + \sqrt{3}$ and $y = 2 - \sqrt{3}$ then value of $x^2 + y^2 =$
 - (a) 14
 - (b) 4
 - (c) 2
 - (d) 6
2. if $y = e^{a \log x} + e^{x \log a}$, then $\frac{dy}{dx} =$
 - (a) $x^a + a^x$
 - (b) $a x^{a-1} + a^x \log a$
 - (c) $a x^{a-1} + x a^{x-1}$
 - (d) $x^x + a^a$
3. The sum of the series $1 + 11 + 111 + \dots$ to n terms is _____.
 - (a) $\frac{1}{27}(10^{n+1} - 9n - 10)$
 - (b) $10^{n+1} - 9n - 10$
 - (c) $\frac{1}{81}(10^{n+1} - 9n - 10)$
 - (d) None of these
4. If arithmetic mean between roots of a quadratic equation is 8 and the geometric mean between them is 5, the equation is _____.
 - (a) $x^2 - 16x - 25 = 0$

- (b) $x^2 - 16x + 25 = 0$
- (c) $x^2 - 16x + 5 = 0$
- (d) None of these.
5. For a group of 200 persons, 100 are interested in music, 70 in photography and 40 in swimming, Further, more 40 are interested in both music and photography, 30 in both music and swimming, 20 in photography and swimming and 10 in all the three. How many are interested in photography but not in music and swimming?
- (a) 30
- (b) 15
- (c) 25
- (d) 20
6. A Supreme Court Bench consists of 5 judges. In how many ways, the bench can give a majority decision?
- (a) 10
- (b) 5
- (c) 15
- (d) 16
7. ₹ 1,25,000 is borrowed at compound interest at the rate of 2% for the 1st year, 3% for the second year and 4% for the 3rd year. Find the amount to be paid after 3 years.
- (a) ₹ 125678
- (b) ₹ 136587
- (c) ₹ 163578
- (d) ₹ 136578
8. The difference between compound interest and simple interest on a certain sum for 2 years @ 10% p.a. is ₹ 100. Find the sum:
- (a) ₹ 10,100

- (b) ₹ 10,950
 - (c) ₹ 10,000
 - (d) ₹ 9,900
9. How much amount is required to be invested every year as to accumulate ₹6,00,000 at the end of 10th year, if interest is compounded annually at 10% rate of interest?
- (a) ₹ 37,467
 - (b) ₹ 37,476
 - (c) ₹ 37,647
 - (d) ₹ 37,674
10. Paul borrows ₹ 20,000 on condition to repay it with compound interest at 5% p.a. in annual instalment of ₹ 2,000 each. Find the number of years in which the debt would be paid off.
- (a) 10 years
 - (b) 12 years
 - (c) 14 years
 - (d) 15 years
11. The number in place of question mark in: 7, 26, 63, 124, 215, ?, 511 is
- (a) 342
 - (b) 343
 - (c) 441
 - (d) 421
12. In certain code language, BOARD is coded as CQDVI, what is the code for the word CONSULTING?
- (a) DQQWZRARNQ
 - (b) DQQWZARQWQ
 - (c) DQQWZRAQWQ
 - (d) None of these

Directions (Illustrations 13-14) Study the following information carefully and answer the questions given below.

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

13. How many persons are there to the right of D?
- (a) One
 - (b) Two
 - (c) Three
 - (d) Four
14. Which of the following is sitting to the left of D?
- (a) F
 - (b) C
 - (c) E
 - (d) A
15. The distribution of profits of a company follows:
- (a) J-shaped frequency curve
 - (b) U-shaped frequency curve
 - (c) Bell-shaped frequency curve
 - (d) Any of these
16. Median of a distribution can be obtained from:
- (a) Histogram
 - (b) Frequency Polygon
 - (c) Less than type ogives
 - (d) none of these

17. Frequency density corresponding to a class interval is the ratio of
- (a) Class Frequency to the Total Frequency
 - (b) Class Frequency to the class Length
 - (c) Class frequency to the class Frequency
 - (d) Class Frequency to the Cumulative Frequency.
18. If all observations in a distribution are increased by 6, then the variance of the series will be _____
- (a) Increased
 - (b) Decreased
 - (c) Unchanged
 - (d) None of these.
19. Which measure of dispersion is base on the absolute deviation only?
- (a) Range
 - (b) Standard Deviation
 - (c) Mean Deviation
 - (d) Quartile Deviation
20. The mean of 100 students was 45. Later on, it was discovered that the marks of two students were misread as 85 and 54 instead of 58 and 45. Find correct mean.
- (a) 68
 - (b) 36
 - (c) 44.64
 - (d) 52
21. Rupesh is known to hit a target in 5 out of 9 shots whereas David is known to hit the same target in 6 out of 11 shots. What is the probability that the target would be hit once they both try?
- (a) $\frac{79}{99}$

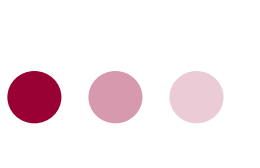
- (b) $10/13$
(c) $14/26$
(d) $13/18$
22. In a business venture, a man can make a profit of ₹ 50,000 or incur a loss of ₹ 20,000. The probabilities of making profit or incurring loss, from the past experience, are known to be 0.75 and 0.25 respectively. What is his expected profit?
- (a) ₹ 33,500
(b) ₹ 34,500
(c) ₹ 35,500
(d) ₹ 32,500
23. Find the probability of a success for the binomial distribution satisfying the following relation
 $4 P(x = 4) = P(x = 2)$ and having the parameter n as six.
- (a) $1/3$
(b) $1/2$
(c) $1/5$
(d) $1/8$
24. An experiment succeeds thrice as often as it fails. If the experiment is repeated 5 times, what is the probability of having no success at all?
- (a) $1/1023$
(b) $1/1024$
(c) $1/1005$
(d) $1/1008$

25. If the two quartiles of a normal distribution are 47.30 and 52.70 respectively, what is the mode of the distribution? Also find the mean deviation about median of this distribution.
- (a) 3.80
 - (b) 3.40
 - (c) 3.20
 - (d) 4.20
26. X follows normal distribution with mean as 50 and variance as 100. What is $P(x \geq 60)$? [Given $\phi(1) = 0.8413$]
- (a) 0.20
 - (b) 0.40
 - (c) 0.16
 - (d) 0.30
27. Number of misprints per page of a thick book follows
- (a) Normal distribution
 - (b) Poisson distribution
 - (c) Binomial distribution
 - (d) Standard normal distribution
28. If for a Poisson variable X , $f(2) = 3 f(4)$, what is the variance of X ?
- (a) 2
 - (b) 4
 - (c) $\sqrt{2}$
 - (d) 3

29. If the points of inflexion of a normal curve are 40 and 60 respectively, then its mean is
- (a) 40
 - (b) 45
 - (c) 50
 - (d) 60
30. Fisher's index number satisfies the _____ tests
- (a) Time Reversal Test
 - (b) Factor Reversal Test
 - (c) both
 - (d) none


SUGGESTED ANSWERS/HINTS

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



PAPER – 4: BUSINESS ECONOMICS



QUESTIONS

1. Which of the following is the primary aim of fiscal policy in a country with high unemployment?
 - (A) Reducing inflation
 - (B) Achieving full employment
 - (C) Maximizing government revenue
 - (D) Managing the public debt
2. Which of the following factors does NOT directly affect the demand for money?
 - (A) Interest rates
 - (B) The level of income or output
 - (C) The price level in the economy
 - (D) The government's fiscal deficit
3. Which of the following is a potential benefit of Foreign Direct Investment (FDI) for the host country?
 - (A) Increased inflation due to higher government expenditure
 - (B) Reduction in technological transfer to local industries
 - (C) Creation of employment opportunities and skill development
 - (D) Increased dependence on foreign companies for resources

4. Which of the following is a primary objective of India's Five-Year Plans?
 - (A) To regulate and control foreign trade
 - (B) To promote balanced economic growth across all regions
 - (C) To discourage the private sector in favour of public enterprises
 - (D) To ensure foreign aid and capital inflows into the country
5. The current account deficit (CAD) in India refers to the excess of:
 - (A) Imports over exports
 - (B) Exports over imports
 - (C) Total investment over savings
 - (D) Government expenditure over revenue
6. Business Economics is mainly based on:
 - (A) Macro Economics
 - (B) Micro Economics
 - (C) Political Economy
 - (D) Fiscal Economics
7. Which economic system ensures consumer sovereignty?
 - (A) Socialist
 - (B) Mixed
 - (C) Capitalist
 - (D) None
8. The price line in indifference analysis represents:
 - (A) Income of consumer
 - (B) Market supply
 - (C) Budget constraint
 - (D) Utility curve

9. The LAC curve is also known as:
- (A) Shut down curve
 - (B) Expansion path
 - (C) Planning curve
 - (D) Operating curve
10. Forward market involves:
- (A) Immediate cash transaction
 - (B) Future delivery contract
 - (C) Barter system
 - (D) Spot payment
11. Which one is not a classification of market based on area?
- (A) Local
 - (B) Regional
 - (C) Retail
 - (D) International
12. The kinked demand curve is associated with which market structure?
- (A) Perfect Competition
 - (B) Monopoly
 - (C) Monopolistic Competition
 - (D) Oligopoly
13. Which phase of the business cycle is marked by full employment and rising inflation?
- (A) Expansion
 - (B) Peak
 - (C) Trough
 - (D) Contraction

14. Which method of National Income estimation measures value added at each stage?
- (A) Income Method
 - (B) Product Method
 - (C) Expenditure Method
 - (D) Transfer Method
15. Which department manages internal public debt in India?
- (A) NITI Aayog
 - (B) Finance Commission
 - (C) RBI
 - (D) Economic Survey Cell
16. Velocity of money refers to:
- (A) Speed at which money is destroyed
 - (B) Average number of times money changes hands
 - (C) Rate at which banks create money
 - (D) RBI policy cycles
17. Which tool is used to absorb liquidity by RBI?
- (A) Reverse Repo Rate
 - (B) Repo Rate
 - (C) Bank Rate
 - (D) CRR
18. Customs union has:
- (A) no tariffs
 - (B) common external tariff
 - (C) no imports
 - (D) quotas

19. Incidence of tax means:
- (A) Direct money burden
 - (B) indirect money burden
 - (C) actual tax burden
 - (D) none of these
20. Giffen goods are characterized by:
- (A) Negative income effect stronger than positive substitution effect
 - (B) Positive income effect stronger than negative substitution effect
 - (C) Zero income effect
 - (D) Perfect substitutes available in the market
21. The "U" shape of the long-run average cost curve is due to:
- (A) Law of diminishing returns
 - (B) Variable proportions
 - (C) Economies and diseconomies of scale
 - (D) Fixed factor constraint
22. A phase where unemployment is mainly frictional and structural is known as:
- (A) Trough
 - (B) Peak
 - (C) Expansion
 - (D) Contraction
23. The concept of 'deflationary gap' in Keynesian economics specifically refers to:
- (A) The excess of actual output over potential GDP at full employment
 - (B) The shortfall in aggregate demand required to achieve full employment equilibrium
 - (C) The reduction in price levels due to contractionary monetary policy

- (D) The difference between actual inflation and target inflation rates
24. A cap-and-trade system ensures cost-effective pollution control because:
- (A) All firms must reduce pollution equally
 - (B) High polluters are exempted
 - (C) Firms with lower abatement costs reduce more
 - (D) Pollution taxes are eliminated
25. Credit multiplier differs from money multiplier mainly because credit multiplier assumes:
- (A) No time deposits
 - (B) No excess reserves and no currency leakages
 - (C) Perfect capital mobility
 - (D) Fixed interest rates


SUGGESTED ANSWERS/HINTS

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

**Applicability of Standards/Guidance Notes/Legislative Amendments etc. for
January, 2027 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 30.06.26 are applicable for January 2027 examination.

The Study Material has to be read along with the 'Relevant Legislative amendments for January 2027 examinations' for the period of 1.5.2024 to 30.06.26.