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EDITION · OCTOBER 2026

UPSC · EPFO · EO/AO · APFC

MASTER MCQ COMPENDIUM

Every question a rule. Every answer a reason.
Practise the paper before the paper practises you.

1,650
HIGH-LEVEL QUESTIONS

660 LABOUR CODES	**320** INDUSTRIAL RELATIONS	**350** ACCOUNTANCY
170 COMPUTER & AI	**100** AUDITING	**50** INSURANCE

01 PYQ-tagged questions from UPSC EPFO & SSC papers

02 Answer key with reasoning after every chapter

03 Built around the 2025–26 Labour Codes rollout

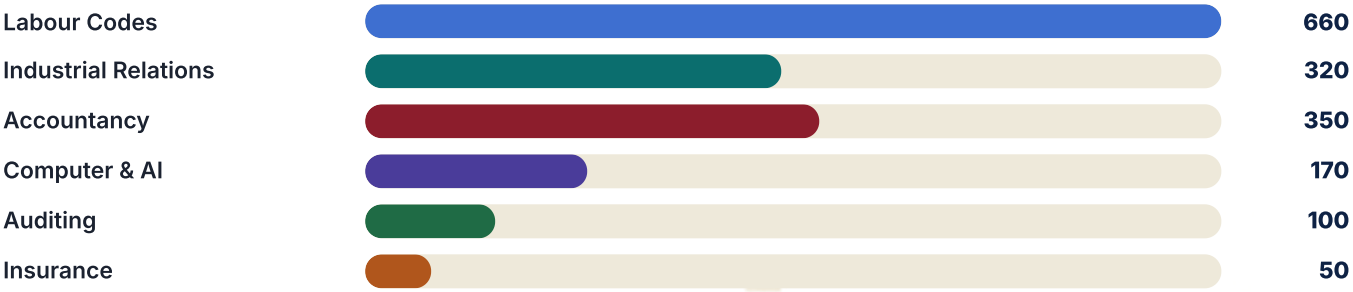
04 All four UPSC question formats, exam-paced

AT A GLANCE

What is inside

1,650	6	105	27½
QUESTIONS	SUBJECTS	CHAPTERS	HOURS AT 60 SEC / Q

Questions by subject



Four formats, exactly as the paper asks them

FORMAT 1
Single-correct
One best option. Tests precision on definitions, sections, limits and numbers.

FORMAT 2
Statement-based
"Consider the following statements…" Tests whether you can separate true from almost-true.

FORMAT 3
Match the following
Coded List-I / List-II items. Tests clean associations between terms, laws and meanings.

FORMAT 4
Assertion–Reason
Two linked claims, one standard code. Tests cause, not just fact.

Where each subject sits

Part I — The Four Labour Codes & Allied Laws

Wages, Industrial Relations, OSH and Social Security, plus the trap-maps of the old Acts they subsumed, a PYQ Replication Lab and a rapid-fire revision bank.

Parts II–III carry Industrial Relations (23 chapters) and Accountancy (25 chapters).

Parts IV–VI — Supporting subjects

Computer Awareness & AI (16 chapters), Auditing & Assurance (13 chapters) and Indian Insurance (7 chapters), each with its own PYQ-pattern and quick-revision material.

Every chapter is self-contained: questions first, then its answer key.

NAVIGATE

Master index

PART I · THE FOUR LABOUR CODES & ALLIED LAWS — 21 chapters · 660 questions · p. 9

1	The Labour Codes Framework: Architecture, Reforms and the 2025-26 Rollout	Q1–39	10
2	Code on Wages I — Definitions, the 'Wages' Formula, Payment of Wages and Claims	Q40–75	18
3	Code on Wages II — Minimum Wages, Floor Wage, Working Hours and Overtime	Q76–101	25
4	Code on Wages III — Bonus, Allocable Surplus and Subsumed-Law Traps	Q102–134	30
5	Code on Wages IV — Computation and Numericals Lab	Q135–167	37
6	Subsumed Wage Laws Trap-Map: Payment of Wages Act 1936, Minimum Wages Act 1948, Payment of Bonus Act 1965 and Equal Remuneration Act 1976	Q168–198	43
7	Industrial Relations Code I — Trade Unions and Recognition of Negotiating Union/Council	Q199–231	49
8	Industrial Relations Code II — Standing Orders, Fixed-Term Employment and Notice of Change	Q232–263	56
9	Industrial Relations Code III — Strikes, Lock-outs, Lay-off, Retrenchment and Closure	Q264–298	62
10	Industrial Relations Code IV — Works Committee, GRC, Conciliation, Arbitration, Tribunals and Offences	Q299–329	69
11	Subsumed IR Laws Trap-Map: Industrial Disputes Act 1947, Trade Unions Act 1926 and IESO Act 1946	Q330–360	75
12	OSH Code I — Scope, Definitions, Duties, Accidents and Occupational Diseases	Q361–393	81
13	OSH Code II — Working Hours, Leave, Welfare Facilities and Women at Work	Q394–422	87
14	OSH Code III — Mines, Docks, Plantations, Contract Labour, Migrant Workers and Media Sectors	Q423–446	92
15	Subsumed OSH Laws Trap-Map: Factories Act 1948, CLRA 1970, ISMW 1979, Plantations 1951 and Others	Q447–473	96
16	Code on Social Security I — Architecture, Organisations and the Employees' Provident Fund Framework	Q474–497	101
17	Code on Social Security II — ESI, Benefits, Gratuity, Maternity Benefit, Gig and Unorganised Workers	Q498–528	106
18	Subsumed SS Laws Trap-Map: ESI 1948, EPF & MP Act 1952, Maternity Benefit Act 1961, Payment of Gratuity Act 1972 and Employees' Compensation Act 1923	Q529–553	112
19	The New-Economy Tilt — Gig and Platform Work, AI/LLM/GPU Economy, Digital Compliance and Cyber-Security	Q554–582	117
20	PYQ Replication Lab — Pattern Questions from UPSC/EPFO Papers 2012 – 2025 (with Code-Era Updates)	Q583–614	123
21	Rapid-Fire Revision Bank — Cross-Code High-Yield MCQs (The Number Game)	Q615–660	128

PART II · INDUSTRIAL RELATIONS — 23 chapters · 320 questions · p. 134

1	Understanding Workplace Relationships	Q661–672	135
2	The Journey of Labour Relations in India	Q673–689	138
3	Workforce and Employment	Q690–699	141
4	Workers' Associations: Meaning, Types and Growth	Q700–720	143
5	Trade Union Federations and Their Challenges	Q721–736	147
6	Collective Bargaining	Q737–749	150
7	Workplace Order and Complaint Handling	Q750–760	153
8	Strikes and Lockouts	Q761–775	156
9	Roadmap to Industrial Peace	Q776–790	159
10	The World of Wages	Q791–808	162
11	Worker Well-Being and Amenities	Q809–823	166
12	Workers' Participation in Management	Q824–834	169
13	Global Labour Standards and the ILO	Q835–852	172
14	Safe and Sound Workplaces (OSH)	Q853–866	175

CHAPTER 1 · PART I · LABOUR CODES

01 The Labour Codes Framework: Architecture, Reforms and the 2025-26 Rollout

39 questions · Q1–Q39 · about 39 min at exam pace

1 The Second National Commission on Labour (2002) recommended that the existing labour laws should be broadly grouped into:

(a) two or three labour codes on the basis of wage levels
(b) four or five labour codes on a functional basis
(c) eight labour codes on a sectoral basis
(d) a single omnibus labour code

2 The four Labour Codes consolidate how many central labour laws?

(a) 23 (b) 29 (c) 44 (d) 37

3 Match the Labour Code with the number of central laws it subsumes:

LIST-I (CODE)	LIST-II (LAWS SUBSUMED)
A. Code on Wages, 2019	**1.** Nine
B. Industrial Relations Code, 2020	**2.** Four
C. OSH & Working Conditions Code, 2020	**3.** Thirteen
D. Code on Social Security, 2020	**4.** Three

(a) A-2, B-4, C-3, D-1
(b) A-1, B-2, C-3, D-4
(c) A-2, B-3, C-4, D-1
(d) A-3, B-2, C-1, D-4

4 Under the Labour Codes, the total number of sections across the earlier Acts was streamlined approximately from 1,228 to:

(a) 640 (b) 480 (c) 780 (d) 960

5 Match the compliance metric with its position under the Labour

LIST-I	LIST-II (NOW)
A. Returns	**1.** 73
B. Forms	**2.** Single electronic return
C. Registers	**3.** 351
D. Rules	**4.** 8

(a) A-2, B-1, C-4, D-3
(b) A-1, B-2, C-3, D-4
(c) A-2, B-4, C-1, D-3
(d) A-4, B-3, C-2, D-1

6 Which two facilitative mechanisms were introduced for the first time under the Labour Codes?

(a) Interest waiver and tax rebate
(b) Compounding of offences and improvement notices
(c) Voluntary arbitration and tripartite boards
(d) Gratuity ceiling and bonus caps

7 The Code on Wages, 2019 was passed by Parliament on:

(a) 15 August 2019
(b) 8 August 2019
(c) 23 September 2020
(d) 28 April 2017

8 The Industrial Relations Code, the OSH Code and the Code on Social Security were all passed in:

(a) August 2019
(b) September 2020
(c) December 2020
(d) September 2019

9 Consider the following statements regarding commencement of the Labour Codes:

1 All four Codes came into force on 21 November 2025.
2 Certain provisions of the Code on Wages relating to the Central Advisory Board were in force from 18 December 2020.
3 The main provisions of the Code on Wages (Sections 1-41, 43-66, 68-69) were brought into force by notification S.O. 5322(E).

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

10 The Central Rules under all four Labour Codes (Wages, Social Security, IR and OSH Central Rules 2026) were notified by the Ministry of Labour and Employment on:

(a) 21 November 2025
(b) 30 December 2025
(c) 8 May 2026
(d) 25 August 2026

11 Match the 2026 Central Rules with the Code under which they were notified:

LIST-I	LIST-II
A. Occupational Safety, Health and Working Conditions (Central) Rules 2026	**1.** Industrial Relations Code 2020
B. Social Security (Central) Rules 2026	**2.** Code on Wages 2019
C. Industrial Relations (Central) Rules 2026	**3.** OSH Code 2020
D. Code on Wages (Central) Rules 2026	**4.** Code on Social Security 2020

(a) A-3, B-4, C-1, D-2
(b) A-1, B-2, C-3, D-4
(c) A-3, B-1, C-4, D-2
(d) A-2, B-4, C-1, D-3

12 The Wages (Central) Rules 2026 were originally notified as G.S.R. 343(E) dated 8 May 2026 and subsequently corrected by corrigendum:

(a) G.S.R. 5322(E) dated 21 November 2025
(b) G.S.R. 629(E) dated 15 July 2026
(c) S.O. 4710(E) dated 25 August 2026
(d) S.O. 454(E) dated 30 January 2026

13 The reconstitution of the Central Advisory Board under the Code on Wages (S.O. 3985(E), 21 July 2026) superseded which earlier notification?

(a) S.O. 527(E) dated 29 January 2019
(b) S.O. 2806(E) dated 29 August 2017
(c) S.O. 454(E) dated 30 January 2026
(d) G.S.R. 343(E) dated 8 May 2026

20 Consider the following statements about the Labour Codes' compliance architecture:

1 Employers can maintain records and returns electronically through web portals.
2 Inspection schemes provide for randomised/web-based inspections to remove human discretion.
3 One electronic return replaces the earlier 31 returns.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

21 The 'Inspector' under the old labour laws is replaced under the Labour Codes by:

(a) Labour Enforcement Officer
(b) Facilitation Officer
(c) Inspector-cum-Facilitator
(d) Compliance Facilitator

22 Consider the following statements regarding the floor wage under the Code on Wages:

1 The Central Government may fix a floor wage taking into account minimum living standards of workers.
2 Different floor wages may be fixed for different geographical areas.
3 A State cannot fix its minimum wage below the floor wage.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

23 The Worker Re-skilling Fund under the Industrial Relations Code is fed by employer contributions equivalent to:

(a) 7 days' wages per retrenched worker
(b) 15 days' wages per retrenched worker
(c) one month's wages per retrenched worker
(d) 5% of annual wage bill

24

A ASSERTION The Labour Codes extend social security to gig workers and platform workers for the first time.

R REASON The Code on Social Security, 2020 statutorily defines 'gig worker', 'platform worker' and 'aggregator'.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

25 Under the OSH Code, the standard working-hour framework is:

(a) 9 hours a day, 48 hours a week
(b) 8 hours a day, 48 hours a week
(c) 8 hours a day, 44 hours a week
(d) 9 hours a day, 54 hours a week

26 Consider the following statements regarding women workers under the Labour Codes:

1 Women may be permitted to work at night in establishments with their consent and subject to prescribed safety safeguards.
2 Employers must not discriminate on the ground of gender in paying wages for the same or similar work.
3 Women's consent for night work, once given, is irrevocable for the entire year.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

27 The Labour Codes provide free annual health check-ups specifically for:

(a) all workers in every establishment
(b) workers in hazardous industries
(c) only women workers
(d) only contract labour

28 Under the Code on Wages, appointment of the Chairperson of the Central Advisory Board is made from:

(a) employer representatives
(b) employee representatives
(c) independent members
(d) government officials

29 Consider the following statements regarding the Central Advisory Board under the Code on Wages:

1 Independent members cannot exceed one-third of total members.
2 At least one-third of members must be women.
3 Employer and employee representatives must be equal in number.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

30 The Second National Commission on Labour (2002) was chaired by:

(a) Justice P.B. Gajendragadkar
(b) Ravindra Varma
(c) G.K. Chadha
(d) G.R. Majithia

31 Match the commission/board with its chairperson:

LIST-I	LIST-II
A. First National Commission on Labour, 1969	**1.** G.K. Chadha
B. Wage Board for Working Journalists, 2009	**2.** Ravindra Varma
C. Index Review Committee, 2009	**3.** P.B. Gajendragadkar
D. Second National Commission on Labour, 2002	**4.** G.R. Majithia

(a) A-3, B-4, C-1, D-2
(b) A-2, B-4, C-3, D-1
(c) A-3, B-1, C-4, D-2
(d) A-4, B-3, C-1, D-2

32 Under the Labour Codes, the number of forms that employers must file has been reduced from 181 to:

(a) 120
(b) 96
(c) 73
(d) 58

21 c	22 d	23 b	24 a	25 b	26 a	27 b	28 c	29 d	30 b
31 a	32 c	33 a	34 c	35 b	36 c	37 b	38 b	39 d	

1 **b** The Second NCL (report June 2002) recommended grouping labour laws into four or five codes on functional basis; India adopted a four-code structure.

2 **b** 29 central labour Acts are consolidated into the 4 codes (Wages-4, IR-3, OSH-13, SS-9).

3 **a** Wages subsumes 4 laws, IR 3 laws, OSH 13 laws and Social Security 9 laws — totalling 29.

4 **b** The official reform statement notes 1,228 sections were streamlined into about 480 sections under the four codes.

5 **a** 31 returns became 1 electronic return, 181 forms reduced to 73, 84 registers to 8, and 1,436 draft rules to 351.

6 **b** Compounding of offences and improvement notices were introduced for the first time, marking a shift from punitive to facilitative compliance.

7 **b** The Code on Wages was passed on 8 August 2019 and is Act No. 29 of 2019.

8 **b** The three 2020 Codes (IR Act 35 of 2020, SS Act 36 of 2020, OSH Act 37 of 2020) were passed on 23 September 2020.

9 **d** All four Codes took effect 21 Nov 2025; the Wages Code's Advisory Board provisions were operative from 18 Dec 2020; S.O. 5322(E) brought the main body of the Wages Code into force on 21 Nov 2025.

10 **c** On 8 May 2026 MoLE notified the Central Rules under all four Codes; draft rules had been issued for consultation on 30 December 2025.

11 **a** Each set of Central Rules 2026 sits under its parent Code — OSH Rules under OSH Code, SS Rules under SS Code, IR Rules under IR Code and Wage Rules under the Wage Code.

12 **b** The Wages (Central) Rules 2026 were notified via G.S.R. 343(E) (8 May 2026) and corrected by corrigendum G.S.R. 629(E) dated 15 July 2026.

13 **a** The new Central Advisory Board constitution (S.O. 3985(E), 21 July 2026) superseded the earlier S.O. 527(E) of 29 January 2019.

14 **d** Railways, mines, banking, insurance, major ports and air transport are all among establishments for which the Central Government is the 'appropriate Government'.

15 **a** S.O. 454(E) fixed the worker ceiling at Rs. 18,000; S.O. 4711(E) the bonus eligibility ceiling Rs. 21,000; S.O. 4710(E) the calculation ceiling Rs. 7,000 or minimum wage; S.O. 5322(E) commenced the Code.

16 **c** Both bonus ceiling notifications were given deemed effect from 21 November 2025 — the day the Code commenced — a favourite exam trap regarding retrospective application.

17 **c** The BOCW Act, 1996 is subsumed in the OSH Code, but the BOCW Welfare Cess Act, 1996 is NOT among the 13 Acts subsumed under the OSH Code — its cess machinery continues under the Social Security framework.

18 **b** ECA 1923 and Maternity Benefit Act are subsumed in the SS Code; Working Journalists Act in the OSH Code; Industrial Disputes Act in the IR Code.

19 **c** Labour and welfare of labour fall in List III (Concurrent List) of the Seventh Schedule; both Parliament and State legislatures can legislate.

20 **d** All three are stated reform features: e-portal compliance, randomised web-based inspection and a single electronic return replacing 31 returns.

21 **c** The Codes replace inspectors with 'Inspector-cum-Facilitator', blending enforcement with advice and guidance to employers and workers.

22	d	Section 9 permits area-wise floor wages based on minimum living standards, and no appropriate Government can fix minimum rates below the floor wage.
23	b	Employers must contribute an amount equal to 15 days' wages for each retrenched worker to the Workers' Re-skilling Fund — a brand-new statutory fund.
24	a	The SS Code creates the first statutory definitions of gig/platform workers and aggregators, which is precisely how the extension of social security is achieved — R explains A.
25	b	The OSH Code standardises working time at 8 hours a day and 48 hours a week across establishment types (the Factories Act position of 9 hours a day is gone).
26	a	Night work (7 PM to 6 AM) is permitted with consent plus safety conditions, and equal remuneration applies for same/similar work; there is no provision making consent irrevocable for a year.
27	b	Under the OSH framework, workers in hazardous industries receive free annual health check-ups; appointment letters are mandatory for every employee.
28	c	One of the independent members of the Board is appointed Chairperson — employer/employee representatives are equal in number but cannot chair.
29	d	All three composition rules apply to the Advisory Boards under the Code on Wages.
30	b	Ravindra Varma chaired the Second NCL (2002); Gajendragadkar chaired the First NCL (1969); G.K. Chadha the Index Review Committee (2009); Majithia the Wage Board for Working Journalists (2009).
31	a	A-3 (Gajendragadkar 1969), B-4 (Majithia 2009), C-1 (Chadha 2009), D-2 (Varma 2002) — a repeat UPSC match pattern.
32	c	Forms came down from 181 to 73; registers from 84 to 8; and 31 returns merged into one electronic return.
33	a	Single registration and common/all-India licences (including the OSH Central Rules 2026 provision for multi-State contractor licences) flow directly from the consolidation rationale — R explains A.
34	c	Fixed-term employment (FTE) is expressly recognised under the IR Code with pro-rata statutory benefits (PF, gratuity, ESI) similar to permanent workers.
35	b	Chapter IX: establishments with 50-299 workers must serve prior NOTICE to the Government; the prior PERMISSION regime applies to 300+ worker establishments (Chapter X).
36	c	For 300+ establishments (Chapter X), the closure permission application must be made at least 90 days in advance (60 days' notice applies in the 50-299 category).
37	b	Retrenchment compensation is 15 days' average pay for each completed year of continuous service — carried over from the Industrial Disputes Act tradition.
38	b	A laid-off worker gets 50% of the basic wages plus DA that he would have earned had he not been laid off.
39	d	The SS Code repeals 9 Acts (ESI, EPF&MP, Maternity Benefit, Gratuity, Employees' Compensation, Employment Exchanges, Cine-Workers Welfare Fund, BOCW Welfare Cess, Unorganised Workers' SS Act), has 7 Schedules, and takes over the BOCW Act, 1996 from the welfare side.

ATTEMPTED	CORRECT	WRONG	TIME TAKEN	SCORE / 39

666 The Trade Unions Act, 1926, the Industrial Disputes Act, 1947 and the Industrial Employment (Standing Orders) Act, 1946 have been subsumed into:

(a) the Code on Wages, 2019
(b) the Occupational Safety, Health and Working Conditions Code, 2020
(c) the Code on Social Security, 2020
(d) the Industrial Relations Code, 2020

667 Which of the following Acts was NOT subsumed in the Code on Social Security, 2020?

(a) Employees' Provident Funds Act, 1952
(b) Employees' State Insurance Act, 1948
(c) Payment of Wages Act, 1936
(d) Payment of Gratuity Act, 1972

668 The Contract Labour (Regulation and Abolition) Act, 1970 and the Inter-State Migrant Workmen Act, 1979 have been subsumed in:

(a) the Industrial Relations Code, 2020
(b) the Code on Wages, 2019
(c) the OSH & Working Conditions Code, 2020
(d) the Code on Social Security, 2020

669 The Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976 are now part of:

(a) the Industrial Relations Code, 2020
(b) the Code on Wages, 2019
(c) the Code on Social Security, 2020
(d) the OSH & Working Conditions Code, 2020

670 Match List-I (Thinker) with List-II (Contribution):

LIST-I	LIST-II
A. Robert Owen	**1.** Human relations
B. F.W. Taylor	**2.** Scientific management
C. Elton Mayo	**3.** Industrial welfare movement
D. A.K. Rice	**4.** Socio-technical approach (Ahmedabad experiment)

Select the correct answer using the code below:

(a) A-3, B-2, C-1, D-4
(b) A-2, B-3, C-1, D-4
(c) A-3, B-2, C-4, D-1
(d) A-3, B-1, C-2, D-4

671 The Systems Approach to Industrial Relations, treating IR as a subsystem of society, was propounded by:

(a) Allan Flanders
(b) Elton Mayo
(c) Charles A. Myers
(d) John T. Dunlop

672 The 'Giri Approach' to industrial relations emphasises:

(a) compulsory adjudication of all disputes
(b) State ownership of industries
(c) voluntary negotiation, collective bargaining and settlement without government intervention
(d) scientific management of labour

CHAPTER 1 · PART III · ACCOUNTANCY

01 Basic Accounting — Meaning, Objectives, Users and the Accounting Process

14 questions · Q981–Q994 · about 14 min at exam pace

981 The American Institute of Certified Public Accountants (AICPA, 1941) defined accounting as the art of recording, classifying and summarising transactions and events, and interpreting the results thereof. The summarisation in this definition refers to:

(a) Preparation of Trial Balance only
(b) Preparation of financial statements such as the Trading and Profit & Loss Account and the Balance Sheet
(c) Posting of journal entries into ledger accounts
(d) Identification of economic events having a financial impact

982 Which one of the following events should NOT be recorded in the books of a business, as per the identification step of the accounting process?

(a) Purchase of goods worth ₹50,000 on credit from a supplier
(b) Appointment of a highly qualified employee at an agreed salary
(c) Payment of rent ₹8,000 for the office
(d) Sale of goods worth ₹20,000 in cash

983 In the accounting process, the correct sequence of the first four steps is:

(a) Recording → Identification → Classification → Summarisation
(b) Identification → Classification → Recording → Summarisation
(c) Identification → Recording → Classification → Summarisation
(d) Recording → Classification → Summarisation → Identification

984 Which one of the following is an INTERNAL user of accounting information?

(a) Potential investors
(b) Financial institutions providing loans
(c) Board of directors and management of the firm
(d) Government tax authorities

985 Which one of the following is NOT an objective of accounting?

(a) Systematic maintenance of business records
(b) Ascertaining profit or loss for the period
(c) Projecting the exact market value of every intangible asset
(d) Ascertaining the financial position through the Balance Sheet

986 The output of the accounting process is primarily communicated to users through:

(a) The journal and subsidiary books
(b) Ledger accounts
(c) Financial statements — Income Statement, Balance Sheet and Cash Flow Statement
(d) The eight-step accounting process chart

STATEMENT-TYPE QUESTIONS · Consider the following statements...

987 Consider the following statements:

1. Book-keeping is restricted to recording and classifying transactions, while accounting additionally includes summarising, analysing and communicating the results.
2. Accounting is described as an art as well as a science because it rests on a systematic body of knowledge but also requires judgement in its application.
3. Financial accounting records all events that affect the morale of employees.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

988 Consider the following statements regarding limitations of accounting:

1. Assets are shown at original purchase price (historical cost) less depreciation, not at current market value.
2. Items that cannot be measured in money, such as brand image or trained workforce, are omitted.
3. Accounting reports fully reflect future prospects of the business.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

989 Consider the following statements:

1. The fundamental qualitative characteristics of useful accounting information are relevance and faithful representation.
2. Comparability, verifiability, timeliness and understandability are enhancing qualitative characteristics.
3. Faithful representation requires deliberate understatement of assets as a standard practice.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

990 Consider the following statements:

1. Forensic accounting deals with investigation of financial crimes and fraud.
2. Fund-based accounting maintains separate accounts for specific funds such as corpus or endowment funds.
3. International accounting refers only to translation of financial statements into foreign languages.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

MATCH THE FOLLOWING · List-I / List-II with coded options

991 Match List-I (Branch of Accounting) with List-II (Primary Focus) and select the correct answer using the code given below the Lists:

LIST-I	LIST-II
A. Financial accounting	**1.** Cost ascertainment and control of production
B. Cost accounting	**2.** Preparation, filing and planning of income-tax returns
C. Management accounting	**3.** Recording and reporting to external users through financial statements
D. Tax accounting	**4.** Internal reporting for planning, control and decision-making

(a) A-3, B-1, C-4, D-2
(b) A-1, B-3, C-4, D-2
(c) A-3, B-4, C-1, D-2
(d) A-2, B-1, C-4, D-3

992 Match List-I (User) with List-II (Information Need) and select the correct answer using the code given below the Lists:

LIST-I	LIST-II
A. Shareholders/Investors	**1.** Security and profitability of funds lent
B. Bankers and lenders	**2.** Return on investment and soundness of the enterprise
C. Government authorities	**3.** Compliance with tax and statutory requirements
D. Employees	**4.** Job security, bonus and career prospects of the enterprise

(a) A-2, B-1, C-3, D-4
(b) A-1, B-2, C-3, D-4
(c) A-2, B-3, C-1, D-4
(d) A-4, B-1, C-3, D-2

993 Match List-I (Step of the Accounting Process) with List-II (Book/Statement Involved) and select the correct answer using the code given below the Lists:

LIST-I	LIST-II
A. Recording	**1.** Ledger accounts
B. Classification	**2.** Distribution of financial statements to users
C. Summarisation	**3.** Journal and subsidiary books
D. Communication	**4.** Trial Balance, Trading, Profit & Loss Account and Balance Sheet

(a) A-3, B-1, C-4, D-2
(b) A-1, B-3, C-4, D-2
(c) A-3, B-4, C-1, D-2
(d) A-2, B-1, C-4, D-3

ASSERTION – REASON · Standard UPSC code

994

A **ASSERTION** Accounting is both an art and a science.

R **REASON** Accounting rests on an organised body of principles and rules, yet its application requires the skill and judgement of the accountant.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

ANSWER KEY

Chapter 1 · correct option with the reasoning that decides it

981	b	982	b	983	c	984	c	985	c	986	c	987	a	988	a	989	a	990	a
991	a	992	a	993	a	994	a												

981 **b** Recording → journal; classifying → ledger; summarising → financial statements; interpreting → analysis and communication of results.

982 **b** Appointment itself creates no measurable monetary transaction at that point; it is recorded only when salary becomes payable. The book uses this exact example.

983 **c** The book's accounting process: first identify the economic event, then record it in the journal, then classify in the ledger, and finally summarise into financial statements.

984 **c** Internal users work within the entity (owners/directors, management, employees); investors, lenders, creditors and government are external users.

985 **c** Accounting cannot project exact market values of intangibles — unmeasurable intangibles (brand image) are in fact omitted, which is a stated limitation, not an objective.

986 **c** Journal and ledger are internal records (inputs/process); the financial statements are the final output through which results are communicated.

987 **a** Statements 1 and 2 are standard. Statement 3 is wrong — only monetary, measurable events are recorded (money measurement limitation).

988 **a** Statements 1 and 2 are the book's stated limitations; statement 3 is false — accounting presents past results, not future prospects.

989 **a** Statements 1 and 2 mirror the book's framework (2 fundamental + 4 enhancing characteristics). Statement 3 describes misuse of conservatism, not faithful representation.

990 **a** Statements 1 and 2 match the book's branch-wise table; statement 3 is wrong — international accounting deals with cross-border financial reporting (IFRS etc.), not translation.

991 **a** Financial → external reporting; Cost → product cost; Management → internal decisions; Tax → returns and tax planning.

992 **a** Each user group seeks information matching its stake — investors (returns), lenders (safety of funds), government (compliance), employees (job security and benefits).

993 **a** Recording happens in journals/subsidiary books; classification in ledgers; summarisation in trial balance and final accounts; communication in distribution of statements.

994 **a** A defined body of knowledge (science) is applied with human skill and judgement (art), so both A and R are true and R explains A.

ATTEMPTED	CORRECT	WRONG	TIME TAKEN	SCORE / 14

IAS MIND
Belief is Experience

1338 Consider the following statements about ENIAC:

1. It used approximately 18,000 vacuum tubes.
2. It used decimal arithmetic.
3. Initially, programming involved switches and cables rather than a stored-program system.
4. It was the first stored-program computer.

(a) 1 only
(b) 1 and 2 only
(c) 1, 2 and 3
(d) 1, 2, 3 and 4

1339 Which machine first successfully executed a program stored in electronic memory (on 21 June 1948)?

(a) EDSAC
(b) Manchester Baby (SSEM)
(c) UNIVAC I
(d) Colossus

1340 The computer delivered to the US Census Bureau in 1951, often called the first commercial computer in elementary textbooks, was the:

(a) EDSAC
(b) UNIVAC I
(c) IBM 701
(d) Ferranti Mark 1

1341 The transistor (1947), which became the principal technology of second-generation computers, was invented at:

(a) MIT, USA
(b) Bell Labs, by Bardeen, Brattain and Shockley
(c) CERN, by Berners-Lee
(d) IBM, by Aiken

1342 Consider the following statements:

1. The computer mouse prototype was built around 1964 and demonstrated publicly by Douglas Engelbart in 1968.
2. The Intel 4004 (1971) was the first commercially available single-chip 4-bit microprocessor, with about 2,300 transistors.
3. The IBM Personal Computer (1981) used the Intel 8088 microprocessor.

(a) 1 only
(b) 1 and 2 only
(c) 1, 2 and 3
(d) 2 and 3 only

ANSWER KEY

Chapter 1 · correct option with the reasoning that decides it

1331 b	1332 b	1333 a	1334 b	1335 b	1336 b	1337 a	1338 c	1339 b	1340 b	1341 b	1342 c

1331 **b** The Abacus uses movable beads on rods to perform arithmetic. Its exact origin is uncertain, but it is approximately dated to 3000 BC and connected with China.

1332 **b** Napier's Bones consists of numbered rods that simplify multiplication, division and root extraction. John Napier also developed logarithms, published in 1614.

1333 **a** Blaise Pascal's Pascaline was the first mechanical calculator using gears and wheels, designed mainly for addition and subtraction with a carrying mechanism between decimal places.

1334 **b** In Babbage's Analytical Engine (design 1837), the Mill performed arithmetic processing and the Store retained numbers and intermediate results.

1506 ‘Reasonable assurance’ in auditing means:

(a) absolute assurance that no fraud exists
(b) a low level of assurance based on management’s assertions
(c) a certificate of accuracy of every transaction
(d) a high, but not absolute, level of assurance

1507 The overall objectives of the independent auditor are laid down in:

(a) SA 300 (b) SA 500 (c) SA 200 (d) SA 700

ANSWER KEY

Chapter 1 · correct option with the reasoning that decides it

1501	1502	1503	1504	1505	1506	1507
d	c	a	b	a	d	c

1501 **d** an independent examination of financial information of any entity, conducted with a view to expressing an opinion thereon — The defining elements are independence, examination and the expression of an opinion.

1502 **c** could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements — Materiality is a user-decision test, not a fixed percentage.

1503 **a** 1 and 2 only — Both quantitative and qualitative misstatements can be material; statement 3 is wrong.

1504 **b** A qualitative misstatement that may be material because of its nature — Misclassifying liabilities as assets misleads users about financial position regardless of amount.

1505 **a** The double-counting is a material misstatement even though it is a mere mistake — It distorts the true position; intent does not decide materiality.

1506 **d** a high, but not absolute, level of assurance — SA 200 — the auditor never certifies absolute accuracy.

1507 **c** SA 200 — SA 200: Overall Objectives of the Independent Auditor.

ATTEMPTED	CORRECT	WRONG	TIME TAKEN	SCORE / 7

IAS MIND
Belief is Experience

1607 Mr A insured goods worth ₹10 lakh. A fire damaged goods worth only ₹2 lakh. Under the principle of indemnity he can recover:

(a) ₹ 10 lakh, the sum insured
(b) ₹ 2 lakh, the actual loss
(c) ₹ 8 lakh, the unconsumed cover
(d) nothing, as the loss is partial

1608 Goods insured against fire were destroyed by water used to extinguish a fire that started from an LPG cylinder leak. Applying the doctrine of proximate cause, the insurer is:

(a) liable, because water damage is a fire-related loss
(b) liable, because the fire was extinguished to save the goods
(c) not liable, because the nearest and most effective cause was not a covered peril
(d) liable for half the loss as a compromise

1609 Subrogation, the transfer of the insured's right of recovery against a third party to the insurer, is best described as:

(a) an independent principle unrelated to indemnity
(b) a corollary of the principle of indemnity
(c) a rule that applies to life insurance
(d) a right available only to the insured

1610 If a loss is covered by more than one policy on the same subject matter, same interest and same peril, the right of an insurer who has paid to call upon the other insurers to share the loss is called:

(a) Subrogation
(b) Contribution
(c) Reinsurance
(d) Salvage

1611 Double insurance means insuring the same subject matter with two or more insurers. In such a case:

(a) the insured can recover the sum assured under each policy separately
(b) the total recovery cannot exceed the actual loss
(c) the second policy is automatically void
(d) the insured must claim only from the first insurer

1612 Pankaj bought a restaurant for ₹20 lakh and insured it for ₹10 lakh against fire. A fire caused a loss of ₹6 lakh. Applying average, the insurer will pay:

(a) ₹ 6,00,000
(b) ₹ 3,00,000
(c) ₹ 5,00,000
(d) ₹ 10,00,000

1613 A person has insurable interest in the life of another where a financial relationship exists. Which one of the following is the correct statement?

(a) A creditor may insure the debtor's life for any amount he chooses
(b) A creditor's insurable interest in the debtor's life is limited to the amount of the debt
(c) An employer has no insurable interest in the life of an employee
(d) A mortgagee has no insurable interest in the mortgagor's life

ANSWER KEY

Chapter 1 · correct option with the reasoning that decides it

1601 c	1602 d	1603 b	1604 b	1605 b	1606 b	1607 b	1608 c	1609 b	1610 b
1611 b	1612 b	1613 b							

1601 **c** Life insurance is a contract of assurance, not indemnity — a human life cannot be valued, so the sum assured is paid as agreed rather than as measured loss. Fire, marine and motor are indemnity contracts. [PYQ 2025]

1602 **d** Mitigation requires the insured to act with prudence after a loss; failure to take reasonable steps can prejudice the claim. [PYQ 2025]

1603 **b** Utmost good faith is a two-way duty: the insured discloses all material facts voluntarily, and the insurer discloses the terms and conditions. Breach by the insured can void the policy.

1604 **b** Insurable interest is a monetary interest — the insured must stand to lose financially. Ownership is not required: a trustee holding property for others has insurable interest in it.

1605 **b** For life insurance, insurable interest must be present at inception of the contract; it need not continue until death. For indemnity covers such as fire and marine, the interest must exist at the time of loss.

1606 **b** Without insurable interest the contract would be a bet on an event in which the insured has no stake. The requirement of a genuine, loss-bearing interest is what distinguishes insurance from wagering.

1607 **b** Indemnity restores the insured to his pre-loss position and no better — compensation is limited to the actual loss, subject to the sum insured and policy terms.

1608 **c** Proximate cause is the nearest, immediate and dominant cause. Where the operative cause is an excepted peril (LPG leak) rather than the covered peril (electrical short circuit), the claim fails.

1609 **b** Subrogation exists so that the insured does not recover twice — it flows from indemnity and applies to indemnity covers, not to life insurance.

1610 **b** Contribution requires two or more policies in force covering a common interest, the same subject matter and the same peril; the insured cannot recover more than the actual loss.

1611 **b** Double insurance is lawful, but recovery is capped at the actual loss so that the insured does not profit; the insurers share the loss.

1612 **b** Compensation = (sum insured ÷ value of insured asset) × actual loss = (10 ÷ 20) × ₹6,00,000 = ₹3,00,000. Under -insurance reduces the claim proportionately.

1613 **b** Godsall v. Boldero limits a creditor's recovery to the actual debt. Employer – employee and mortgagee – mortgagor relationships do create insurable interest.

ATTEMPTED	CORRECT	WRONG	TIME TAKEN	SCORE / 13

IAS MIND
Belief is Experience