

(GCF-7+8, 9, 10, VDCF-3 & 4, VCF-3 & 4, SCF-3 & 4)

DATE: 06.10.2020

MAXIMUM MARKS: 100

TIMING: 3 Hours

BUSINESS LAW & BUSINESS CORRESPONDENCE & REPORTING

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.

Answer 1:

- (a)** Responsibility of finder of goods (Section 71 of the Indian Contract Act, 1872): A person who finds goods belonging to another and takes them into his custody is subject to same responsibility as if he were a bailee.
- Thus, a finder of lost goods has:
- (a) to take proper care of the property as man of ordinary prudence would take
 - (b) no right to appropriate the goods and
 - (c) to restore the goods if the owner is found.
- In the light of the above provisions, the manager must return the wallet to X, since X is entitled to retain the wallet found against everybody except the true owner.

{3 M}

{1 M}

Answer:

- (b)** Small Company: According to Section 2(85) of the Companies Act, 2013, Small Company means a company, other than a public company,—
- (1) paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than 10 crore rupees; and
 - (2) turnover of which as per its last profit and loss account does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than 100 crore rupees.
- Nothing in this clause shall apply to—
- (A) a holding company or a subsidiary company;
 - (B) a company registered under section 8; or
 - (C) a company or body corporate governed by any special Act.
- (i) In the present case, MNP Private Ltd., a company registered under the Companies Act, 2013 with a paid up share capital of Rs. 45 lakh and having turnover of Rs. 3 crore. Since only one criteria of share capital of Rs. 50 Lakhs is met, but the second criteria of turnover of Rs. 2 crores is not met and the provisions require both the criteria to be met in order to avail the status of a small company, MNP Ltd. cannot avail the status of small company.
- (ii) If the turnover of the company is Rs. 1.50 crore, then both the criteria will be fulfilled and MNP Ltd. can avail the status of small company.

{2 M}

{1 M}

{1 M}

Answer:**(c)**

Basis of difference	Partnership	Co-ownership
Formation	Partnership always arises out of a contract, express or implied.	Co-ownership may arise either from agreement or by the operation of law, such as by inheritance.
Implied agency	A partner is the agent of the other partners.	A co-owner is not the agent of other co-owners.
Nature of interest	There is community of interest which means that profits and	Co-ownership does not necessarily involve sharing of profits and

{1 M Each}

	losses must have to be shared	losses.
Transfer of interest	A share in the partnership is transferred only by the consent of other partners	A co-owner may transfer his interest or rights in the property without the consent of other co-owners.

Answer 2:**(a) Distinction between LLP and Limited Liability Company (LLC)**

	Basis	LLP	Limited Liability Company
1.	Regulating Act	The LLP Act, 2008.	The Companies Act, 2013.
2.	Members/Partners	The persons who contribute to LLP are known as partners of the LLP.	The persons who invest the money in the shares are known as members of the company.
3.	Internal governance structure	The internal governance structure of a LLP is governed by agreement between the partners.	The internal governance structure of a company is regulated by statute (i.e., Companies Act, 2013).
4.	Name	Name of the LLP to contain the word "Limited Liability partnership" or "LLP" as suffix.	Name of the public company to contain the word "limited" and Private company to contain the word "Private limited" as suffix.
5.	Number of members/partners	Minimum – 2 members Maximum – No such limit on the members in the Act. The members of the LLP can be individuals/or body corporate through the nominees.	Private company: Minimum – 2 members Maximum – 200 members Public company: Minimum – 7 members Maximum – No such limit on the members. Members can be organizations, trusts, another business form or individuals.
6.	Liability of members/partners	Liability of a partners is limited to the extent of agreed contribution except in case of willful fraud.	Liability of a member is limited to the amount unpaid on the shares held by them.
7.	Management	The business of the company managed by the partners including the designated partners authorized in the agreement.	The affairs of the company are managed by board of directors elected by the shareholders.
8.	Minimum number of directors/designated partners	Minimum 2 designated partners.	Private Co. – 2 directors Public Co. – 3 directors

{1 M for
each
correct 6
points}

Answer:

- (b)** In terms of section 4(1)(c) of the Companies Act, 2013, the powers of the company are limited to:
- (i) Powers expressly given in the "Objects Clause" of the Memorandum (which is popularly known as 'express' power), or conferred by the Companies Act, or by any other statute and
 - (ii) powers reasonably incidental or necessary to the company's main objects (termed as "Implied" powers).
- The Act further provides that the acts beyond the powers of a company are ultra vires and void and cannot be ratified even though every member of the company may give his consent [**Ashbury Railway Carriage Company Vs Richee**]
- The objects clause enables the shareholders, creditors or others to know what its powers are and what is the range of its activities. The objects clause therefore is of fundamental importance to the shareholders, creditors and every other person who deals with the company in any manner what so ever. A company being an artificial legal person can act only within the ambit of the powers conferred upon it by the Memorandum through the "Objects Clause".

{1 M}

{1 M}

{1 M}

Every person who enters into a contractual relationship with a company on any matter is presumed to be aware of its objects and is supposed to have examined the Memorandum of Articles of the company to ensure proper contractual agreement. If a person fails to do so, it is entirely at his own peril. {1 M}

M/s LSR Pvt. Ltd is authorised to trade directly on fruits and vegetables. It has no power to enter into a partnership for Iron and steel with Mr. J. Such act cannot be treated as being within either the 'express' or 'implied' powers of the company. Mr J who entered into partnership is deemed to be aware of the lack of powers of M/s LSR (Pvt) Ltd. In the light of the above, Mr, J cannot enforce the agreement or liability against M/s LSR Pvt. Ltd under the Companies Act. Mr. J should be advised accordingly. {2 M}

Answer 3:

- (a) {As per provisions of **Sec. 44(f)** of Indian Partnership Act, 1932, Varun and Tarun are advised to make a petition to the Court for the dissolution of the firm on the ground that the firm cannot be carried on except at a loss.}{2 M} {Since the firm was constituted for fixed term of five years it cannot be dissolved without the consent of all the partners and as such Varun and Tarun cannot compel Arun to dissolve the firm. So the dissolution by court is the only option.}{2 M}

Answer:

- (b) Section 37 of the Indian Partnership Act, 1932 provides that where a partner dies or otherwise ceases to be a partner and there is no final settlement of account between the legal representatives of the deceased partner of the firms with the property of the firm, then in the absence of a contract to the contrary, the legal representatives of the deceased partner or the retired partner entitled to claim either - {2 M}
- (i) Such shares of the profits earned after the death or retirement of the partner which is attribute to the use of his share in the property of the firm; or
 - (ii) interest at the reate of 6 per cent per annum on the amount of his sahre in the property.

Based on the aforesaid provisions of the **Section 37** of the Indian Partnership Act legal representative of A can claim:

- (i) The 20% shares of profit (as per the partnership deed);
- (ii) Interest at the rate of 6 per cent per annum on the amount of A's share in the property. {2 M}

Answer:

- (c) **Fitness of Cloth:** As per the provision of Section 16(1) of the Sale of Goods Act, 1930, an implied condition in a contract of sale that an article is fit for a particular purpose only arises when the purpose for which the goods are supplied is known to the seller, the buyer relied on the seller's skills or judgement and seller deals in the goods in his usual course of business. In this case, the cloth supplied is capable of being applied to a variety of purposes, the buyer should have told the seller the specific purpose for which he required the goods. But he did not do so. Therefore, the implied condition as to the fitness for the purpose does not apply. Hence, the buyer will not succeed in getting any remedy from the seller under the Sale of Goods Act, 1930. {3 M}
- {1 M}

Answer 4:

- (a) **Section 73** of the Indian Contract Act, 1872 provides for consequences of breach of contract. According to it, when a contract has been broken, the party who suffers by such breach is entitled to receive from the party who has broken the contract, compensation for any loss or damage caused to him thereby which naturally arose in the usual course of things from such breach or which the parties knew when they made the contract, to be likely to result from the breach of it. Such compensation is not given for any remote and indirect loss or damage sustained by reason of the breach. It is further provided in the explanation to the section that in estimating the loss or damage from a breach of contract, the means which existed of remedying the inconvenience caused by the non-performance of the contract must be taken into account. {3 M}
- Applying the above principle of law to the given case, M Ltd is obliged to compensate for the loss of Rs. 1.25 lakhs (i.e. Rs. 12.75 minus Rs. 11.50 = Rs. 1.25 lakhs) which had naturally arisen due to default in performing the contract by the specified date. {1½ M}
- Regarding the amount of compensation which Shanti Traders were compelled to make to Zenith Traders, it depends upon the fact whether M Ltd., knew about the contract of Shanti Traders for supply of the contracted machinery to Zenith Traders on the specified date. If so, M Ltd is also obliged to reimburse the compensation which Shanti Traders had to pay to Zenith Traders for breach of contract. Otherwise M Ltd is not liable. {1½ M}

Answer:

- (b) An 'Auction Sale' is a mode of selling property by inviting bids publicly and the property is sold to the highest bidder. An auctioneer is an agent governed by the Law of Agency. When he sells, he is only the agent of the seller. He may, however, sell his own property as the principal and need not disclose the fact that he is so selling. Rules of Auction sale: Section 64 of the Sale of Goods Act, 1930 provides following rules to regulate the sale by auction: {1 M}
1. Where goods are sold in lots: Where goods are put up for sale in lots, each lot is *prima facie* deemed to be subject of a separate contract of sale.
 2. Completion of the contract of sale: The sale is complete when the auctioneer announces its completion by the fall of hammer or in any other customary manner and until such announcement is made, any bidder may retract from his bid.
 3. Right to bid may be reserved: Right to bid may be reserved expressly by or on behalf of the seller and where such a right is expressly reserved, but not otherwise, the seller or any one person on his behalf may bid at the auction. {1 M for each correct 5 points}
 4. Where the sale is not notified by the seller: Where the sale is not notified to be subject to a right to bid on behalf of the seller, it shall not be lawful for the seller to bid himself or to employ any person to bid at such sale, or for the auctioneer knowingly to take any bid from the seller or any such person; and any sale contravening this rule may be treated as fraudulent by the buyer.
 5. Reserved price: The sale may be notified to be subject to a reserve or upset price; and
 6. Pretended bidding: If the seller makes use of pretended bidding to raise the price, the sale is voidable at the option of the buyer.

Answer 5:

- (a) According to section 2(68) of the Companies Act, 2013, "Private company" means a company having a minimum paid-up share capital as may be prescribed, and which by its articles, except in case of One Person Company, limits the number of its members to two hundred.

However, where two or more persons hold one or more shares in a company jointly, they shall, for the purposes of this clause, be treated as a single member.

It is further provided that -

(A) Persons who are in the employment of the company; and

(B) persons who, having been formerly in the employment of the company, were members of the company while in that employment and have continued to be members after the employment ceased,

Shall not be included in the number of members.

In the instant case, Flora Fauna Limited may be converted into a private company only if the total members of the company are limited to 200.

Total Number of members

(i)	Directors and their relatives	190
(ii)	5 Couples (5*1)	5
(iii)	Others	5
	Total	200

Therefore, there is no need for reduction in the number of members since existing number of members are 200 which does not exceed maximum limit of 200.

Answer:

- (b) As per the provisions of Sub-Rule (7) of Rule 3 of the Companies (Incorporation) Rules, 2014, an OPC cannot convert voluntarily into any kind of company unless two years have expired from the date of its incorporation, except threshold limit (paid up share capital) is increased beyond fifty lakh rupees or its average annual turnover during the relevant period exceeds two crore rupees.

In the instant case, Mr. Anil formed an OPC on 16th April, 2018 and its turnover for the financial year ended 31st March, 2019 was Rs. 2.25 Crores. Even though two years have not expired from the date of its incorporation, since its average annual turnover during the period starting from 16th April, 2018 to 31st March, 2019 has exceeded Rs. 2 Crores, Mr. Anil can convert the OPC into a private limited company along with Sunil.

Answer:**(c)**

- The present problem is concerned with the contractual liability of the Partners. As stated in the **Section 25** of the Indian Partnership Act, 1932, in Partnership the liability of the partners is unlimited.
- The Share of each partner in the partnership in the partnership property along with his private property is liable for the discharge of partnership liabilities.
- The liability of the partners is not only unlimited but is also stated that a partner is both jointly and severally liable to third parties.
- However, every partner is liable jointly with other partner and also severally for the acts of the firm done while he is a partner.
- On the basis of above provisions, Parul can compel Anurag for the payment of entire loan. Anurag must pay the said loan and then he can recover the share of Rohit's loan from his property.

Answer 6:

- (a) As per the provisions of section 24 of the Sale of Goods Act, 1930, when goods are delivered to the buyer on approval or "on sale or return" or other similar terms, the property therein passes to the buyer-
- (a) when the buyer signifies his approval or acceptance to the seller or does any other act adopting the transaction;
 - (b) if he does not signify his approval or acceptance to the seller but retains the goods without giving notice of rejection, then, if a time has been fixed for the return of the goods, on the expiration of such time, and, if no time has been fixed, on the expiration of a reasonable time; or
 - (c) he does something to the good which is equivalent to accepting the goods e.g. he pledges or sells the goods.

{3 M}

Referring to the above provisions, we can analyse the situation given in the question. Since, Mr. Joshi, who had taken delivery of the Motor car on Sale or Return basis and pledged the motor car to Mr. Ganesh, has attracted the third condition that he has done something to the good which is equivalent to accepting the goods e.g. he pledges or sells the goods. Therefore, the property therein (Motor car) passes to Mr. Joshi. Now in this situation, Ms. Preeti cannot claim back her Motor Car from Mr. Ganesh, but she can claim the price of the motor car from Mr. Joshi only.

{2 M}

Answer:

- (b) As per **Section 41** of the Indian Contract Act, 1872, when a promisee accepts performance of the promise from a third person, he cannot afterwards enforce it against the promisor. That is, performance by a stranger, accepted by the promisee, produces the result of discharging the promisor, although the latter has neither authorised nor ratified the act of the third party.
- Therefore B can sue A only for Rs. 4000. }

{3 M}

{1 M}

Answer:

- (c) {Yes, B can proceed against the assets of X.} {1 M} {According to **section 68** of the Indian Contract Act, 1872 "If a person, incapable of entering into a contract, or any one whom he is legally bound to support, is supplied by another person with necessaries suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person." Since the loan given to X is for the necessaries suited to the conditions in life of the minor, his assets can be sued to reimburse B.} {2 M}

PAPER : BUSINESS CORRESPONDENCE & REPORTING

The Question Paper comprises of 5 questions of 10 marks each.
Question No. 7 is compulsory. Out of questions 8 to 11, attempt any three.

SECTION-B : BUSINESS CORRESPONDENCE & REPORTING (40 MARKS)**Answer 7:**

- (a) **Gender barriers-** Men and women communicate differently. The reason for this lies in the wiring of a man's and woman's brains. Men talk in a linear, logical and compartmentalized manner whereas the women use both logic and emotion, and are more verbose. This may be the cause of communication problem in an office where both men and women work side by side. Men can be held guilty of providing insufficient information, while women may be blamed for providing too much detail. } {2 M}
Gender bias is another factor in communication barriers. Due to traditional mindsets, many men find it difficult to take orders from, or provide information to women. } {1 M}

Answer:

- (b) 1. The country is covered by the corporation's sales and service organization. }
2. Their new dental equipment is only being marketed by FCS in Europe. } {1 M Each}

Answer:

- (c) 1. Ans. A }
2. Ans. D } {1 M Each}
3. Ans. B }
4. Ans. B }
5. Ans. C }

Answer 8:

- (a) 1. The critics have praised his painting. }
2. We should not eat food from toad side vendors. } {1 M Each}
3. The farmer is purchasing the horse. }

Answer:

- (b) Employees in organization interact with each other outside the formal domain. Such communication is called 'grapevine' – gossip in the office. Employees of different departments and varied levels meet and discuss matters casually and informally. The grapevine satisfies the social needs of the people and helps in building relationships. It is also useful in addressing certain needs and grievances of employees. } {2 M}

Answer:

- (c) (1) Risk Management }
1) Wht is risk mngmnt }
2) Relvncy of MR in comrcialbsines } {1 M}
a- Fluctuation-
b- Primary concern
(2) How many kinds of MR }
a) Intrnt rate rsk }
b) Fornexchngrsk } {1 M}
c) Commmdtyrsk }
d) Equityrsk }
(3) Equityrsk occurs when }
(4) D prmry concern of MR } {1 M}

Key:	
Wht-What	
Mngmnt- management	
Relvncy- Relevancy	
MR- Market Risk	
Comrcial- Commercial	
Bsness- business	
Intrnt- Internet	
Rsk-risk	{2 M}
Forn-foreign	
Exchng-exchange	
Commdty-commodity	
Equity- equity	
d-the	
prmry- primary	

Answer 9:

- (a) (i) Ans. a
(ii) Ans. b
(iii) Ans. b } {1 M Each}

Answer:

- (b) **Diagonal:** Cross-functional communication between employees at different levels of the organizational hierarchy is described as diagonal communication. Diagonal communication is increasingly common in larger organizations. It reduces the chances of distortion or misinterpretation by encouraging direct communication between the relevant parties. For example, a junior engineer reports directly to the General Manager regarding the progress on the project. } {2 M}

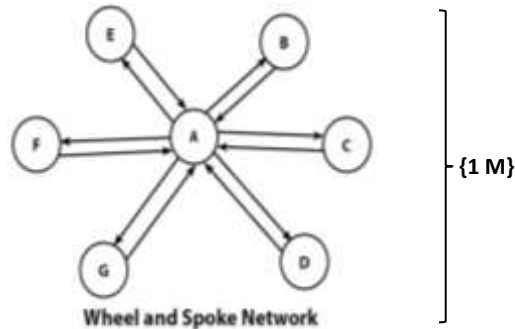
Answer:

- (c)
- The world economy is facing 2 major challenges- unemployment and poverty.
 - Financial crisis caused by unemployment leads to an overall purchasing power resulting in poverty followed by an increasing burden of debt.
 - In India, the problems of underemployment, unemployment and poverty have always been the main hindrances to economic development.
 - Another colossal problem is the large population.
 - A critical aspect is the regional disparity.
 - Mass migration from rural to urban regions is adding to the problems of unemployment and poverty.
 - Economic reforms, changes in the industrial policy and better utilization of available resources will reduce the problem.
 - The government must initiate long term measures for poverty alleviation.
- } {Any 5 points each 1 M}

Answer 10:**(a) Wheel & Spoke Network:**

This is an organization where there is a single controlling authority who gives instructions and orders to all employees working under him/her. All employees get instructions directly from the leader and report back to him/her. It is direct and efficient for a small business / company, but inappropriate way of communication in a large organization with many people. A company with many employees needs more decision makers or nothing would get done. Can a large conglomerate like Reliance } {2 M}

or Tata Sons have one person making decisions? Moreover, if the central figure is not competent, the entire business will suffer. }



Answer:

- (b) 1. She said that nobody could solve the problem. }
 2. He says that Kashmir is heaven on earth. } {1 M Each}

Answer:

- (c) Date: July 09, 2019
 Venue: Conference Hall, 2nd Floor,
 Meeting Started at 02:00 PM } {1 M}

In attendance: Mr. Ram Swaminathan, Head, Sales and Marketing, Mr. Prabhu Das, Product Head, Product lead, four members of the sales team. }

Mr. Ram Swaminathan, Head of Sales and Marketing informed the agenda of the meeting i.e., the sales decline in the product. }

Ms. Reena Mathur, Sales lead gave a detailed analysis of the sales figures for the one year. }

Her team including Mr. A. Mr. B, Ms. C, Ms. D elaborated on the market trend target customers and their needs. }

Mr. Prabhu Das, Product Head expressed concern over the matter, discussed a few changes in the sales strategy. }

All the participants contented to the concerns raised and decided to submit their reports. }

The Head of Sales and Marketing proposed a vote of thanks and declared the next meeting to discuss reports to be held on August 02, 2019. }

ATR to be submitted by July 26, 2019 to the Head Sales and Marketing. }

Answer 11:

- (a) (i) Ans. a }
 (ii) Ans. b } {1 M Each}
 (iii) Ans. b }

Answer:

- (b) Coherent: Coherence in writing and speech refers to the logical bridge between words, sentences, and paragraphs. Main ideas and meaning can be difficult for the reader to follow if the writer jumps from one idea to another and uses contradictory words to express himself. The key to coherence is sequentially organized and logically presented information which is easily understood. All content under the topic should be relevant, interconnected and present information in a flow. }

Answer:**(c)**

Date: August 09, 2019

To,
The HR ROCA
Bhiwadi, Rajasthan-243466

Subject: Application for the Post of Chartered Accountant

Dear Sir/Ma'am,

I am very interested in the 'Chartered Accountant' position at ROCA, advertised in the employment news on Monday, August 06, 2019. I have more three years teaching experience in different reputed organisations. I feel that I would be an excellent candidate.

My CV is enclosed summarising where my skills and abilities have been developed. I would welcome the opportunity to discuss my background with you further. May I have an interview with you at your earliest convenience? Please contact me at xxxxxxxxxx or at xyz@gmail.com.

I look forward to hearing from you.

Thanks & Regards!!

Sincerely,

Anil Mishra
CA

{2 M}

Curriculum Vitae

Anil Mishra
Chartered Accountant
XYZ Company
NCR
Phone: +91- xxxxxxxxxx
E-mail: xyz@gmail.com

Profile/ Objective:

- Hardworking, punctual and dedicated individual seeking in accounting. Possesses strong leadership and team management skills. A problem solver who is able to calmly deescalate situations and work towards favourable outcomes for all involved. Passionate, knowledgeable and giving.

{3 M}

Educational Qualifications:

- Completed CA in the batch 2013-17
- 10+2, from CBCE, New Delhi, 2012, with 1st Division.
- 10th from CBCE, New Delhi, 2010, with 1st Division.

Award/Achievements:

- Got prize for standing first in Linguistics, B.A. at B.H.U.

Administrative Experience:

- Administrative Warden at Rajshree Institute of Management & Technology, Bareilly, U.P.
- Chief Proctor at Navyug Mahavidyalaya, Badshahpur, Jaunpur, U.P.

- Venue Coordinator in the 11th ICOSAL-11 organized by Department of Linguistics, Banaras Hindu University from 23, Jan.-25, Jan. 2014.

Professional Skills:

Accountancy, Auditing, Proficient in MS-Office & Web Browsing, English typing 40 w/m

Cultural/ Social Activities:

- Participated as Volunteer in Durgotsav Puja at DKY Public School, from 2004-09, 2013- 16.
- Venue Coordinator of 'Sanskriti' Cultural Event at DKY Public School in 2008.
- Actively Participated in all the major social & cultural events organized by School.

Language Known:

- English, Hindi, Punjabi, Marathi, (Comm.)

Workshop/Training Programme/Academic Participation:

- Participated in Short Term Programme (STP), on 'Forensic Auditing' at regional centre, Kolkata, from 01-06 Oct., 2018.
- Participated in National on xyz at xyz from
- Participated in International Lecture on "LEARN TO FIND YOUR HIDDEN TALENT" delivered by Geshe Michael Roach, at Bharat Adhyayan Kendra, B.H.U. Varanasi, (INDIA), on 13 Feb. 2017.
- Participated in Human Value "Harmony" workshop organized by IIT , B.H.U., Varanasi from 31 Jan.-03 Feb. 2016.
- Participated in One-week workshop on Accounting at regional centre, Mumbai, from 12 Jan.-21 Jan. 2016.

REFERENCES: Can be provided on request.

DECLARATION: I solemnly declare that all the above information is correct to the best of my knowledge and belief.

Date:

Place:

(Manish Reddy)

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