

CA Foundation Course
DATE: 03.04.2025

MAXIMUM MARKS: 100

(Mock Test Paper – Series : 1)
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)** Mohan Private Limited and its subsidiary Nathuram Private Limited are holding 90,000 and 70,000 shares respectively in Sarvesh Private Limited. The paid-up share capital of Sarvesh 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 Sarvesh Private Limited is a subsidiary of Mohan Private Limited. What would be your answer if Nathuram Private Limited a holding 1,60,000 shares in Sarvesh Private Limited and no shares are held by Mohan Private Limited in Sarvesh 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 2:

- (a) (i)** Sheena was a classical dancer. She entered into an agreement with Laxmi Vidya Mandir for 60 dance performances. As per the contract, she was supposed to perform every weekend and she will be paid Rs. 10,000/- per performance. However, after a month, she was absent without informing, due to her personal reasons. Answer the following questions as per the Indian Contract Act, 1872.
- (i) Whether the management of Laxmi Vidya Mandir has right to terminate the contract?
 - (ii) If the management of Laxmi Vidya Mandir informed Sheena about its continuance, can the management still rescind the contract after a month on this ground subsequently?
 - (iii) Can the Laxmi Vidya Mandir claim damages that it has suffered because of this breach in any of the above cases?

(3 Marks)

- (ii)** X, Y and Z jointly borrowed Rs. 50,000 from A. The whole amount was repaid to A by Y. Decide in the light of the Indian Contract Act, 1872 whether:

- (i) Y can recover the contribution from X and Z,
- (ii) Legal representatives of X are liable in case of death of X,
- (iii) Y can recover the contribution from the assets, in case Z becomes insolvent.

(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 3:

(a) Explain the type of contracts in the following agreements under the Indian Contract Act, 1872:

- (i) A coolie in uniform picks up the luggage of A to be carried out of the railway station without being asked by A and A allows him to do so.
- (ii) Obligation of finder of lost goods to return them to the true owner.
- (iii) A contracts with B (owner of the factory) for the supply of 10 tons of sugar, but before the supply is effected, the fire caught in the factory and everything was destroyed.

(3 Marks)

(b) (i) Mr. XU and Mr. YU are partners in a partnership firm. Mr. XU introduced MU (an employee) as his partner to ZU. MU remained silent. ZU, a trader believing MU as partner supplied 50 Laptops to the firm on credit. After expiry of credit period, ZU did not get amount of Laptop sold to the partnership firm. ZU filed a suit against XU and MU for the recovery of price. Does MU is liable for such purpose?

(3 Marks)

(ii) Give differences between Partnership and Club.

(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) Meghna 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 Meghna select gold bangles in his shop, he will arrange white polish on those gold bangles without any extra cost. Meghna select a set of designer bangles and pay for that. The shopkeeper requested Meghna to come after two days for delivery of those bangles so that white polish can be done on those bangles. When Meghna 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 Meghna 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 4:

- (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 5:

- (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. Shivani, 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 Shivani 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 Shivani desired for. The Tailor asked Shivani 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. Shivani 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. Shivani 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 6:

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