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Complete Syllabus • Conceptual Flowcharts • Comparative Tables • Solved Practice Questions

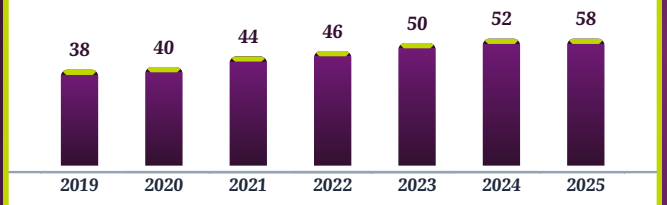
FINANCIAL ACCOUNTING, AUDITING, INDUSTRIAL RELATIONS & 4 LABOUR CODES

Accounting Principles, Journal-Ledger-Trial Balance, Final Accounts, Partnership & Company Accounts, Ratio & Cash Flow Analysis (AS-3), Cost Accounting, Auditing (Sec 139–148), Industrial Relations, 4 Labour Codes & Social Security for UPSC EPFO

Topic-Wise Exam Weightage Distribution (%)



Previous Years' Question Trend Analysis



Target Competitive, Entrance & Departmental Examinations

UPSC EPFO (EO/AO & APFC) • ESIC DD/SSO • SSC CGL AAO & JSO • Commerce PGT & UGC-NET • Accounts LDCE

Core Syllabus Pillars & Exam Question Weightage (%)

- Financial Accounting Principles, Journal, Ledger, Trial Balance & Depreciation (24%)
- Partnership & Company Accounts, Ratio Analysis, Cash Flow (AS-3) & Costing (20%)
- Auditing: Vouching, Verification, Internal Control & Company Auditor (139–148) (16%)
- Industrial Relations (Pluralist, Unitarist, Marxist, Gandhian), Trade Unions & ILO (18%)
- 4 New Labour Codes (2019–2020) & Social Security (EPF, ESI, Gratuity, Maternity) (22%)

Complete Theory
NCERT & Official Sources

Visual Flowcharts
Comparative Matrices

Memory Tricks
Exam Trap Alerts

75+ Solved MCQs
One-Liner Capsules

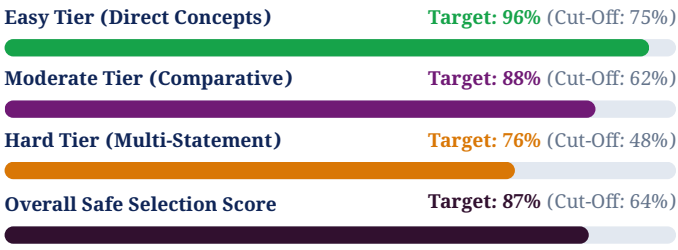
Preface, Exam Weightage Dashboard & Study Strategy — FINANCIAL ACCOUNTING, AUDITING, INDUSTRIAL RELATIONS & 4 LABOUR CODES

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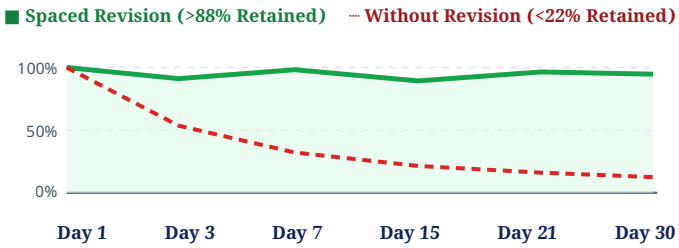
Dear Aspirants,

Modern competitive, entrance, and departmental promotion examinations demand a combination of deep conceptual clarity, statutory precision, and rapid revision tools. Prepared by **Inclusive Universal Careers Academy (IUC Academy — www.iucacademy.com)**, these comprehensive English-medium study notes integrate **structured chapter theory, 4-node conceptual process flowcharts, multi-column comparative tables, inline mathematical/scientific formulas, 'Did You Know?' boxes, 'Exam Trap Alert' callouts, 'Memory Trick' mnemonics, Chapter-End Analytical Synthesis Matrices, 75+ Step-by-Step Solved MCQs, and Rapid-Fire One-Liner Revision Capsules**.

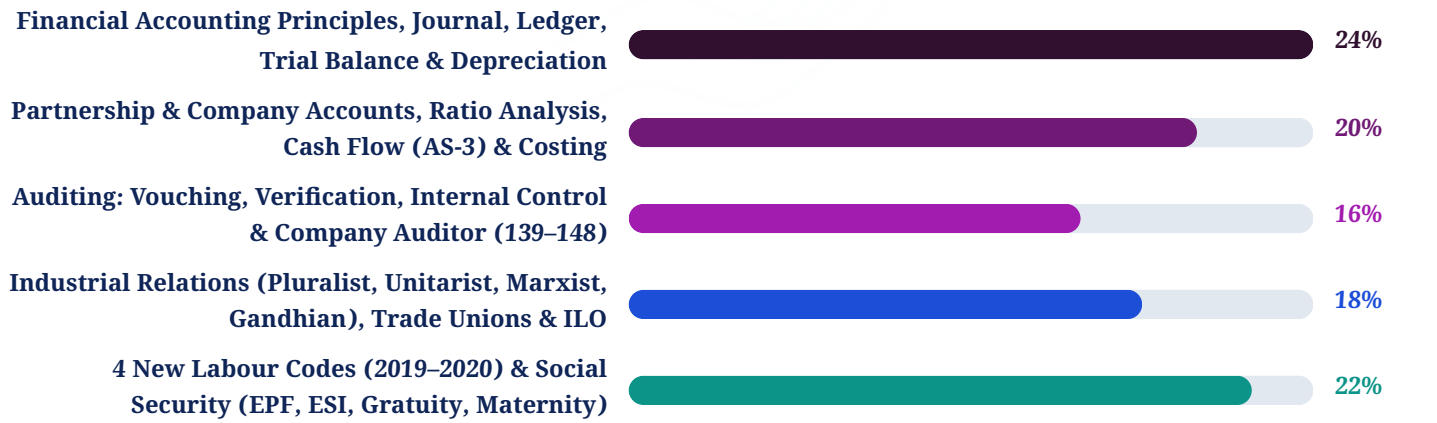
Target Accuracy vs Qualifying Cut-Off Benchmark (%)



Spaced Revision (1-3-7-21 Day Rule) & Retention Curve



Topic-Wise Exam Question Weightage Index (%)



Verified Official Curriculum & Statutory Reference Portals

- **Institute of Chartered Accountants of India (ICAI)** (https://www.icai.org/)
- **Ministry of Labour & Employment** (https://labour.gov.in/)
- **NCERT Accountancy Textbooks** (https://ncert.nic.in/textbook.php)
- **IUC Academy Official Portal** (https://www.iucacademy.com)

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FINANCIAL ACCOUNTING, AUDITING, INDUSTRIAL RELATIONS & 4 LABOUR CODES • Complete Chapters, Comparative Matrices, Solved MCQs & Rapid Revision

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- 1.1 Accounting Cycle, Qualitative Characteristics & Users of Accounting Information
- 1.2 Fundamental Accounting Assumptions, Concepts & Conventions
- 1.3 Indian Accounting Standards (AS) vs. Ind AS (IFRS-Converged Standards)

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- 2.2 Subsidiary Books, Cash Book, Petty Cash Book & Bank Reconciliation Statement (BRS)
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- 8.3 ESIC (Chapter IV), Gratuity (Chapter V), Maternity Benefit (Chapter VI) & Employees' Compensation (Chapter VII)

9. Solved Exam Practice Questions (MCQs)

10. Extended Comparative & Analytical Practice Set (Questions 36–75)

11. Rapid-Fire Last-Minute One-Liner Revision Capsule

Published by: Inclusive Universal Careers Academy (IUC Academy)

Authoritative Statutory & Professional Sources: The Institute of Chartered Accountants of India (ICAI) and Ministry of Labour & Employment, Government of India

Chapter *1:* Conceptual Framework of Financial Accounting, GAAP, Concepts, Conventions & Accounting Standards

Chapter Key Study Pillars — Chapter 1: Conceptual Framework of Financial Accounting, GAAP, Concepts, Conventions & Accounting Standards

Key Study Pillar 1	Key Study Pillar 2	Key Study Pillar 3
Accounting Cycle, Qualitative Characteristics & Users of Accounting Information	Fundamental Accounting Assumptions, Concepts & Conventions	Indian Accounting Standards (AS) vs. Ind AS (IFRS-Converged Standards)

1.1 Accounting Cycle, Qualitative Characteristics & Users of Accounting Information

• **Definition and Evolution of Accounting:** Father of Modern Double-Entry Bookkeeping **Fra Luca Bartolomeo de Pacioli** (an Italian Franciscan friar and mathematician, associate of Leonardo da Vinci) published the first treatise on double-entry bookkeeping in **1494 in Venice** as part of his mathematical work *Summa de Arithmetica, Geometria, Proportioni et Proportionalita* (containing the famous treaty *Particularis de Computis et Scripturis*), where he introduced the terms *Debito* (Debtor / *Debere*) and *Credito* (Creditor / *Credere*) alongside the **Memorandum Book, Journal, and Ledger**.

• **American Institute of Certified Public Accountants (AICPA, 1941) & AAA (1966) Definitions:** As adopted by The Institute of Chartered Accountants of India (ICAI), accounting is the art of **recording** (in Journal/ Subsidiary Books), **classifying** (in Ledger), and **summarizing** (in Trial Balance, Trading & P&L Account, and Balance Sheet) in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and **interpreting** the results thereof.

• **Four Primary Qualitative Characteristics of Financial Statements:** Per the Conceptual Framework issued by The Institute of Chartered Accountants of India (ICAI): (1) **Understandability**, (2) **Relevance** (materiality and predictive/confirmatory value), (3) **Reliability** (faithful representation, **Substance over Legal Form**, neutrality, prudence, and completeness), and (4) **Comparability** (intra-firm across years and inter-firm across industry).

1.2 Fundamental Accounting Assumptions, Concepts & Conventions

• **Three Fundamental Accounting Assumptions (AS-1: Disclosure of Accounting Policies):** Under **Accounting Standard-1 (AS-1)** issued by The Institute of Chartered Accountants of India (ICAI), three assumptions are presumed to be followed in every financial statement without specific disclosure (**disclosure is mandatory ONLY if any of these three is NOT followed**):

1. **Going Concern (चालू व्यवसाय की अवधारणा):** The business entity will continue its operations in the foreseeable future and has neither the intention nor the necessity of liquidation or curtailing materially the scale of its

operations. Because of Going Concern, fixed assets are recorded at **Historical Cost less Depreciation** rather than immediate liquidation/realizable value!

2. **Consistency (निरंतरता की अवधारणा):** Accounting policies (such as FIFO vs. Weighted Average for inventory, or SLM vs. WDV for depreciation) are followed consistently from one accounting period to another; a change is permitted under AS-1/AS-5 only if required by statute, required by an Accounting Standard, or for more appropriate presentation of financial statements.

3. **Accrual (उपार्जन की अवधारणा):** Revenues and costs are recognized as they are **earned or incurred** (and not as money is actually received or paid) and are recorded in the financial statements of the periods to which they relate.

• **Core Recording & Measurement Concepts vs. Accounting Conventions:**

• **Business Entity Concept (Separate Entity Concept):** The business and its proprietor/owners are treated as two completely distinct accounting entities. Because of the **Business Entity Concept**, **Capital contributed by the owner is shown as a Liability** on the Balance Sheet, and **Drawings** reduce Capital while **Interest on Capital** is an expense to the business!

• **Money Measurement Concept:** Only transactions and events capable of being expressed in monetary terms are recorded in the books of accounts (non-monetary qualitative assets like employee morale, managerial honesty, or strikes are excluded).

• **Historical Cost Concept:** An asset is ordinarily recorded in the books at the price paid to acquire it (purchase price + installation/freight costs to bring it to working condition).

• **Dual Aspect Concept (Accounting Equation):** Every business transaction has a two-fold effect, yielding the fundamental equivalence: Assets = Liabilities + Capital (Owner's Equity).

• **Revenue Recognition (Realization) Concept (AS-9):** Revenue from sale of goods is recognized when the **property (risks and rewards of ownership) in the goods is transferred** from the seller to the buyer for a price and no significant uncertainty exists regarding collection (not merely when an order is received or advance cash is collected!).

• **Matching Concept:** Expenses incurred in an accounting period must be matched against the recognized revenues of that same period to ascertain true net profit—giving rise to adjustments for **Outstanding Expenses, Prepaid Expenses, Accrued Income, Unearned Income, and Closing Stock**.

• **Convention of Conservatism (Prudence):** "*Anticipate no profit, but provide for all possible losses.*" Directly yields the rule of valuing **Closing Inventory at lower of Cost or Net Realizable Value (NRV)** (AS-2), creating **Provision for Doubtful Debts**, writing off intangible losses, and **never recording Reserve for Discount on Creditors**.

• **Convention of Materiality:** Permits ignoring insignificant/trivial items (e.g., charging a `₹50` stapler or calculator directly to Printing & Stationery expense rather than capitalizing and depreciating it over 5 years) and mandates disclosing all items whose knowledge could influence the economic decisions of users.

1.3 Indian Accounting Standards (AS) vs. Ind AS (IFRS-Converged Standards)

• **ICAI Accounting Standards Board (ASB) & NACAS/NFRA:** The Institute of Chartered Accountants of India (ICAI) constituted the **Accounting Standards Board (ASB) on 21 April 1977**. Under **Section 133 of the**

Companies Act, 2013, the Central Government notifies Accounting Standards in consultation with the **National Financial Reporting Authority (NFRA, Section 132)**.

Process Flowchart:

Step-by-Step Conceptual Process Flowchart

STEP 1
Identification & Measurement of Financial Transaction via Source Voucher

STEP 2
Recording in Books of Original Entry (Journal & 8 Subsidiary Books)

STEP 3
Classification & Posting to Principal Book (Ledger Accounts)

STEP 4
Summarization via Trial Balance & Final Accounts (AS-1 Compliance)

Accounting Standard (AS / Ind AS)	Official Title of the Standard	Core Statutory & Examination Principles (UPSC EPFO / SSC AAO)
AS-1 (Ind AS 1)	Disclosure of Accounting Policies	Defines the 3 Fundamental Accounting Assumptions (**Going Concern, Consistency, Accrual**); selection of policies governed by **Prudence, Substance over Form, and Materiality**
AS-2 (Ind AS 2)	Valuation of Inventories	Inventories valued at **Lower of Cost and Net Realizable Value (NRV)**; permits **FIFO (First-In First-Out)** and **Weighted Average Cost** formulas; **LIFO (Last-In First-Out) is strictly prohibited!**
AS-3 (Ind AS 7)	Cash Flow Statements	Classifies cash flows into **Operating, Investing, and Financing Activities**; mandatory for Level-I establishments and companies (except OPC, Small, and Dormant companies under Sec 2(40) of Companies Act 2013)
AS-6 (Withdrawn) & AS-10 (Ind AS 16)	Property, Plant and Equipment (PPE)	**AS-6 (Depreciation Accounting) was officially withdrawn and merged into revised AS-10 (PPE)** from **2016**; covers initial recognition at cost, revaluation model, and component depreciation
AS-9 (Ind AS 115)	Revenue Recognition	Covers revenue from Sale of Goods, Rendering of Services, and Interest/Royalties/Dividends; **excludes** construction contracts (AS-7), lease agreements (AS-19), and insurance companies
AS-12 (Ind AS 20)	Accounting for Government Grants	Recognizes grants under the **Capital Approach** or **Income Approach**; grants related to specific depreciable assets either deducted from gross asset cost or treated as deferred income
AS-14 (Ind AS 103)	Accounting for Amalgamations	Classifies amalgamations into **Amalgamation in the nature of Merger** (Pooling of Interests Method — all 5 conditions satisfied) and **Amalgamation in the nature of Purchase** (Purchase Method)
AS-19 (Ind AS 116)	Leases	Distinguishes between **Finance Lease** (transfers substantially all risks and rewards of ownership to lessee; lessee claims depreciation) and **Operating Lease** (risks/rewards remain with lessor)
AS-20 (Ind AS 33)	Earnings Per Share (EPS)	Computes **Basic EPS** and **Diluted EPS** (accounting for convertible debentures/options)
AS-26 (Ind AS 38)	Intangible Assets	Governs patents, copyrights, software, and licenses; **Internally generated Goodwill is NEVER recognized as an asset** (only Purchased Goodwill is recognized); Research phase expenditure is always expensed immediately

Did You Know?: Under the **Companies (Indian Accounting Standards) Rules, 2015** notified by the Ministry of Corporate Affairs in consultation with The Institute of Chartered Accountants of India (ICAI), **AS-8 (Accounting for Research and Development)** was withdrawn when **AS-26 (Intangible Assets)** became mandatory, and **AS-6 (Depreciation Accounting)** was withdrawn and merged into **AS-10 (Property, Plant and Equipment)** — leaving **27 effective traditional Accounting Standards** (out of AS-1 to AS-29, since AS-8 and AS-6 were withdrawn).

Exam Trap Alert: In UPSC EPFO exams, a classic trap asks: "*Which accounting concept requires creating a Provision for Bad and Doubtful Debts, and which concept prohibits creating a Reserve for Discount on Creditors?*" Both are governed by the **Convention of Conservatism (Prudence)**! Creating a Reserve for Discount on Creditors anticipates a future gain before payment is made, violating Conservatism. Also remember: **Contingent Liabilities** (such as bills discounted not yet matured or pending court suits) are shown as a **Footnote below the Balance Sheet** due to the **Convention of Full Disclosure**.

★ **Memory Trick:** Remember the **3 Fundamental Accounting Assumptions of AS-1** with the acronym **"G-C-A"**: **G**oing Concern, **C**onsistency, and **A**ccrual. And remember the **3 primary considerations for selecting an Accounting Policy under AS-1** with **"P-S-M"**: **P**rudence, **S**ubstance over Form, and **M**ateriality.

Chapter *1* Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Accounting Cycle, Qualitative Characteristics & Users of Accounting Information	**Definition and Evolution of Accounting**	Father of Modern Double-Entry Bookkeeping **Fra Luca Bartolomeo de Pacioli** (an Italian Franciscan friar and mathematician, associate of Leonardo da Vinci) published the first treatise on double-entry bookkeeping in **1494 in Venice** as part of his mathematical work *Summa de Arithmetica, Geometria, Proportioni et Proportionalita* (containing the famous treaty *Particularis de Computis et Scripturis*), where he introduced the terms *Debito* (Debtor / *Debere*) and *Credito* (Creditor / *Credere*) alongside the **Memorandum Book, Journal, and Ledger**.
Fundamental Accounting Assumptions, Concepts & Conventions	**American Institute of Certified Public Accountants (AICPA, 1941) & AAA (1966) Definitions**	As adopted by The Institute of Chartered Accountants of India (ICAI), accounting is the art of **recording** (in Journal/Subsidiary Books), **classifying** (in Ledger), and **summarizing** (in Trial Balance, Trading & P&L Account, and Balance Sheet) in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and **interpreting** the results thereof.
Indian Accounting Standards (AS) vs. Ind AS (IFRS-Converged Standards)	**Four Primary Qualitative Characteristics of Financial Statements**	Per the Conceptual Framework issued by The Institute of Chartered Accountants of India (ICAI): (1) **Understandability**, (2) **Relevance** (materiality and predictive/confirmatory value), (3) **Reliability** (faithful representation, **Substance over Legal Form**, neutrality, prudence, and completeness), and (4) **Comparability** (intra-firm across years and inter-firm across industry).
Accounting Cycle, Qualitative Characteristics & Users of Accounting Information	**Three Fundamental Accounting Assumptions (AS-1: Disclosure of Accounting Policies)**	Under **Accounting Standard-1 (AS-1)** issued by The Institute of Chartered Accountants of India (ICAI), three assumptions are presumed to be followed in every financial statement without specific disclosure (**disclosure is mandatory ONLY if any of these three is NOT followed**):

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Fundamental Accounting Assumptions, Concepts & Conventions	**Going Concern (चालू व्यवसाय की अवधारणा)**	The business entity will continue its operations in the foreseeable future and has neither the intention nor the necessity of liquidation or curtailing materially the scale of its operations. Because of Going Concern, fixed assets are recorded at **Historical Cost less Depreciation** rather than immediate liquidation/realizable value!
Indian Accounting Standards (AS) vs. Ind AS (IFRS-Converged Standards)	**Consistency (निरंतरता की अवधारणा)**	Accounting policies (such as FIFO vs. Weighted Average for inventory, or SLM vs. WDV for depreciation) are followed consistently from one accounting period to another; a change is permitted under AS-1/AS-5 only if required by statute, required by an Accounting Standard, or for more appropriate presentation of financial statements.
Accounting Cycle, Qualitative Characteristics & Users of Accounting Information	**Accrual (उपार्जन की अवधारणा)**	Revenues and costs are recognized as they are **earned or incurred** (and not as money is actually received or paid) and are recorded in the financial statements of the periods to which they relate.
Fundamental Accounting Assumptions, Concepts & Conventions	**Business Entity Concept (Separate Entity Concept)**	The business and its proprietor/owners are treated as two completely distinct accounting entities. Because of the **Business Entity Concept**, **Capital contributed by the owner is shown as a Liability** on the Balance Sheet, and **Drawings** reduce Capital while **Interest on Capital** is an expense to the business!
Indian Accounting Standards (AS) vs. Ind AS (IFRS-Converged Standards)	**Money Measurement Concept**	Only transactions and events capable of being expressed in monetary terms are recorded in the books of accounts (non-monetary qualitative assets like employee morale, managerial honesty, or strikes are excluded).
Accounting Cycle, Qualitative Characteristics & Users of Accounting Information	**Historical Cost Concept**	An asset is ordinarily recorded in the books at the price paid to acquire it (purchase price + installation/freight costs to bring it to working condition).
Fundamental Accounting Assumptions, Concepts & Conventions	**Dual Aspect Concept (Accounting Equation)**	Every business transaction has a two-fold effect, yielding the fundamental equivalence: Assets = Liabilities + Capital (Owner's Equity).
Indian Accounting Standards (AS) vs. Ind AS (IFRS-Converged Standards)	**Revenue Recognition (Realization) Concept (AS-9)**	Revenue from sale of goods is recognized when the **property (risks and rewards of ownership) in the goods is transferred** from the seller to the buyer for a price and no significant uncertainty exists regarding collection (not merely when an order is received or advance cash is collected!).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Accounting Cycle, Qualitative Characteristics & Users of Accounting Information	**Matching Concept**	Expenses incurred in an accounting period must be matched against the recognized revenues of that same period to ascertain true net profit—giving rise to adjustments for **Outstanding Expenses, Prepaid Expenses, Accrued Income, Unearned Income, and Closing Stock**.
Fundamental Accounting Assumptions, Concepts & Conventions	**Convention of Conservatism (Prudence)**	"*Anticipate no profit, but provide for all possible losses.*" Directly yields the rule of valuing **Closing Inventory at lower of Cost or Net Realizable Value (NRV)** (AS-2), creating **Provision for Doubtful Debts**, writing off intangible losses, and **never recording Reserve for Discount on Creditors**.

Chapter *1* Multi-Statement Exam Verification Drills

Chapter 1 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Definition and Evolution of Accounting): Father of Modern Double-Entry Bookkeeping **Fra Luca Bartolomeo de Pacioli** (an Italian Franciscan friar and mathematician, associate of Leonardo da Vinci) published the first treatise on double-entry bookkeeping in **1494 in Venice** as part of his mathematical work *Summa de Arithmetica, Geometria, Proportioni et Proportionalita* (containing the famous treaty *Particularis de Computis et Scripturis*), where he introduced the terms *Debito* (Debtor / *Debere*) and *Credito* (Creditor / *Credere*) alongside the **Memorandum Book, Journal, and Ledger**.

Statement-II (American Institute of Certified Public Accountants (AICPA, 1941) & AAA (1966) Definitions): As adopted by The Institute of Chartered Accountants of India (ICAI), accounting is the art of **recording** (in Journal/Subsidiary Books), **classifying** (in Ledger), and **summarizing** (in Trial Balance, Trading & P&L Account, and Balance Sheet) in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and **interpreting** the results thereof.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 1 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Four Primary Qualitative Characteristics of Financial Statements): Per the Conceptual Framework issued by The Institute of Chartered Accountants of India (ICAI): (1) **Understandability**, (2) **Relevance** (materiality and predictive/ confirmatory value), (3) **Reliability** (faithful representation, **Substance over Legal Form**, neutrality, prudence, and completeness), and (4) **Comparability** (intra-firm across years and inter-firm across industry).

Statement-II (Three Fundamental Accounting Assumptions (AS-1: Disclosure of Accounting Policies)): Under **Accounting Standard-1 (AS-1)** issued by The Institute of Chartered Accountants of India (ICAI), three assumptions are presumed to be followed in every financial statement without specific disclosure (**disclosure is mandatory ONLY if any of these three is NOT followed**):

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 1 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (Going Concern (चालू व्यवसाय की अवधारणा)): The business entity will continue its operations in the foreseeable future and has neither the intention nor the necessity of liquidation or curtailing materially the scale of its operations. Because of Going Concern, fixed assets are recorded at **Historical Cost less Depreciation** rather than immediate liquidation/realizable value!

Statement-II (Consistency (निरंतरता की अवधारणा)): Accounting policies (such as FIFO vs. Weighted Average for inventory, or SLM vs. WDV for depreciation) are followed consistently from one accounting period to another; a change is permitted under AS-1/AS-5 only if required by statute, required by an Accounting Standard, or for more appropriate presentation of financial statements.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 1 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (Accrual (उपार्जन की अवधारणा)): Revenues and costs are recognized as they are **earned or incurred** (and not as money is actually received or paid) and are recorded in the financial statements of the periods to which they relate.

Statement-II (Business Entity Concept (Separate Entity Concept)): The business and its proprietor/owners are treated as two completely distinct accounting entities. Because of the **Business Entity Concept**, **Capital contributed by the owner is shown as a Liability** on the Balance Sheet, and **Drawings** reduce Capital while **Interest on Capital** is an expense to the business!

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 1 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (Money Measurement Concept): Only transactions and events capable of being expressed in monetary terms are recorded in the books of accounts (non-monetary qualitative assets like employee morale, managerial honesty, or strikes are excluded).

Statement-II (Historical Cost Concept): An asset is ordinarily recorded in the books at the price paid to acquire it (purchase price + installation/freight costs to bring it to working condition).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 1 Statement-Verification Drill #6 — Both Statements Verified Correct

Statement-I (Dual Aspect Concept (Accounting Equation)): Every business transaction has a two-fold effect, yielding the fundamental equivalence: Assets = Liabilities + Capital (Owner's Equity).

Statement-II (Revenue Recognition (Realization) Concept (AS-9)): Revenue from sale of goods is recognized when the **property (risks and rewards of ownership) in the goods is transferred** from the seller to the buyer for a price and no significant uncertainty exists regarding collection (not merely when an order is received or advance cash is collected!).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 2: Double-Entry System, Classification of Accounts, Journal, Ledger, Trial Balance & Rectification of Errors

Chapter Key Study Pillars — Chapter 2: Double-Entry System, Classification of Accounts, Journal, Ledger, Trial Balance & Rectification of Errors

Key Study Pillar 1
Traditional (British) vs. Modern (American) Classification of Accounts

Key Study Pillar 2
Subsidiary Books, Cash Book, Petty Cash Book & Bank Reconciliation Statement (BRS)

Key Study Pillar 3
Trial Balance, Classification of Accounting Errors & Suspense Account

2.1 Traditional (British) vs. Modern (American) Classification of Accounts

• **Traditional Classification and Golden Rules of Accounting:** Under the British classification codified by The Institute of Chartered Accountants of India (ICAI), all accounts are bifurcated into **Personal Accounts** and **Impersonal Accounts** (which are further subdivided into **Real Accounts** and **Nominal Accounts**):

1. **Personal Accounts (व्यक्तिगत खाते):** Rule: **"Debit the Receiver, Credit the Giver."** Subdivided into three distinct types:

• **Natural Personal Accounts:** Human beings (e.g., Ram's A/c, Proprietor's **Capital A/c**, Proprietor's **Drawings A/c**, Debtors, Creditors).

• **Artificial (Legal) Personal Accounts:** Corporate bodies, banks, clubs, cooperative societies, government departments, and insurance companies recognized as legal persons in law (e.g., **State Bank of India A/c, LIC A/c, IUC Academy Foundation A/c**).

• **Representative Personal Accounts (प्रतिनिधि व्यक्तिगत खाते — Highest Exam Frequency!):** Accounts that represent a specific person or group of persons for accrued/outstanding/prepaid items. **Every Nominal Account (Expense or Income) becomes a Representative Personal Account the moment ANY prefix or suffix (Outstanding, Prepaid, Unexpired, Accrued, Unearned, Received in Advance) is attached to it!** Examples: **Outstanding Salary A/c, Prepaid Insurance A/c, Accrued Interest A/c, Unearned Commission A/c.**

2. **Real Accounts (वास्तविक / संपत्ति खाते):** Rule: **"Debit what comes in, Credit what goes out."** Relates to tangible and intangible properties/assets of the business (**excluding** personal debtors and bank balances, which are Personal Accounts!):

• **Tangible Real Accounts:** Cash A/c, Land and Building A/c, Plant and Machinery A/c, Furniture A/c, Stock/Inventory A/c.

• **Intangible Real Accounts:** Goodwill A/c, Patents A/c, Trademarks A/c, Copyrights A/c.

3. **Nominal Accounts (नाममात्र के / आय-व्यय खाते):** Rule: **"Debit all Expenses and Losses, Credit all Incomes and Gains."** Temporary accounts closed at year-end by transfer to Trading or Profit & Loss Account: Salary A/c, Rent A/c, Wages A/c, Depreciation A/c, Bad Debts A/c, Discount Allowed/Received A/c, Commission A/c, Interest A/c, Purchases A/c, Sales A/c.

• **Modern (American / Accounting Equation) Classification (CLEAR Rule):**

• Capital, Liabilities, and Revenue/Gains (**C-L-R**): Have a normal **Credit Balance → Increase is Credited (Cr), Decrease is Debited (Dr)**.

• Expenses/Losses and Assets (**E-A**): Have a normal **Debit Balance → Increase is Debited (Dr), Decrease is Credited (Cr)**.

2.2 Subsidiary Books, Cash Book, Petty Cash Book & Bank Reconciliation Statement (BRS)

• **Eight Books of Original Entry (Subsidiary Books):** (1) **Cash Book** (Serves as **BOTH a Journal and a Ledger** — *Book of Original Entry as well as Principal Book* — because when a Cash Book is maintained, no separate Cash Account or Bank Account is opened in the Ledger; records **Contra Entries (** C **)** when cash is deposited into bank or withdrawn from bank for office use), (2) **Purchases Book** (records **ONLY credit purchases of goods meant for resale**; never records cash purchases or credit purchases of fixed assets like machinery/furniture!), (3) **Sales Book** (records **ONLY credit sales of goods**), (4) **Purchase Returns (Return Outward) Book** (supported by a **Debit Note** issued by the buyer to the supplier), (5) **Sales Returns (Return Inward) Book** (supported by a **Credit Note** issued by the seller to the customer), (6) **Bills Receivable Book**, (7) **Bills Payable Book**, and (8) **Journal Proper** (records opening entries, closing entries, transfer entries, adjustment entries, rectification entries, and **credit purchase/sale of fixed assets**).

• **Imprest System of Petty Cash Book:** Under the **Imprest System**, the Main Cashier advances a fixed sum (*Imprest Amount*, e.g., **₹5,000**) at the beginning of a period (week/month) to the Petty Cashier, and at the end of the period reimburses the exact amount actually spent (e.g., **₹4,200**) so that the Petty Cashier starts the next period with the exact original Imprest Float (**₹5,000**).

• **Bank Reconciliation Statement (BRS):** Prepared by the **customer (account holder)** on a particular date to reconcile the difference between the **Bank Balance as per Cash Book** and the **Balance as per Bank Pass Book (Statement)**. BRS is **NOT a part of the double-entry books of accounts**!

• **Favorable Balance:** Debit balance as per Cash Book = Credit balance as per Pass Book.

• **Unfavorable / Overdraft Balance:** Credit balance as per Cash Book = Debit balance as per Pass Book.

2.3 Trial Balance, Classification of Accounting Errors & Suspense Account

• **Nature of Trial Balance:** A statement (not an account) prepared at the end of a period listing Debit and Credit balances (or totals) of all Ledger accounts (plus Cash Book balances) to test the **arithmetical accuracy** of ledger postings.

• **Two-Way Classification of Accounting Errors (Errors Disclosed vs. Not Disclosed by Trial Balance):**

1. **Errors NOT Disclosed by Trial Balance (Trial Balance STILL Agrees — 4 Types):**

• **Errors of Complete Omission:** A transaction is completely omitted from the books of original entry (neither debit nor credit is recorded).

• **Errors of Commission (of equal amount in wrong personal account):** Posting the correct amount on the correct side of a wrong personal account (e.g., **₹5,000** cash received from Rohan credited to Sohan's A/c) or wrong recording in a Subsidiary Book (e.g., a **₹1,000** credit sale recorded as **₹100** in Sales Book — both Debtor and Sales are short by **₹900**).

• **Errors of Principle (सैद्धांतिक अशुद्धियाँ):** Violating fundamental accounting principles by treating **Capital Expenditure as Revenue Expenditure** or vice versa (e.g., debiting **₹10,000** wages paid for installation of new Machinery to **Wages A/c** instead of **Machinery A/c**, or recording credit sale of old Furniture in the Sales Book). **Errors of Principle ALWAYS affect Net Profit**, even though the Trial Balance tallies!

• **Compensating Errors (क्षतिपूरक अशुद्धियाँ):** Two or more independent errors that accidentally cancel out each other's numerical effect on the Debit and Credit totals.

2. **Errors DISCLOSED by Trial Balance (Trial Balance DOES NOT Agree — Rectified via Suspense Account):**

• **Error of Partial Omission** (posting only one aspect of a transaction), **Wrong Casting (Totalling) of a Subsidiary Book** (e.g., overcasting or undercasting the Purchases Book affects only Purchases A/c since individual supplier accounts were posted correctly from invoices!), **Posting to the wrong side of an account**, or **Posting a wrong amount to one account**.

Process Flowchart:

Step-by-Step Conceptual Process Flowchart

STEP 1 — **Classify Account (Personal / Real / Nominal or CLEAR)**

STEP 2 — **Record in Subsidiary Book or Cash Book (Contra Entries)**

STEP 3 — **Post to Ledger & Extract Trial Balance**

STEP 4 — **Rectify Two-Sided Errors Directly & One-Sided Errors via Suspense A/c**

Account Title / Item	Traditional Classification	Normal Balance	Financial Statement Placement & Exam Trap Note
Capital A/c & Drawings A/c	**Natural Personal Account** (represents the Proprietor)	Capital: Credit; Drawings: Debit	Balance Sheet Liabilities side (**Capital - Drawings**); follows Business Entity Concept
Bank A/c & Bank Overdraft A/c	**Artificial Personal Account** (Bank is a legal corporation)	Bank: Debit; Bank OD: Credit	Current Asset / Current Liability; **Never classify Bank A/c as a Real Account** (only physical Cash A/c is a Real Account!)
Outstanding Salary / Prepaid Rent / Accrued Income / Unearned Income	**Representative Personal Account**	Outstanding/ Unearned: Cr; Prepaid/Accrued: Dr	Shown as Current Liabilities or Current Assets in Balance Sheet; any prefix/suffix converts a Nominal A/c into a Representative Personal A/c
Goodwill, Patents, Copyrights & Trademarks	**Intangible Real Account**	Debit Balance	Non-Current Intangible Assets under AS-26; follows "*Debit what comes in, Credit what goes out*"
Bad Debts A/c & Bad Debts Recovered A/c	**Nominal Account**	Bad Debts: Dr (Loss); Recovered: Cr (Gain)	Debited/Credited to Profit & Loss A/c; **Note:** *Provision for Bad & Doubtful Debts* is a Valuation Account (contra-asset)
Suspense Account	**Unclassified Temporary Account** (takes the nature of the undiscovered error)	Debit or Credit	If Debit balance remains unrectified at year-end, shown on **Assets side**; if Credit balance remains, shown on **Liabilities side** of Balance Sheet

Account Title / Item	Traditional Classification	Normal Balance	Financial Statement Placement & Exam Trap Note
Profit & Loss Adjustment A/c	**Nominal Account**	Debit or Credit	Used to rectify **Nominal Account errors detected in the NEXT accounting year** (subsequent to preparation of Final Accounts) so current year's P&L is not distorted

Did You Know?: When rectifying errors detected **in the subsequent accounting year (after Final Accounts have already been closed)**, The Institute of Chartered Accountants of India (ICAI) mandates that any rectification involving a **Nominal Account** (which affects profit, such as Purchases, Sales, Wages, Rent, or Depreciation) must replace the Nominal Account with **Profit & Loss Adjustment Account** (or Prior Period Items under AS-5), whereas errors involving only **Personal or Real Accounts** are rectified directly using those Personal/Real accounts without touching P&L Adjustment A/c!

Exam Trap Alert: Watch out for **Closing Stock in the Trial Balance**! Ordinarily, Closing Stock appears **outside the Trial Balance** as an adjustment (because it has not yet been brought into books) and is shown at **two places**: (1) Credit side of Trading Account, and (2) Assets side of Balance Sheet. However, **if Closing Stock appears INSIDE the Trial Balance**, it means an adjustment entry (**Closing Stock A/c Dr. To Purchases A/c**) has already been passed to compute *Adjusted Purchases* — in that case, Closing Stock is shown **ONLY ONCE on the Assets side of the Balance Sheet** and NEVER in the Trading Account!

★ **Memory Trick:** For **Trade Discount vs. Cash Discount**: **Trade Discount** (granted on bulk catalogue price at the time of sale) is **NEVER recorded in the books of accounts** (deducted directly on the invoice), whereas **Cash Discount** (granted for prompt payment within credit period) is **ALWAYS recorded in the books of accounts** as a Nominal Account!

Chapter *2* Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Traditional (British) vs. Modern (American) Classification of Accounts	**Traditional Classification and Golden Rules of Accounting**	Under the British classification codified by The Institute of Chartered Accountants of India (ICAI), all accounts are bifurcated into **Personal Accounts** and **Impersonal Accounts** (which are further subdivided into **Real Accounts** and **Nominal Accounts**):
Subsidiary Books, Cash Book, Petty Cash Book & Bank Reconciliation Statement (BRS)	**Personal Accounts (व्यक्तिगत खाते)**	Rule: **"Debit the Receiver, Credit the Giver."** Subdivided into three distinct types:
Trial Balance, Classification of Accounting Errors & Suspense Account	**Natural Personal Accounts**	Human beings (e.g., Ram's A/c, Proprietor's **Capital A/c**, Proprietor's **Drawings A/c**, Debtors, Creditors).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Traditional (British) vs. Modern (American) Classification of Accounts	**Artificial (Legal) Personal Accounts**	Corporate bodies, banks, clubs, cooperative societies, government departments, and insurance companies recognized as legal persons in law (e.g., **State Bank of India A/c, LIC A/c, IUC Academy Foundation A/c**).
Subsidiary Books, Cash Book, Petty Cash Book & Bank Reconciliation Statement (BRS)	**Representative Personal Accounts (प्रतिनिधि व्यक्तिगत खाते — Highest Exam Frequency!)**	Accounts that represent a specific person or group of persons for accrued/outstanding/prepaid items. **Every Nominal Account (Expense or Income) becomes a Representative Personal Account the moment ANY prefix or suffix (Outstanding, Prepaid, Unexpired, Accrued, Unearned, Received in Advance) is attached to it!** Examples: **Outstanding Salary A/c, Prepaid Insurance A/c, Accrued Interest A/c, Unearned Commission A/c**.
Trial Balance, Classification of Accounting Errors & Suspense Account	**Real Accounts (वास्तविक / संपत्ति खाते)**	Rule: **"Debit what comes in, Credit what goes out."** Relates to tangible and intangible properties/assets of the business (**excluding** personal debtors and bank balances, which are Personal Accounts!):
Traditional (British) vs. Modern (American) Classification of Accounts	**Tangible Real Accounts**	Cash A/c, Land and Building A/c, Plant and Machinery A/c, Furniture A/c, Stock/Inventory A/c.
Subsidiary Books, Cash Book, Petty Cash Book & Bank Reconciliation Statement (BRS)	**Intangible Real Accounts**	Goodwill A/c, Patents A/c, Trademarks A/c, Copyrights A/c.
Trial Balance, Classification of Accounting Errors & Suspense Account	**Nominal Accounts (नाममात्र के / आय-व्यय खाते)**	Rule: **"Debit all Expenses and Losses, Credit all Incomes and Gains."** Temporary accounts closed at year-end by transfer to Trading or Profit & Loss Account: Salary A/c, Rent A/c, Wages A/c, Depreciation A/c, Bad Debts A/c, Discount Allowed/Received A/c, Commission A/c, Interest A/c, Purchases A/c, Sales A/c.
Traditional (British) vs. Modern (American) Classification of Accounts	**Eight Books of Original Entry (Subsidiary Books)**	(1) **Cash Book** (Serves as **BOTH a Journal and a Ledger** — *Book of Original Entry as well as Principal Book* — because when a Cash Book is maintained, no separate Cash Account or Bank Account is opened in the Ledger; records **Contra Entries (C)** when cash is deposited into bank or withdrawn from bank for office use), (2) **Purchases Book** (records **ONLY credit purchases of goods meant for resale**; never records cash purchases or credit purchases of fixed assets like machinery/furniture!), (3) **Sales Book** (records **ONLY credit sales of goods**), (4) **Purchase Returns (Return Outward) Book** (supported by a **Debit Note** issued by the buyer to the supplier), (5) **Sales Returns (Return Inward) Book** (supported by a **Credit Note** issued by the seller to the customer), (6) **Bills Receivable Book**, (7) **Bills Payable Book**, and (8) **Journal Proper** (records opening entries, closing entries, transfer entries, adjustment entries, rectification entries, and **credit purchase/sale of fixed assets**).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Subsidiary Books, Cash Book, Petty Cash Book & Bank Reconciliation Statement (BRS)	Imprest System of Petty Cash Book	Under the **Imprest System**, the Main Cashier advances a fixed sum (*Imprest Amount*, e.g., ₹5,000) at the beginning of a period (week/month) to the Petty Cashier, and at the end of the period reimburses the exact amount actually spent (e.g., ₹4,200) so that the Petty Cashier starts the next period with the exact original Imprest Float (₹5,000).
Trial Balance, Classification of Accounting Errors & Suspense Account	Bank Reconciliation Statement (BRS)	Prepared by the **customer (account holder)** on a particular date to reconcile the difference between the **Bank Balance as per Cash Book** and the **Balance as per Bank Pass Book (Statement)**. BRS is **NOT a part of the double-entry books of accounts**!
Traditional (British) vs. Modern (American) Classification of Accounts	Favorable Balance	Debit balance as per Cash Book = Credit balance as per Pass Book.
Subsidiary Books, Cash Book, Petty Cash Book & Bank Reconciliation Statement (BRS)	Unfavorable / Overdraft Balance	Credit balance as per Cash Book = Debit balance as per Pass Book.

Chapter 2 Multi-Statement Exam Verification Drills

Chapter 2 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Traditional Classification and Golden Rules of Accounting): Under the British classification codified by The Institute of Chartered Accountants of India (ICAI), all accounts are bifurcated into **Personal Accounts** and **Impersonal Accounts** (which are further subdivided into **Real Accounts** and **Nominal Accounts**):

Statement-II (Personal Accounts (व्यक्तिगत खाते)): Rule: **"Debit the Receiver, Credit the Giver."** Subdivided into three distinct types:

✔ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 2 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Natural Personal Accounts): Human beings (e.g., Ram's A/c, Proprietor's **Capital A/c**, Proprietor's **Drawings A/c**, Debtors, Creditors).

Statement-II (Artificial (Legal) Personal Accounts): Corporate bodies, banks, clubs, cooperative societies, government departments, and insurance companies recognized as legal persons in law (e.g., **State Bank of India A/c, LIC A/c, IUC Academy Foundation A/c**).

✔ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 2 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (Representative Personal Accounts (प्रतिनिधि व्यक्तिगत खाते — Highest Exam Frequency!)): Accounts that represent a specific person or group of persons for accrued/outstanding/prepaid items. **Every Nominal Account (Expense or Income) becomes a Representative Personal Account the moment ANY prefix or suffix (Outstanding, Prepaid, Unexpired, Accrued, Unearned, Received in Advance) is attached to it!** Examples: **Outstanding Salary A/c, Prepaid Insurance A/c, Accrued Interest A/c, Unearned Commission A/c**.

Statement-II (Real Accounts (वास्तविक / संपत्ति खाते)): Rule: **"Debit what comes in, Credit what goes out."** Relates to tangible and intangible properties/assets of the business (**excluding** personal debtors and bank balances, which are Personal Accounts!):

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 2 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (Tangible Real Accounts): Cash A/c, Land and Building A/c, Plant and Machinery A/c, Furniture A/c, Stock/ Inventory A/c.

Statement-II (Intangible Real Accounts): Goodwill A/c, Patents A/c, Trademarks A/c, Copyrights A/c.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 2 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (Nominal Accounts (नाममात्र के / आय-व्यय खाते)): Rule: **"Debit all Expenses and Losses, Credit all Incomes and Gains."** Temporary accounts closed at year-end by transfer to Trading or Profit & Loss Account: Salary A/c, Rent A/c, Wages A/c, Depreciation A/c, Bad Debts A/c, Discount Allowed/Received A/c, Commission A/c, Interest A/c, Purchases A/c, Sales A/c.

Statement-II (Eight Books of Original Entry (Subsidiary Books)): (1) **Cash Book** (Serves as **BOTH a Journal and a Ledger** — *Book of Original Entry as well as Principal Book* — because when a Cash Book is maintained, no separate Cash Account or Bank Account is opened in the Ledger; records **Contra Entries (C)** when cash is deposited into bank or withdrawn from bank for office use), (2) **Purchases Book** (records **ONLY credit purchases of goods meant for resale**; never records cash purchases or credit purchases of fixed assets like machinery/furniture!), (3) **Sales Book** (records **ONLY credit sales of goods**), (4) **Purchase Returns (Return Outward) Book** (supported by a **Debit Note** issued by the buyer to the supplier), (5) **Sales Returns (Return Inward) Book** (supported by a **Credit Note** issued by the seller to the customer), (6) **Bills Receivable Book**, (7) **Bills Payable Book**, and (8) **Journal Proper** (records opening entries, closing entries, transfer entries, adjustment entries, rectification entries, and **credit purchase/sale of fixed assets**).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 2 Statement-Verification Drill #6 — Both Statements Verified Correct

Statement-I (Imprest System of Petty Cash Book): Under the **Imprest System**, the Main Cashier advances a fixed sum (*Imprest Amount*, e.g., **₹5,000**) at the beginning of a period (week/month) to the Petty Cashier, and at the end of the period reimburses the exact amount actually spent (e.g., **₹4,200**) so that the Petty Cashier starts the next period with the exact original Imprest Float (**₹5,000**).

Statement-II (Bank Reconciliation Statement (BRS)): Prepared by the **customer (account holder)** on a particular date to reconcile the difference between the **Bank Balance as per Cash Book** and the **Balance as per Bank Pass Book (Statement)**. BRS is **NOT a part of the double-entry books of accounts**!

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 3: Capital vs. Revenue Items, Depreciation, Inventory Valuation, Bills of Exchange & Final Accounts

Chapter Key Study Pillars — Chapter 3: Capital vs. Revenue Items, Depreciation, Inventory Valuation, Bills of Exchange & Final Accounts

Key Study Pillar 1
Capital vs. Revenue Expenditure and Receipts

Key Study Pillar 2
Depreciation Accounting (AS-10 PPE), Methods & Reserves vs. Provisions

Key Study Pillar 3
Bills of Exchange (Negotiable Instruments Act, 1881) & Consignment / Joint Venture

3.1 Capital vs. Revenue Expenditure and Receipts

• **Capital Expenditure (पूंजीगत व्यय) vs. Revenue Expenditure (आयगत व्यय):**

• **Capital Expenditure** is incurred to acquire a new fixed asset, bring it to its working location and condition (including freight, transit insurance, customs duty, installation wages, trial-run costs, and brokerage/registration fees on land/building), or **increase the earning capacity / operating efficiency** of an existing fixed asset (e.g., adding extra seating capacity to a cinema hall, replacing a petrol engine with a diesel engine to lower running cost, or initial repairs to a **second-hand machine** purchased). Capital expenditures are capitalized on the **Assets side of the Balance Sheet**.

• **Revenue Expenditure** is incurred merely to **maintain the existing earning capacity** of assets and run day-to-day business operations (e.g., annual whitewashing, routine repairs, lubrication, renewal of annual factory license, cost of shifting stock/machinery from one site to another). Debited to **Trading or Profit & Loss Account**.

• **Deferred Revenue Expenditure:** A heavy revenue expenditure (such as a massive initial advertisement campaign to launch a new product) whose benefit extends over **3–5 years**, though under **AS-26 (Intangible Assets)** issued by The Institute of Chartered Accountants of India (ICAI), advertising and promotional costs must be charged fully to the P&L Account in the year incurred unless they create a recognizable asset.

3.2 Depreciation Accounting (AS-10 PPE), Methods & Reserves vs. Provisions

• **Causes and Objectives of Depreciation:** Derived from the Latin word *Depretium* (decline in value), **Depreciation** is a **non-cash operating expense** representing systematic allocation of the depreciable amount (Historical Cost - Residual/Scrap Value) of a tangible depreciable asset over its useful life due to wear and tear, effluxion of time, obsolescence, or depletion. **Land is NEVER depreciated** because it has an unlimited useful life!

• **Key Formulas & Methods of Depreciation:**

1. **Straight Line Method (SLM / Fixed Installment / Original Cost Method):** Charges an equal amount every year on original cost: $Annual Depreciation = (Original Cost - Scrap Value / Estimated Useful Life (Years))$. Under SLM, the **book value of the asset can be reduced to ZERO** at the end of its useful life!

2. **Written Down Value Method (WDV / Diminishing Balance / Reducing Installment Method):** Charges a fixed percentage on the **diminishing book value** each year: r = 1 - ((Scrap Value / Original Cost))^{1/n}. Under

WDV, the **book value of an asset NEVER becomes zero**; additionally, total charge to P&L (Decreasing Depreciation + Increasing Repairs) remains uniform across years, and **WDV is the method recognized under Section 32 of the Income Tax Act, 1961**!

3. **Sum of Years' Digits (SYD) Method:** Accelerated depreciation method where denominator = (n(n+1) / 2).
4. **Depletion Method:** Used for **wasting natural resources** (Coal mines, Oil wells, Quarries, Timber forests).
5. **Machine Hour Rate Method:** Used for aircraft engines and heavy industrial machinery.

3.3 Bills of Exchange *(*Negotiable Instruments Act*, 1881)* & Consignment / Joint Venture

• **Bills of Exchange (Section 5 of Negotiable Instruments Act, 1881):** An instrument in writing containing an **unconditional order**, signed by the maker (**Drawer / Seller / Creditor**), directing a certain person (**Drawee / Buyer / Debtor** — who becomes the **Acceptor** upon signing across the face of the bill) to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument (**Payee**).

• **Days of Grace (Section 22 of NI Act, 1881):** Every Bill of Exchange or Promissory Note **not expressed to be payable on demand, at sight, or on presentment** is entitled to **3 Days of Grace** when computing maturity!

• **Public vs. Emergency Holiday Rule (Section 25 of NI Act, 1881):** If the maturity date (including 3 days of grace) falls on a **known Public/Gazetted Holiday** (such as Sunday, 15 August, 26 January, or 2 October), the bill becomes due on the **immediately PRECEDING business day** (e.g., if maturity falls on 15 August, due date is **14 August**). Conversely, if the maturity date is declared an **unforeseen / sudden / emergency holiday** by the Government, the bill becomes due on the **immediately SUCCEEDING (next) working day**!

• **Noting Charges:** Paid initially in cash by the **Holder** of the dishonored bill to the Notary Public, but ultimately recovered from the **Drawee (Acceptor)**. **Noting Charges are NEVER an expense to the Drawer or Endorsee** — they always debit the Drawee's personal account!

• **Consignment vs. Joint Venture:**

• In **Consignment**, the relationship between **Consignor (Principal)** and **Consignee (Agent)** is that of Principal and Agent; ownership of goods remains with the Consignor; the Consignee prepares an **Account Sales** and receives Ordinary Commission, **Del Credere Commission** (if the Consignee takes responsibility for **Bad Debts on credit sales**, calculated on **Total Sales** unless specified otherwise), and Overriding Commission. **Consignment Account** is a **Nominal Account**, while **Consignee's Account** is a **Personal Account**!

Process Flowchart:

Step-by-Step Conceptual Process Flowchart

STEP 1
Ascertain Cost of Goods Sold (Opening Stock + Net Purchases + Direct Expenses - Closing Stock)

STEP 2
Prepare Trading Account to find Gross Profit

STEP 3
Charge Indirect Expenses, Depreciation & Provisions in P&L Account for Net Profit

STEP 4
Marshal Assets & Liabilities in Balance Sheet (Order of Liquidity or Permanence)

Accounting Adjustment / Item	Treatment in Trading or P&L Account	Treatment in Balance Sheet	Quick Numerical Formula / Rule
Cost of Goods Sold (COGS) & Gross Profit	Trading A/c: GP = Net Sales - COGS	Gross Profit transferred to P&L A/c	COGS = Opening Stock + Net Purchases + Direct Expenses - Closing Stock. Note: **Margin of 20% on Cost = (1 / 5) on Cost = (1 / 6) (16.67%) on Sales**; **25% on Cost = (1 / 4) on Cost = (1 / 5) (20%) on Sales**!
Abnormal Loss of Stock by Fire / Theft	Credited to **Trading A/c** at full cost (to remove abnormal distortion from GP); Uninsured net loss debited to **P&L A/c**	Insurance Claim admitted by Insurance Co. shown on **Assets side** of Balance Sheet	Value of Consignment Unsold Stock includes proportionate **Non-Recurring Expenses** incurred by Consignor and Consignee till goods reach Consignee's godown
Provision for Doubtful Debts (New & Old)	P&L Debit = Bad Debts (TB) + Further Bad Debts (Adj) + New Provision - Old Provision	Deducted from Sundry Debtors on Assets side: $Net Debtors = (Debtors - Further Bad Debts) - New Provision - Provision for Discount$	**New Provision for Doubtful Debts** is ALWAYS calculated on **Good Debtors** (Sundry Debtors - Further Bad Debts given in adjustments)
Goods Taken by Proprietor for Personal Use / Distributed as Free Samples / Charity	Deducted from **Purchases A/c** on Debit side of Trading A/c at **Cost Price** (never Sales Price!)	Drawings deducted from Capital in Balance Sheet; Free Samples (Advertisement) & Charity debited to P&L A/c	Entry: **Drawings / Advertisement / Charity A/c Dr. To Purchases A/c** (at Cost Price)
Manager's Commission on Net Profit	Debited to Profit & Loss Account	Shown as **Outstanding Manager's Commission** on Liabilities side of Balance Sheet	**Before charging such commission:** Profit × (Rate / 100); **After charging such commission:** Profit × (Rate / 100 + Rate)

Did You Know?: In **Non-Profit Organizations (NPOs)** such as clubs, hospitals, and educational societies (like IUC Academy Foundation), financial statements comprise three core components: (1) **Receipts and Payments Account** (a **Real Account** summarizing the Cash Book on a cash basis, beginning with Opening Cash/Bank and ending with Closing Cash/Bank, recording both capital and revenue items of any year), (2) **Income and Expenditure Account** (a **Nominal Account** exactly equivalent to a Profit & Loss Account prepared on an **Accrual basis** recording only current year's revenue items to find **Surplus or Deficit**), and (3) **Balance Sheet** (where Opening Capital Fund is found by preparing an Opening Statement of Affairs).

Exam Trap Alert: Under **AS-2 (Valuation of Inventories)** issued by The Institute of Chartered Accountants of India (ICAI), during a period of **Inflation (rising prices)**, the **FIFO (First-In First-Out)** method values Closing Inventory at the **most recent higher prices**, resulting in the **highest Closing Stock value, lowest Cost of Goods Sold (COGS), and highest reported Net Profit**! Conversely, during Deflation (falling prices), FIFO yields the lowest Closing Stock and lowest Profit.

★ **Memory Trick:** Convert profit percentage between **Cost** and **Sales** effortlessly: If Profit is (1 / n) **on Cost**, then Profit is (1 / n+1) **on Sales**! Conversely, if Profit is (1 / n) **on Sales**, then Profit is (1 / n-1) **on Cost**! (Example: 25% = (1 / 4) on Cost ⇒ (1 / 4+1) = (1 / 5) = 20\% on Sales).

Chapter 3 Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Capital vs. Revenue Expenditure and Receipts	**Capital Expenditure**	is incurred to acquire a new fixed asset, bring it to its working location and condition (including freight, transit insurance, customs duty, installation wages, trial-run costs, and brokerage/registration fees on land/building), or **increase the earning capacity / operating efficiency** of an existing fixed asset (e.g., adding extra seating capacity to a cinema hall, replacing a petrol engine with a diesel engine to lower running cost, or initial repairs to a **second-hand machine** purchased). Capital expenditures are capitalized on the **Assets side of the Balance Sheet**.
Depreciation Accounting (AS-10 PPE), Methods & Reserves vs. Provisions	**Revenue Expenditure**	is incurred merely to **maintain the existing earning capacity** of assets and run day-to-day business operations (e.g., annual whitewashing, routine repairs, lubrication, renewal of annual factory license, cost of shifting stock/machinery from one site to another). Debited to **Trading or Profit & Loss Account**.
Bills of Exchange (Negotiable Instruments Act, 1881) & Consignment / Joint Venture	**Deferred Revenue Expenditure**	A heavy revenue expenditure (such as a massive initial advertisement campaign to launch a new product) whose benefit extends over **3–5 years**, though under **AS-26 (Intangible Assets)** issued by **The Institute of Chartered Accountants of India (ICAI)**, advertising and promotional costs must be charged fully to the P&L Account in the year incurred unless they create a recognizable asset.
Capital vs. Revenue Expenditure and Receipts	**Causes and Objectives of Depreciation**	Derived from the Latin word *Depretium* (decline in value), **Depreciation** is a **non-cash operating expense** representing systematic allocation of the depreciable amount (Historical Cost - Residual/Scrap Value) of a tangible depreciable asset over its useful life due to wear and tear, effluxion of time, obsolescence, or depletion. **Land is NEVER depreciated** because it has an unlimited useful life!
Depreciation Accounting (AS-10 PPE), Methods & Reserves vs. Provisions	**Straight Line Method (SLM / Fixed Installment / Original Cost Method)**	Charges an equal amount every year on original cost: $Annual Depreciation = (Original Cost - Scrap Value / Estimated Useful Life (Years))$. Under SLM, the **book value of the asset can be reduced to ZERO** at the end of its useful life!
Bills of Exchange (Negotiable Instruments Act, 1881) & Consignment / Joint Venture	**Written Down Value Method (WDV / Diminishing Balance / Reducing Installment Method)**	Charges a fixed percentage on the **diminishing book value** each year: r = 1 - ((Scrap Value / Original Cost))^{1/n}. Under WDV, the **book value of an asset NEVER becomes zero**; additionally, total charge to P&L (Decreasing Depreciation + Increasing Repairs) remains uniform across years, and **WDV is the method recognized under Section 32 of the Income Tax Act, 1961**!
Capital vs. Revenue Expenditure and Receipts	**Sum of Years' Digits (SYD) Method**	Accelerated depreciation method where denominator = (n(n+1) / 2).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Depreciation Accounting (AS-10 PPE), Methods & Reserves vs. Provisions	**Depletion Method**	Used for **wasting natural resources** (Coal mines, Oil wells, Quarries, Timber forests).
Bills of Exchange (Negotiable Instruments Act, 1881) & Consignment / Joint Venture	**Machine Hour Rate Method**	Used for aircraft engines and heavy industrial machinery.
Capital vs. Revenue Expenditure and Receipts	**Bills of Exchange (Section 5 of Negotiable Instruments Act, 1881)**	An instrument in writing containing an **unconditional order**, signed by the maker (**Drawer / Seller / Creditor**), directing a certain person (**Drawee / Buyer / Debtor** — who becomes the **Acceptor** upon signing across the face of the bill) to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument (**Payee**).
Depreciation Accounting (AS-10 PPE), Methods & Reserves vs. Provisions	**Days of Grace (Section 22 of NI Act, 1881)**	Every Bill of Exchange or Promissory Note **not expressed to be payable on demand, at sight, or on presentment** is entitled to **3 Days of Grace** when computing maturity!
Bills of Exchange (Negotiable Instruments Act, 1881) & Consignment / Joint Venture	**Public vs. Emergency Holiday Rule (Section 25 of NI Act, 1881)**	If the maturity date (including 3 days of grace) falls on a **known Public/ Gazetted Holiday** (such as Sunday, 15 August, 26 January, or 2 October), the bill becomes due on the **immediately PRECEDING business day** (e.g., if maturity falls on 15 August, due date is **14 August**). Conversely, if the maturity date is declared an **unforeseen / sudden / emergency holiday** by the Government, the bill becomes due on the **immediately SUCCEEDING (next) working day**!
Capital vs. Revenue Expenditure and Receipts	**Noting Charges**	Paid initially in cash by the **Holder** of the dishonored bill to the Notary Public, but ultimately recovered from the **Drawee (Acceptor)**. **Noting Charges are NEVER an expense to the Drawer or Endorsee** — they always debit the Drawee's personal account!

Chapter 3 Multi-Statement Exam Verification Drills

Chapter 3 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Capital Expenditure): is incurred to acquire a new fixed asset, bring it to its working location and condition (including freight, transit insurance, customs duty, installation wages, trial-run costs, and brokerage/registration fees on land/building), or **increase the earning capacity / operating efficiency** of an existing fixed asset (e.g., adding extra seating capacity to a cinema hall, replacing a petrol engine with a diesel engine to lower running cost, or initial repairs to a **second-hand machine** purchased). Capital expenditures are capitalized on the **Assets side of the Balance Sheet**.

Statement-II (Revenue Expenditure): is incurred merely to **maintain the existing earning capacity** of assets and run day-to-day business operations (e.g., annual whitewashing, routine repairs, lubrication, renewal of annual factory license, cost of shifting stock/machinery from one site to another). Debited to **Trading or Profit & Loss Account**.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 3 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Deferred Revenue Expenditure): A heavy revenue expenditure (such as a massive initial advertisement campaign to launch a new product) whose benefit extends over **3–5 years**, though under **AS-26 (Intangible Assets)** issued by **The Institute of Chartered Accountants of India (ICAI)**, advertising and promotional costs must be charged fully to the P&L Account in the year incurred unless they create a recognizable asset.

Statement-II (Causes and Objectives of Depreciation): Derived from the Latin word *Depretium* (decline in value), **Depreciation** is a **non-cash operating expense** representing systematic allocation of the depreciable amount (Historical Cost - Residual/Scrap Value) of a tangible depreciable asset over its useful life due to wear and tear, effluxion of time, obsolescence, or depletion. **Land is NEVER depreciated** because it has an unlimited useful life!

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 3 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (Straight Line Method (SLM / Fixed Installment / Original Cost Method)): Charges an equal amount every year on original cost: $Annual Depreciation = (Original Cost - Scrap Value / Estimated Useful Life (Years))$. Under SLM, the **book value of the asset can be reduced to ZERO** at the end of its useful life!

Statement-II (Written Down Value Method (WDV / Diminishing Balance / Reducing Installment Method)): Charges a fixed percentage on the **diminishing book value** each year: r = 1 - ((Scrap Value / Original Cost))^{1/n}. Under WDV, the **book value of an asset NEVER becomes zero**; additionally, total charge to P&L (Decreasing Depreciation + Increasing Repairs) remains uniform across years, and **WDV is the method recognized under Section 32 of the Income Tax Act, 1961**!

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 3 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (Sum of Years' Digits (SYD) Method): Accelerated depreciation method where denominator = (n(n+1) / 2).

Statement-II (Depletion Method): Used for **wasting natural resources** (Coal mines, Oil wells, Quarries, Timber forests).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 3 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (Machine Hour Rate Method): Used for aircraft engines and heavy industrial machinery.

Statement-II (Bills of Exchange (Section 5 of Negotiable Instruments Act, 1881)): An instrument in writing containing an **unconditional order**, signed by the maker (**Drawer / Seller / Creditor**), directing a certain person (**Drawee / Buyer / Debtor** — who becomes the **Acceptor** upon signing across the face of the bill) to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument (**Payee**).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 3 Statement-Verification Drill #6 — Both Statements Verified Correct

Statement-I (Days of Grace (Section 22 of NI Act, 1881)): Every Bill of Exchange or Promissory Note **not expressed to be payable on demand, at sight, or on presentment** is entitled to **3 Days of Grace** when computing maturity!

Statement-II (Public vs. Emergency Holiday Rule (Section 25 of NI Act, 1881)): If the maturity date (including 3 days of grace) falls on a **known Public/Gazetted Holiday** (such as Sunday, 15 August, 26 January, or 2 October), the bill becomes due on the **immediately PRECEDING business day** (e.g., if maturity falls on 15 August, due date is **14 August**). Conversely, if the maturity date is declared an **unforeseen / sudden / emergency holiday** by the Government, the bill becomes due on the **immediately SUCCEEDING (next) working day**!

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter *4:* Partnership Accounting, Corporate Accounting *(*Share Capital, Debentures*)* & Financial Statement Analysis

Chapter Key Study Pillars — Chapter 4: Partnership Accounting, Corporate Accounting (Share Capital, Debentures) & Financial Statement Analysis

Key Study Pillar 1	Key Study Pillar 2	Key Study Pillar 3
Partnership Accounting (Indian Partnership Act, 1932) & Goodwill Valuation	**Company Accounts — Issue, Forfeiture & Re-issue of Shares and Debentures (Companies Act, 2013)**	**Financial Statement Analysis & Accounting Ratios**

4.1 Partnership Accounting *(*Indian Partnership Act*, 1932)* & Goodwill Valuation

• **Rules Applicable in the Absence of a Partnership Deed (Section 13 of Indian Partnership Act, 1932):** When partners do not have a written Partnership Deed or the deed is silent on specific financial items:

1. **Profit-Sharing Ratio:** Profits and losses are shared **equally** among all partners, irrespective of their capital contributions!

2. **Interest on Capital: No Interest on Capital** is allowed to any partner (even if a clause exists in the deed, Interest on Capital is paid only out of profits unless treated as a charge).

3. **Interest on Drawings: No Interest on Drawings** is charged from any partner.

4. **Salary / Remuneration / Commission to Partners: No partner is entitled** to any salary or commission for taking part in business conduct.

5. **Interest on Partner's Loan / Advance to the Firm:** Allowed at a mandatory statutory rate of **6% per annum** (**6% p.a.**), payable **even if the firm incurs a loss** (because Interest on Partner's Loan is a **Charge against Profit** debited to P&L Account, NOT an Appropriation of Profit in P&L Appropriation Account!).

• **Interest on Drawings Average Period Formula:** When equal drawings are made at regular intervals: $Average Period = (Months left after 1st Drawing + Months left after Last Drawing / 2)$.

• **Monthly Drawings for 12 Months:** Beginning of every month = (12 + 1 / 2) = 6.5\text{ months}; Middle of every month = (11.5 + 0.5 / 2) = 6.0\text{ months}; End of every month = (11 + 0 / 2) = 5.5\text{ months}.

• **Quarterly Drawings (4 Quarters in a Year):** Beginning of every quarter = (12 + 3 / 2) = 7.5\text{ months}; Middle of every quarter = 6.0\text{ months}; End of every quarter = (9 + 0 / 2) = 4.5\text{ months}.

• **Garner vs. Murray Rule (1904) on Insolvency of a Partner:** In the landmark English case *Garner v. Murray*, if a partner becomes insolvent and has a debit capital balance (deficiency), the **solvent partners must bring in cash equal to their share of Realization Loss**, and the insolvent partner's capital deficiency is borne by the solvent partners in the **ratio of their last agreed Capital balances** (Fixed Capitals if accounts are maintained on Fixed Capital system; pre-realization adjusted capitals if maintained on Fluctuating Capital system).

4.2 Company Accounts — Issue, Forfeiture & Re-issue of Shares and Debentures *(Companies Act, 2013)*

• **Statutory Rules under Companies Act, 2013:**

• **Minimum Subscription (Section 39 of Companies Act, 2013 & SEBI Guidelines):** A company cannot allot shares unless at least **90%** **of the issued amount** (Minimum Subscription) is subscribed within **30 days** (or period specified by SEBI).

• **Issue of Shares at a Premium (Section 52 — Securities Premium Account):** A company can issue shares at any rate of premium, credited to **Securities Premium Account**, which can be utilized **ONLY for 5 specific statutory purposes under Section 52(2)**: (1) Issuing **fully paid Bonus Shares** to members, (2) Writing off **Preliminary Expenses** of the company, (3) Writing off expenses/commission/discount on issue of shares or debentures, (4) Providing for premium payable on **redemption of Preference Shares or Debentures**, and (5) **Buy-back of its own shares** under Section 68. It can NEVER be used to pay cash dividends!

• **Issue of Shares at a Discount (Section 53 & Section 54):** Under **Section 53**, issuing shares at a discount is **strictly prohibited and void**, EXCEPT for **Sweat Equity Shares** issued to employees/directors under **Section 54** (or debt-restructuring conversion).

• **Forfeiture and Re-issue of Forfeited Shares:** Upon forfeiture for non-payment of allotment/call money, **Share Capital A/c is debited with the Called-up Amount** (not Nominal value!), and the amount already received on forfeited shares (excluding Securities Premium already received, which cannot be cancelled under Sec 52!) is credited to **Share Forfeiture Account**. Upon re-issue, the **maximum permissible discount** cannot exceed the amount previously forfeited on those shares, and the net profit remaining on the re-issued shares in Share Forfeiture A/c is transferred to **Capital Reserve Account** ($Capital Reserve = ((Total Amount Forfeited / No. of Shares Forfeited) × No. of Shares Re-issued) - Discount on Re-issue$).

4.3 Financial Statement Analysis & Accounting Ratios

• **Classification of Financial Ratios (Liquidity, Solvency, Activity/Turnover & Profitability):** Ratio analysis is one of the highest-scoring quantitative areas in UPSC EPFO EO/AO, APFC, and SSC AAO exams.

Process Flowchart:

Step-by-Step Conceptual Process Flowchart

STEP 1
Share Application & Allotment (Min 90% Subscription under Sec 39)

STEP 2
Call Default, Share Forfeiture & Re-issue (Profit to Capital Reserve)

STEP 3
Schedule III Balance Sheet & Statement of Profit and Loss Preparation

STEP 4
Ratio Analysis (Liquidity, Solvency, Activity & Profitability) & Cash Flow (AS-3)

Ratio Category & Name	Exact Mathematical Formula	Ideal Benchmark & Exam Interpretation
1. Current Ratio (Working Capital Ratio)	(Current Assets / Current Liabilities)	**Ideal Ratio:** `2 : 1`; measures short-term debt-paying capacity. Note: If Current Ratio is `> 1` (e.g., `2:1`), paying off a Current Liability **increases** the Current Ratio!
2. Quick Ratio (Acid-Test / Liquid Ratio)	(Quick / Liquid Assets / Current Liabilities), where Quick Assets = Current Assets - Inventory - Prepaid Expenses	**Ideal Ratio:** `1 : 1`; rigorous test of immediate liquidity without relying on inventory liquidation
3. Debt-Equity Ratio (Solvency)	(Long-Term Debt (Non-Current Liabilities) / Shareholders' Funds (Equity))	**Ideal Ratio:** `2 : 1`; measures long-term financial leverage and margin of safety for long-term lenders
4. Inventory (Stock) Turnover Ratio	(Cost of Revenue from Operations (COGS) / Average Inventory), where Avg Inventory = (Opening + Closing Inventory / 2)	Expressed in **Times**; measures velocity of stock conversion into sales (Inventory Holding Period = (365 / ITR))
5. Trade Receivables (Debtors) Turnover Ratio	$(Net Credit Revenue from Operations (Credit Sales) / Average Trade Receivables (Debtors + Bills Receivable))$	Note: **Provision for Doubtful Debts is NOT deducted** from Trade Receivables when computing this turnover ratio!
6. Return on Investment (ROI / ROCE)	(Profit Before Interest, Tax and Dividend (EBIT) / Capital Employed) × 100	$Capital Employed = Shareholders' Funds + Non-Current Liabilities = Total Assets - Current Liabilities$
7. Operating Ratio vs. Operating Profit Ratio	Operating Ratio = (COGS + Operating Expenses / Net Sales) × 100	Operating Ratio + Operating Profit Ratio = 100\%! Lower Operating Ratio indicates higher operational efficiency

Did You Know?: According to Table F of Schedule I of the Companies Act, 2013, if a company's Articles of Association are silent, the maximum rate of interest on **Calls-in-Arrears is** `10% per annum` (up from 5% under the old 1956 Act), and the maximum rate of interest on **Calls-in-Advance is** `12% per annum` (up from 6% under the 1956 Act)!

Exam Trap Alert: Look closely at how a transaction changes the **Current Ratio** when the existing Current Ratio is `2 : 1` (e.g., CA = ₹2,00,000, CL = ₹1,00,000):

• **Payment of `₹50,000` to a Creditor:** Both CA (Cash) and CL (Creditors) decrease by equal amount (`₹50,000`), making the new ratio (1,50,000 / 50,000) = 3 : 1 (**Current Ratio IMPROVES / INCREASES**!).

• **Purchase of goods worth ₹50,000 on Credit:** Both CA (Stock) and CL (Creditors) increase by ₹50,000, making the new ratio (2,50,000 / 1,50,000) = 1.67 : 1 (**Current Ratio REDUCES / DECLINES**!).

• **Purchase of goods for Cash or Collection of Cash from Debtors:** One Current Asset increases and another Current Asset decreases by the exact same amount ⇒ **NO CHANGE in Current Ratio**!

★ **Memory Trick:** Remember **Sacrificing Ratio vs. Gaining Ratio** in Partnership Reconstitution with **"SON" and "GON"**: **S**acrificing Ratio = **O**ld Ratio - **N**ew Ratio (**SON**, used at **Admission** of a new partner to distribute Goodwill premium); **G**aining Ratio = **N**ew Ratio - **O**ld Ratio (**GNO**, used at **Retirement or Death** of a partner).

Chapter 4 Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Partnership Accounting (Indian Partnership Act, 1932) & Goodwill Valuation	**Rules Applicable in the Absence of a Partnership Deed (Section 13 of Indian Partnership Act, 1932)**	When partners do not have a written Partnership Deed or the deed is silent on specific financial items:
Company Accounts — Issue, Forfeiture & Re-issue of Shares and Debentures (Companies Act, 2013)	**Profit-Sharing Ratio**	Profits and losses are shared **equally** among all partners, irrespective of their capital contributions!
Financial Statement Analysis & Accounting Ratios	**Interest on Capital**	**No Interest on Capital** is allowed to any partner (even if a clause exists in the deed, Interest on Capital is paid only out of profits unless treated as a charge).
Partnership Accounting (Indian Partnership Act, 1932) & Goodwill Valuation	**Interest on Drawings**	**No Interest on Drawings** is charged from any partner.
Company Accounts — Issue, Forfeiture & Re-issue of Shares and Debentures (Companies Act, 2013)	**Salary / Remuneration / Commission to Partners**	**No partner is entitled** to any salary or commission for taking part in business conduct.
Financial Statement Analysis & Accounting Ratios	**Interest on Partner's Loan / Advance to the Firm**	Allowed at a mandatory statutory rate of **6% per annum** (**6% p.a.**), payable **even if the firm incurs a loss** (because Interest on Partner's Loan is a **Charge against Profit** debited to P&L Account, NOT an Appropriation of Profit in P&L Appropriation Account!).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Partnership Accounting (Indian Partnership Act, 1932) & Goodwill Valuation	**Interest on Drawings Average Period Formula**	When equal drawings are made at regular intervals: $Average Period = (Months left after 1st Drawing + Months left after Last Drawing / 2)$.
Company Accounts — Issue, Forfeiture & Re-issue of Shares and Debentures (Companies Act, 2013)	**Monthly Drawings for 12 Months**	Beginning of every month = (12 + 1 / 2) = 6.5\text{ months}; Middle of every month = (11.5 + 0.5 / 2) = 6.0\text{ months}; End of every month = (11 + 0 / 2) = 5.5\text{ months}.
Financial Statement Analysis & Accounting Ratios	**Quarterly Drawings (4 Quarters in a Year)**	Beginning of every quarter = (12 + 3 / 2) = 7.5\text{ months}; Middle of every quarter = 6.0\text{ months}; End of every quarter = (9 + 0 / 2) = 4.5\text{ months}.
Partnership Accounting (Indian Partnership Act, 1932) & Goodwill Valuation	**Garner vs. Murray Rule (1904) on Insolvency of a Partner**	In the landmark English case *Garner v. Murray*, if a partner becomes insolvent and has a debit capital balance (deficiency), the **solvent partners must bring in cash equal to their share of Realization Loss**, and the insolvent partner's capital deficiency is borne by the solvent partners in the **ratio of their last agreed Capital balances** (Fixed Capitals if accounts are maintained on Fixed Capital system; pre-realization adjusted capitals if maintained on Fluctuating Capital system).
Company Accounts — Issue, Forfeiture & Re-issue of Shares and Debentures (Companies Act, 2013)	**Minimum Subscription (Section 39 of Companies Act, 2013 & SEBI Guidelines)**	A company cannot allot shares unless at least **90%** **of the issued amount** (Minimum Subscription) is subscribed within **30 days** (or period specified by SEBI).
Financial Statement Analysis & Accounting Ratios	**Issue of Shares at a Premium (Section 52 — Securities Premium Account)**	A company can issue shares at any rate of premium, credited to **Securities Premium Account**, which can be utilized **ONLY for 5 specific statutory purposes under Section 52(2)**: (1) Issuing **fully paid Bonus Shares** to members, (2) Writing off **Preliminary Expenses** of the company, (3) Writing off expenses/commission/discount on issue of shares or debentures, (4) Providing for premium payable on **redemption of Preference Shares or Debentures**, and (5) **Buy-back of its own shares** under Section 68. It can NEVER be used to pay cash dividends!
Partnership Accounting (Indian Partnership Act, 1932) & Goodwill Valuation	**Issue of Shares at a Discount (Section 53 & Section 54)**	Under **Section 53**, issuing shares at a discount is **strictly prohibited and void**, EXCEPT for **Sweat Equity Shares** issued to employees/directors under **Section 54** (or debt-restructuring conversion).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Company Accounts — Issue, Forfeiture & Re-issue of Shares and Debentures (Companies Act, 2013)	**Forfeiture and Re-issue of Forfeited Shares**	Upon forfeiture for non-payment of allotment/call money, **Share Capital A/c is debited with the Called-up Amount** (not Nominal value!), and the amount already received on forfeited shares (excluding Securities Premium already received, which cannot be cancelled under Sec 52!) is credited to **Share Forfeiture Account**. Upon re-issue, the **maximum permissible discount** cannot exceed the amount previously forfeited on those shares, and the net profit remaining on the re-issued shares in Share Forfeiture A/c is transferred to **Capital Reserve Account** ($Capital Reserve = ((Total Amount Forfeited / No. of Shares Forfeited) × No. of Shares Re-issued) - Discount on Re-issue$).

Chapter 4 Multi-Statement Exam Verification Drills

Chapter 4 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Rules Applicable in the Absence of a Partnership Deed (Section 13 of Indian Partnership Act, 1932)): When partners do not have a written Partnership Deed or the deed is silent on specific financial items:

Statement-II (Profit-Sharing Ratio): Profits and losses are shared **equally** among all partners, irrespective of their capital contributions!

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 4 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Interest on Capital): No Interest on Capital is allowed to any partner (even if a clause exists in the deed, Interest on Capital is paid only out of profits unless treated as a charge).

Statement-II (Interest on Drawings): No Interest on Drawings is charged from any partner.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 4 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (Salary / Remuneration / Commission to Partners): No partner is entitled to any salary or commission for taking part in business conduct.

Statement-II (Interest on Partner's Loan / Advance to the Firm): Allowed at a mandatory statutory rate of **6% per annum** (**6% p.a.**), payable **even if the firm incurs a loss** (because Interest on Partner's Loan is a **Charge against Profit** debited to P&L Account, NOT an Appropriation of Profit in P&L Appropriation Account!).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 4 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (Interest on Drawings Average Period Formula): When equal drawings are made at regular intervals: $Average Period = (Months left after 1st Drawing + Months left after Last Drawing / 2)$.

Statement-II (Monthly Drawings for 12 Months): Beginning of every month = (12 + 1 / 2) = 6.5\text{ months}; Middle of every month = (11.5 + 0.5 / 2) = 6.0\text{ months}; End of every month = (11 + 0 / 2) = 5.5\text{ months}.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 4 Statement-Verification Drill #5 Both Statements Verified Correct

Statement-I (Quarterly Drawings (4 Quarters in a Year)): Beginning of every quarter = (12 + 3 / 2) = 7.5\text{ months}; Middle of every quarter = 6.0\text{ months}; End of every quarter = (9 + 0 / 2) = 4.5\text{ months}.

Statement-II (Garner vs. Murray Rule (1904) on Insolvency of a Partner): In the landmark English case *Garner v. Murray*, if a partner becomes insolvent and has a debit capital balance (deficiency), the **solvent partners must bring in cash equal to their share of Realization Loss**, and the insolvent partner's capital deficiency is borne by the solvent partners in the **ratio of their last agreed Capital balances** (Fixed Capitals if accounts are maintained on Fixed Capital system; pre-realization adjusted capitals if maintained on Fluctuating Capital system).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 4 Statement-Verification Drill #6 Both Statements Verified Correct

Statement-I (Minimum Subscription (Section 39 of Companies Act, 2013 & SEBI Guidelines)): A company cannot allot shares unless at least **90%** **of the issued amount** (Minimum Subscription) is subscribed within **30 days** (or period specified by SEBI).

Statement-II (Issue of Shares at a Premium (Section 52 — Securities Premium Account)): A company can issue shares at any rate of premium, credited to **Securities Premium Account**, which can be utilized **ONLY for 5 specific statutory purposes under Section 52(2)**: (1) Issuing **fully paid Bonus Shares** to members, (2) Writing off **Preliminary Expenses** of the company, (3) Writing off expenses/commission/discount on issue of shares or debentures, (4) Providing for premium payable on **redemption of Preference Shares or Debentures**, and (5) **Buy-back of its own shares** under Section 68. It can NEVER be used to pay cash dividends!

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter *5:* Principles of Auditing, Vouching, Verification, Internal Control & Company Audit *(Companies Act 2013)*

Chapter Key Study Pillars — Chapter 5: Principles of Auditing, Vouching, Verification, Internal Control & Company Audit (Companies Act 2013)

Key Study Pillar 1
Nature, Objectives, Classification of Audits & Standards on Auditing (SAs)

Key Study Pillar 2
Internal Check, Internal Control, Vouching ("Backbone of Auditing") & Verification

Key Study Pillar 3
Company Auditor Provisions (Sections 139 to 148 of Companies Act, 2013) & Audit Reports

5.1 Nature, Objectives, Classification of Audits & Standards on Auditing *(SAs)*

• **Etymology and Primary vs. Secondary Objectives of Auditing (SA 200):** Derived from the Latin word ***Audire*** meaning **"to hear"**, modern auditing regulated by **The Institute of Chartered Accountants of India (ICAI)** under **SA 200** (*Overall Objectives of the Independent Auditor*) has two core objectives:

1. **Primary Objective:** To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement (whether due to fraud or error) and to **express an independent opinion** on whether the financial statements give a **"True and Fair View"** in accordance with the applicable financial reporting framework.

2. **Secondary (Incidental) Objective: Detection and prevention of Frauds and Errors** (In the famous judicial precedent ***Kingston Cotton Mill Co. (1896)***, Lord Justice Lopes held: "*An auditor is a **watchdog and not a bloodhound**; he is justified in believing tried servants of the company in whom confidence is placed by the company.*" Conversely, in ***London and General Bank* (1895)**, it was held that an auditor's duty is to convey information, not merely means of information).

• **Classification of Audits by Scope and Statutory Mandate:**

• **Statutory Audit:** Compulsory under law (e.g., Companies under Companies Act 2013, Banking Companies under Banking Regulation Act 1949, Co-operative Societies, Trusts). The scope of a Statutory Audit **cannot be restricted by the shareholders or directors**!

• **Continuous Audit vs. Periodical (Annual / Final) Audit:** Continuous Audit conducts detailed examination at regular or irregular intervals throughout the financial year (suitable for banks and large corporations with massive transaction volume, though carrying the risk of figures being altered after audit ticks), whereas Final/ Balance Sheet Audit begins after the close of the financial year.

• **Cost Audit (Section 148 of Companies Act, 2013):** Conducted by a practicing **Cost Accountant (CMA)** appointed by the Board of Directors; Cost Audit Report is submitted by the Cost Auditor to the **Board of Directors**, which forwards it to the **Central Government within 30 days** along with explanations.

• **Secretarial Audit (Section 204 of Companies Act, 2013):** Mandatory for every **Listed Company** and larger public companies (Paid-up share capital **≥ ₹50 Crore** OR Turnover **≥ ₹250 Crore** OR outstanding loans/ borrowings **≥ ₹100 Crore**), conducted by a practicing **Company Secretary (CS)** in Form **MR-3**.

5.2 Internal Check, Internal Control, Vouching ("Backbone of Auditing") & Verification

• **Internal Control vs. Internal Check vs. Internal Audit:**

• **Internal Control** is the broadest umbrella system comprising the control environment, risk assessment, and accounting controls established by management.

• **Internal Check** is a built-in arrangement of staff duties whereby **no single clerk is allowed to record every aspect of a transaction from beginning to end independently**, so the work of one employee is **automatically and concurrently checked by another employee** in the ordinary course of routine work (designed to **prevent** fraud and error at source).

• **Internal Audit (Section 138 of Companies Act, 2013):** An independent appraisal conducted after transactions are recorded; can be conducted by a Chartered Accountant, Cost Accountant, or any other professional decided by the Board (even an employee of the company!).

• **Vouching vs. Verification vs. Valuation:**

• **Vouching:** In the famous words of **Ronald A. Irish**, "*Vouching is the **essence or backbone of auditing***" (and in *Armitage v. Brewer & Knott* (1932), the essence of auditing was linked to vouching original documentary evidence). Vouching examines **original documentary evidence (Primary Vouchers and Collateral Vouchers)** supporting transactions recorded in the books of prime entry throughout the year to verify authority, authenticity, and proper classification.

• **Verification:** Conducted **at the end of the financial year** on **Balance Sheet items (Assets and Liabilities)** to verify four core assertions: (1) **Existence** (via physical inspection), (2) **Ownership and Title** (via title deeds/

registration), (3) **Possession and Charge/Lien** (free from undisclosed mortgage), and (4) **Proper Valuation** in accordance with GAAP. Thus, **Vouching is a part of Verification, and Valuation is a part of Verification** (*"An auditor is not a valuer, yet he is intimately connected with values" — Kingston Cotton Mill Co.*).

5.3 Company Auditor Provisions *(*Sections *139* to *148* of Companies Act*, 2013)* & Audit Reports

• **Appointment, Rotation, Qualification, Powers, and Duties of Company Auditors (Chapter X of Companies Act, 2013):** Supervised by The Institute of Chartered Accountants of India (ICAI), Sections 139 to 148 are tested in almost every UPSC EPFO and SSC AAO paper.

• **Four Types of Audit Opinion / Audit Reports (SA 700 & SA 705):**

1. **Unmodified / Unqualified (Clean) Opinion (SA 700):** Issued when the auditor concludes without reservations that the financial statements give a **True and Fair View**.

2. **Qualified Opinion ("Except For" Report — SA 705):** Issued when misstatements (or inability to obtain sufficient audit evidence) are **Material, but NOT Pervasive** to the financial statements.

3. **Adverse (Negative) Opinion (SA 705):** Issued when misstatements are **BOTH Material AND Pervasive**, such that the financial statements do NOT give a true and fair view.

4. **Disclaimer of Opinion (SA 705):** Issued when the auditor is **unable to obtain sufficient appropriate audit evidence** (scope limitation) and the possible effects are **BOTH Material AND Pervasive**, so the auditor refuses to express any opinion.

Process Flowchart:

Step-by-Step Conceptual Process Flowchart

STEP 1 — **Audit Engagement Letter (SA 210) & Audit Planning / Programme (SA 300)**

STEP 2 — **Evaluation of Internal Control & Test Checking (SA 315/530)**

STEP 3 — **Vouching of Transactions & Year-End Verification of Assets/Liabilities (SA 500)**

STEP 4 — **CARO 2020 Reporting & Independent Auditor's Opinion (SA 700/705)**

Section of Companies Act 2013	Statutory Provision Title	Non-Government Company Rule	Government Company Rule (≥ 51\% Govt Paid-up Capital)
Section 139(1) & 139(5)	Appointment of **Subsequent Auditor**	Appointed by **Shareholders at 1st AGM** to hold office till conclusion of **6th AGM** (**5-year block**); company notifies Registrar in Form **ADT-1 within 15 days**	Appointed by the **Comptroller and Auditor-General of India (CAG)** within **180 days** from the commencement of every financial year (**1st April**)
Section 139(6) & 139(7)	Appointment of **First Auditor**	Appointed by **Board of Directors within 30 days** of registration; if Board fails, by **Members at EGM within 90 days** (holds office till conclusion of 1st AGM)	Appointed by **CAG within 60 days** of registration; if CAG fails, by **Board within next 30 days**; if Board fails, by **Members at EGM within 60 days** (**60 - 30 - 60 Rule**)

Section of Companies Act 2013	Statutory Provision Title	Non-Government Company Rule	Government Company Rule (≥ 51\% Govt Paid-up Capital)
Section 139(2)	**Mandatory Rotation** of Auditors	Individual Auditor: max **1 term of 5 consecutive years**; Audit Firm: max **2 terms of 5 consecutive years (10 years)**; followed by a **5-year cooling-off period**	Applicable to Listed Companies, Unlisted Public Co. (Paid-up Capital **≥ ₹10 Cr**), Private Co. (**≥ ₹50 Cr**), or any company with public borrowings **≥ ₹50 Cr**
Section 139(8)	Filling of **Casual Vacancy**	Filled by **Board within 30 days**; BUT if caused by **Resignation of Auditor**, must also be approved by **Shareholders in General Meeting within 3 months**	Filled by **CAG within 30 days**; if CAG fails, filled by the **Board of Directors within next 30 days**
Section 140(1) & 140(2)	**Removal & Resignation** of Auditor	Removal before expiry of term requires **Board Resolution + Prior Approval of Central Govt (Form ADT-2 within 30 days) + Special Resolution of Shareholders within 60 days**	Resigning auditor must file statement in **Form ADT-3 within 30 days** with the Company, Registrar (ROC), and **CAG** (in case of Govt Company)
Section 141(3)	**Disqualifications** of Auditor	Body corporate (except LLP), officer/employee, person/partner/relative holding **security in the company** (relative permitted up to **Face Value of ₹1,00,000**), or indebted **> ₹5,00,000**, or holding **more than 20 company audits** per partner	A person convicted of an offense involving fraud is disqualified for **10 years** from the date of conviction
Section 143(12)	**Reporting of Fraud** by Auditor	If fraud involves **≥ ₹1 Crore**, Auditor must report to the **Central Government (Form ADT-4)** (after seeking Board/Audit Committee reply within 45 days); if **< ₹1 Crore**, reported only to the **Board / Audit Committee**	Penalty for non-compliance: **₹5 Lakh** for Listed Companies and **₹1 Lakh** for other companies

Did You Know?: Under the **Companies (Auditor's Report) Order, 2020 (CARO 2020)** issued under Section 143(11) of the Companies Act, 2013, the statutory auditor must report on **21 specific clauses** (up from 16 clauses in CARO 2016), including Physical Verification of PPE (**10%** discrepancy threshold), Quarterly Stock Statements submitted to Banks (**₹5 Crore** working capital limit), Benami Property proceedings, Wilful Defaulter status, and CSR unspent transfers!

Exam Trap Alert: Do not confuse **Audit Notebook**, **Audit Programme**, and **Audit Working Papers (SA 230)**! Under the landmark judicial ruling ***Chantrey Martin & Co. v. Martin* (1953)** and guidelines of The Institute of Chartered Accountants of India (ICAI), **Audit Working Papers are the sole legal property of the AUDITOR (not the client!)** and must be retained by the auditor for a minimum period of **7 years** from the date of the audit report under SQC-1 / SA 230.

★ **Memory Trick:** Memorize the **First Auditor Appointment Timeline of a Government Company (Section 139(7))** with **"60 - 30 - 60"**: **CAG** gets **60 days** → **Board** gets **30 days** → **Shareholders (EGM)** get **60 days**! And for a Non-Government Company (Section 139(6)), remember **"30 - 90"**: **Board** gets **30 days** → **Shareholders (EGM)** get **90 days**.

Chapter 5 Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Nature, Objectives, Classification of Audits & Standards on Auditing (SAs)	**Etymology and Primary vs. Secondary Objectives of Auditing (SA 200)**	Derived from the Latin word ***Audire*** meaning **"to hear"**, modern auditing regulated by **The Institute of Chartered Accountants of India (ICAI)** under **SA 200** (*Overall Objectives of the Independent Auditor*) has two core objectives:
Internal Check, Internal Control, Vouching ("Backbone of Auditing") & Verification	**Primary Objective**	To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement (whether due to fraud or error) and to **express an independent opinion** on whether the financial statements give a **"True and Fair View"** in accordance with the applicable financial reporting framework.
Company Auditor Provisions (Sections 139 to 148 of Companies Act, 2013) & Audit Reports	**Secondary (Incidental) Objective**	**Detection and prevention of Frauds and Errors** (In the famous judicial precedent ***Kingston Cotton Mill Co. (1896)***, Lord Justice Lopes held: *"An auditor is a **watchdog and not a bloodhound**; he is justified in believing tried servants of the company in whom confidence is placed by the company."* Conversely, in ***London and General Bank* (1895)**, it was held that an auditor's duty is to convey information, not merely means of information).
Nature, Objectives, Classification of Audits & Standards on Auditing (SAs)	**Statutory Audit**	Compulsory under law (e.g., Companies under Companies Act 2013, Banking Companies under Banking Regulation Act 1949, Co-operative Societies, Trusts). The scope of a Statutory Audit **cannot be restricted by the shareholders or directors**!
Internal Check, Internal Control, Vouching ("Backbone of Auditing") & Verification	**Continuous Audit vs. Periodical (Annual / Final) Audit**	Continuous Audit conducts detailed examination at regular or irregular intervals throughout the financial year (suitable for banks and large corporations with massive transaction volume, though carrying the risk of figures being altered after audit ticks), whereas Final/Balance Sheet Audit begins after the close of the financial year.
Company Auditor Provisions (Sections 139 to 148 of Companies Act, 2013) & Audit Reports	**Cost Audit (Section 148 of Companies Act, 2013)**	Conducted by a practicing **Cost Accountant (CMA)** appointed by the Board of Directors; Cost Audit Report is submitted by the Cost Auditor to the **Board of Directors**, which forwards it to the **Central Government within 30 days** along with explanations.
Nature, Objectives, Classification of Audits & Standards on Auditing (SAs)	**Secretarial Audit (Section 204 of Companies Act, 2013)**	Mandatory for every **Listed Company** and larger public companies (Paid-up share capital **≥ ₹50 Crore** OR Turnover **≥ ₹250 Crore** OR outstanding loans/borrowings **≥ ₹100 Crore**), conducted by a practicing **Company Secretary (CS)** in Form **MR-3**.
Internal Check, Internal Control, Vouching ("Backbone of Auditing") & Verification	**Internal Control**	is the broadest umbrella system comprising the control environment, risk assessment, and accounting controls established by management.

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Company Auditor Provisions (Sections 139 to 148 of Companies Act, 2013) & Audit Reports	**Internal Check**	is a built-in arrangement of staff duties whereby **no single clerk is allowed to record every aspect of a transaction from beginning to end independently**, so the work of one employee is **automatically and concurrently checked by another employee** in the ordinary course of routine work (designed to **prevent** fraud and error at source).
Nature, Objectives, Classification of Audits & Standards on Auditing (SAs)	**Internal Audit (Section 138 of Companies Act, 2013)**	An independent appraisal conducted after transactions are recorded; can be conducted by a Chartered Accountant, Cost Accountant, or any other professional decided by the Board (even an employee of the company!).
Internal Check, Internal Control, Vouching ("Backbone of Auditing") & Verification	**Vouching**	In the famous words of **Ronald A. Irish**, "*Vouching is the **essence or backbone of auditing***" (and in *Armitage v. Brewer & Knott* (1932), the essence of auditing was linked to vouching original documentary evidence). Vouching examines **original documentary evidence (Primary Vouchers and Collateral Vouchers)** supporting transactions recorded in the books of prime entry throughout the year to verify authority, authenticity, and proper classification.
Company Auditor Provisions (Sections 139 to 148 of Companies Act, 2013) & Audit Reports	**Verification**	Conducted **at the end of the financial year** on **Balance Sheet items (Assets and Liabilities)** to verify four core assertions: (1) **Existence** (via physical inspection), (2) **Ownership and Title** (via title deeds/registration), (3) **Possession and Charge/Lien** (free from undisclosed mortgage), and (4) **Proper Valuation** in accordance with GAAP. Thus, **Vouching is a part of Verification, and Valuation is a part of Verification** (*"An auditor is not a valuer, yet he is intimately connected with values" — Kingston Cotton Mill Co.*).
Nature, Objectives, Classification of Audits & Standards on Auditing (SAs)	**Appointment, Rotation, Qualification, Powers, and Duties of Company Auditors (Chapter X of Companies Act, 2013)**	Supervised by **The Institute of Chartered Accountants of India (ICAI)**, Sections 139 to 148 are tested in almost every UPSC EPFO and SSC AAO paper.
Internal Check, Internal Control, Vouching ("Backbone of Auditing") & Verification	**Unmodified / Unqualified (Clean) Opinion (SA 700)**	Issued when the auditor concludes without reservations that the financial statements give a **True and Fair View**.

Chapter 5 Multi-Statement Exam Verification Drills

Chapter 5 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Etymology and Primary vs. Secondary Objectives of Auditing (SA 200)): Derived from the Latin word ***Audire*** meaning **"to hear"**, modern auditing regulated by The Institute of Chartered Accountants of India (ICAI) under **SA 200** (*Overall Objectives of the Independent Auditor*) has two core objectives:

Statement-II (Primary Objective): To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement (whether due to fraud or error) and to **express an independent opinion** on whether the financial statements give a **"True and Fair View"** in accordance with the applicable financial reporting framework.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 5 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Secondary (Incidental) Objective): Detection and prevention of Frauds and Errors (In the famous judicial precedent ***Kingston Cotton Mill Co.* (1896)**, Lord Justice Lopes held: "*An auditor is a **watchdog and not a bloodhound**; he is justified in believing tried servants of the company in whom confidence is placed by the company.*" Conversely, in ***London and General Bank* (1895)**, it was held that an auditor's duty is to convey information, not merely means of information).

Statement-II (Statutory Audit): Compulsory under law (e.g., Companies under Companies Act 2013, Banking Companies under Banking Regulation Act 1949, Co-operative Societies, Trusts). The scope of a Statutory Audit **cannot be restricted by the shareholders or directors**!

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 5 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (Continuous Audit vs. Periodical (Annual / Final) Audit): Continuous Audit conducts detailed examination at regular or irregular intervals throughout the financial year (suitable for banks and large corporations with massive transaction volume, though carrying the risk of figures being altered after audit ticks), whereas Final/Balance Sheet Audit begins after the close of the financial year.

Statement-II (Cost Audit (Section 148 of Companies Act, 2013)): Conducted by a practicing **Cost Accountant (CMA)** appointed by the Board of Directors; Cost Audit Report is submitted by the Cost Auditor to the **Board of Directors**, which forwards it to the **Central Government within 30 days** along with explanations.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 5 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (Secretarial Audit (Section 204 of Companies Act, 2013)): Mandatory for every **Listed Company** and larger public companies (Paid-up share capital **≥ ₹50 Crore** OR Turnover **≥ ₹250 Crore** OR outstanding loans/borrowings **≥ ₹100 Crore**), conducted by a practicing **Company Secretary (CS)** in Form **MR-3**.

Statement-II (Internal Control): is the broadest umbrella system comprising the control environment, risk assessment, and accounting controls established by management.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 5 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (Internal Check): is a built-in arrangement of staff duties whereby **no single clerk is allowed to record every aspect of a transaction from beginning to end independently**, so the work of one employee is **automatically and concurrently checked by another employee** in the ordinary course of routine work (designed to **prevent** fraud and error at source).

Statement-II (Internal Audit (Section 138 of Companies Act, 2013)): An independent appraisal conducted after transactions are recorded; can be conducted by a Chartered Accountant, Cost Accountant, or any other professional decided by the Board (even an employee of the company!).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 5 Statement-Verification Drill #6 — Both Statements Verified Correct

Statement-I (Vouching): In the famous words of **Ronald A. Irish**, "*Vouching is the* ***essence or backbone of auditing***" (and in *Armitage v. Brewer & Knott (1932)*, the essence of auditing was linked to vouching original documentary evidence). Vouching examines **original documentary evidence (Primary Vouchers and Collateral Vouchers)** supporting transactions recorded in the books of prime entry throughout the year to verify authority, authenticity, and proper classification.

Statement-II (Verification): Conducted **at the end of the financial year** on **Balance Sheet items (Assets and Liabilities)** to verify four core assertions: (1) **Existence** (via physical inspection), (2) **Ownership and Title** (via title deeds/registration), (3) **Possession and Charge/Lien** (free from undisclosed mortgage), and (4) **Proper Valuation** in accordance with GAAP. Thus, **Vouching is a part of Verification, and Valuation is a part of Verification** (*"An auditor is not a valuer, yet he is intimately connected with values" — Kingston Cotton Mill Co.).*

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter *6:* Industrial Relations, Theoretical Approaches, Trade Unionism & Collective Bargaining

Chapter Key Study Pillars — Chapter 6: Industrial Relations, Theoretical Approaches, Trade Unionism & Collective Bargaining

Key Study Pillar 1
Theoretical Approaches & Frameworks of Industrial Relations (IR)

Key Study Pillar 2
History of the Indian Trade Union Movement & Central Trade Union Organizations

Key Study Pillar 3
Collective Bargaining, Industrial Democracy, Strikes & Lockouts

6.1 Theoretical Approaches & Frameworks of Industrial Relations (IR)

• **Concept and Evolution of Industrial Relations:** Industrial Relations (IR) encompasses the web of tripartite institutional interactions among **Workers (and their Trade Unions), Employers (and their Associations), and the Government/State** regulating workplace governance, conflict resolution, and industrial peace as overseen by the **Ministry of Labour & Employment, Government of India**.

• **Ten Classic Theoretical Approaches to Industrial Relations (High-Yield UPSC EPFO Topic):**

1. **Systems Approach — John T. Dunlop (1958):** Published in his seminal work *Industrial Relations Systems (1958)*. Dunlop formulated the famous mathematical equation: R = f(A, T, M, P, I), stating that an Industrial Relations System produces a **"Web of Rules" (R)** (substantive and procedural rules) governed by **Three**

Actors (A) (Workers/Unions, Management/Hierarchy, and Specialized Government Agencies) operating within **Three Environmental Contexts** (**T** = Technological characteristics of the workplace, **M** = Market or budgetary constraints, and **P** = Locus and distribution of Power in wider society) bound together by a **Shared Ideology (I)**.

2. **Unitary Approach (Unitarian Perspective):** Views the industrial organization as an integrated, harmonious family with **one single source of legitimate authority (Management)** and **one shared common objective**. It regards workplace conflict as **abnormal, irrational, pathological, and temporary**, caused by poor communication or external agitators ("troublemakers"), and sees Trade Unions as unnecessary intrusions competing for employee loyalty.

3. **Pluralist Approach (Oxford School — Allan Flanders, Hugh Clegg & Alan Fox):** Views the organization as a **coalition of competing interest groups** (Management vs. Workers) with divergent objectives where **conflict is natural, inevitable, and legitimate**, but manageable through institutionalized **Collective Bargaining**, joint consultation, and strong Trade Unions acting as legitimate countervailing powers (**Kerr's Theory** also emphasizes pluralistic societal bargaining).

4. **Marxist / Radical Approach (Karl Marx, Richard Hyman):** Rooted in historical materialism and **Surplus Value Theory**; views industrial conflict as a direct reflection of the broader **class struggle between the Bourgeoisie (Capitalists) and the Proletariat (Wage-laborers)** in a capitalist society. Unlike Pluralists, Marxists view Collective Bargaining merely as a temporary accommodation that does not eliminate structural exploitation until private ownership of means of production is abolished.

5. **Gandhian Trusteeship Approach (Mahatma Gandhi — Ahmedabad Textile Labour Association / Majoor Mahajan Sangh, 1918–1920):** Based on **Satya (Truth), Ahimsa (Non-violence), and the Theory of Trusteeship**, wherein capitalists hold wealth above their legitimate needs as **Trustees of Society**, and workers treat establishment property with care. Advocates resolving disputes through mutual negotiation and **Voluntary Arbitration**, permitting **peaceful non-violent Strike (Satyagraha)** only as a last resort when arbitration is refused.

6. **Giri Approach (V.V. Giri, Former Labour Minister & 4th President of India):** Championed **voluntary bipartite negotiations and Mutual Collective Bargaining** directly between employers and unions, strongly opposing **compulsory adjudication** (which V.V. Giri famously termed **"Enemy Number One of Industrial Peace and Collective Bargaining"**!).

7. **Human Relations Approach (Elton Mayo — Hawthorne Experiments, 1924–1932; Keith Davis):** Highlights informal social groups, psychological recognition, two-way communication, and worker morale over purely monetary incentives (*Rabble Hypothesis* rejection).

8. **Social Action Approach (Max Weber & C.J. Margerison):** Analyzes industrial relations from the subjective viewpoint of individual actors' goals, definitions of situations, and workplace sociology.

9. **Socio-Ethical & Psychological Approaches (Mason Haire):** Uses **Role Playing** and **Thematic Apperception Tests (TAT)** to examine mutual perceptual stereotypes between union leaders and managers.

10. **Henry Ford's Paternalistic / Welfare Capitalism Approach:** High wages ("Five-Dollar Day") coupled with strict managerial control without trade union interference.

6.2 History of the Indian Trade Union Movement & Central Trade Union Organizations

• **Chronological Milestones of Trade Unionism in India:**

• ***1875*: Sorabjee Shapoorjee Bengalee** and **Narayan Meghaji Lokhande** initiated the first labor agitation in Bombay against deplorable factory working conditions.

• ***1881*:** First Indian Factories Act enacted during the viceroyalty of **Lord Ripon** (regulated child labor aged **7–12 years**).

• ***1884* & *1890*: Narayan Meghaji Lokhande** (**Father of the Indian Trade Union Movement**) organized a historic conference of Bombay cotton mill workers in **1884**, established the **Bombay Millhands Association in 1890** (commonly regarded as the **first labor association in India**), and published the Marathi labor journal ***Deenbandhu***.

• ***1918*: Madras Labour Union**, founded on **27 April *1918*** by **B.P. Wadia** (along with V. Kalyanasundaram Mudaliar and Ramanjulu Naidu) among workers of Buckingham and Carnatic Mills, became **India's FIRST modern organized Trade Union** with regular membership subscription (**1 Anna/month**).

• ***1920* (Ahmedabad & AITUC):** Mahatma Gandhi along with **Anasuya Sarabhai** and **Shankarlal Banker** founded the **Ahmedabad Textile Labour Association (Majoor Mahajan Sangh)** in February *1920*. On **31 October *1920***, the **All India Trade Union Congress (AITUC — oldest national trade union federation)** was founded in Bombay with **Lala Lajpat Rai as its First President**, **Diwan Chaman Lall as General Secretary**, and **Joseph Baptista** as Vice-President (formed specifically to nominate Indian worker delegates to the **International Labour Organization - ILO**, founded in **1919 under the Treaty of Versailles**).

• ***1926* (Trade Unions Act, *1926*):** Following the controversial **Madras High Court injunction against B.P. Wadia (*1920*)** treating union strike activity as an illegal conspiracy in restraint of trade, **N.M. Joshi** moved a resolution in the Central Legislative Assembly, leading to the enactment of the **Indian Trade Unions Act, *1926*** (enforced **1 June *1927***), granting registered unions **civil and criminal immunity** for legitimate trade dispute actions!

• **Post-*1947* Major Trade Union Federations: INTUC** (Indian National Trade Union Congress, founded **May *1947*** by **Sardar Vallabhbhai Patel** and **G.L. Nanda**, presided over by **Suresh Chandra Banerjee**; aligned with INC), **HMS** (Hind Mazdoor Sabha, **1948**, Socialist), **BMS** (Bharatiya Mazdoor Sangh, founded **23 July *1955*** at Bhopal by **Dattopant Thengadi** — currently **India's largest Central Trade Union Organization** by verified membership), and **CITU** (Centre of Indian Trade Unions, **1970**, led by **B.T. Ranadive** and **E. Balanandan**).

6.3 Collective Bargaining, Industrial Democracy, Strikes & Lockouts

• **Collective Bargaining Concepts:** The term **"Collective Bargaining"** was coined in **1891 by Beatrice Webb (Beatrice Potter)** in her work *The Cooperative Movement in Great Britain* (and popularized with **Sidney Webb** in *Industrial Democracy*, 1897). **Walton and McKersie (1965)** classified bargaining into four behavioral sub-processes:

1. **Distributive Bargaining (Conjunctive / Win-Lose / Zero-Sum Bargaining):** Fixed-pie negotiation over wages, bonus, and working hours where one party's gain is the exact loss of the other party.

2. **Integrative Bargaining (Cooperative / Win-Win / Variable-Sum Bargaining):** Joint problem-solving (e.g., training, safety, productivity-linked incentives) where both management and workers expand the total pie and gain simultaneously.

3. **Attitudinal Structuring:** Shaping long-term trust, hostility, or respect between union and management.

4. **Intra-Organizational Bargaining:** Achieving internal consensus within the union rank-and-file or within the management board before/during external negotiations.

• **Typology of Strikes & Union Security Clauses:**

• **Wildcat Strike:** A sudden strike called by a section of workers **without the formal authorization or consent of the official Trade Union**.

• **Sit-down / Pen-down / Tool-down / Stay-in Strike:** Workers report to their workstations at the factory/office but refuse to perform their duties or leave the premises.

• **Work-to-Rule & Go-Slow:** In **Work-to-Rule**, workers strictly follow every minute literal rulebook procedure to intentionally slow down operations; **Go-Slow** (deliberate restriction of output while claiming full wages) is legally classified as a **"Serious Misconduct / Unfair Labour Practice"** rather than a legitimate strike!

• **Sympathy Strike, Jurisdictional Strike (inter-union rivalry over work allocation), Gherao (physical encirclement of managers — declared illegal by Calcutta High Court in *Jay Engineering Works v. State of West Bengal*, 1967), Picketing, and Boycott.**

• **Four Classic Union Security Clauses:** (1) **Closed Shop (Pre-Entry Closed Shop):** Employer can hire **ONLY existing Trade Union members** (*"First join the Union, then get the Job"*); (2) **Union Shop (Post-Entry Closed Shop):** Employer may hire anyone, but the new employee **must join the Trade Union within a stipulated period** (e.g., 30 days) of employment (*"First get the Job, then join the Union"*); (3) **Agency Shop:** Non-union workers need not join the union, but **must pay a union agency fee** to prevent free-riding on collective bargaining gains; and (4) **Maintenance of Membership Shop:** Workers are not forced to join, but once they join, they must maintain membership for the duration of the contract.

Process Flowchart:

Step-by-Step Conceptual Process Flowchart

STEP 1 — **Formation & Registration of Trade Union / Negotiating Council**

STEP 2 — **Submission of Charter of Demands & Joint Bipartite Negotiation**

STEP 3 — **Conciliation Officer Intervention / Voluntary Arbitration**

STEP 4 — **Binding Settlement Agreement or Industrial Tribunal Adjudication**

IR Scholar / Landmark Institution	Core Theory / Book / Historical Contribution	Year	Key Concept Tested in UPSC EPFO EO/AO & APFC
John T. Dunlop	*Industrial Relations Systems* (Systems Approach)	**1958**	Equation R = f(A, T, M, P, I) — Three Actors, Three Environmental Contexts (Technology, Market, Power), Shared Ideology, and **Web of Rules**
Allan Flanders, Hugh Clegg & Alan Fox	Pluralist Approach (*Oxford School*)	**1960s**	Conflict is inevitable between competing interest groups; resolved via **Collective Bargaining** ("Job Regulation")

IR Scholar / Landmark Institution	Core Theory / Book / Historical Contribution	Year	Key Concept Tested in UPSC EPFO EO/AO & APFC
Mahatma Gandhi	Trusteeship Approach & **Majoor Mahajan Sangh (TLA)**	**1918–1920**	Capitalists as societal trustees; सत्य/अहिंसा, mutual negotiation, and **Voluntary Arbitration** before Satyagraha
V.V. Giri	**Giri Approach** to Industrial Relations	**1950s**	Champion of **Voluntary Bipartite Collective Bargaining**; opposed compulsory adjudication as "*Enemy No. 1*"
Narayan Meghaji Lokhande	**Bombay Millhands Association** & *Deenbandhu*	**1890**	**Father of the Indian Trade Union Movement**; secured Sunday weekly holiday and midday rest for mill workers
B.P. Wadia	**Madras Labour Union** (Buckingham & Carnatic Mills)	**1918**	**First Modern Organized Trade Union in India** (27 April 1918); catalyst for the Indian Trade Unions Act, 1926
Lala Lajpat Rai & N.M. Joshi	**All India Trade Union Congress (AITUC)**	**31 Oct 1920**	Oldest national trade union federation; Lala Lajpat Rai was 1st President; formed after ILO's creation in 1919
Beatrice & Sidney Webb	Coined **"Collective Bargaining"** (*Industrial Democracy*)	**1891 / 1897**	Distinguished between **Individual Bargaining** and **Collective Bargaining** as the economic equivalent of political democracy

Did You Know?: The **International Labour Organization (ILO)** was created in **1919 as Part XIII of the Treaty of Versailles** (headquartered at **Geneva, Switzerland**), became the **first specialized agency of the United Nations in 1946**, was awarded the **Nobel Peace Prize in 1969**, and is the **ONLY Tripartite agency of the UN** (where each member nation sends **4 delegates** to the International Labour Conference in a **2 : 1 : 1 ratio** — 2 Government delegates, 1 Employer delegate, and 1 Worker delegate). India is a **founding member of the ILO since 1919** and has ratified **6 out of the 10 Fundamental ILO Conventions** (including C029 Forced Labour, C105 Abolition of Forced Labour, C100 Equal Remuneration, C111 Discrimination, C138 Minimum Age, and C182 Worst Forms of Child Labour, as documented by the Ministry of Labour & Employment)!

Exam Trap Alert: Do not confuse **Bombay Millhands Association (1890, N.M. Lokhande)** with **Madras Labour Union (1918, B.P. Wadia)**! If the exam asks for the **"First Labour Association in India"**, mark **Bombay Millhands Association (1890)**; if it asks for the **"First Modern Registered/Organized Trade Union in India"** with regular membership dues and executive office-bearers, mark **Madras Labour Union (1918)**!

★ **Memory Trick:** Remember the difference between **Closed Shop** and **Union Shop** with **"C comes before U, Membership comes before Job"**: In a **Closed Shop**, you must be a Union Member **BEFORE** you are hired; in a **Union Shop**, you are hired first and join the Union **AFTER** entering employment!

Chapter *6* Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Theoretical Approaches & Frameworks of Industrial Relations (IR)	**Concept and Evolution of Industrial Relations**	Industrial Relations (IR) encompasses the web of tripartite institutional interactions among **Workers (and their Trade Unions), Employers (and their Associations), and the Government/State** regulating workplace governance, conflict resolution, and industrial peace as overseen by the **Ministry of Labour & Employment, Government of India**.
History of the Indian Trade Union Movement & Central Trade Union Organizations	**Systems Approach — John T. Dunlop (1958)**	Published in his seminal work *Industrial Relations Systems* (1958). Dunlop formulated the famous mathematical equation: R = f(A, T, M, P, I), stating that an Industrial Relations System produces a **"Web of Rules" (R)** (substantive and procedural rules) governed by **Three Actors (A)** (Workers/Unions, Management/Hierarchy, and Specialized Government Agencies) operating within **Three Environmental Contexts** (T = Technological characteristics of the workplace, **M** = Market or budgetary constraints, and **P** = Locus and distribution of Power in wider society) bound together by a **Shared Ideology (I)**.
Collective Bargaining, Industrial Democracy, Strikes & Lockouts	**Unitary Approach (Unitarian Perspective)**	Views the industrial organization as an integrated, harmonious family with **one single source of legitimate authority (Management)** and **one shared common objective**. It regards workplace conflict as **abnormal, irrational, pathological, and temporary**, caused by poor communication or external agitators ("troublemakers"), and sees Trade Unions as unnecessary intrusions competing for employee loyalty.
Theoretical Approaches & Frameworks of Industrial Relations (IR)	**Pluralist Approach (Oxford School — Allan Flanders, Hugh Clegg & Alan Fox)**	Views the organization as a **coalition of competing interest groups** (Management vs. Workers) with divergent objectives where **conflict is natural, inevitable, and legitimate**, but manageable through institutionalized **Collective Bargaining**, joint consultation, and strong Trade Unions acting as legitimate countervailing powers (**Kerr's Theory** also emphasizes pluralistic societal bargaining).
History of the Indian Trade Union Movement & Central Trade Union Organizations	**Marxist / Radical Approach (Karl Marx, Richard Hyman)**	Rooted in historical materialism and **Surplus Value Theory**; views industrial conflict as a direct reflection of the broader **class struggle between the Bourgeoisie (Capitalists) and the Proletariat (Wage-laborers)** in a capitalist society. Unlike Pluralists, Marxists view Collective Bargaining merely as a temporary accommodation that does not eliminate structural exploitation until private ownership of means of production is abolished.
Collective Bargaining, Industrial Democracy, Strikes & Lockouts	**Gandhian Trusteeship Approach (Mahatma Gandhi — Ahmedabad Textile Labour Association / Majoor Mahajan Sangh, 1918–1920)**	Based on **Satya (Truth), Ahimsa (Non-violence), and the Theory of Trusteeship**, wherein capitalists hold wealth above their legitimate needs as **Trustees of Society**, and workers treat establishment property with care. Advocates resolving disputes through mutual negotiation and **Voluntary Arbitration**, permitting **peaceful non-violent Strike (Satyagraha)** only as a last resort when arbitration is refused.
Theoretical Approaches & Frameworks of Industrial Relations (IR)	**Giri Approach (V.V. Giri, Former Labour Minister & 4th President of India)**	Championed **voluntary bipartite negotiations and Mutual Collective Bargaining** directly between employers and unions, strongly opposing **compulsory adjudication** (which V.V. Giri famously termed **"Enemy Number One of Industrial Peace and Collective Bargaining"**!).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
History of the Indian Trade Union Movement & Central Trade Union Organizations	**Human Relations Approach (Elton Mayo — Hawthorne Experiments, 1924–1932; Keith Davis)**	Highlights informal social groups, psychological recognition, two-way communication, and worker morale over purely monetary incentives (*Rabble Hypothesis* rejection).
Collective Bargaining, Industrial Democracy, Strikes & Lockouts	**Social Action Approach (Max Weber & C.J. Margerison)**	Analyzes industrial relations from the subjective viewpoint of individual actors' goals, definitions of situations, and workplace sociology.
Theoretical Approaches & Frameworks of Industrial Relations (IR)	**Socio-Ethical & Psychological Approaches (Mason Haire)**	Uses **Role Playing** and **Thematic Apperception Tests (TAT)** to examine mutual perceptual stereotypes between union leaders and managers.
History of the Indian Trade Union Movement & Central Trade Union Organizations	**Henry Ford's Paternalistic / Welfare Capitalism Approach**	High wages ("Five-Dollar Day") coupled with strict managerial control without trade union interference.
Collective Bargaining, Industrial Democracy, Strikes & Lockouts	**1875**	**Sorabjee Shapoorjee Bengalee** and **Narayan Meghaji Lokhande** initiated the first labor agitation in Bombay against deplorable factory working conditions.
Theoretical Approaches & Frameworks of Industrial Relations (IR)	**1881**	First Indian Factories Act enacted during the viceroyalty of **Lord Ripon** (regulated child labor aged **7–12 years**).
History of the Indian Trade Union Movement & Central Trade Union Organizations	**1884 & 1890**	**Narayan Meghaji Lokhande** (**Father of the Indian Trade Union Movement**) organized a historic conference of Bombay cotton mill workers in **1884**, established the **Bombay Millhands Association in 1890** (commonly regarded as the **first labor association in India**), and published the Marathi labor journal ***Deenbandhu***.

Chapter *6* Multi-Statement Exam Verification Drills

Chapter 6 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Concept and Evolution of Industrial Relations): Industrial Relations (IR) encompasses the web of tripartite institutional interactions among **Workers (and their Trade Unions), Employers (and their Associations), and the Government/State** regulating workplace governance, conflict resolution, and industrial peace as overseen by the **Ministry of Labour & Employment, Government of India**.

Statement-II (Systems Approach — John T. Dunlop (1958)): Published in his seminal work *Industrial Relations Systems* (1958). Dunlop formulated the famous mathematical equation: R = f(A, T, M, P, I), stating that an Industrial Relations System produces a **"Web of Rules" (R)** (substantive and procedural rules) governed by **Three Actors (A)** (Workers/Unions, Management/Hierarchy, and Specialized Government Agencies) operating within **Three Environmental Contexts** (**T** = Technological characteristics of the workplace, **M** = Market or budgetary constraints, and **P** = Locus and distribution of Power in wider society) bound together by a **Shared Ideology (I)**.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 6 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Unitary Approach (Unitarian Perspective)): Views the industrial organization as an integrated, harmonious family with **one single source of legitimate authority (Management)** and **one shared common objective**. It regards workplace conflict as **abnormal, irrational, pathological, and temporary**, caused by poor communication or external agitators ("troublemakers"), and sees Trade Unions as unnecessary intrusions competing for employee loyalty.

Statement-II (Pluralist Approach (Oxford School — Allan Flanders, Hugh Clegg & Alan Fox)): Views the organization as a **coalition of competing interest groups** (Management vs. Workers) with divergent objectives where **conflict is natural, inevitable, and legitimate**, but manageable through institutionalized **Collective Bargaining**, joint consultation, and strong Trade Unions acting as legitimate countervailing powers (**Kerr's Theory** also emphasizes pluralistic societal bargaining).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 6 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (Marxist / Radical Approach (Karl Marx, Richard Hyman)): Rooted in historical materialism and **Surplus Value Theory**; views industrial conflict as a direct reflection of the broader **class struggle between the Bourgeoisie (Capitalists) and the Proletariat (Wage-laborers)** in a capitalist society. Unlike Pluralists, Marxists view Collective Bargaining merely as a temporary accommodation that does not eliminate structural exploitation until private ownership of means of production is abolished.

Statement-II (Gandhian Trusteeship Approach (Mahatma Gandhi — Ahmedabad Textile Labour Association / Majoor Mahajan Sangh, 1918–1920)): Based on **Satya (Truth), Ahimsa (Non-violence), and the Theory of Trusteeship**, wherein capitalists hold wealth above their legitimate needs as **Trustees of Society**, and workers treat establishment property with care. Advocates resolving disputes through mutual negotiation and **Voluntary Arbitration**, permitting **peaceful non-violent Strike (Satyagraha)** only as a last resort when arbitration is refused.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 6 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (Giri Approach (V.V. Giri, Former Labour Minister & 4th President of India)): Championed **voluntary bipartite negotiations and Mutual Collective Bargaining** directly between employers and unions, strongly opposing **compulsory adjudication** (which V.V. Giri famously termed **"Enemy Number One of Industrial Peace and Collective Bargaining"**!).

Statement-II (Human Relations Approach (Elton Mayo — Hawthorne Experiments, 1924–1932; Keith Davis)): Highlights informal social groups, psychological recognition, two-way communication, and worker morale over purely monetary incentives (*Rabble Hypothesis* rejection).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 6 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (Social Action Approach (Max Weber & C.J. Margerison)): Analyzes industrial relations from the subjective viewpoint of individual actors' goals, definitions of situations, and workplace sociology.

Statement-II (Socio-Ethical & Psychological Approaches (Mason Haire)): Uses **Role Playing** and **Thematic Apperception Tests (TAT)** to examine mutual perceptual stereotypes between union leaders and managers.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 6 Statement-Verification Drill #6 — Both Statements Verified Correct

Statement-I (Henry Ford's Paternalistic / Welfare Capitalism Approach): High wages ("Five-Dollar Day") coupled with strict managerial control without trade union interference.

Statement-II (1875): Sorabjee Shapoorjee Bengalee and **Narayan Meghaji Lokhande** initiated the first labor agitation in Bombay against deplorable factory working conditions.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 7: The Four New Labour Codes *(2019–2020)* — Comprehensive Statutory Analysis

Chapter Key Study Pillars — Chapter 7: The Four New Labour Codes (2019–2020) — Comprehensive Statutory Analysis

Key Study Pillar 1	Key Study Pillar 2	Key Study Pillar 3
Overview of Codification: Amalgamation of 29 Central Labour Laws into 4 Codes	**Deep Dive: Code on Wages, 2019 & Industrial Relations Code, 2020**	**Deep Dive: OSHWC Code, 2020**

7.1 Overview of Codification: Amalgamation of 29 Central Labour Laws into 4 Codes

• **Second National Commission on Labour (2002) Recommendation:** Chaired by **Ravindra Varma** (submitted report in **2002**; note that the **First National Commission on Labour was appointed in December 1966 under Chief Justice P.B. Gajendragadkar** and submitted its report in **1969**), the Second NCL recommended rationalizing and consolidating India's fragmented central labor statutes into **4 functional Labour Codes** as published on the **Ministry of Labour & Employment Portal**.

• **Exact Consolidation Matrix (29 Central Labour Acts → 4 Labour Codes):**

1. **The Code on Wages, 2019 (Act No. 29 of 2019 — Presidential Assent: 8 August 2019):** Contains **9 Chapters and 69 Sections**; amalgamates **4 Central Labour Acts**:

• The Payment of Wages Act, *1936*

• The Minimum Wages Act, *1948*

• The Payment of Bonus Act, *1965*

• The Equal Remuneration Act, *1976*

2. **The Industrial Relations Code, 2020 (Act No. 35 of 2020 — Presidential Assent: 28 September 2020):** Contains **14 Chapters, 104 Sections, and 3 Schedules**; amalgamates **3 Central Labour Acts**:

• The Trade Unions Act, *1926*

• The Industrial Employment (Standing Orders) Act, *1946*

• The Industrial Disputes Act, *1947*

3. **The Code on Social Security, 2020 (Act No. 36 of 2020 — Presidential Assent: 28 September 2020):** Contains **14 Chapters, 164 Sections, and 7 Schedules**; amalgamates **9 Central Labour Acts**:

• The Employees' Compensation Act, *1923*

• The Employees' State Insurance Act, *1948*

• The Employees' Provident Funds and Miscellaneous Provisions Act, *1952*

• The Employment Exchanges (Compulsory Notification of Vacancies) Act, *1959*

• The Maternity Benefit Act, *1961*

• The Payment of Gratuity Act, *1972*

• The Cine-Workers Welfare Fund Act, *1981*

• The Building and Other Construction Workers' Welfare Cess Act, *1996*

• The Unorganised Workers' Social Security Act, *2008*

4. **The Occupational Safety, Health and Working Conditions (OSHWC) Code, 2020 (Act No. 37 of 2020 — Presidential Assent: 28 September 2020):** Contains **14 Chapters, 143 Sections, and 3 Schedules**; amalgamates **13 Central Labour Acts** (including the Factories Act, *1948*; Mines Act, *1952*; Dock Workers Act, *1986*; Contract Labour (Regulation and Abolition) Act, *1970*; Inter-State Migrant Workmen Act, *1979*; Building and Other Construction Workers Act, *1996*; Working Journalists Acts; Motor Transport Workers Act, *1961*; Beedi and Cigar Workers Act, *1966*; Plantation Labour Act, *1951*; Sales Promotion Employees Act, *1976*; and Cine-Workers Act, *1981*).

7.2 Deep Dive*: Code on Wages, 2019* & Industrial Relations Code*, 2020*

• **Key Statutory Provisions of the Code on Wages, *2019*:**

• **Universalization of Minimum Wages & Payment of Wages:** Eliminates the old "Scheduled Employment" restriction of the *1948* Act and the **₹24,000/month** wage ceiling of the *1936* Act — making **Minimum Wages and timely Payment of Wages applicable to ALL employees across both organized and unorganized sectors**!

• **Uniform Definition of "Wages" (Section 2(y) — The 50% Exclusion Cap Rule):** Includes **Basic Pay + Dearness Allowance (DA) + Retaining Allowance**. Excludes 11 specified allowances (HRA, conveyance, bonus, PF/pension contribution, overtime, gratuity, retrenchment compensation). Crucially, if the aggregate of the specified excluded allowances (excluding gratuity and retrenchment compensation) **exceeds 50% (one-half) of total remuneration**, the amount exceeding 50% is **automatically added back to "Wages"** for computing PF, Gratuity, and Bonus!

• **National Floor Wage (Section 9):** Fixed by the **Central Government** based on minimum living standards of workers across geographical regions; **no State Government can fix a Minimum Wage below the National Floor Wage**! Minimum wages must be revised and reviewed at intervals **not exceeding 5 years** (Section 8).

• **Overtime Rate (Section 14) & Deductions Cap (Section 18):** Overtime work beyond normal working hours must be paid at **not less than TWICE (2 times) the normal rate of wages**. Total authorized deductions from an employee's wages in any wage period **shall NOT exceed 50% of such wages** (even for cooperative societies!).

• **Payment of Bonus (Chapter IV: Sections 26–41):** Applicable to every establishment employing **20 or more persons**; every employee drawing wages not exceeding a notified ceiling who has worked for **not less than 30 working days** in an accounting year is entitled to a **Minimum Bonus of 8.33% of wages or ₹100 (whichever is higher)** (irrespective of profit or loss, after the 5-year infancy holiday) and a **Maximum Bonus of 20% of wages**, subject to **Set-on and Set-off of Allocable Surplus (60% for banking/non-corporate and 67% for companies) for 4 succeeding accounting years**.

• **Key Statutory Provisions of the Industrial Relations Code, 2020:**

• **Registration of Trade Unions (Chapter III):** Any **7 or more members** can apply to register a Trade Union, provided at least **10% of the workers or 100 workers (whichever is less), subject to a minimum of 7 workers**, are employed in the establishment on the date of application (Section 6).

• **Sole Negotiating Union vs. Negotiating Council (Section 14 — Landmark Reform!):** Every industrial establishment having registered Trade Unions shall recognize a **Sole Negotiating Union** if a single union has the support of **51% or more** of the workers on the muster roll (lowered from 75% in the draft bill). If no single union has **51%** support, the employer constitutes a **Negotiating Council** consisting of representatives of all unions having at least **20% support** (one representative for every **20%** of workers).

• **Standing Orders Threshold Raised from 100 to 300 Workers (Chapter IV: Section 28):** Mandatory preparation of Standing Orders on classification of workers (permanent, temporary, apprentices, probationers, badli, and **Fixed Term Employment - FTE**, where FTE workers get **pro-rata Gratuity even after 1 year of service** without needing 5 years!) now applies to establishments employing **300 or more workers** (raised from **100** under the 1946 Act).

• **Prior Government Permission for Lay-off, Retrenchment & Closure Raised from 100 to 300 Workers (Chapter X: Section 77):** Under **Chapter X**, factories, mines, and plantations employing **300 or more workers** (raised from **100** under Chapter V-B of the Industrial Disputes Act, 1947) must obtain **prior permission of the Appropriate Government** before effecting Lay-off, Retrenchment, or Closure!

• **Universal 14-Day Strike & Lockout Notice (Section 62):** Previously restricted only to Public Utility Services under the 1947 Act, the IR Code 2020 prohibits a Strike or Lockout in **ANY industrial establishment** without

giving a **14-day advance notice** within **60 days** before striking! Moreover, **Mass Casual Leave by more than 50% of workers** on a given day is now explicitly included in the statutory definition of **"Strike"** (Section 2(zk))!

• **Worker Re-skilling Fund (Section 83):** Newly introduced fund for retrenched workers where the employer must deposit an amount equal to **15 days' last drawn wages** of every retrenched worker within **45 days** of retrenchment (in addition to standard Retrenchment Compensation of **15 days' average pay for every completed year of continuous service**!).

7.3 Deep Dive*:* OSHWC Code*, 2020*

• **Revised Applicability Thresholds under the OSHWC Code, 2020:**

• **Factory Definition (Section 2(w)):** Threshold doubled from the 1948 Act! Now means any premises where manufacturing is carried on: (a) with **20 or more workers WITH the aid of power** (up from 10), OR (b) with **40 or more workers WITHOUT the aid of power** (up from 20).

• **Contract Labour Threshold (Section 45):** Raised from 20 to **50 or more contract workers**; strictly prohibits engaging Contract Labour in **Core Activities** of an establishment (with limited statutory exceptions).

• **Inter-State Migrant Workers (Chapter XI: Section 59):** Applicable to establishments employing **10 or more inter-state migrant workers** (up from 5); newly includes workers who migrate on their own (not just via contractors) earning up to **₹18,000/month**, and mandates an annual **lump-sum Journey Allowance** for travel to and from their native place!

• **Welfare Officer, Canteen, Crèche & Safety Committee Thresholds:**

• **Safety Committee:** Vary by sector (**500+** in Factory, **250+** in BOCW, **100+** in Mine).

• **Welfare Officer:** **250 or more workers** (lowered from **500** under the Factories Act, 1948!).

• **Canteen:** **100 or more workers** (including contract labor; lowered from **250** under the Factories Act, 1948!).

• **Crèche Facility:** **50 or more workers** (of any gender; previously 30 women workers under 1948 Act, raised to 50 workers under 2017 Maternity Amendment and retained across both OSHWC and Social Security Codes).

• **Working Hours, Leave with Wages & Women Night Shift:** Maximum **8 hours/day and 48 hours/week**; entitlement to **1 day of annual leave with wages for every 20 days of work** lives on after working **180 days in a calendar year** (reduced from **240 days** under the Factories Act, 1948!). Women are permitted to work in all establishments during **Night Shifts (between 7:00 PM and 6:00 AM)** only **with their written consent** and mandatory employer safety/transport safeguards (Section 43).

Process Flowchart:

Step-by-Step Conceptual Process Flowchart

STEP 1
29 Central Labour Laws Consolidated into 4 Codes (4 + 3 + 9 + 13)

STEP 2
Uniform "Wages" Definition (50% Allowance Add-Back Cap)

STEP 3
IR Code Reforms (300-Worker Threshold, 51% Sole Bargaining Agent, 14-Day Strike Notice)

STEP 4
OSHWC & Social Security Universalization (Gig/Platform Workers, 1-Yr FTE Gratuity)

Statutory Feature / Threshold	Old Labour Acts Position (1926–1976)	New Position under the 4 Labour Codes (2019–2020)	Relevant Code & Section
Factory Definition Threshold	**10+** workers (with power) / **20+** workers (without power)	**20+ workers (with power) / 40+ workers (without power)**	OSHWC Code, 2020 — Sec 2(w)
Standing Orders & Prior Govt Permission for Lay-off / Retrenchment / Closure	**100+** workers (IESO Act 1946 & Chapter V-B of ID Act 1947)	Raised to **300 or more** workers	Industrial Relations Code, 2020 — Sec 28 & Sec 77
Contract Labour Applicability	**20 or more** contract workers (CLRA Act, 1970)	Raised to **50 or more** contract workers (Core activity ban)	OSHWC Code, 2020 — Sec 45
Canteen & Welfare Officer Thresholds	Canteen: **250+** workers; Welfare Officer: **500+** workers	Canteen: **100+ workers**; Welfare Officer: **250+ workers**	OSHWC Code, 2020 — Sec 24
Eligibility for Annual Leave with Wages	Minimum **240 days** worked in a calendar year	Reduced to **180 days worked in a calendar year** (**1 day leave per 20 days worked**)	OSHWC Code, 2020 — Sec 32
Sole Negotiating Union Recognition	No central statutory provision across all states	Union with **51% or more worker support**; else Negotiating Council (**20%** per rep)	Industrial Relations Code, 2020 — Sec 14
Gratuity Eligibility Period	**5 years** of continuous service (Payment of Gratuity Act, 1972)	**5 years** for regular employees; **3 years for Working Journalists**; **1 year (pro-rata) for Fixed Term Employees (FTE)**	Code on Social Security, 2020 — Sec 53

Did You Know?: Under the **Industrial Relations Code, 2020** (published by the Ministry of Labour & Employment), the time limit for raising an individual industrial dispute (relating to discharge, dismissal, retrenchment, or termination) before a Conciliation Officer has been **reduced from 3 years to 2 Years** from the date of termination (Section 4(9)), and the newly constituted **Industrial Tribunal** replaces the old Labour Court and CGIT, comprising **TWO Members** — one **Judicial Member** and one **Administrative Member**!

Exam Trap Alert: Memorize the exact number of repealed acts merged into each of the 4 Labour Codes (**4 + 3 + 9 + 13 = 29 Acts**)! Also note: under the **Code on Wages, 2019**, if an employer fails to pay wages by the statutory due date (7th of next month for **< 1000** employees in old act; under Code on Wages, **within 7 days after expiry of a monthly wage period**, within 2 days for daily, 7 days for weekly/fortnightly, and **within 2 working days of removal/dismissal/resignation**!), the burden of proof in claim proceedings lies on the **Employer** (Section 59).

★ **Memory Trick:** Remember the **29 Repealed Acts Breakdown** across the 4 Labour Codes in increasing order with **"4 - 3 - 9 - 13"**: **Wages Code (4 Acts)**, **IR Code (3 Acts)**, **Social Security Code (9 Acts)**, and **OSHWC Code (13 Acts)** ⇒ 4 + 3 + 9 + 13 = 29\text{ Acts}!

Chapter 7 Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Overview of Codification: Amalgamation of 29 Central Labour Laws into 4 Codes	**Second National Commission on Labour (2002) Recommendation**	Chaired by **Ravindra Varma** (submitted report in **2002**; note that the **First National Commission on Labour was appointed in December 1966 under Chief Justice P.B. Gajendragadkar** and submitted its report in **1969**), the Second NCL recommended rationalizing and consolidating India's fragmented central labor statutes into **4 functional Labour Codes** as published on the **Ministry of Labour & Employment Portal**.
Deep Dive: Code on Wages, 2019 & Industrial Relations Code, 2020	**The Code on Wages, 2019 (Act No. 29 of 2019 — Presidential Assent: 8 August 2019)**	Contains **9 Chapters and 69 Sections**; amalgamates **4 Central Labour Acts**:
Deep Dive: OSHWC Code, 2020	**The Industrial Relations Code, 2020 (Act No. 35 of 2020 — Presidential Assent: 28 September 2020)**	Contains **14 Chapters, 104 Sections, and 3 Schedules**; amalgamates **3 Central Labour Acts**:
Overview of Codification: Amalgamation of 29 Central Labour Laws into 4 Codes	**The Code on Social Security, 2020 (Act No. 36 of 2020 — Presidential Assent: 28 September 2020)**	Contains **14 Chapters, 164 Sections, and 7 Schedules**; amalgamates **9 Central Labour Acts**:
Deep Dive: Code on Wages, 2019 & Industrial Relations Code, 2020	**The Occupational Safety, Health and Working Conditions (OSHWC) Code, 2020 (Act No. 37 of 2020 — Presidential Assent: 28 September 2020)**	Contains **14 Chapters, 143 Sections, and 3 Schedules**; amalgamates **13 Central Labour Acts** (including the Factories Act, 1948; Mines Act, 1952; Dock Workers Act, 1986; Contract Labour (Regulation and Abolition) Act, 1970; Inter-State Migrant Workmen Act, 1979; Building and Other Construction Workers Act, 1996; Working Journalists Acts; Motor Transport Workers Act, 1961; Beedi and Cigar Workers Act, 1966; Plantation Labour Act, 1951; Sales Promotion Employees Act, 1976; and Cine-Workers Act, 1981).
Deep Dive: OSHWC Code, 2020	**Universalization of Minimum Wages & Payment of Wages**	Eliminates the old "Scheduled Employment" restriction of the 1948 Act and the **₹24,000/month** wage ceiling of the 1936 Act — making **Minimum Wages and timely Payment of Wages applicable to ALL employees across both organized and unorganized sectors**!
Overview of Codification: Amalgamation of 29 Central Labour Laws into 4 Codes	**Uniform Definition of "Wages" (Section 2(y) — The 50% Exclusion Cap Rule)**	Includes **Basic Pay + Dearness Allowance (DA) + Retaining Allowance**. Excludes 11 specified allowances (HRA, conveyance, bonus, PF/pension contribution, overtime, gratuity, retrenchment compensation). Crucially, if the aggregate of the specified excluded allowances (excluding gratuity and retrenchment compensation) **exceeds 50% (one-half) of total remuneration**, the amount exceeding **50%** is **automatically added back to "Wages"** for computing PF, Gratuity, and Bonus!
Deep Dive: Code on Wages, 2019 & Industrial Relations Code, 2020	**National Floor Wage (Section 9)**	Fixed by the **Central Government** based on minimum living standards of workers across geographical regions; **no State Government can fix a Minimum Wage below the National Floor Wage**! Minimum wages must be revised and reviewed at intervals **not exceeding 5 years** (Section 8).

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Deep Dive: OSHWC Code, 2020	**Overtime Rate (Section 14) & Deductions Cap (Section 18)**	Overtime work beyond normal working hours must be paid at **not less than TWICE (2 times) the normal rate of wages**. Total authorized deductions from an employee's wages in any wage period **shall NOT exceed 50% of such wages** (even for cooperative societies!).
Overview of Codification: Amalgamation of 29 Central Labour Laws into 4 Codes	**Payment of Bonus (Chapter IV: Sections 26–41)**	Applicable to every establishment employing **20 or more persons**; every employee drawing wages not exceeding a notified ceiling who has worked for **not less than 30 working days** in an accounting year is entitled to a **Minimum Bonus of 8.33% of wages or ₹100 (whichever is higher)** (irrespective of profit or loss, after the 5-year infancy holiday) and a **Maximum Bonus of 20% of wages**, subject to **Set-on and Set-off of Allocable Surplus (60% for banking/non-corporate and 67% for companies) for 4 succeeding accounting years**.
Deep Dive: Code on Wages, 2019 & Industrial Relations Code, 2020	**Registration of Trade Unions (Chapter III)**	Any **7 or more members** can apply to register a Trade Union, provided at least **10% of the workers or 100 workers (whichever is less), subject to a minimum of 7 workers**, are employed in the establishment on the date of application (Section 6).
Deep Dive: OSHWC Code, 2020	**Sole Negotiating Union vs. Negotiating Council (Section 14 — Landmark Reform!)**	Every industrial establishment having registered Trade Unions shall recognize a **Sole Negotiating Union** if a single union has the support of **51% or more** of the workers on the muster roll (lowered from 75% in the draft bill). If no single union has **51%** support, the employer constitutes a **Negotiating Council** consisting of representatives of all unions having at least **20% support** (one representative for every **20%** of workers).
Overview of Codification: Amalgamation of 29 Central Labour Laws into 4 Codes	**Standing Orders Threshold Raised from 100 to 300 Workers (Chapter IV: Section 28)**	Mandatory preparation of Standing Orders on classification of workers (permanent, temporary, apprentices, probationers, badli, and **Fixed Term Employment - FTE**, where FTE workers get **pro-rata Gratuity even after 1 year of service** without needing 5 years!) now applies to establishments employing **300 or more workers** (raised from **100** under the 1946 Act).
Deep Dive: Code on Wages, 2019 & Industrial Relations Code, 2020	**Prior Government Permission for Lay-off, Retrenchment & Closure Raised from 100 to 300 Workers (Chapter X: Section 77)**	Under **Chapter X**, factories, mines, and plantations employing **300 or more workers** (raised from **100** under Chapter V-B of the Industrial Disputes Act, 1947) must obtain **prior permission of the Appropriate Government** before effecting Lay-off, Retrenchment, or Closure!

Chapter 7 Multi-Statement Exam Verification Drills

Chapter 7 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (Second National Commission on Labour (2002) Recommendation): Chaired by **Ravindra Varma** (submitted report in **2002**; note that the **First National Commission on Labour was appointed in December 1966 under Chief Justice P.B. Gajendragadkar** and submitted its report in **1969**), the Second NCL recommended rationalizing and consolidating India's fragmented central labor statutes into **4 functional Labour Codes** as published on the Ministry of Labour & Employment Portal.

Statement-II (The Code on Wages, 2019 (Act No. 29 of 2019 — Presidential Assent: 8 August 2019)): Contains **9 Chapters and 69 Sections**; amalgamates **4 Central Labour Acts**:

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 7 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (The Industrial Relations Code, 2020 (Act No. 35 of 2020 — Presidential Assent: 28 September 2020)): Contains **14 Chapters, 104 Sections, and 3 Schedules**; amalgamates **3 Central Labour Acts**:

Statement-II (The Code on Social Security, 2020 (Act No. 36 of 2020 — Presidential Assent: 28 September 2020)): Contains **14 Chapters, 164 Sections, and 7 Schedules**; amalgamates **9 Central Labour Acts**:

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 7 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (The Occupational Safety, Health and Working Conditions (OSHWC) Code, 2020 (Act No. 37 of 2020 — Presidential Assent: 28 September 2020)): Contains **14 Chapters, 143 Sections, and 3 Schedules**; amalgamates **13 Central Labour Acts** (including the Factories Act, 1948; Mines Act, 1952; Dock Workers Act, 1986; Contract Labour (Regulation and Abolition) Act, 1970; Inter-State Migrant Workmen Act, 1979; Building and Other Construction Workers Act, 1996; Working Journalists Acts; Motor Transport Workers Act, 1961; Beedi and Cigar Workers Act, 1966; Plantation Labour Act, 1951; Sales Promotion Employees Act, 1976; and Cine-Workers Act, 1981).

Statement-II (Universalization of Minimum Wages & Payment of Wages): Eliminates the old "Scheduled Employment" restriction of the 1948 Act and the ₹24,000/month wage ceiling of the 1936 Act — making **Minimum Wages and timely Payment of Wages applicable to ALL employees across both organized and unorganized sectors**!

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 7 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (Uniform Definition of "Wages" (Section 2(y) — The 50% Exclusion Cap Rule)): Includes **Basic Pay + Dearness Allowance (DA) + Retaining Allowance**. Excludes 11 specified allowances (HRA, conveyance, bonus, PF/pension contribution, overtime, gratuity, retrenchment compensation). Crucially, if the aggregate of the specified excluded allowances (excluding gratuity and retrenchment compensation) **exceeds 50% (one-half) of total remuneration**, the amount exceeding 50% is **automatically added back to "Wages"** for computing PF, Gratuity, and Bonus!

Statement-II (National Floor Wage (Section 9)): Fixed by the **Central Government** based on minimum living standards of workers across geographical regions; **no State Government can fix a Minimum Wage below the National Floor Wage**! Minimum wages must be revised and reviewed at intervals **not exceeding 5 years** (Section 8).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 7 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (Overtime Rate (Section 14) & Deductions Cap (Section 18)): Overtime work beyond normal working hours must be paid at **not less than TWICE (2 times) the normal rate of wages**. Total authorized deductions from an employee's wages in any wage period **shall NOT exceed 50% of such wages** (even for cooperative societies!).

Statement-II (Payment of Bonus (Chapter IV: Sections 26–41)): Applicable to every establishment employing **20 or more persons**; every employee drawing wages not exceeding a notified ceiling who has worked for **not less than 30 working days** in an accounting year is entitled to a **Minimum Bonus of 8.33% of wages or ₹100 (whichever is higher)** (irrespective of profit or loss, after the 5-year infancy holiday) and a **Maximum Bonus of 20% of wages**, subject to **Set-on and Set-off of Allocable Surplus (60% for banking/non-corporate and 67% for companies) for 4 succeeding accounting years**.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 7 Statement-Verification Drill #6 — Both Statements Verified Correct

Statement-I (Registration of Trade Unions (Chapter III)): Any **7 or more members** can apply to register a Trade Union, provided at least **10% of the workers or 100 workers (whichever is less), subject to a minimum of 7 workers**, are employed in the establishment on the date of application (Section 6).

Statement-II (Sole Negotiating Union vs. Negotiating Council (Section 14 — Landmark Reform!)): Every industrial establishment having registered Trade Unions shall recognize a **Sole Negotiating Union** if a single union has the support of **51% or more** of the workers on the muster roll (lowered from 75% in the draft bill). If no single union has **51%** support, the employer constitutes a **Negotiating Council** consisting of representatives of all unions having at least **20% support** (one representative for every **20%** of workers).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter *8:* Code on Social Security *2020*, EPFO Schemes *(*EPF, EPS, EDLI*)*, ESIC, Gratuity, Maternity Benefit & ILO Standards

Chapter Key Study Pillars — Chapter 8: Code on Social Security 2020, EPFO Schemes (EPF, EPS, EDLI), ESIC, Gratuity, Maternity Benefit & ILO Standards

Key Study Pillar 1
The Code on Social Security, 2020 — Gig Workers, Platform Workers & Aggregators

Key Study Pillar 2
Employees' Provident Fund Organisation (EPFO — Chapter III of SS Code / EPF Act 1952)

Key Study Pillar 3
ESIC (Chapter IV), Gratuity (Chapter V), Maternity Benefit (Chapter VI) & Employees' Compensation (Chapter VII)

8.1 The Code on Social Security, *2020* — Gig Workers, Platform Workers & Aggregators

• **First-Ever Statutory Recognition of Gig and Platform Workers (Chapter IX: Sections 109–114):** As notified by the Ministry of Labour & Employment, the **Code on Social Security, 2020 (9 Acts merged)** defines:

• **Gig Worker (Section 2(35)):** A person who performs work or participates in a work arrangement and earns from such activities **outside of a traditional employer-employee relationship**.

• **Platform Worker (Section 2(60) & 2(61)):** A person engaged in a work arrangement outside a traditional employer-employee relationship in which organizations or individuals use an **online platform** to access other organizations or individuals to solve specific problems or to provide specific services in exchange for payment.

• **Social Security Fund & Aggregator Contribution (Section 114(4)):** Digital **Aggregators** (listed across 9 categories in the **Seventh Schedule**, such as ride-sharing, food and grocery delivery, e-marketplaces, logistics, healthcare, and content/media services) must contribute **1% to 2%** **of their annual turnover**, subject to a cap of **5%** **of the amount paid or payable by the aggregator to gig and platform workers**, into the **Social Security Fund** administered by the **National Social Security Board**.

8.2 Employees' Provident Fund Organisation *(*EPFO — Chapter III of SS Code / EPF Act *1952)*

• **Applicability and Administration (CBT):** Originally enacted on **4 March 1952**, the **Employees' Provident Funds and Miscellaneous Provisions Act, 1952** (now **Chapter III & First Schedule** of the Code on Social Security, 2020) applies to every establishment employing **20 or more** **employees** (and Cinema Theatres employing **5 or more** workers), affecting employees drawing basic wages + DA up to **₹15,000 per month** at the time of joining. Administered by the **Central Board of Trustees (CBT)** chaired ex-officio by the **Union Minister of Labour and Employment**, with the **Central Provident Fund Commissioner (CPFC)** as its Chief Executive Officer.

• **Exact Contribution Breakdown Across the Three EPFO Schemes (EPF 1952, EPS 1995 & EDLI 1976):**

1. **Employee's Share (12% of Basic Wages + DA + Retaining Allowance):** The entire **12%** contributed by the employee goes **100%** into the **Employees' Provident Fund (EPF Account)** (for scheduled Jute, Beedi, Brick, Coir, and Guar Gum factories or establishments with **< 20** employees or sick BIFR units, the rate is **10%**).

2. **Employer's Matching Share (12% of Basic Wages + DA + Retaining Allowance, plus 0.5% EDLI + 0.5% Admin = 13% Total):**

• **8.33%** of wages (subject to the **₹15,000** wage ceiling, i.e., maximum **₹1,250 per month**) is diverted to the **Employees' Pension Scheme, 1995 (EPS-95, launched 16 November 1995)**!

• The remaining **3.67%** (**12% - 8.33% = 3.67%**) goes into the **Employees' Provident Fund (EPF Account)**! (Note: if an employee crosses **58 years of age**, EPS contributions cease and the entire **12%** employer contribution goes into the EPF Account).

• **Central Government Contribution to EPS-95:** The Central Government contributes an additional **1.16%** of wages (up to **₹15,000/month**) into the Employees' Pension Scheme (making total EPS inflow 8.33\% + 1.16\% = 9.49\%). Minimum pensionable service under EPS-95 is **10 years**, superannuation age is **58 years**, minimum monthly pension is **₹1,000/month**, and the पेंशन calculation formula is: $Monthly Member's Pension = (Pensionable Salary (Avg of last 60 months) × Pensionable Service (Add +2 Bonus Years if ≥ 20 yrs) / 70)$.

3. **Employees' Deposit Linked Insurance Scheme, 1976 (EDLI — Launched 1 August 1976):** Provides life insurance cover on death while in service; **Employees contribute 0% (Zero!)**, while the **Employer contributes 0.50%** of wages (up to **₹15,000**, with statutory permission in the Code up to **1%**). Under the **28 April 2021 amendment (extended permanently)**, the **Minimum Assurance Benefit under EDLI is ₹2.50**

Lakh and the **Maximum Assurance Benefit is** **₹7.00 Lakh** (**35 times** average monthly wages + **50%** of average PF balance up to **₹1.75 Lakh**)!

4. **EPF Administrative Charges:** Employer pays **0.50%** of wages (minimum **₹500/month** for active establishments and **₹75/month** for zero-member establishments); EDLI administrative charges (**0.01%**) were **waived (0%) from 1 April 2017**.

8.3 ESIC *(Chapter IV)*, Gratuity *(Chapter V)*, Maternity Benefit *(Chapter VI)* & Employees' Compensation *(Chapter VII)*

• **Employees' State Insurance Corporation (ESIC — Act of 1948 / Chapter IV of SS Code):**

• First comprehensive social insurance statute in India/South Asia, enacted on **19 April 1948** based on the **Prof. B.P. Adarkar Report (1944)** and inaugurated at **Kanpur and Delhi on 24 February 1952**.

• **Applicability & Wage Ceiling:** Applies to establishments employing **10 or more employees** (and even **1 employee** if engaged in **Hazardous or Life-Threatening Occupations**, including Plantation options under the Social Security Code 2020!), covering employees drawing wages up to **₹21,000 per month** (**₹25,000 per month** for Persons with Benchmark Disabilities).

• **Contribution Rates (Effective since 1 July 2019 — Reduced from 6.5% to 4.0%): Employer contributes** **3.25%** of wages and **Employee contributes** **0.75%** of wages (Total = 4.00\%). Employees earning an average daily wage up to **₹176/day** are exempted from paying the employee's **0.75%** share! Provides **6 Statutory Benefits**: Medical Benefit (from Day 1, plus **₹10/month** or **₹120/year** for retired insured persons), Sickness Benefit (**70%** of wages for up to **91 days**), Maternity Benefit (**100%** of wages for **26 weeks**), Disablement Benefit (**90%** of standard benefit rate), Dependants' Benefit (**90%**), and **Funeral Expenses (₹15,000 paid to the eldest surviving member)** plus *Atal Beemit Vyakti Kalyan Yojana* (**50%** unemployment relief for 90 days) and *Rajiv Gandhi Shramik Kalyan Yojana*.

• **Payment of Gratuity (1972 Act / Chapter V of SS Code) & Maternity Benefit (1961 Act / Chapter VI of SS Code):**

• **Gratuity Formula & Ceiling:** Applies to establishments employing **10 or more employees**. Payable after **5 years of continuous service** (or **3 years for Working Journalists** and **1 year pro-rata for Fixed Term Employees (FTE)**; the 5-year condition does **NOT apply in case of Death or Disablement**!). Formula: $Gratuity = Last Drawn Wages (Basic + DA) × (15 / 26) × Completed Years of Service (Part of a year > 6 months curved up to 1 full year)$ (for **Seasonal Establishments**, the rate is 7 **days' wages** per season instead of 15 days). The **Maximum Statutory Tax-Free Gratuity Ceiling is** **₹20 Lakh** (enhanced on **29 March 2018** from **₹10 Lakh**, and **₹25 Lakh** for Central Govt employees after DA crossed 50%), payable within **30 days** of becoming due!

• **Maternity Benefit (2017 Amendment / Chapter VI of SS Code):** Applies to establishments employing **10 or more employees**; requires the woman to have actually worked for at least **80 days in the 12 months immediately preceding the expected date of delivery**. Provides **26 weeks of fully paid maternity leave** (up to **8 weeks before expected delivery**) for women having **fewer than 2 surviving children**; for a woman having **2 or more surviving children**, the entitlement is **12 weeks** (**6 weeks pre-delivery**). A **Commissioning Mother** (who uses her egg to create an embryo implanted in another woman) or a woman

who **legally adopts a child below the age of** **3 months** is entitled to **12 weeks** **of paid maternity leave** from the date the child is handed over! Also provides a **Medical Bonus of** **₹3,500** (if free pre-natal/post-natal care is not provided by employer), **6 weeks** paid leave for miscarriage/medical termination of pregnancy (**2 weeks** for tubectomy), **4 nursing breaks daily** until the child attains **15 months of age**, and mandatory **Crèche facility** in establishments having **50 or more** **employees**.

Process Flowchart:

Step-by-Step Conceptual Process Flowchart

STEP 1
Employee Onboarding & UAN / ESIC IP Registration on Shram Suvidha Portal

STEP 2
Monthly Contributions (EPF: 12%+3.67%, EPS: 8.33%+1.16%, EDLI: 0.5%, ESIC: 3.25%+0.75%)

STEP 3
Contingency Benefits (26-Wk Maternity, 90% Disablement, ₹2.5L–₹7L EDLI Cover)

STEP 4
Superannuation Settlement (EPS Pension at 58 Yrs & Gratuity 15/26 up to ₹20 Lakh)

Social Security Scheme	Applicability & Wage Ceiling	Employee vs. Employer Contribution	Key Benefit Formula & Statutory Limits
Employees' Provident Fund (EPF - 1952)	**20+** employees (**5+** in Cinema); Wage ceiling: **₹15,000/month**	Employee: **12%**; Employer: **3.67%** into EPF (+ **0.50%** Admin charge)	Lump-sum corpus with compound annual interest declared by CBT
Employees' Pension Scheme (EPS - 1995)	**20+** employees; Wage ceiling: **₹15,000/month**	Employee: **0%**; Employer: **8.33%** (max **₹1,250/m**); Central Govt: **1.16%**	Min **10 years** service; age **58 years** (early pension at **50 yrs** with **4%/yr** reduction); Pension = (Salary × Service / 70); Min Pension: **₹1,000/month**
Employees' Deposit Linked Insurance (EDLI - 1976)	**20+** employees; Wage ceiling: **₹15,000/month**	Employee: **0%**; Employer: **0.50%** (max **₹75/month**; **0%** Admin charge)	Death-in-service insurance: **Minimum** **₹2.50 Lakh** and **Maximum** **₹7.00 Lakh**
ESIC (1948 Act / Ch. IV SS Code)	**10+** employees (**1+** in Hazardous); Wage ceiling: **₹21,000/month** (**₹25,000** for PwD)	Employee: **0.75%** (Exempt if daily wage **≤ ₹176**); Employer: **3.25%** (Total **= 4.0%**)	Sickness: **70%** (**91 days**); Disablement/ Dependants: **90%**; Maternity: **100%** (**26 wks**); Funeral Expense: **₹15,000**
Payment of Gratuity (1972 / Ch. V SS Code)	**10+** employees; **No wage ceiling** for eligibility	Employee: **0%**; **100%** **paid by Employer**	Last Drawn Wages × (15 / 26) × Years (**7 days** for seasonal); Min **5 yrs** (**3 yrs** journalists, **1 yr** FTE, **0 yrs** death); Max Ceiling: **₹20 Lakh**
Maternity Benefit (1961 / Ch. VI SS Code)	**10+** employees; worked **≥ 80 days** in preceding 12 months	Employee: **0%**; **100%** **paid by Employer**	**26 weeks** (**< 2** surviving children, max **8 wks** pre-natal); **12 weeks** (**≥ 2** children OR Adoption **< 3 months** OR Commissioning mother); Medical Bonus: **₹3,500**

Social Security Scheme	Applicability & Wage Ceiling	Employee vs. Employer Contribution	Key Benefit Formula & Statutory Limits
Employees' Compensation (1923 / Ch. VII SS Code)	Hazardous/Scheduled employments not covered under ESIC	**100%** **Employer Liability** (Doctrine of **Notional Extension of Employment** applies to commuting accidents!)	**Death:** **50%** of monthly wages × Relevant Age Factor OR **₹1,20,000** (whichever is more) + **₹15,000** Funeral; **Permanent Total Disablement:** **60%** of monthly wages × Relevant Factor OR **₹1,40,000** (whichever is more) (Wage ceiling deemed **₹15,000/month**)

Did You Know?: The **Pradhan Mantri Shram Yogi Maan-Dhan Yojana (PM-SYM)** (launched on **15 February 2019** from Vastral, Ahmedabad, Gujarat by the **Ministry of Labour & Employment** and managed by **LIC as Pension Fund Manager**) is a voluntary **50:50** contributory pension scheme for **unorganized sector workers** (street vendors, rickshaw pullers, construction workers, rag pickers, domestic workers) aged **18 to 40 years** with monthly income **≤ ₹15,000** (not covered under EPFO/ESIC/NPS and not income-tax payers). Upon attaining **60 years of age**, the subscriber receives a guaranteed **minimum monthly pension of** **₹3,000/month** (with **50%** family pension = **₹1,500/month** to the spouse on subscriber's death), and the monthly contribution ranges from **₹55/month** **(at age 18)** to **₹200/month** **(at age 40)** matched equally by the Central Government! Additionally, the **e-Shram Portal** was launched on **26 August 2021** to create India's first National Database of Unorganized Workers (NDUW) aged **16–59 years** with a **12-digit Universal Account Number (UAN)** and **₹2 Lakh** accidental insurance under PMSBY.

Exam Trap Alert: Never confuse the **Death vs. Permanent Total Disablement (PTD) compensation percentages** under the **Employees' Compensation Act, 1923 (Chapter VII of Social Security Code, 2020)**! Compensation for **Permanent Total Disablement (** **60%** **of monthly wages × Relevant Factor, or** **₹1,40,000** **minimum)** is **HIGHER** than compensation for **Death (** **50%** **of monthly wages × Relevant Factor, or** **₹1,20,000** **minimum)** because a permanently disabled worker remains alive and requires lifelong medical care and sustenance in addition to loss of earning capacity! Also remember that **no compensation is payable if an injury does not result in disablement exceeding** **3 days**.

★ **Memory Trick:** Remember the **Gratuity Fraction (15 / 26)**: A month is deemed to have **26 working days** (30 days minus 4 Sundays), and Gratuity equals **15 days' wages** per completed year of service ((15 / 26) × Basic + DA × Years). And for **EPS-95 Pension Formula**, remember **"Salary × Service divided by 70 (plus 2 bonus years if ≥ 20 years service)"**!

Chapter 8 Comprehensive Analytical & Statutory Revision Matrix

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
The Code on Social Security, 2020 — Gig Workers, Platform Workers & Aggregators	**First-Ever Statutory Recognition of Gig and Platform Workers (Chapter IX: Sections 109–114)**	As notified by the **Ministry of Labour & Employment**, the **Code on Social Security, 2020 (9 Acts merged)** defines:
Employees' Provident Fund Organisation (EPFO — Chapter III of SS Code / EPF Act 1952)	**Gig Worker (Section 2(35))**	A person who performs work or participates in a work arrangement and earns from such activities **outside of a traditional employer-employee relationship**.

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
ESIC (Chapter IV), Gratuity (Chapter V), Maternity Benefit (Chapter VI) & Employees' Compensation (Chapter VII)	**Platform Worker (Section 2(60) & 2(61))**	A person engaged in a work arrangement outside a traditional employer-employee relationship in which organizations or individuals use an **online platform** to access other organizations or individuals to solve specific problems or to provide specific services in exchange for payment.
The Code on Social Security, 2020 — Gig Workers, Platform Workers & Aggregators	**Social Security Fund & Aggregator Contribution (Section 114(4))**	Digital **Aggregators** (listed across 9 categories in the **Seventh Schedule**, such as ride-sharing, food and grocery delivery, e-marketplaces, logistics, healthcare, and content/media services) must contribute **1% to 2%** **of their annual turnover**, subject to a cap of **5%** **of the amount paid or payable by the aggregator to gig and platform workers**, into the **Social Security Fund** administered by the **National Social Security Board**.
Employees' Provident Fund Organisation (EPFO — Chapter III of SS Code / EPF Act 1952)	**Applicability and Administration (CBT)**	Originally enacted on **4 March 1952**, the **Employees' Provident Funds and Miscellaneous Provisions Act, 1952** (now **Chapter III & First Schedule** of the Code on Social Security, 2020) applies to every establishment employing **20 or more** **employees** (and Cinema Theatres employing **5 or more** workers), affecting employees drawing basic wages + DA up to **₹15,000 per month** at the time of joining. Administered by the **Central Board of Trustees (CBT)** chaired ex-officio by the **Union Minister of Labour and Employment**, with the **Central Provident Fund Commissioner (CPFC)** as its Chief Executive Officer.
ESIC (Chapter IV), Gratuity (Chapter V), Maternity Benefit (Chapter VI) & Employees' Compensation (Chapter VII)	**Employee's Share (12% of Basic Wages + DA + Retaining Allowance)**	The entire **12%** contributed by the employee goes **100%** into the **Employees' Provident Fund (EPF Account)** (for scheduled Jute, Beedi, Brick, Coir, and Guar Gum factories or establishments with **< 20** employees or sick BIFR units, the rate is **10%**).
The Code on Social Security, 2020 — Gig Workers, Platform Workers & Aggregators	**8.33%**	of wages (subject to the **₹15,000** wage ceiling, i.e., maximum **₹1,250 per month**) is diverted to the **Employees' Pension Scheme, 1995 (EPS-95, launched 16 November 1995)**!
Employees' Provident Fund Organisation (EPFO — Chapter III of SS Code / EPF Act 1952)	**Central Government Contribution to EPS-95**	The Central Government contributes an additional **1.16%** of wages (up to **₹15,000/month**) into the Employees' Pension Scheme (making total EPS inflow 8.33\% + 1.16\% = 9.49\%). Minimum pensionable service under EPS-95 is **10 years**, superannuation age is **58 years**, minimum monthly pension is **₹1,000/month**, and the पेंशन calculation formula is: $Monthly Member's Pension = (Pensionable Salary (Avg of last 60 months) × Pensionable Service (Add +2 Bonus Years if ≥ 20 yrs) / 70)$.

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
ESIC (Chapter IV), Gratuity (Chapter V), Maternity Benefit (Chapter VI) & Employees' Compensation (Chapter VII)	**Employees' Deposit Linked Insurance Scheme, 1976 (EDLI — Launched 1 August 1976)**	Provides life insurance cover on death while in service; **Employees contribute 0% (Zero!)**, while the **Employer contributes 0.50%** of wages (up to **₹15,000**, with statutory permission in the Code up to **1%**). Under the **28 April 2021 amendment (extended permanently)**, the **Minimum Assurance Benefit under EDLI is ₹2.50 Lakh** and the **Maximum Assurance Benefit is ₹7.00 Lakh** (**35 times** average monthly wages + **50%** of average PF balance up to **₹1.75 Lakh**)!
The Code on Social Security, 2020 — Gig Workers, Platform Workers & Aggregators	**EPF Administrative Charges**	Employer pays **0.50%** of wages (minimum **₹500/month** for active establishments and **₹75/month** for zero-member establishments); EDLI administrative charges (**0.01%**) were **waived (0%) from 1 April 2017**.
Employees' Provident Fund Organisation (EPFO — Chapter III of SS Code / EPF Act 1952)	**Applicability & Wage Ceiling**	Applies to establishments employing **10 or more employees** (and even **1 employee** if engaged in **Hazardous or Life-Threatening Occupations**, including Plantation options under the Social Security Code 2020!), covering employees drawing wages up to **₹21,000 per month** (**₹25,000 per month** for Persons with Benchmark Disabilities).
ESIC (Chapter IV), Gratuity (Chapter V), Maternity Benefit (Chapter VI) & Employees' Compensation (Chapter VII)	**Contribution Rates (Effective since 1 July 2019 — Reduced from 6.5% to 4.0%)**	**Employer contributes 3.25%** of wages and **Employee contributes 0.75%** of wages (Total = 4.00\%). Employees earning an average daily wage up to **₹176/day** are exempted from paying the employee's **0.75%** share! Provides **6 Statutory Benefits**: Medical Benefit (from Day 1, plus **₹10/month** or **₹120/year** for retired insured persons), Sickness Benefit (**70%** of wages for up to **91 days**), Maternity Benefit (**100%** of wages for **26 weeks**), Disablement Benefit (**90%** of standard benefit rate), Dependants' Benefit (**90%**), and **Funeral Expenses (₹15,000 paid to the eldest surviving member)** plus *Atal Beemit Vyakti Kalyan Yojana* (**50%** unemployment relief for 90 days) and *Rajiv Gandhi Shramik Kalyan Yojana*.
The Code on Social Security, 2020 — Gig Workers, Platform Workers & Aggregators	**Gratuity Formula & Ceiling**	Applies to establishments employing **10 or more employees**. Payable after **5 years of continuous service** (or **3 years for Working Journalists** and **1 year pro-rata for Fixed Term Employees (FTE)**; the 5-year condition does **NOT apply in case of Death or Disablement**!). Formula: $Gratuity = Last Drawn Wages (Basic + DA) × (15 / 26) × Completed Years of Service (Part of a year > 6 months curved up to 1 full year)$ (for **Seasonal Establishments**, the rate is **7 days' wages** per season instead of 15 days). The **Maximum Statutory Tax-Free Gratuity Ceiling is ₹20 Lakh** (enhanced on **29 March 2018** from **₹10 Lakh**, and **₹25 Lakh** for Central Govt employees after DA crossed 50%), payable within **30 days** of becoming due!

Core Sub-Domain	Key Concept / Provision	Verified Analytical Parameters & Exam Distinctions (Institute of Chartered Accountants of India (ICAI))
Employees' Provident Fund Organisation (EPFO — Chapter III of SS Code / EPF Act 1952)	Maternity Benefit (2017 Amendment / Chapter VI of SS Code)	Applies to establishments employing **10 or more employees**; requires the woman to have actually worked for at least **80 days in the 12 months immediately preceding the expected date of delivery**. Provides **26 weeks of fully paid maternity leave** (up to **8 weeks before expected delivery**) for women having **fewer than 2 surviving children**; for a woman having **2 or more surviving children**, the entitlement is **12 weeks (6 weeks pre-delivery)**. A **Commissioning Mother** (who uses her egg to create an embryo implanted in another woman) or a woman who **legally adopts a child below the age of 3 months** is entitled to **12 weeks of paid maternity leave** from the date the child is handed over! Also provides a **Medical Bonus of ₹3,500** (if free pre-natal/post-natal care is not provided by employer), **6 weeks** paid leave for miscarriage/medical termination of pregnancy (**2 weeks** for tubectomy), **4 nursing breaks daily** until the child attains **15 months of age**, and mandatory **Crèche facility** in establishments having **50 or more employees**.

Chapter *8* Multi-Statement Exam Verification Drills

Chapter 8 Statement-Verification Drill #1 — Both Statements Verified Correct

Statement-I (First-Ever Statutory Recognition of Gig and Platform Workers (Chapter IX: Sections 109–114)): As notified by the Ministry of Labour & Employment, the **Code on Social Security, 2020 (9 Acts merged)** defines:

Statement-II (Gig Worker (Section 2(35))): A person who performs work or participates in a work arrangement and earns from such activities **outside of a traditional employer-employee relationship**.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 8 Statement-Verification Drill #2 — Both Statements Verified Correct

Statement-I (Platform Worker (Section 2(60) & 2(61))): A person engaged in a work arrangement outside a traditional employer-employee relationship in which organizations or individuals use an **online platform** to access other organizations or individuals to solve specific problems or to provide specific services in exchange for payment.

Statement-II (Social Security Fund & Aggregator Contribution (Section 114(4))): Digital **Aggregators** (listed across 9 categories in the **Seventh Schedule**, such as ride-sharing, food and grocery delivery, e-marketplaces, logistics, healthcare, and content/media services) must contribute **1% to 2% of their annual turnover**, subject to a cap of **5% of the amount paid or payable by the aggregator to gig and platform workers**, into the **Social Security Fund** administered by the **National Social Security Board**.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 8 Statement-Verification Drill #3 — Both Statements Verified Correct

Statement-I (Applicability and Administration (CBT)): Originally enacted on **4 March 1952**, the **Employees' Provident Funds and Miscellaneous Provisions Act, 1952** (now **Chapter III & First Schedule** of the Code on Social Security, 2020) applies to every establishment employing **20 or more employees** (and Cinema Theatres employing **5 or more** workers), affecting employees drawing basic wages + DA up to **₹15,000 per month** at the time of joining. Administered by the **Central Board of Trustees (CBT)** chaired ex-officio by the **Union Minister of Labour and Employment**, with the **Central Provident Fund Commissioner (CPFC)** as its Chief Executive Officer.

Statement-II (Employee's Share (12% of Basic Wages + DA + Retaining Allowance)): The entire **12%** contributed by the employee goes **100%** into the **Employees' Provident Fund (EPF Account)** (for scheduled Jute, Beedi, Brick, Coir, and Guar Gum factories or establishments with **< 20** employees or sick BIFR units, the rate is **10%**).

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 8 Statement-Verification Drill #4 — Both Statements Verified Correct

Statement-I (8.33%): of wages (subject to the **₹15,000** wage ceiling, i.e., maximum **₹1,250 per month**) is diverted to the **Employees' Pension Scheme, 1995 (EPS-95, launched 16 November 1995)**!

Statement-II (Central Government Contribution to EPS-95): The Central Government contributes an additional **1.16%** of wages (up to **₹15,000/month**) into the Employees' Pension Scheme (making total EPS inflow 8.33\% + 1.16\% = 9.49\%). Minimum pensionable service under EPS-95 is **10 years**, superannuation age is **58 years**, minimum monthly pension is **₹1,000/month**, and the पेंशन calculation formula is: $Monthly Member's Pension = (Pensionable Salary (Avg of last 60 months) × Pensionable Service (Add +2 Bonus Years if ≥ 20 yrs) / 70)$.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 8 Statement-Verification Drill #5 — Both Statements Verified Correct

Statement-I (Employees' Deposit Linked Insurance Scheme, 1976 (EDLI — Launched 1 August 1976)): Provides life insurance cover on death while in service; **Employees contribute 0% (Zero!)**, while the **Employer contributes 0.50%** of wages (up to **₹15,000**, with statutory permission in the Code up to **1%**). Under the **28 April 2021 amendment (extended permanently)**, the **Minimum Assurance Benefit under EDLI is ₹2.50 Lakh** and the **Maximum Assurance Benefit is ₹7.00 Lakh** (**35 times** average monthly wages + **50%** of average PF balance up to **₹1.75 Lakh**)!

Statement-II (EPF Administrative Charges): Employer pays **0.50%** of wages (minimum **₹500/month** for active establishments and **₹75/month** for zero-member establishments); EDLI administrative charges (**0.01%**) were **waived (0%) from 1 April 2017**.

✓ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Chapter 8 Statement-Verification Drill #6 — Both Statements Verified Correct

Statement-I (Applicability & Wage Ceiling): Applies to establishments employing **10 or more employees** (and even **1 employee** if engaged in **Hazardous or Life-Threatening Occupations**, including Plantation options under the Social Security Code 2020!), covering employees drawing wages up to **₹21,000 per month** (**₹25,000 per month** for Persons with Benchmark Disabilities).

Statement-II (Contribution Rates (Effective since 1 July 2019 — Reduced from 6.5% to 4.0%)): Employer contributes 3.25% of wages and **Employee contributes 0.75%** of wages (Total = 4.00\%). Employees earning an average daily wage up to **₹176/day** are exempted from paying the employee's **0.75%** share! Provides **6 Statutory Benefits**: Medical Benefit (from Day 1, plus **₹10/month** or **₹120/year** for retired insured persons), Sickness Benefit (**70%** of wages for up to **91 days**), Maternity Benefit (**100%** of wages for **26 weeks**), Disablement Benefit (**90%** of standard benefit rate), Dependants' Benefit (**90%**), and **Funeral Expenses (₹15,000 paid to the eldest surviving member)** plus *Atal Beemit Vyakti Kalyan Yojana* (**50%** unemployment relief for 90 days) and *Rajiv Gandhi Shramik Kalyan Yojana*.

✔ **Exam Verification Key: Both Statement-I and Statement-II are factually accurate as per Institute of Chartered Accountants of India (ICAI) & IUC Academy.**

Solved Exam Practice Questions (MCQs)

Practice Question #1 — Solved Exam MCQ

Q1. According to Accounting Standard-1 (AS-1: *Disclosure of Accounting Policies*) issued by **The Institute of Chartered Accountants of India (ICAI)**, which of the following constitute the **Three Fundamental Accounting Assumptions** whose observance is presumed without specific disclosure?
(A) Business Entity, Money Measurement, and Historical Cost
(B) Going Concern, Consistency, and Accrual
(C) Prudence, Substance over Form, and Materiality
(D) Matching, Realization, and Dual Aspect
Answer: (B) | **Explanation:** Under AS-1, Going Concern, Consistency, and Accrual (Mnemonic: GCA) are the three Fundamental Accounting Assumptions; specific disclosure in financial statements is required only if any of these three assumptions is NOT followed. Prudence, Substance over Form, and Materiality are the considerations governing the selection of accounting policies.

Practice Question #2 — Solved Exam MCQ

Q2. Under which accounting concept is the **Capital** contributed by the proprietor treated as a **Liability** of the business on the Balance Sheet, and under which convention is **Closing Stock** valued at lower of Cost or Net Realizable Value (NRV)?
(A) Money Measurement Concept and Convention of Materiality
(B) Business Entity (Separate Entity) Concept and Convention of Conservatism (Prudence)
(C) Going Concern Concept and Convention of Consistency
(D) Dual Aspect Concept and Convention of Full Disclosure
Answer: (B) | **Explanation:** The Business Entity Concept treats the business as completely separate and distinct from its owner, making owner's Capital an internal liability of the business toward the proprietor. The Convention of Conservatism ("*Anticipate no profit, but provide for all possible losses*") mandates valuing inventory at lower of Cost or NRV (AS-2).

Practice Question #3 Solved Exam MCQ

Q3. Under the traditional British classification of accounts, how are **Bank Overdraft Account**, **Prepaid Insurance Account**, and **Goodwill Account** classified respectively?
(A) Real Account, Nominal Account, and Personal Account
(B) Artificial Personal Account, Representative Personal Account, and Intangible Real Account
(C) Representative Personal Account, Nominal Account, and Tangible Real Account
(D) Nominal Account, Representative Personal Account, and Artificial Personal Account
Answer: (B) | **Explanation:** Bank Overdraft A/c represents a banking corporation (Artificial Personal Account); Prepaid Insurance A/c is a Nominal Account with a prefix attached (Representative Personal Account); and Goodwill A/c is an asset without physical existence (Intangible Real Account).

Practice Question #4 Solved Exam MCQ

Q4. Which of the following accounting errors will **NOT affect the agreement of the Trial Balance** (i.e., the Trial Balance will still tally despite the error)?
(A) Undercasting of the Purchases Book by ₹5,000
(B) Posting ₹2,000 received from Ramesh to the debit side of Ramesh's Account
(C) Debiting ₹15,000 paid as installation wages for a new Plant & Machinery to the Wages Account
(D) Omitting to post a cash discount of ₹400 allowed to a customer into the Discount Allowed Account
Answer: (C) | **Explanation:** Debiting installation wages of a new machine to Wages A/c instead of Machinery A/c is an **Error of Principle** (treating Capital Expenditure as Revenue Expenditure). Since both Wages A/c and Machinery A/c have debit balances of ₹15,000, the Trial Balance still tallies, although Net Profit is understated by ₹15,000.

Practice Question #5 Solved Exam MCQ

Q5. If **Closing Stock** appears **INSIDE the Trial Balance**, where will it be recorded while preparing the Final Accounts?
(A) Only on the Credit side of the Trading Account
(B) Both on the Credit side of the Trading Account and on the Assets side of the Balance Sheet
(C) Only on the Assets side of the Balance Sheet (and NOT in the Trading Account)
(D) Deducted from Capital on the Liabilities side of the Balance Sheet
Answer: (C) | **Explanation:** When Closing Stock appears inside the Trial Balance, it means it has already been adjusted against Purchases (**Closing Stock A/c Dr. To Purchases A/c**) to arrive at Adjusted Purchases. Since every item inside the Trial Balance goes to only one place in Final Accounts, it is shown exclusively on the Assets side of the Balance Sheet.

Practice Question #6 Solved Exam MCQ

Q6. A business reports Opening Stock of ₹40,000, Net Purchases of ₹2,00,000, Direct Wages of ₹20,000, and Sales of ₹3,00,000. If the firm earns a Gross Profit of **25\% on Cost**, what is the value of its **Closing Stock**?
(A) ₹20,000
(B) ₹35,000
(C) ₹40,000
(D) ₹60,000
Answer: (A) | **Explanation:** A Gross Profit of 25\% ((1 / 4)) on Cost equals (1 / 4+1) = (1 / 5) (20\%) on Sales! Therefore, Gross Profit = 20\% of ₹3,00,000 = ₹60,000, and Cost of Goods Sold (COGS) = Sales - GP = ₹3,00,000 - ₹60,000 = ₹2,40,000. Using COGS = Opening Stock + Purchases + Direct Expenses - Closing Stock, we get $2,40,000 = 40,000 + 2,00,000 + 20,000 - Closing Stock ⇒ Closing Stock = 2,60,000 - 2,40,000 = ₹20,000$.

Practice Question #7 Solved Exam MCQ

Q7. A Bill of Exchange dated **12th July 2026** is drawn payable **1 month after date**. What will be the legal **Date of Maturity** of the bill under the Negotiable Instruments Act, 1881?
(A) 12th August 2026
(B) 14th August 2026
(C) 15th August 2026
(D) 16th August 2026
Answer: (B) | **Explanation:** 1 month from 12th July 2026 is 12th August 2026. Adding 3 statutory Days of Grace (Section 22 of NI Act, 1881) lands on 15th August 2026. Since 15th August (Independence Day) is a known Public/Gazetted Holiday under Section 25, the bill matures on the **immediately preceding business day**, which is **14th August 2026**!

Practice Question #8 Solved Exam MCQ

Q8. In the absence of a written Partnership Deed, which of the following rules applies under Section 13 of the Indian Partnership Act, 1932?
(A) Profits are shared in the ratio of partners' capital contributions, and Interest on Capital is allowed at 6% p.a.
(B) Profits and losses are shared equally, no Interest on Capital or Drawings is allowed/charged, and Interest on Partner's Loan to the firm is allowed at 6% per annum even if the firm incurs a loss
(C) Active partners get a monthly salary, and Interest on Partner's Loan is allowed at 10% p.a.
(D) Interest on Drawings is charged at 6% p.a. and profits are shared equally
Answer: (B) | **Explanation:** Under Section 13 of the Indian Partnership Act, 1932, in the absence of a deed: (1) profits and losses are shared equally, (2) no interest on capital, (3) no interest on drawings, (4) no salary/commission to partners, and (5) Interest on Partner's Loan/Advance is paid at 6% p.a. as a charge against profit (payable even in a loss).

Practice Question #9 Solved Exam MCQ

Q9. If a partner withdraws an equal amount of ₹5,000 at the **beginning of every month** throughout the 12-month accounting year and interest on drawings is charged at 10\% p.a., for how many **Average Months** will interest be calculated on the total annual drawings?
(A) 5.5 Months
(B) 6.0 Months
(C) 6.5 Months
(D) 7.5 Months
Answer: (C) | **Explanation:** Using $Average Period = (Months left after 1st drawing + Months left after last drawing / 2) = (12 + 1 / 2) = 6.5\text{ Months}$ (6.0 months if drawn in the middle of each month; 5.5 months if drawn at the end of each month; 7.5 months if drawn at the beginning of each quarter).

Practice Question #10 Solved Exam MCQ

Q10. Under Section 52(2) of the Companies Act, 2013, the balance in the **Securities Premium Account** CANNOT be utilized for which of the following purposes?
(A) Issuing fully paid Bonus Shares to existing members
(B) Writing off Preliminary Expenses of the company
(C) Payment of cash dividend to equity shareholders
(D) Buy-back of the company's own shares under Section 68
Answer: (C) | **Explanation:** Section 52(2) of the Companies Act, 2013 restricts the use of Securities Premium to 5 capital purposes: issuing fully paid bonus shares, writing off preliminary expenses, writing off share/debenture issue expenses/commission/discount, providing for premium on redemption of preference shares/debentures, and buy-back of shares under Section 68. It is a capital receipt and can NEVER be used to pay dividends.

Practice Question #11 Solved Exam MCQ

Q11. X Ltd. forfeited **200 equity shares** of ₹10 each (fully called-up) for non-payment of the final call of **₹3 per share**. Subsequently, **150 of these forfeited shares** were re-issued at **₹8 per share** as fully paid-up. What amount should be transferred to the **Capital Reserve Account**?
(A) ₹1,400
(B) ₹1,100
(C) ₹750
(D) ₹1,050
Answer: (C) | **Explanation:** Amount already paid and forfeited per share = ₹10 - ₹3 = ₹7 per share. Discount allowed on re-issue per share = ₹10 - ₹8 = ₹2 per share. Net capital gain per re-issued share = ₹7 - ₹2 = ₹5 per share. Therefore, for 150 re-issued shares, amount transferred to Capital Reserve = 150 × ₹5 = ₹750 (while 50 × ₹7 = ₹350 remains in Share Forfeiture A/c until the remaining 50 shares are re-issued).

Practice Question #12 Solved Exam MCQ

Q12. A company has Current Assets of ₹4,00,000 and Current Liabilities of ₹2,00,000 (giving a Current Ratio of 2 : 1). If the company **pays ₹50,000 to its Sundry Creditors in cash**, what will be the impact on its **Current Ratio** and **Net Working Capital**?
(A) Current Ratio decreases to 1.67 : 1; Working Capital remains unchanged
(B) Current Ratio increases (improves) to 2.33 : 1; Net Working Capital remains unchanged at ₹2,00,000
(C) Both Current Ratio and Working Capital increase
(D) Both Current Ratio and Working Capital remain unchanged
Answer: (B) | **Explanation:** After paying ₹50,000 cash to Creditors, New Current Assets = 4,00,000 - 50,000 = ₹3,50,000 and New Current Liabilities = 2,00,000 - 50,000 = ₹1,50,000. Thus, New Current Ratio = (3,50,000 / 1,50,000) = 2.33 : 1 (Ratio improves!), while Net Working Capital = CA - CL = 3,50,000 - 1,50,000 = ₹2,00,000 (unchanged!).

Practice Question #13 Solved Exam MCQ

Q13. In which landmark judicial judgment was it observed that "*An auditor is a **watchdog and not a bloodhound***"?
(A) *London and General Bank* (1895)
(B) *Kingston Cotton Mill Co.* (1896)
(C) *Garner v. Murray* (1904)
(D) *Armitage v. Brewer & Knott* (1932)
Answer: (B) | **Explanation:** In *Re Kingston Cotton Mill Co.* (1896), Lord Justice Lopes famously held that an auditor is not bound to approach his work with suspicion or foregone conclusion that something is wrong; he is a watchdog, not a bloodhound.

Practice Question #14 Solved Exam MCQ

Q14. Under **Section 139(7) of the Companies Act, 2013**, who appoints the **First Auditor of a Government Company**, and within how many days from the registration of the company?
(A) Board of Directors within 30 days
(B) Comptroller and Auditor-General of India (CAG) within 60 days
(C) Central Government within 90 days
(D) Comptroller and Auditor-General of India (CAG) within 180 days
Answer: (B) | **Explanation:** Under Section 139(7), the First Auditor of a Government Company is appointed by the CAG within **60 days** of registration (if CAG fails, by the Board within next 30 days; if Board fails, by Members at an EGM within 60 days — the **60-30-60** rule). Subsequent auditors of a Government Company are appointed by CAG within **180 days** from the start of each financial year under Section 139(5).

Practice Question #15 Solved Exam MCQ

Q15. Under **SA 705** issued by **The Institute of Chartered Accountants of India (ICAI)**, when an auditor concludes that misstatements in the financial statements are **BOTH Material AND Pervasive**, which type of Audit Opinion must be issued?
(A) Unmodified (Clean) Opinion
(B) Qualified Opinion ("Except For")
(C) Adverse (Negative) Opinion
(D) Disclaimer of Opinion

Answer: (C) | **Explanation:** Under SA 705: (1) Misstatements are Material but NOT Pervasive → **Qualified Opinion**; (2) Misstatements are BOTH Material AND Pervasive → **Adverse Opinion**; (3) Inability to obtain sufficient audit evidence (Scope Limitation) is Material AND Pervasive → **Disclaimer of Opinion**.

Practice Question #16 Solved Exam MCQ

Q16. Under **Section 143(12) of the Companies Act, 2013**, if a statutory auditor in the course of his audit has reason to believe that an offense of fraud is being committed against the company by its officers or employees involving an amount of **₹1 Crore or above**, to whom must the auditor report the fraud in Form ADT-4?
(A) Only to the Managing Director
(B) To the Central Government (after seeking reply from the Board/Audit Committee within 45 days)
(C) To the Securities and Exchange Board of India (SEBI)
(D) To the National Company Law Tribunal (NCLT)

Answer: (B) | **Explanation:** Under Section 143(12) read with Rule 13, frauds involving **≥ ₹1 Crore** must be reported by the auditor to the Central Government (Ministry of Corporate Affairs) in Form ADT-4, whereas frauds involving **< ₹1 Crore** are reported only to the company's Audit Committee or Board of Directors.

Practice Question #17 Solved Exam MCQ

Q17. Who formulated the **Systems Approach to Industrial Relations** in his classic 1958 work *Industrial Relations Systems*, expressing the **"Web of Rules"** through the equation R = f(A, T, M, P, I)?
(A) Allan Flanders and Hugh Clegg
(B) Elton Mayo
(C) John T. Dunlop
(D) Karl Marx and Richard Hyman

Answer: (C) | **Explanation:** Harvard Professor John T. Dunlop published *Industrial Relations Systems* in 1958, defining IR as a subsystem of industrial society where Three Actors (Workers/Unions, Management, Government) interact within Three Environmental Contexts (Technology, Market constraints, Power distribution) bound by a Shared Ideology to establish a Web of Rules.

Practice Question #18 Solved Exam MCQ

Q18. Which approach to Industrial Relations views the establishment as an integrated, harmonious family with **one single source of legitimate authority** and regards workplace conflict as abnormal, irrational, and caused by agitators?
(A) Pluralist (Oxford) Approach
(B) Unitary Approach
(C) Marxist (Radical) Approach
(D) Gandhian Trusteeship Approach

Answer: (B) | **Explanation:** The Unitary Approach assumes unity of interest between management and employees under a single legitimate managerial authority, viewing conflict as pathological/unnecessary and unions as illegitimate intruders. Conversely, the Pluralist Approach (Flanders, Fox, Clegg) views conflict as natural between competing interest groups resolved via Collective Bargaining.

Practice Question #19 Solved Exam MCQ

Q19. Who is honored as the **Father of the Indian Trade Union Movement** for organizing the 1884 Bombay mill workers' conference, founding the **Bombay Millhands Association in 1890**, and publishing the labor journal *Deenbandhu*?
(A) B.P. Wadia
(B) Narayan Meghaji Lokhande
(C) Lala Lajpat Rai
(D) N.M. Joshi
Answer: (B) | **Explanation:** Narayan Meghaji Lokhande (a close associate of Mahatma Jyotirao Phule) founded the Bombay Millhands Association in 1890 (India's first labor association) and edited *Deenbandhu*. B.P. Wadia founded the Madras Labour Union in 1918 (India's first modern organized Trade Union).

Practice Question #20 Solved Exam MCQ

Q20. When was the **All India Trade Union Congress (AITUC)** founded in Bombay, and who served as its **First President** and **First General Secretary**?
(A) 27 April 1918; B.P. Wadia (President) and N.M. Joshi (General Secretary)
(B) 31 October 1920; Lala Lajpat Rai (President) and Diwan Chaman Lall (General Secretary)
(C) 3 May 1947; Sardar Vallabhbhai Patel (President) and G.L. Nanda (General Secretary)
(D) 23 July 1955; Dattopant Thengadi (President) and V.V. Giri (General Secretary)
Answer: (B) | **Explanation:** AITUC, the oldest national trade union federation in India, was founded on 31 October 1920 in Bombay with Lala Lajpat Rai as First President, Diwan Chaman Lall as General Secretary, and Joseph Baptista as Vice-President.

Practice Question #21 Solved Exam MCQ

Q21. In which union security arrangement is an employer legally permitted to hire **ONLY existing members of the Trade Union** (*"First join the Union, then get the Job"*)?
(A) Union Shop
(B) Agency Shop
(C) Closed Shop (Pre-Entry Closed Shop)
(D) Maintenance of Membership Shop
Answer: (C) | **Explanation:** In a Closed Shop, union membership is a mandatory pre-condition prior to hiring. In a Union Shop, the employer can hire non-union workers, provided they join the union within a specified period after joining employment.

Practice Question #22 Solved Exam MCQ

Q22. According to the **Ministry of Labour & Employment**, how many existing Central Labour Laws were amalgamated into each of the **Four Labour Codes** — namely (1) **Code on Wages, 2019**, (2) **Industrial Relations Code, 2020**, (3) **Code on Social Security, 2020**, and (4) **OSHWC Code, 2020** respectively?
(A) 4,\; 3,\; 9, and 13 (Total = 29 Acts)
(B) 4,\; 4,\; 8, and 13 (Total = 29 Acts)
(C) 3,\; 4,\; 9, and 12 (Total = 28 Acts)
(D) 5,\; 3,\; 10, and 11 (Total = 29 Acts)
Answer: (A) | **Explanation:** Based on the Second National Commission on Labour (Ravindra Varma, 2002), 29 Central Labour Laws were consolidated into 4 Codes: Code on Wages, 2019 (**4 Acts**), Industrial Relations Code, 2020 (**3 Acts**), Code on Social Security, 2020 (**9 Acts**), and OSHWC Code, 2020 (**13 Acts**).

Practice Question #23 Solved Exam MCQ

Q23. Under **Section 2(y) of the Code on Wages, 2019**, if the aggregate of the specified excluded allowances (such as HRA, conveyance, bonus, and commission) exceeds what percentage of the total remuneration, the excess amount is deemed to be added back to **"Wages"**?
(A) 33.33% of total remuneration
(B) 40% of total remuneration
(C) 50% (One-Half) of total remuneration
(D) 60% of total remuneration
Answer: (C) | **Explanation:** To prevent employers from artificially suppressing Basic Pay + DA by splitting salaries into multiple allowances to evade PF, Gratuity, and Bonus liabilities, Section 2(y) of the Code on Wages, 2019 mandates that if excluded allowances exceed 50\% of total remuneration, the excess over 50\% is automatically added to Basic Wages.

Practice Question #24 Solved Exam MCQ

Q24. Under the **Code on Wages, 2019**, what are the **Minimum** and **Maximum** statutory rates of annual Bonus, and within how many years must the **National Floor Wage / Minimum Wages** be reviewed and revised?
(A) Minimum Bonus: 8.33% (or ₹100) and Maximum Bonus: 20%; Minimum wage revision every 5 years
(B) Minimum Bonus: 10% and Maximum Bonus: 25%; Minimum wage revision every 3 years
(C) Minimum Bonus: 8.33% and Maximum Bonus: 15%; Minimum wage revision every 5 years
(D) Minimum Bonus: 6.25% and Maximum Bonus: 20%; Minimum wage revision every 10 years
Answer: (A) | **Explanation:** Under Chapter IV of the Code on Wages, 2019, every eligible employee who has worked at least 30 working days in an accounting year is entitled to a Minimum Bonus of 8.33\% of wages (or ₹100, whichever is higher) and a Maximum Bonus of 20\%, with 4-year Set-on and Set-off. Under Section 8(4), minimum wages must be reviewed/revised at intervals not exceeding **5 years**.

Practice Question #25 Solved Exam MCQ

Q25. Under **Section 14 of the Industrial Relations Code, 2020**, what minimum percentage of worker support on the muster roll is required for a registered Trade Union to be recognized as the **Sole Negotiating Union** when multiple unions exist in an industrial establishment?
(A) 33% or more of workers
(B) 51% or more of workers
(C) 66% or more of workers
(D) 75% or more of workers
Answer: (B) | **Explanation:** Section 14(3) of the Industrial Relations Code, 2020 stipulates that if more than one registered Trade Union functions in an establishment, the union having **51\% or more** of the workers on the muster roll as members shall be recognized as the Sole Negotiating Union; if no union crosses 51\%, a **Negotiating Council** is formed with unions having at least **20\%** support.

Practice Question #26 Solved Exam MCQ

Q26. Under **Section 28 and Section 77 of the Industrial Relations Code, 2020**, the threshold limit of workers for mandatory **Standing Orders** and for **Prior Government Permission before Lay-off, Retrenchment, or Closure** has been enhanced from 100 workers to how many workers?
(A) 150 or more workers
(B) 200 or more workers
(C) 300 or more workers
(D) 500 or more workers
Answer: (C) | **Explanation:** Both the applicability threshold for Standing Orders (Chapter IV, Sec 28) and the threshold under Chapter X (Sec 77, corresponding to old Chapter V-B of the ID Act 1947) requiring prior permission of the Appropriate Government for lay-off, retrenchment, or closure in factories, mines, and plantations have been raised from 100 workers to **300 or more workers**.

Practice Question #27 Solved Exam MCQ

Q27. Under **Section 83 of the Industrial Relations Code, 2020**, how many days' wages must an employer contribute to the newly created **Worker Re-skilling Fund** for every retrenched worker, and within how many days of retrenchment is it payable to the worker?
(A) 15 days' last drawn wages; credited within 45 days of retrenchment
(B) 30 days' last drawn wages; credited within 30 days of retrenchment
(C) 7 days' last drawn wages; credited within 15 days of retrenchment
(D) 20 days' last drawn wages; credited within 60 days of retrenchment
Answer: (A) | **Explanation:** Under Section 83 of the IR Code, 2020, in addition to retrenchment compensation, the employer must deposit an amount equal to **15 days' last drawn wages** of every retrenched worker into the Worker Re-skilling Fund, which is transferred to the worker's bank account within **45 days** of retrenchment.

Practice Question #28 Solved Exam MCQ

Q28. Under the **Occupational Safety, Health and Working Conditions (OSHWC) Code, 2020**, what is the revised definition of a **"Factory"** in terms of minimum worker thresholds with and without the aid of power?
(A) 10 or more workers with power; 20 or more workers without power
(B) 20 or more workers with power; 40 or more workers without power
(C) 25 or more workers with power; 50 or more workers without power
(D) 15 or more workers with power; 30 or more workers without power
Answer: (B) | **Explanation:** Section 2(w) of the OSHWC Code, 2020 doubles the old Factories Act, 1948 thresholds: a Factory now means premises where a manufacturing process is carried on with **20 or more workers WITH the aid of power**, or **40 or more workers WITHOUT the aid of power**.

Practice Question #29 Solved Exam MCQ

Q29. Under the **OSHWC Code, 2020**, what are the revised minimum worker thresholds for mandatory provision of a **Canteen**, a **Welfare Officer**, and **Annual Leave with Wages** eligibility in a calendar year?
(A) Canteen: 250 workers; Welfare Officer: 500 workers; Annual Leave eligibility: 240 days worked
(B) Canteen: 100 workers; Welfare Officer: 250 workers; Annual Leave eligibility: 180 days worked
(C) Canteen: 150 workers; Welfare Officer: 300 workers; Annual Leave eligibility: 200 days worked
(D) Canteen: 50 workers; Welfare Officer: 100 workers; Annual Leave eligibility: 150 days worked
Answer: (B) | **Explanation:** The OSHWC Code, 2020 expanded worker welfare by lowering thresholds: **Canteen** is mandatory at **100+ workers** (down from 250), **Welfare Officer** at **250+ workers** (down from 500), **Crèche** at **50+ workers**, and eligibility for **Annual Leave with Wages** (1 day per 20 days worked) requires working **180 days** in a calendar year (down from 240 days).

Practice Question #30 Solved Exam MCQ

Q30. Under **Section 114(4) of the Code on Social Security, 2020**, what rate of contribution must digital **Aggregators** pay toward the Social Security Fund for **Gig Workers and Platform Workers**?
(A) 1% to 2% of annual turnover of the aggregator, capped at 5% of the amount paid/payable to gig and platform workers
(B) 5% to 10% of annual net profit of the aggregator
(C) Flat 12% of gig worker payouts
(D) 0.5% of gross revenue without any cap
Answer: (A) | **Explanation:** Section 114(4) of the Code on Social Security, 2020 mandates that contribution by an aggregator shall be at a notified rate between **1\% and 2\% of the annual turnover** of every such aggregator, provided that it **shall not exceed 5\% of the amount paid or payable** by the aggregator to gig and platform workers.

Practice Question #31 Solved Exam MCQ

Q31. Under the **Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (Chapter III of the Code on Social Security, 2020)**, how is the **Employer's 12\% contribution** split between the **EPF Account** and the **Employees' Pension Scheme (EPS-95)**, and what additional percentage does the **Central Government** contribute to EPS-95?
(A) 6.00% to EPF and 6.00% to EPS; Central Govt contributes 1.50%
(B) 3.67% to EPF and 8.33% to EPS (up to ₹15,000 wage ceiling); Central Govt contributes 1.16% to EPS
(C) 8.33% to EPF and 3.67% to EPS; Central Govt contributes 1.16% to EPF
(D) 4.00% to EPF and 8.00% to EPS; Central Govt contributes 2.00%
Answer: (B) | **Explanation:** While the Employee's entire 12\% goes into the EPF Account, the Employer's 12\% is bifurcated into **8.33\% to EPS-95** (capped at ₹1,250/month on the ₹15,000 ceiling) and **3.67\% to the EPF Account**, supplemented by a **1.16\% Central Government contribution** to EPS-95 (plus 0.50\% Employer contribution to EDLI and 0.50\% EPF Admin charges).

Practice Question #32 Solved Exam MCQ

Q32. Under the **Employees' Deposit Linked Insurance (EDLI) Scheme, 1976** (as amended in April 2021), what are the **Minimum** and **Maximum** lump-sum assurance benefits payable to the nominee/legal heir of an EPF member who dies while in service?
(A) Minimum ₹1.50 Lakh and Maximum ₹6.00 Lakh
(B) Minimum ₹2.50 Lakh and Maximum ₹7.00 Lakh
(C) Minimum ₹2.00 Lakh and Maximum ₹5.00 Lakh
(D) Minimum ₹3.00 Lakh and Maximum ₹10.00 Lakh
Answer: (B) | **Explanation:** Effective 28 April 2021 (and extended permanently by the Ministry of Labour & Employment), the minimum death-in-service assurance benefit under the EDLI Scheme is **₹2.50 Lakh** and the maximum assurance benefit is **₹7.00 Lakh** (funded solely by the employer's 0.50\% contribution).

Practice Question #33 Solved Exam MCQ

Q33. Under the **Employees' State Insurance (ESI) Scheme** (effective since 1 July 2019), what is the monthly **wage ceiling** for coverage of regular employees, and what are the exact contribution rates of the **Employer** and the **Employee**?
(A) Wage ceiling: ₹15,000/month; Employer: 4.75% and Employee: 1.75% (Total = 6.50%)
(B) Wage ceiling: ₹21,000/month (₹25,000 for PwD); Employer: 3.25% and Employee: 0.75% (Total = 4.00%)
(C) Wage ceiling: ₹21,000/month; Employer: 3.00% and Employee: 1.00% (Total = 4.00%)
(D) Wage ceiling: ₹24,000/month; Employer: 3.25% and Employee: 0.75% (Total = 4.00%)
Answer: (B) | **Explanation:** Under ESIC, the monthly wage ceiling is **₹21,000** (₹25,000 for Persons with Benchmark Disabilities), and since 1 July 2019, the contribution rate is **3.25\% by the Employer** and **0.75\% by the Employee** (Total = 4.00\%).

Practice Question #34 Solved Exam MCQ

Q34. Under the **Code on Social Security, 2020 (and Payment of Gratuity Act, 1972)**, what is the minimum continuous service period required for **Fixed Term Employees (FTE)** and **Working Journalists** to become eligible for Gratuity, and what is the maximum statutory tax-free Gratuity ceiling?
(A) 5 years for both; Maximum ceiling ₹10 Lakh
(B) 1 year (pro-rata) for Fixed Term Employees and 3 years for Working Journalists (5 years for regular employees); Maximum ceiling ₹20 Lakh
(C) 2 years for FTE and 4 years for Working Journalists; Maximum ceiling ₹20 Lakh
(D) 1 year for both FTE and Working Journalists; Maximum ceiling ₹15 Lakh
Answer: (B) | **Explanation:** While regular employees require 5 years of continuous service (waived in case of death or disablement), Section 53 of the Code on Social Security, 2020 mandates **pro-rata Gratuity after 1 year of service for Fixed Term Employees (FTE)** and **3 years for Working Journalists**, with a statutory maximum ceiling of **₹20 Lakh**.

Practice Question #35 Solved Exam MCQ

Q35. Under the **Maternity Benefit (Amendment) Act, 2017** (and Chapter VI of the Code on Social Security, 2020), how many weeks of paid maternity leave are granted to a woman having **2 or more surviving children**, or to a woman who **legally adopts a child below the age of 3 months**?
(A) 26 Weeks
(B) 18 Weeks
(C) 12 Weeks
(D) 8 Weeks
Answer: (C) | **Explanation:** While a woman with fewer than 2 surviving children gets **26 weeks** of paid maternity leave (up to 8 weeks before expected delivery), a woman with **2 or more surviving children** gets **12 weeks** (up to 6 weeks pre-delivery), and a **Commissioning Mother** or a woman **adopting a child below 3 months of age** also gets **12 weeks** from the date the child is handed over.

Extended Comparative & Analytical Practice Set (Questions *36* to *75*)

Practice Question #36 High-Yield Comparative MCQ

Q36. With reference to Accounting Standard (AS / Ind AS) and Official Title of the Standard, which of the following is accurately matched with "AS-1 (Ind AS 1)"?

(A) Disclosure of Accounting Policies
(B) Valuation of Inventories
(C) Cash Flow Statements
(D) Property, Plant and Equipment (PPE)

Correct Answer: (A) | **Explanation:** For **AS-1 (Ind AS 1)** (Accounting Standard (AS / Ind AS)), the verified Official Title of the Standard is **Disclosure of Accounting Policies**. Furthermore, Defines the 3 Fundamental Accounting Assumptions (Going Concern, Consistency, Accrual); selection of policies governed by Prudence, Substance over Form, and Materiality. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #37 High-Yield Comparative MCQ

Q37. With reference to Accounting Standard (AS / Ind AS) and Official Title of the Standard, which of the following is accurately matched with "AS-2 (Ind AS 2)"?

(A) Cash Flow Statements
(B) Valuation of Inventories
(C) Property, Plant and Equipment (PPE)
(D) Revenue Recognition

Correct Answer: (B) | **Explanation:** For **AS-2 (Ind AS 2)** (Accounting Standard (AS / Ind AS)), the verified Official Title of the Standard is **Valuation of Inventories**. Furthermore, Inventories valued at Lower of Cost and Net Realizable Value (NRV); permits FIFO (First-In First-Out) and Weighted Average Cost formulas; LIFO (Last-In First-Out) is strictly prohibited!. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #38 High-Yield Comparative MCQ

Q38. With reference to Accounting Standard (AS / Ind AS) and Official Title of the Standard, which of the following is accurately matched with "AS-3 (Ind AS 7)"?

(A) Property, Plant and Equipment (PPE)

(B) Revenue Recognition

(C) Cash Flow Statements

(D) Accounting for Government Grants

Correct Answer: (C) | **Explanation:** For **AS-3 (Ind AS 7)** (Accounting Standard (AS / Ind AS)), the verified Official Title of the Standard is **Cash Flow Statements**. Furthermore, Classifies cash flows into Operating, Investing, and Financing Activities; mandatory for Level-I establishments and companies (except OPC, Small, and Dormant companies under Sec 2(40) of Companies Act 2013). (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #39 High-Yield Comparative MCQ

Q39. With reference to Accounting Standard (AS / Ind AS) and Official Title of the Standard, which of the following is accurately matched with "AS-6 (Withdrawn) & AS-10 (Ind AS 16)"?

(A) Revenue Recognition

(B) Accounting for Government Grants

(C) Accounting for Amalgamations

(D) Property, Plant and Equipment (PPE)

Correct Answer: (D) | **Explanation:** For **AS-6 (Withdrawn) & AS-10 (Ind AS 16)** (Accounting Standard (AS / Ind AS)), the verified Official Title of the Standard is **Property, Plant and Equipment (PPE)**. Furthermore, AS-6 (Depreciation Accounting) was officially withdrawn and merged into revised AS-10 (PPE) from **2016**; covers initial recognition at cost, revaluation model, and component depreciation. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #40 High-Yield Comparative MCQ

Q40. With reference to Accounting Standard (AS / Ind AS) and Official Title of the Standard, which of the following is accurately matched with "AS-9 (Ind AS 115)"?

(A) Revenue Recognition

(B) Accounting for Government Grants

(C) Accounting for Amalgamations

(D) Leases

Correct Answer: (A) | **Explanation:** For **AS-9 (Ind AS 115)** (Accounting Standard (AS / Ind AS)), the verified Official Title of the Standard is **Revenue Recognition**. Furthermore, Covers revenue from Sale of Goods, Rendering of Services, and Interest/Royalties/Dividends; excludes construction contracts (AS-7), lease agreements (AS-19), and insurance companies. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #41 High-Yield Comparative MCQ

Q41. With reference to Accounting Standard (AS / Ind AS) and Official Title of the Standard, which of the following is accurately matched with "AS-12 (Ind AS 20)"?

(A) Accounting for Amalgamations
(B) Accounting for Government Grants
(C) Leases
(D) Earnings Per Share (EPS)

Correct Answer: (B) | **Explanation:** For **AS-12 (Ind AS 20)** (Accounting Standard (AS / Ind AS)), the verified Official Title of the Standard is **Accounting for Government Grants**. Furthermore, Recognizes grants under the Capital Approach or Income Approach; grants related to specific depreciable assets either deducted from gross asset cost or treated as deferred income. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #42 High-Yield Comparative MCQ

Q42. With reference to Accounting Standard (AS / Ind AS) and Official Title of the Standard, which of the following is accurately matched with "AS-14 (Ind AS 103)"?

(A) Leases
(B) Earnings Per Share (EPS)
(C) Accounting for Amalgamations
(D) Intangible Assets

Correct Answer: (C) | **Explanation:** For **AS-14 (Ind AS 103)** (Accounting Standard (AS / Ind AS)), the verified Official Title of the Standard is **Accounting for Amalgamations**. Furthermore, Classifies amalgamations into Amalgamation in the nature of Merger (Pooling of Interests Method — all 5 conditions satisfied) and Amalgamation in the nature of Purchase (Purchase Method). (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #43 High-Yield Comparative MCQ

Q43. With reference to Accounting Standard (AS / Ind AS) and Official Title of the Standard, which of the following is accurately matched with "AS-19 (Ind AS 116)"?

(A) Earnings Per Share (EPS)
(B) Intangible Assets
(C) Natural Personal Account (represents the Proprietor)
(D) Leases

Correct Answer: (D) | **Explanation:** For **AS-19 (Ind AS 116)** (Accounting Standard (AS / Ind AS)), the verified Official Title of the Standard is **Leases**. Furthermore, Distinguishes between Finance Lease (transfers substantially all risks and rewards of ownership to lessee; lessee claims depreciation) and Operating Lease (risks/rewards remain with lessor). (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #44 High-Yield Comparative MCQ

Q44. With reference to Accounting Standard (AS / Ind AS) and Official Title of the Standard, which of the following is accurately matched with "AS-20 (Ind AS 33)"?

(A) Earnings Per Share (EPS)
(B) Intangible Assets
(C) Natural Personal Account (represents the Proprietor)
(D) Artificial Personal Account (Bank is a legal corporation)

Correct Answer: (A) | **Explanation:** For **AS-20 (Ind AS 33)** (Accounting Standard (AS / Ind AS)), the verified Official Title of the Standard is **Earnings Per Share (EPS)**. Furthermore, Computes Basic EPS and Diluted EPS (accounting for convertible debentures/ options). (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #45 High-Yield Comparative MCQ

Q45. With reference to Accounting Standard (AS / Ind AS) and Official Title of the Standard, which of the following is accurately matched with "AS-26 (Ind AS 38)"?

(A) Natural Personal Account (represents the Proprietor)
(B) Intangible Assets
(C) Artificial Personal Account (Bank is a legal corporation)
(D) Representative Personal Account

Correct Answer: (B) | **Explanation:** For **AS-26 (Ind AS 38)** (Accounting Standard (AS / Ind AS)), the verified Official Title of the Standard is **Intangible Assets**. Furthermore, Governs patents, copyrights, software, and licenses; Internally generated Goodwill is NEVER recognized as an asset (only Purchased Goodwill is recognized); Research phase expenditure is always expensed immediately. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #46 High-Yield Comparative MCQ

Q46. With reference to Account Title / Item and Traditional Classification, which of the following is accurately matched with "Capital A/c & Drawings A/c"?

(A) Artificial Personal Account (Bank is a legal corporation)
(B) Representative Personal Account
(C) Natural Personal Account (represents the Proprietor)
(D) Intangible Real Account

Correct Answer: (C) | **Explanation:** For **Capital A/c & Drawings A/c** (Account Title / Item), the verified Traditional Classification is **Natural Personal Account (represents the Proprietor)**. Furthermore, Capital: Credit; Drawings: Debit. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #47 High-Yield Comparative MCQ

Q47. With reference to Account Title / Item and Traditional Classification, which of the following is accurately matched with "Bank A/c & Bank Overdraft A/c"?

(A) Representative Personal Account
(B) Intangible Real Account
(C) Nominal Account
(D) Artificial Personal Account (Bank is a legal corporation)

Correct Answer: (D) | **Explanation:** For **Bank A/c & Bank Overdraft A/c** (Account Title / Item), the verified Traditional Classification is **Artificial Personal Account (Bank is a legal corporation)**. Furthermore, Bank: Debit; Bank OD: Credit. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #48 High-Yield Comparative MCQ

Q48. With reference to Account Title / Item and Traditional Classification, which of the following is accurately matched with "Outstanding Salary / Prepaid Rent / Accrued Income / Unearned Income"?

(A) Representative Personal Account
(B) Intangible Real Account
(C) Nominal Account
(D) Unclassified Temporary Account (takes the nature of the undiscovered error)

Correct Answer: (A) | **Explanation:** For **Outstanding Salary / Prepaid Rent / Accrued Income / Unearned Income** (Account Title / Item), the verified Traditional Classification is **Representative Personal Account**. Furthermore, Outstanding/Unearned: Cr; Prepaid/Accrued: Dr. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #49 High-Yield Comparative MCQ

Q49. With reference to Account Title / Item and Traditional Classification, which of the following is accurately matched with "Goodwill, Patents, Copyrights & Trademarks"?

(A) Nominal Account
(B) Intangible Real Account
(C) Unclassified Temporary Account (takes the nature of the undiscovered error)
(D) Trading A/c: GP = Net Sales - COGS

Correct Answer: (B) | **Explanation:** For **Goodwill, Patents, Copyrights & Trademarks** (Account Title / Item), the verified Traditional Classification is **Intangible Real Account**. Furthermore, Debit Balance. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #50 High-Yield Comparative MCQ

Q50. With reference to Account Title / Item and Traditional Classification, which of the following is accurately matched with "Bad Debts A/c & Bad Debts Recovered A/c"?

(A) Unclassified Temporary Account (takes the nature of the undiscovered error)
(B) Trading A/c: GP = Net Sales - COGS
(C) Nominal Account
(D) Credited to Trading A/c at full cost (to remove abnormal distortion from GP); Uninsured net loss debited to P&L A/c

Correct Answer: (C) | **Explanation:** For **Bad Debts A/c & Bad Debts Recovered A/c** (Account Title / Item), the verified Traditional Classification is **Nominal Account**. Furthermore, Bad Debts: Dr (Loss); Recovered: Cr (Gain). (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #51 High-Yield Comparative MCQ

Q51. With reference to Account Title / Item and Traditional Classification, which of the following is accurately matched with "Suspense Account"?

(A) Nominal Account
(B) Trading A/c: GP = Net Sales - COGS
(C) Credited to Trading A/c at full cost (to remove abnormal distortion from GP); Uninsured net loss debited to P&L A/c
(D) Unclassified Temporary Account (takes the nature of the undiscovered error)

Correct Answer: (D) | **Explanation:** For **Suspense Account** (Account Title / Item), the verified Traditional Classification is **Unclassified Temporary Account (takes the nature of the undiscovered error)**. Furthermore, Debit or Credit. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #52 High-Yield Comparative MCQ

Q52. With reference to Account Title / Item and Traditional Classification, which of the following is accurately matched with "Profit & Loss Adjustment A/c"?

(A) Nominal Account

(B) Trading A/c: GP = Net Sales - COGS

(C) Credited to Trading A/c at full cost (to remove abnormal distortion from GP); Uninsured net loss debited to P&L A/c

(D) P&L Debit = Bad Debts (TB) + Further Bad Debts (Adj) + New Provision - Old Provision

Correct Answer: (A) | **Explanation:** For **Profit & Loss Adjustment A/c** (Account Title / Item), the verified Traditional Classification is **Nominal Account**. Furthermore, Debit or Credit. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #53 High-Yield Comparative MCQ

Q53. With reference to Accounting Adjustment / Item and Treatment in Trading or P&L Account, which of the following is accurately matched with "Cost of Goods Sold (COGS) & Gross Profit"?

(A) Credited to Trading A/c at full cost (to remove abnormal distortion from GP); Uninsured net loss debited to P&L A/c

(B) Trading A/c: GP = Net Sales - COGS

(C) P&L Debit = Bad Debts (TB) + Further Bad Debts (Adj) + New Provision - Old Provision

(D) Deducted from Purchases A/c on Debit side of Trading A/c at Cost Price (never Sales Price!)

Correct Answer: (B) | **Explanation:** For **Cost of Goods Sold (COGS) & Gross Profit** (Accounting Adjustment / Item), the verified Treatment in Trading or P&L Account is **Trading A/c: GP = Net Sales - COGS**. Furthermore, Gross Profit transferred to P&L A/c. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #54 High-Yield Comparative MCQ

Q54. With reference to Accounting Adjustment / Item and Treatment in Trading or P&L Account, which of the following is accurately matched with "Abnormal Loss of Stock by Fire / Theft"?

(A) P&L Debit = Bad Debts (TB) + Further Bad Debts (Adj) + New Provision - Old Provision

(B) Deducted from Purchases A/c on Debit side of Trading A/c at Cost Price (never Sales Price!)

(C) Credited to Trading A/c at full cost (to remove abnormal distortion from GP); Uninsured net loss debited to P&L A/c

(D) Debited to Profit & Loss Account

Correct Answer: (C) | **Explanation:** For **Abnormal Loss of Stock by Fire / Theft** (Accounting Adjustment / Item), the verified Treatment in Trading or P&L Account is **Credited to Trading A/c at full cost (to remove abnormal distortion from GP); Uninsured net loss debited to P&L A/c**. Furthermore, Insurance Claim admitted by Insurance Co. shown on Assets side of Balance Sheet. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #55 High-Yield Comparative MCQ

Q55. With reference to Accounting Adjustment / Item and Treatment in Trading or P&L Account, which of the following is accurately matched with "Provision for Doubtful Debts (New & Old)"?

(A) Deducted from Purchases A/c on Debit side of Trading A/c at Cost Price (never Sales Price!)

(B) Debited to Profit & Loss Account

(C) (Current Assets / Current Liabilities)

(D) P&L Debit = Bad Debts (TB) + Further Bad Debts (Adj) + New Provision - Old Provision

Correct Answer: (D) | **Explanation:** For **Provision for Doubtful Debts (New & Old)** (Accounting Adjustment / Item), the verified Treatment in Trading or P&L Account is **P&L Debit = Bad Debts (TB) + Further Bad Debts (Adj) + New Provision - Old Provision**. Furthermore, Deducted from Sundry Debtors on Assets side: $Net Debtors = (Debtors - Further Bad Debts) - New Provision - Provision for Discount$. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #56 High-Yield Comparative MCQ

Q56. With reference to Accounting Adjustment / Item and Treatment in Trading or P&L Account, which of the following is accurately matched with "Goods Taken by Proprietor for Personal Use / Distributed as Free Samples / Charity"?

(A) Deducted from Purchases A/c on Debit side of Trading A/c at Cost Price (never Sales Price!)

(B) Debited to Profit & Loss Account

(C) (Current Assets / Current Liabilities)

(D) (Quick / Liquid Assets / Current Liabilities), where Quick Assets = Current Assets - Inventory - Prepaid Expenses

Correct Answer: (A) | **Explanation:** For **Goods Taken by Proprietor for Personal Use / Distributed as Free Samples / Charity** (Accounting Adjustment / Item), the verified Treatment in Trading or P&L Account is **Deducted from Purchases A/c on Debit side of Trading A/c at Cost Price (never Sales Price!)**. Furthermore, Drawings deducted from Capital in Balance Sheet; Free Samples (Advertisement) & Charity debited to P&L A/c. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #57 High-Yield Comparative MCQ

Q57. With reference to Accounting Adjustment / Item and Treatment in Trading or P&L Account, which of the following is accurately matched with "Manager's Commission on Net Profit"?

(A) (Current Assets / Current Liabilities)

(B) Debited to Profit & Loss Account

(C) (Quick / Liquid Assets / Current Liabilities), where Quick Assets = Current Assets - Inventory - Prepaid Expenses

(D) (Long-Term Debt (Non-Current Liabilities) / Shareholders' Funds (Equity))

Correct Answer: (B) | **Explanation:** For **Manager's Commission on Net Profit** (Accounting Adjustment / Item), the verified Treatment in Trading or P&L Account is **Debited to Profit & Loss Account**. Furthermore, Shown as Outstanding Manager's Commission on Liabilities side of Balance Sheet. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #58 High-Yield Comparative MCQ

Q58. With reference to Ratio Category & Name and Exact Mathematical Formula, which of the following is accurately matched with "1. Current Ratio (Working Capital Ratio)"?

(A) (Quick / Liquid Assets / Current Liabilities), where Quick Assets = Current Assets - Inventory - Prepaid Expenses

(B) (Long-Term Debt (Non-Current Liabilities) / Shareholders' Funds (Equity))

(C) (Current Assets / Current Liabilities)

(D) (Cost of Revenue from Operations (COGS) / Average Inventory), where Avg Inventory = (Opening + Closing Inventory / 2)

Correct Answer: (C) | **Explanation:** For **1. Current Ratio (Working Capital Ratio)** (Ratio Category & Name), the verified Exact Mathematical Formula is **(Current Assets / Current Liabilities)**. Furthermore, Ideal Ratio: `2 : 1`; measures short-term debt-paying capacity. Note: If Current Ratio is `> 1` (e.g., `2:1`), paying off a Current Liability increases the Current Ratio!. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #59 High-Yield Comparative MCQ

Q59. With reference to Ratio Category & Name and Exact Mathematical Formula, which of the following is accurately matched with "2. Quick Ratio (Acid-Test / Liquid Ratio)"?

(A) (Long-Term Debt (Non-Current Liabilities) / Shareholders' Funds (Equity))

(B) (Cost of Revenue from Operations (COGS) / Average Inventory), where Avg Inventory = (Opening + Closing Inventory / 2)

(C) $(Net Credit Revenue from Operations (Credit Sales) / Average Trade Receivables (Debtors + Bills Receivable))$

(D) (Quick / Liquid Assets / Current Liabilities), where Quick Assets = Current Assets - Inventory - Prepaid Expenses

Correct Answer: (D) | **Explanation:** For **2. Quick Ratio (Acid-Test / Liquid Ratio)** (Ratio Category & Name), the verified Exact Mathematical Formula is **(Quick / Liquid Assets / Current Liabilities), where Quick Assets = Current Assets - Inventory - Prepaid Expenses**. Furthermore, Ideal Ratio: `1 : 1`; rigorous test of immediate liquidity without relying on inventory liquidation. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #60 High-Yield Comparative MCQ

Q60. With reference to Ratio Category & Name and Exact Mathematical Formula, which of the following is accurately matched with "3. Debt-Equity Ratio (Solvency)"?

(A) (Long-Term Debt (Non-Current Liabilities) / Shareholders' Funds (Equity))

(B) (Cost of Revenue from Operations (COGS) / Average Inventory), where Avg Inventory = (Opening + Closing Inventory / 2)

(C) $(Net Credit Revenue from Operations (Credit Sales) / Average Trade Receivables (Debtors + Bills Receivable))$

(D) (Profit Before Interest, Tax and Dividend (EBIT) / Capital Employed) × 100

Correct Answer: (A) | **Explanation:** For **3. Debt-Equity Ratio (Solvency)** (Ratio Category & Name), the verified Exact Mathematical Formula is **(Long-Term Debt (Non-Current Liabilities) / Shareholders' Funds (Equity))**. Furthermore, Ideal Ratio: `2 : 1`; measures long-term financial leverage and margin of safety for long-term lenders. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #61 High-Yield Comparative MCQ

Q61. With reference to Ratio Category & Name and Exact Mathematical Formula, which of the following is accurately matched with "4. Inventory (Stock) Turnover Ratio"?

(A) $(Net Credit Revenue from Operations (Credit Sales) / Average Trade Receivables (Debtors + Bills Receivable))$

(B) (Cost of Revenue from Operations (COGS) / Average Inventory), where Avg Inventory = (Opening + Closing Inventory / 2)

(C) (Profit Before Interest, Tax and Dividend (EBIT) / Capital Employed) × 100

(D) Operating Ratio = (COGS + Operating Expenses / Net Sales) × 100

Correct Answer: (B) | **Explanation:** For **4. Inventory (Stock) Turnover Ratio** (Ratio Category & Name), the verified Exact Mathematical Formula is **(Cost of Revenue from Operations (COGS) / Average Inventory), where Avg Inventory = (Opening + Closing Inventory / 2)**. Furthermore, Expressed in Times; measures velocity of stock conversion into sales (Inventory Holding Period = (365 / ITR)). (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #62 High-Yield Comparative MCQ

Q62. With reference to Ratio Category & Name and Exact Mathematical Formula, which of the following is accurately matched with "5. Trade Receivables (Debtors) Turnover Ratio"?

(A) (Profit Before Interest, Tax and Dividend (EBIT) / Capital Employed) × 100

(B) Operating Ratio = (COGS + Operating Expenses / Net Sales) × 100

(C) $(Net Credit Revenue from Operations (Credit Sales) / Average Trade Receivables (Debtors + Bills Receivable))$

(D) Appointment of Subsequent Auditor

Correct Answer: (C) | **Explanation:** For **5. Trade Receivables (Debtors) Turnover Ratio** (Ratio Category & Name), the verified Exact Mathematical Formula is **$(Net Credit Revenue from Operations (Credit Sales) / Average Trade Receivables (Debtors + Bills Receivable))$**. Furthermore, Note: Provision for Doubtful Debts is NOT deducted from Trade Receivables when computing this turnover ratio!. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #63 High-Yield Comparative MCQ

Q63. With reference to Ratio Category & Name and Exact Mathematical Formula, which of the following is accurately matched with "6. Return on Investment (ROI / ROCE)"?

(A) Operating Ratio = (COGS + Operating Expenses / Net Sales) × 100

(B) Appointment of Subsequent Auditor

(C) Appointment of First Auditor

(D) (Profit Before Interest, Tax and Dividend (EBIT) / Capital Employed) × 100

Correct Answer: (D) | **Explanation:** For **6. Return on Investment (ROI / ROCE)** (Ratio Category & Name), the verified Exact Mathematical Formula is **(Profit Before Interest, Tax and Dividend (EBIT) / Capital Employed) × 100**. Furthermore, $Capital Employed = Shareholders' Funds + Non-Current Liabilities = Total Assets - Current Liabilities$. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #64 High-Yield Comparative MCQ

Q64. With reference to Ratio Category & Name and Exact Mathematical Formula, which of the following is accurately matched with "7. Operating Ratio vs. Operating Profit Ratio"?

(A) Operating Ratio = (COGS + Operating Expenses / Net Sales) × 100

(B) Appointment of Subsequent Auditor

(C) Appointment of First Auditor

(D) Mandatory Rotation of Auditors

Correct Answer: (A) | **Explanation:** For **7. Operating Ratio vs. Operating Profit Ratio** (Ratio Category & Name), the verified Exact Mathematical Formula is **Operating Ratio = (COGS + Operating Expenses / Net Sales) × 100**. Furthermore, Operating Ratio + Operating Profit Ratio = 100\%! Lower Operating Ratio indicates higher operational efficiency. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #65 High-Yield Comparative MCQ

Q65. With reference to Section of Companies Act 2013 and Statutory Provision Title, which of the following is accurately matched with "Section 139(1) & 139(5)"?

(A) Appointment of First Auditor
(B) Appointment of Subsequent Auditor
(C) Mandatory Rotation of Auditors
(D) Filling of Casual Vacancy

Correct Answer: (B) | **Explanation:** For **Section 139(1) & 139(5)** (Section of Companies Act 2013), the verified Statutory Provision Title is **Appointment of Subsequent Auditor**. Furthermore, Appointed by Shareholders at 1st AGM to hold office till conclusion of 6th AGM (**5-year block**); company notifies Registrar in Form ADT-1 within 15 days. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #66 High-Yield Comparative MCQ

Q66. With reference to Section of Companies Act 2013 and Statutory Provision Title, which of the following is accurately matched with "Section 139(6) & 139(7)"?

(A) Mandatory Rotation of Auditors
(B) Filling of Casual Vacancy
(C) Appointment of First Auditor
(D) Removal & Resignation of Auditor

Correct Answer: (C) | **Explanation:** For **Section 139(6) & 139(7)** (Section of Companies Act 2013), the verified Statutory Provision Title is **Appointment of First Auditor**. Furthermore, Appointed by Board of Directors within 30 days of registration; if Board fails, by Members at EGM within 90 days (holds office till conclusion of 1st AGM). (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #67 High-Yield Comparative MCQ

Q67. With reference to Section of Companies Act 2013 and Statutory Provision Title, which of the following is accurately matched with "Section 139(2)"?

(A) Filling of Casual Vacancy
(B) Removal & Resignation of Auditor
(C) Disqualifications of Auditor
(D) Mandatory Rotation of Auditors

Correct Answer: (D) | **Explanation:** For **Section 139(2)** (Section of Companies Act 2013), the verified Statutory Provision Title is **Mandatory Rotation of Auditors**. Furthermore, Individual Auditor: max 1 term of 5 consecutive years; Audit Firm: max 2 terms of 5 consecutive years (**10 years**); followed by a 5-year cooling-off period. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #68 High-Yield Comparative MCQ

Q68. With reference to Section of Companies Act 2013 and Statutory Provision Title, which of the following is accurately matched with "Section 139(8)"?

(A) Filling of Casual Vacancy

(B) Removal & Resignation of Auditor

(C) Disqualifications of Auditor

(D) Reporting of Fraud by Auditor

Correct Answer: (A) | **Explanation:** For **Section 139(8)** (Section of Companies Act 2013), the verified Statutory Provision Title is **Filling of Casual Vacancy**. Furthermore, Filled by Board within 30 days; BUT if caused by Resignation of Auditor, must also be approved by Shareholders in General Meeting within 3 months. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #69 High-Yield Comparative MCQ

Q69. With reference to Section of Companies Act 2013 and Statutory Provision Title, which of the following is accurately matched with "Section 140(1) & 140(2)"?

(A) Disqualifications of Auditor

(B) Removal & Resignation of Auditor

(C) Reporting of Fraud by Auditor

(D) *Industrial Relations Systems* (Systems Approach)

Correct Answer: (B) | **Explanation:** For **Section 140(1) & 140(2)** (Section of Companies Act 2013), the verified Statutory Provision Title is **Removal & Resignation of Auditor**. Furthermore, Removal before expiry of term requires Board Resolution + Prior Approval of Central Govt (Form ADT-2 within 30 days) + Special Resolution of Shareholders within 60 days. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #70 High-Yield Comparative MCQ

Q70. With reference to Section of Companies Act 2013 and Statutory Provision Title, which of the following is accurately matched with "Section 141(3)"?

(A) Reporting of Fraud by Auditor

(B) *Industrial Relations Systems* (Systems Approach)

(C) Disqualifications of Auditor

(D) Pluralist Approach (*Oxford School*)

Correct Answer: (C) | **Explanation:** For **Section 141(3)** (Section of Companies Act 2013), the verified Statutory Provision Title is **Disqualifications of Auditor**. Furthermore, Body corporate (except LLP), officer/employee, person/partner/relative holding security in the company (relative permitted up to Face Value of **₹1,00,000**), or indebted **> ₹5,00,000**, or holding more than 20 company audits per partner. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #71 High-Yield Comparative MCQ

Q71. With reference to Section of Companies Act 2013 and Statutory Provision Title, which of the following is accurately matched with "Section 143(12)"?

(A) *Industrial Relations Systems* (Systems Approach)

(B) Pluralist Approach (*Oxford School*)

(C) Trusteeship Approach & Majoor Mahajan Sangh (TLA)

(D) Reporting of Fraud by Auditor

Correct Answer: (D) | **Explanation:** For **Section 143(12)** (Section of Companies Act 2013), the verified Statutory Provision Title is **Reporting of Fraud by Auditor**. Furthermore, If fraud involves **≥ ₹1 Crore**, Auditor must report to the Central Government (Form ADT-4) (after seeking Board/Audit Committee reply within 45 days); if **< ₹1 Crore**, reported only to the Board / Audit Committee. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #72 High-Yield Comparative MCQ

Q72. With reference to IR Scholar / Landmark Institution and Core Theory / Book / Historical Contribution, which of the following is accurately matched with "John T. Dunlop"?

(A) *Industrial Relations Systems* (Systems Approach)

(B) Pluralist Approach (*Oxford School*)

(C) Trusteeship Approach & Majoor Mahajan Sangh (TLA)

(D) Giri Approach to Industrial Relations

Correct Answer: (A) | **Explanation:** For **John T. Dunlop** (IR Scholar / Landmark Institution), the verified Core Theory / Book / Historical Contribution is ***Industrial Relations Systems* (Systems Approach)**. Furthermore, **1958**. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #73 High-Yield Comparative MCQ

Q73. With reference to IR Scholar / Landmark Institution and Core Theory / Book / Historical Contribution, which of the following is accurately matched with "Allan Flanders, Hugh Clegg & Alan Fox"?

(A) Trusteeship Approach & Majoor Mahajan Sangh (TLA)

(B) Pluralist Approach (*Oxford School*)

(C) Giri Approach to Industrial Relations

(D) Bombay Millhands Association & *Deenbandhu*

Correct Answer: (B) | **Explanation:** For **Allan Flanders, Hugh Clegg & Alan Fox** (IR Scholar / Landmark Institution), the verified Core Theory / Book / Historical Contribution is **Pluralist Approach (*Oxford School*)**. Furthermore, **1960s**. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #74 High-Yield Comparative MCQ

Q74. With reference to IR Scholar / Landmark Institution and Core Theory / Book / Historical Contribution, which of the following is accurately matched with "Mahatma Gandhi"?

(A) Giri Approach to Industrial Relations

(B) Bombay Millhands Association & *Deenbandhu*

(C) Trusteeship Approach & Majoor Mahajan Sangh (TLA)

(D) Madras Labour Union (Buckingham & Carnatic Mills)

Correct Answer: (C) | **Explanation:** For **Mahatma Gandhi** (IR Scholar / Landmark Institution), the verified Core Theory / Book / Historical Contribution is **Trusteeship Approach & Majoor Mahajan Sangh (TLA)**. Furthermore, **1918–1920**. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Practice Question #75 High-Yield Comparative MCQ

Q75. With reference to IR Scholar / Landmark Institution and Core Theory / Book / Historical Contribution, which of the following is accurately matched with "V.V. Giri"?

(A) Bombay Millhands Association & *Deenbandhu*
(B) Madras Labour Union (Buckingham & Carnatic Mills)
(C) All India Trade Union Congress (AITUC)
(D) Giri Approach to Industrial Relations

Correct Answer: (D) | **Explanation:** For **V.V. Giri** (IR Scholar / Landmark Institution), the verified Core Theory / Book / Historical Contribution is **Giri Approach to Industrial Relations**. Furthermore, **1950s**. (Source: Institute of Chartered Accountants of India (ICAI) & IUC Academy).

Rapid-Fire Last-Minute One-Liner Revision Capsule

1. **Father of Double-Entry Bookkeeping: Fra Luca Pacioli (1494, Venice)** — author of *Summa de Arithmetica* (**ICAI Official Portal**).

2. **Three Fundamental Accounting Assumptions (AS-1): Going Concern, Consistency, and Accrual (GCA)** — presumed unless non-compliance is disclosed.

3. **Three Policy Selection Considerations (AS-1): Prudence, Substance over Form, and Materiality (PSM)**.

4. **Capital Shown as Liability on Balance Sheet:** Governed by the **Business Entity (Separate Entity) Concept**.

5. **Valuation of Inventory at Lower of Cost or NRV (AS-2):** Governed by the **Convention of Conservatism (Prudence)**; **LIFO is prohibited** under AS-2 and Ind AS 2 (only **FIFO** and **Weighted Average** are permitted).

6. **Contingent Liabilities Shown as Footnote:** Governed by the **Convention of Full Disclosure**.

7. **Accounting Standards Withdrawn by ICAI: AS-8 (R&D)** merged into **AS-26 (Intangible Assets)**, and **AS-6 (Depreciation)** merged into revised **AS-10 (Property, Plant and Equipment)**.

8. **Internally Generated Goodwill (AS-26): Never recognized as an asset** in the books of accounts (only **Purchased Goodwill** arising on business acquisition or partnership reconstitution is recorded).

9. **Rule for Personal Accounts:** "*Debit the Receiver, Credit the Giver*" (Natural, Artificial, and Representative Personal Accounts).

10. **Rule for Real Accounts:** "*Debit what comes in, Credit what goes out*" (Tangible and Intangible Assets; **Bank A/c is an Artificial Personal Account, NOT a Real Account**!).

11. **Rule for Nominal Accounts:** "*Debit all Expenses and Losses, Credit all Incomes and Gains*".

12. **Representative Personal Account Rule:** Any Nominal Account (Salary, Rent, Interest, Commission, Insurance) with a prefix or suffix (**Outstanding, Prepaid, Unexpired, Accrued, Unearned**) becomes a **Representative Personal Account**.

13. **Book that is Both a Journal and a Ledger: Cash Book** (records all cash and bank receipts/payments, including **Contra Entries**).

14. **Purchases Book Scope:** Records **ONLY credit purchases of goods meant for resale** (credit purchase of Machinery/ Furniture is recorded in **Journal Proper**).

15. **Debit Note vs. Credit Note: Debit Note** is issued for **Purchase Returns (Return Outward)**; **Credit Note** is issued for **Sales Returns (Return Inward)**.

16. **Errors NOT Disclosed by Trial Balance: Errors of Complete Omission, Errors of Principle, Compensating Errors, and Wrong Posting to another Personal Account of the same class**.

17. **Rectification of Errors in Next Accounting Year:** Nominal Account errors detected after closing Final Accounts are rectified through **Profit & Loss Adjustment Account** (Prior Period Items under AS-5).

18. **Installation Wages on New Machinery & Brokerage on Land:** Always treated as **Capital Expenditure** and added to the cost of the asset.

19. **Income Tax Act, 1961 Approved Depreciation Method: Written Down Value (WDV / Diminishing Balance) Method** on a Block of Assets (asset book value never becomes zero under WDV).

20. **Days of Grace on Bill of Exchange (Section 22, NI Act 1881): 3 Days of Grace** (not applicable to bills payable *On Demand* / *At Sight*).

21. **Maturity Falling on Public vs. Emergency Holiday (Section 25, NI Act 1881):** Known **Public Holiday** → falls due on **preceding business day**; **Emergency/Sudden Holiday** → falls due on **next succeeding working day**.

22. **Del Credere Commission in Consignment:** Paid to the Consignee to bear the risk of **Bad Debts on credit sales** (calculated on **Total Sales** unless agreed otherwise).

23. **Receipts and Payments Account vs. Income and Expenditure Account (NPO): Receipts & Payments A/c** is a **Real Account** (cash basis); **Income & Expenditure A/c** is a **Nominal Account** (accrual basis).

24. **Profit Margin Conversion Rule:** **20%** ((1 / 5)) on Cost = 16.67\% ((1 / 6)) on Sales; **25%** ((1 / 4)) on Cost = 20\% ((1 / 5)) on Sales; **33.33%** ((1 / 3)) on Cost = 25\% ((1 / 4)) on Sales.

25. **Interest on Partner's Loan in Absence of Partnership Deed:** **6% per annum** (Charge against profit — payable even if the firm suffers a loss).

26. **Average Period for Monthly Drawings (12 Months):** Beginning of month **= 6.5 months**; Middle of month **= 6.0 months**; End of month **= 5.5 months**.

27. **Minimum Subscription on Share Issue (Sec 39, Companies Act 2013):** **90%** **of the issued amount**; Table F Interest on **Calls-in-Arrears** **= 10% p.a.** and **Calls-in-Advance** **= 12% p.a.**.

28. **Profit on Re-issue of Forfeited Shares:** Transferred to **Capital Reserve Account**.

29. **Ideal Current Ratio, Quick Ratio & Debt-Equity Ratio: Current Ratio** **= 2 : 1**; **Quick (Acid-Test) Ratio** **= 1 : 1**; **Debt-Equity Ratio** **= 2 : 1**.

30. **Primary vs. Secondary Objective of Auditing (SA 200):** Primary objective is expressing an independent opinion on **True and Fair View**; Secondary objective is **Detection and Prevention of Frauds and Errors**.

31. **Backbone of Auditing: Vouching** (*Ronald A. Irish*).

32. **Ownership & Retention of Audit Working Papers (SA 230):** Audit Working Papers are the **property of the Auditor** (*Chantrey Martin & Co. v. Martin*) and must be retained for **7 years**.

33. **First Auditor Appointment Timeline (Sec 139(6) & 139(7)):** Non-Govt Company: **Board in** **30 days** **→ EGM in** **90 days**; Government Company: **CAG in** **60 days** **→ Board in** **30 days** **→ EGM in** **60 days**.

34. **Subsequent Auditor of a Government Company (Sec 139(5)):** Appointed by **CAG within** **180 days** from the commencement of every financial year (**1st April**).

35. **Auditor Rotation Limit (Sec 139(2)) & Ceiling (Sec 141(3)(g)):** Individual Auditor: **1 term of 5 years**; Audit Firm: **2 terms of 5 years (10 years)**; Maximum **20 Company Audits** per partner.

36. **Fraud Reporting Threshold to Central Govt (Sec 143(12)):** Frauds of **₹1 Crore or above** must be reported by the Auditor to the Central Government in **Form ADT-4**.

37. **Systems Approach to Industrial Relations (1958):** Formulated by **John T. Dunlop** (R = f(A, T, M, P, I) — Three Actors, Three Contexts, Shared Ideology, and **Web of Rules**).

38. **Pluralist (Oxford) vs. Gandhian vs. Giri Approach: Pluralist** (Flanders, Clegg, Fox — conflict managed via Collective Bargaining); **Gandhian** (Trusteeship, Truth, Non-violence, Voluntary Arbitration); **Giri Approach** (**V.V. Giri** — Bipartite Collective Bargaining over compulsory adjudication).

39. **Father of Indian Trade Union Movement: Narayan Meghaji Lokhande** (founded **Bombay Millhands Association in 1890**, journal *Deenbandhu*).

40. **First Modern Organized Trade Union in India: Madras Labour Union (27 April 1918)** founded by **B.P. Wadia**.

41. **All India Trade Union Congress (AITUC):** Founded on **31 October 1920** in Bombay; First President: **Lala Lajpat Rai**, General Secretary: **Diwan Chaman Lall**.

42. **International Labour Organization (ILO):** Founded in **1919 (Treaty of Versailles, HQ: Geneva)**; only **Tripartite UN agency** (**2 Govt : 1 Employer : 1 Worker** delegates); Nobel Peace Prize in **1969** (Ministry of Labour & Employment Portal).

43. **Coined the Term "Collective Bargaining": Beatrice Webb (1891)**; **Walton and McKersie (1965)** classified bargaining into **Distributive (Win-Lose), Integrative (Win-Win), Attitudinal Structuring, and Intra-Organizational Bargaining**.

44. **First & Second National Commissions on Labour: 1st NCL (1966–1969)** chaired by **Justice P.B. Gajendragadkar**; **2nd NCL (1999–2002)** chaired by **Ravindra Varma** (recommended consolidating laws into **4 Labour Codes**).

45. **29 Central Labour Laws Merged into 4 Labour Codes: Code on Wages, 2019 (4 Acts) + Industrial Relations Code, 2020 (3 Acts) + Code on Social Security, 2020 (9 Acts) + OSHWC Code, 2020 (13 Acts)** = 29 Acts.

46. **Uniform Definition of "Wages" (50% Cap Rule):** Under the Code on Wages, 2019, if excluded allowances exceed **50%** **of total remuneration**, the excess over **50%** is added back to Basic Wages + DA.

47. **Minimum & Maximum Bonus under Code on Wages, 2019:** Applicable to **20+** **employees** (worked **≥ 30 days**); **Minimum Bonus** **= 8.33%** **(or ₹100)**, **Maximum Bonus** **= 20%**, Set-on/Set-off for **4 years**.

48. **Overtime Rate & Maximum Wage Deductions:** Overtime rate is **2 times** **(twice) normal wages** (Sec 14); total wage deductions cannot exceed **50%** **of wages** (Sec 18).

49. **Sole Negotiating Union vs. Negotiating Council (Sec 14, IR Code 2020):** **51% or more** worker membership for **Sole Negotiating Union**; otherwise **Negotiating Council** with unions having **≥ 20%** membership.

50. **300-Worker Threshold in IR Code, 2020:** Both **Standing Orders (Sec 28)** and **Prior Government Permission for Lay-off, Retrenchment & Closure (Sec 77)** now apply at **300 or more** **workers** (up from 100).

51. **Universal Strike Notice & Mass Casual Leave (IR Code 2020):** Mandatory **14-day** **advance notice** within **60 days** for strike/lockout in **ALL establishments**; **> 50%** **workers taking casual leave** on a given day constitutes a **"Strike"**.

52. **Worker Re-skilling Fund (Sec 83, IR Code 2020):** Employer deposits **15 days' last drawn wages** per retrenched worker, credited to the worker within **45 days** of retrenchment.

53. **OSHWC Code, 2020 Key Thresholds: Factory:** **20+** workers (with power) / **40+** (without power); **Contract Labour:** **50+** workers; **Welfare Officer:** **250+** workers; **Canteen:** **100+** workers; **Crèche:** **50+** workers; **Annual Leave Eligibility:** **180 days** worked (**1 day leave per 20 days**).

54. **Gig & Platform Workers Aggregator Contribution (Sec 114, SS Code 2020):** **1% to 2% of annual turnover** of the aggregator, capped at **5% of the amount paid/payable** to gig and platform workers.

55. **EPFO Contribution Split (20+ Employees, ₹15,000 Wage Ceiling):** Employee: **12%** **to EPF**; Employer: **8.33%** **to EPS-95** + **3.67%** **to EPF** + **0.50%** **to EDLI** + **0.50%** **EPF Admin**; Central Govt: **1.16%** **to EPS-95**.

56. **EDLI Death-in-Service Insurance Benefit: Minimum** **₹2.50 Lakh** and **Maximum** **₹7.00 Lakh**.

57. **ESIC Coverage & Contribution (10+ Employees, ₹21,000 Ceiling): Employer:** **3.25%** + **Employee:** **0.75%** (Total **= 4.00%**; employees earning **≤ ₹176/day** exempted from **0.75%** share); Funeral Expenses **= ₹15,000**.

58. **Payment of Gratuity Formula & Ceiling (10+ Employees):** Last Drawn Wages × (15 / 26) × Completed Years; eligible after **5 years** (**3 years** for Working Journalists, **1 year** **for Fixed Term Employees**); Maximum Ceiling **= ₹20 Lakh**.

59. **Maternity Benefit Leave Duration (10+ Employees, 80 days worked):** **26 weeks** for **< 2** surviving children (**8 weeks** pre-delivery); **12 weeks** for **≥ 2** children, **Adoption (< 3 months child)**, or **Commissioning Mother**; Medical Bonus **= ₹3,500**.

60. **PM Shram Yogi Maan-Dhan Yojana (PM-SYM) & e-Shram Portal: PM-SYM (launched 15 Feb 2019)** gives **₹3,000/month pension at age 60** for unorganized workers aged **18–40 years** (**₹55–₹200/month** contribution); **e-Shram Portal (launched 26 Aug 2021)** issues a **12-digit UAN**.

IUC Academy *1-3-7-21* Day Spaced-Revision & Self-Assessment Tracker (www.iucacademy.com)

Chapter / Study Section	Day 1 (First Read)	Day 3 (Active Recall)	Day 7 (MCQ Drill)	Day 21 (Exam Ready)
1. Chapter 1: Conceptual Framework of Financial Accounting, GAAP, Concepts, Conventions & Accounting Standards	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
2. Chapter 2: Double-Entry System, Classification of Accounts, Journal, Ledger, Trial Balance & Rectification of Errors	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
3. Chapter 3: Capital vs. Revenue Items, Depreciation, Inventory Valuation, Bills of Exchange & Final Accounts	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
4. Chapter 4: Partnership Accounting, Corporate Accounting (Share Capital, Debentures) & Financial Statement Analysis	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
5. Chapter 5: Principles of Auditing, Vouching, Verification, Internal Control & Company Audit (Companies Act 2013)	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
6. Chapter 6: Industrial Relations, Theoretical Approaches, Trade Unionism & Collective Bargaining	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
7. Chapter 7: The Four New Labour Codes (2019–2020) — Comprehensive Statutory Analysis	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
8. Chapter 8: Code on Social Security 2020, EPFO Schemes (EPF, EPS, EDLI), ESIC, Gratuity, Maternity Benefit & ILO Standards	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
9. Solved Exam Practice Questions (MCQs)	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
10. Extended Comparative & Analytical Practice Set (Questions 36–75)	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**
11. Rapid-Fire Last-Minute One-Liner Revision Capsule	☐ Completed (100% Concept Clarity)	☐ Flowchart & Tables Revised	☐ 75+ MCQs Solved (>85% Accuracy)	☐ **Final Rapid Recall Ready**