

CA Foundation Course**DATE: 04.11.2024****(Mock Test Paper – Series : 1)****MAXIMUM MARKS: 100****TIMING: 3^{1/4} Hours****PAPER 2 : BUSINESS LAW****Question No. 1 is Compulsory.****Answer any four question from the remaining five questions.****Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer. Working Notes should form part of the answer.****Question 1:**

- (a) (i) P sells by auction to Q a horse which P knows to be unsound. The horse appears to be sound but P knows about the unsoundness of the horse. Is this contract valid in the following circumstances:
- (a) If P says nothing about the unsoundness of the horse to Q.
 - (b) If P says nothing about it to Q who is P's daughter who has just come of age.
 - (c) If Q says to P "If you do not deny it, I shall assume that the horse is sound." P says nothing.
- (ii) Comment on the following statements:
- (a) Acceptance must be absolute and unqualified.
 - (b) Acceptance must be in the prescribed mode.

(7 Marks)

- (b) Delta school started imparting education on 1.4.2010, with the sole objective of providing education to children of weaker society either free of cost or at a very nominal fee depending upon the financial condition of their parents. However, on 30th March 2018, it came to the knowledge of the Central Government that the said school was operating by violating the objects of its objective clause due to which it was granted the status of a section 8 company under the Companies Act, 2013. Describe what powers can be exercised by the Central Government against the Delta School, in such a case?

(7 Marks)

- (c) What is dissolution of firm? Distinguish between dissolution of firm and dissolution of partnership?

(6 Marks)**Question 2:**

- (a) Kamal Cloth House, a firm dealing with the wholesale and retail buying and selling of various kinds of clothes, customized as per the requirement of the customers. They dealt with Silk, Organdie, cotton, khadi, chiffon and many other different varieties of cloth.
- Mrs. Seema, a customer came to the shop and asked for specific type of cloth suitable for making a saree for her daughter's wedding. She specifically mentioned that she required cotton silk cloth which is best suited for the purpose.
- The Shop owner agreed and arranged the cloth pieces cut into as per the buyers' requirements.
- When Seema went to the tailor for getting the saree stitched, she found that seller has supplied her cotton organdie material, cloth was not suitable for the said purpose. It has heavily starched and not suitable for making the saree that Seema desired for. The Tailor asked Seema to return the cotton organdie cloth as it would not meet his requirements.

The Shop owner refused to return the cloth on the plea that it was cut to specific requirements of Mrs. Seema and hence could not be resold.

With reference to the doctrine of "Caveat Emptor" explain the duty of the buyer as well as the seller. Also explain whether Mrs. Seema would be able to get the money back or the right kind of cloth as per the requirement?

(7 Marks)

- (b)** Explain Doctrine of Indoor Management and also give its exception limitations?

(7 Marks)

- (c)** Give differences between LLP and Limited Liability Company?

(6 Marks)

Question 3:

- (a)** Bishan Private Limited and its subsidiary Kaluram Private Limited are holding 90,000 and 70,000 shares respectively in Parvesh Private Limited. The paid-up share capital of Parvesh Private Limited is Rs. 30 Lakhs (3 Lakhs equity shares of Rs. 10 each fully paid). Analyse with reference to provisions of the Companies Act, 2013 whether Parvesh Private Limited is a subsidiary of Bishan Private Limited. What would be your answer if Kaluram Private Limited a holding 1,60,000 shares in Parvesh Private Limited and no shares are held by Bishan Private Limited in Parvesh Private Limited?

(7 Marks)

- (b)** P.Q.R. and S are the partners in M/S PQRS & Co. a partnership firm which deals in trading of Washing Machines of various brands.
Due to the conflict of views between partners, P & Q decided to leave the partnership firm and started competitive business on 31st July, 2019, in the name of M/S PQ & Co. Meanwhile, R & S have continued using the property in the name of M/S PQRS & Co. in which P & Q also has a share.

Based on the above facts, explain in detail the rights of outgoing partners as per the Indian Partnership Act, 1932 and comment on the following :

- (i) Rights of P & Q to start a competitive business.
- (ii) Rights of P & Q regarding their share in property of M/S PQRS & Co.

(7 Marks)

- (c)** Give doctrine of privity of contract and give exceptions also?

(6 Marks)

Question 4:

- (a) (i)** Mr. Sethi (an industrialist) has been fighting a long-drawn litigation with Mr. Pawan (another industrialist). To support his legal campaign, Mr. Sethi enlists the services of Mr. Vijay, a legal expert stating that an amount of Rs. 5 lakhs would be paid, if Mr. Vijay does not take up the case of Mr. Pawan. Mr. Vijay agrees, but at the end of the litigation, Mr. Sethi refused to pay. Decide whether Mr. Vijay can recover the amount promised by Mr. Sethi under the provisions of the Indian Contract Act, 1872.

(3 Marks)

- (ii)** Mr. Yash aged 21 years, lost his mental balance after the death of his parents in an accident. He was left with his grandmother aged 85 years, incapable of walking and dependent upon him. Mr. Mahesh their neighbour, out of pity, started supplying food and other necessities to both of them. Mr. Yash and his grandmother used to live in the house built by his parents. Mr. Mahesh

also provided grandmother some financial assistance for her emergency medical treatment. After supplying necessities to Mr. Yash for four years, Mr. Mahesh approached the former asking him to payback Rs. 15 Lakhs inclusive of Rs. 7 Lakhs incurred for the medical treatment of the lady (grandmother). Mr. Yash pleaded that he has got his parent's jewellery to sell to a maximum value of Rs. 4 Lakhs, which may be adjusted against the dues. Mr. Mahesh refused and threatened Mr. Yash of legal suit to be brought against for recovering the money.

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

- (i) Will Mr. Mahesh succeed in filing the suit to recover money? Elaborate the related provisions?
- (ii) What is the maximum amount- of money that can be recovered by Mr. Mahesh?
- (iii) Shall the provisions of the above act also apply to the medical treatment given to the grandmother?

(4 Marks)

(b) What are Essential Characteristics of Negotiable Instruments?

(7 Marks)

(c) Explain the Types of laws in the Indian Legal System?

(6 Marks)

Question 5:

(a) Ashok Ltd. sells its products through some agents and it is not the custom in their business to sell the products on credit. Mr. Rinku, one of the agents sold goods of Ashok Ltd. to M/s. Pari Pvt. Ltd. (on credit) which was insolvent at the time of such sale. Ashok Ltd. sued Mr. Rinku for compensation towards the loss caused due to sale of products to M/s. Pari Pvt. Ltd. Will Ashok Ltd. succeed in its claim?

(3 Marks)

(b) (i) What is implied authority of a partner? What acts are covered in implied authority of a partner?

(3 Marks)

(ii) What are acts beyond implied authority of partner?

(4 Marks)

(c) (i) What are types of guarantees?

(3 Marks)

(ii) Give distinction between a contract of indemnity and a contract of guarantee?

(3 Marks)

(d) Rachna went to a jewellery shop and asked the shopkeeper to show the gold bangles with white polish. The shopkeeper informed that he has gold bangles with lots of designs but not in white polish rather if Rachna select gold bangles in his shop, he will arrange white polish on those gold bangles without any extra cost. Rachna select a set of designer bangles and pay for that. The shopkeeper requested Rachna to come after two days for delivery of those bangles so that white polish can be done on those bangles. When Rachna comes after two days to take delivery of bangles,

she noticed that due to white polishing , the design of bangles has been disturbed. Now, she wants to avoid the contract and asked the shopkeeper to give her money back but shopkeeper has denied for the same.

- (a) State with reasons whether Rachna can recover the amount under the Sale of Goods Act, 1930.
- (b) What would be your answer if shopkeeper says that he can repair those bangles but he will charge extra cost for same?

(4 Marks)

Question 6:

- (a) Chaman drew a cheque in favour of Raman. After having issued the cheque; Chaman requested Raman not to present the cheque for payment and gave a stop payment request to the bank in respect of the cheque issued to Raman. Decide, under the provisions of the Negotiable Instruments Act, 1881 whether the said acts of Chaman constitute an offence?

(7 Marks)

- (b) A, who is an agent of a buyer, had obtained the goods from the Railway Authorities and loaded the goods on his truck. In the meantime, the Railway Authorities received a notice from B, the seller for stopping the goods in transit as the buyer has become insolvent. Referring to the provisions of Sale of Goods Act, 1930, decide whether the Railway Authorities can stop the goods in transit as instructed by the seller?

(7 Marks)

- (c) Explain Pledge by Non-Owners?

(6 Marks)

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