

CA Foundation Course

DATE: 24.11.2024

(Mock Test Paper – Series : 1)

MAXIMUM MARKS: 100

TIMING: 3<sup>1/4</sup> 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) Jaya, a minor, falsely representing her age, enters into an agreement with an authorised Laptop dealer Mr. Sharma, owner of SP Laptops, for purchase of Laptop on credit amounting Rs. 60,000/- for purchasing a laptop, on 1st August 2021. She promised to pay back the outstanding amount with interest @ 16% p.a. by 31st July 2022. She told him that in case she won't be able to pay the outstanding amount, her father Mr. Shyam will pay back on her behalf. After One year, when Jaya was asked to pay the outstanding amount with interest she refused to pay the amount and told the owner that she is minor and now he can't recover a single penny from her.

She will be adult on 1st January 2024, only after that agreement can be ratified. Explain by which of the following way Mr. Sharma will succeed in recovering the outstanding amount with reference to the Indian Contract Act, 1872.

- (i) By filing a case against Jaya, a minor for recovery of outstanding amount with interest?
- (ii) By filing a case against Mr. Shyam, father of Jaya for recovery of outstanding amount?
- (iii) By filing a case against Jaya, a minor for recovery of outstanding amount after she attains maturity?

**(7 Marks)**

- (b) Mr. Rajeev, an assessee, was a wealthy man earning huge income by way of dividend and interest. He formed three Private Companies and agreed with each to hold a bloc of investment as an agent for them. The dividend and interest income received by the companies was handed back to Mr. Rajeev as a pretended loan. This way, Mr. Rajeev divided his income into three parts in a bid to reduce his tax liability. Decide, for what purpose the three companies were established? Whether the legal personality of all the three companies may be disregarded.

**(7 Marks)**

- (c) Give differences between Partnership and joint stock company

**(6 Marks)****Question 2:**

- (a) Mr. Das, a general store owner went to purchase 200 kg of Basmati Rice of specific length from a whole seller. He saw the samples of rice and agreed to buy the one for which the price was quoted as Rs. 150 per kg. While examining the sample Mr. Das failed to notice that the rice contained a mix of long and short grain of rice. The whole seller supplied the required quantity exactly the same as shown in the sample. However, when Mr. Das sold the rice to one of his regular customers she complained that the rice contained two different qualities of rice and returned the rice.

With reference to the provisions of the Sales of Goods Act, 1930, discuss the options open to Mr. Das for grievance redressal. What would be your answer in case Mr. Das specified his exact requirement as to length of rice?

**(6 Marks)**

**(b)** Explain the doctrine of Ultra Vires and State its implications (consequences)?

**(7 Marks)**

**(c)** Give Characteristic / Salient Features of LLP?

**(7 Marks)**

**Question 3:**

**(a)** What is anticipatory breach of contract? Give its effects?

**(6 Marks)**

**(b)** Mahendra Motors Limited is a Government Company. Farukh Auto Private Limited have share capital of Rs. 10 crore in the form of 10,00,000 shares of Rs. 100 each. Mahendra Motors Limited is holding 5,05,000 shares in Farukh Auto Private Limited. Farukh Auto Private Limited claimed the status of Government Company. Advise as legal advisor, whether Farukh Auto Private Limited is government company under the provisions of Companies Act, 2013?

**(7 Marks)**

**(c)** Mr. A. Mr. B and Mr. C were partners in a partnership firm M/s ABC & Co., which is engaged in the business of trading of branded furniture. The name of the partners was clearly written along with the firm name in front of the head office of the firm as well as on letter-head of the firm. On 1st October, 2018, Mr. C passed away. His name was neither removed from the list of partners as stated in front of the head office nor from the letter-heads of the firm. As per the terms of partnership, the firm continued its operations with Mr. A and Mr. B as partners. The accounts of the firm were settled and the amount due to the legal heirs of Mr. C was also determined on 10th October, 2018. But the same was not paid to the legal heirs of Mr. C. On 16th October, 2018, Mr. X, a supplier supplied furniture worth Rs. 20,00,000 to M/s ABC & Co. M/s ABC & Co. could not repay the amount due to heavy losses. Mr. X wants to recover the amount not only from M/s ABC & Co., but also from the legal heirs of Mr. C.

Analyses the above situation in terms of the provisions of the Indian Partnership Act, 1932 and decide whether the legal heirs of Mr. C can also be held liable for the dues towards Mr. X.

**(7 Marks)**

**Question 4:**

**(a)** Mr. P and Mr. Q made contract wherein Mr. P agreed to deliver paper cup manufacture machine to Mr. Q and to receive payment on delivery. On the delivery date, Mr. Q didn't pay the agreed price. Decide whether Mr. P is bound to fulfill his promise at the time of delivery?

**(3 Marks)**

**(b)** Z rent out his house situated at Mumbai to W for a rent of Rs. 10,000 per month. A sum of Rs. 5 lac, the house tax payable by Z to the Municipal Corporation being in arrears, his house is advertised for sale by the corporation. W pays the corporation, the sum due from Z to avoid legal consequences. Referring to the provisions of the

Indian Contract Act, 1872 decide whether W is entitled to get the reimbursement of the said amount from Z.

**(4 Marks)**

**(c)** What do you mean by Inchoate and Ambiguous Instruments?

**(7 Marks)**

**(d)** Write short note on Reserve Bank of India (RBI)?

**(6 Marks)**

**Question 5:**

**(a)** Kuldeep has given his residential property on rent amounting to Rs. 25,000 per month to Shashank. Sumit became the surety for payment of rent by Shashank. Subsequently, without Sumit's consent, Shashank agreed to pay higher rent to Kuldeep. After a few months of this, Shashank defaulted in paying the rent.

(i) Explain the meaning of contract of guarantee according to the provisions of the Indian Contract Act, 1872.

(ii) State the position of Sumit in this regard.

**(3 Marks)**

**(b)** Mehul goes to super market to buy a washing machine. He selects a branded washing machine having a price tag of Rs. 15000 after a discount of Rs. 3000. Mehul reaches at cash counter for making the payment, but cashier says, "Sorry sir, the discount was upto yesterday. There is no discount from today. Hence you have to pay Rs. 18000." Mehul got angry and insists for Rs. 15000. State with reasons whether under Indian Contract Act, 1872, Mehul can enforce the cashier to sale at discounted price i.e. Rs. 15000.

**(4 Marks)**

**(c)** Explain whether the agency shall be terminated in the following cases under the provisions of the Indian Contract Act, 1872:

(i) A gives authority to B to sell A's land, and to pay himself, out of the proceeds, the debts due to him from A. Afterwards, A becomes insane.

(ii) A appoints B as A's agent to sell A's land. B, under the authority of A, appoints C as agent of B. Afterwards, A revokes the authority of B but not of C. What is the status of agency of C ?

**(7 Marks)**

**(d)** Mr. Kamal visited M/s Makrana Marbles for the purchase of marble and tiles for his newly built house. He asked the owner of the above shop Mr. Jai to visit his house prior to supply so that he can clearly ascertain the correct mix and measurements of marble and tiles. Mr. Jai agreed and visited the house on the next day. He inspected the rooms in the first floor and the car parking space. Mr. Kamal insisted him to visit the second floor as well because the construction pattern was different, Mr. Jai ignored the above suggestion.

Mr. Jai. supplied 146 blocks of marble as per the size for the rooms and 16 boxes of tiles with a word of caution that the tiles can bear only a reasonable weight. Marble and Tiles were successfully laid except on second floor due to different sizes of the marble. The tiles fitted in the parking space also got damaged due to the weight of the vehicle came for unloading cement bags. Mr. Kamal asked Mr. Jai for the replacement of marble and tiles to which Mr. Jai refused, taking the plea that the marble were as per the measurement and it was unsafe to fit tiles at the parking

area as it cannot take heavy load. Discuss in the light of provisions of Sale of Goods Act 1930:

- (i) Can Mr. Jai refuse to replace the marble with reference to the doctrine of Caveat Emptor? Enlist the duties of both Mr. Kamal. and Mr. Jai.
- (ii) Whether the replacement of damaged tiles be imposed on M/ s Makrana Marbles? Explain.

**(6 Marks)**

**Question 6:**

- (a) Mr. C Muttu drew a cheque in favour of Manav who was sixteen years old. Manav settled his rental due by endorsing the cheque in favour of Mrs. Anjali the owner of the house in which he stayed. The cheque was dishonoured when Mrs. Anjali presented it for payment on grounds of inadequacy of funds. Advise Mrs. Anjali how she can proceed to collect her dues.

**(6 Marks)**

- (b) A went to B's shop and selected some jewellery. He falsely represented himself to be a man of credit and thereby persuaded B to take the payment by cheque. He further requested him to hand over the particular type of ring immediately. On the due date, when the seller, B presented the cheque for payment, the cheque was found to be dishonoured. Before B could avoid the contract on the ground of fraud by A, he had sold the ring to C. C had taken the ring in good faith and without any notice of the fact that the goods with A were under a voidable contract. Discuss if such a sale made by non-owner is valid or not as per the provisions of Sale of Goods Act, 1930?

**(7 Marks)**

- (c) Mrs. Aarti delivered her old silver jewellery to Mr. Yash a Goldsmith, for the purpose of making new a silver bowl out of it. Every evening she used to receive the unfinished good (silver bowl) to put it into box kept at Mr. Yash's Shop. She kept the key of that box with herself. One night, the silver bowl was stolen from that box. Was there a contract of bailment? Whether the possession of the goods (actual or constructive) delivered, constitute contract of bailment or not?

**(4 Marks)**

- (d) Mr. Ajeet Birla was a big businessman of city Pune having two sons and one married daughter. He decided to gift his one house to his daughter. For this purpose, he called his lawyer at his house and made a written document for such gift. The lawyer advised him to get the transfer document properly registered. When they both were going for registration of document, they met with an accident and both of them died. Later, his daughter found the document and claimed the house on the basis of that document. Explain, whether she can get the house as gift under the Indian Contract Act, 1872?

**(3 Marks)**

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