

MODEL TEST PAPER 6
FOUNDATION COURSE
PAPER 2: BUSINESS LAWS

Question No. 1 is compulsory.

*Answer any **four** questions from the remaining **five** questions.*

QUESTIONS

Time Allowed: 3 Hours

Maximum Marks: 100

1. (a) (i) Ashok goes to super market to buy a Air Conditioner. He selects a branded Air Conditioner having a price tag of ₹ 40,000 after a discount of ₹ 3000. Ashok 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 ₹ 43,000." Ashok got angry and insists for ₹ 40,000. State with reasons whether under Indian Contract Act, 1872, Ashok can enforce the cashier to sell at discounted price i.e. ₹ 40,000.
(4 Marks)
- (ii) Rahul, a transporter was entrusted with the duty of transporting tomatoes from a rural farm to a city by Aswin. Due to heavy rains, Rahul was stranded for more than two days. Rahul sold the tomatoes below the market rate in the nearby market where he was stranded fearing that the tomatoes may perish. Can Aswin recover the loss from Rahul on the ground that Rahul had acted beyond his authority?
(3 Marks)
- (b) (i) Mr. Mohan had purchased some goods from Sunflower Limited on credit. A credit period of one month was allowed to Mr. Mohan. Before the due date, Mr. Mohan went to the company and wanted to repay the amount due from him. He found only Mr. Ramesh there, who was the factory supervisor of the company. Mr. Ramesh told Mr. Mohan that the Accountant and the cashier are on leave, he is in-charge of receiving money and he may pay the amount to him. Mr. Ramesh issued a money receipt under his signature. After two months, Sunflower limited issued a notice to Mr. Mohan for non-payment of the dues within the stipulated period. Mr. Mohan informed the company that he had already cleared the dues and he is no more responsible for the same. He also contended that Mr. Ramesh is an employee of the company whom he had made the payment and being an outsider, he trusted the words of Mr. Ramesh as duty distribution is a job of the internal management of the company. Analyse the situation and decide whether Mr. Mohan is free from his liability.
(4 Marks)

- (ii) Mike Limited is incorporated in India having Liaison office at Singapore. Explain in detail meaning of Foreign Company and analysis on whether Mike Limited would be called as Foreign Company as it established a Liaison office at Singapore as per the provisions of the Companies Act, 2013? **(3 Marks)**
- (c) Whether a minor may be admitted in the business of a partnership firm? Also, explain the rights of a minor in the partnership firm under the Indian Partnership Act, 1932. **(6 Marks)**
2. (a) (i) An auction sale of the certain goods was held on 7th March, 2024 by the fall of hammer in favour of the highest bidder X. The payment of auction price was made on 8th March, 2024 followed by the delivery of goods on 10th March, 2024. Based upon on the provisions of the Sale of Goods Act, 1930, decide when the auction sale is complete. **(3 Marks)**
- (ii) Certain goods were sold by sample by J to K, who in turn sold the same goods by sample to L and L by sample sold the same goods to M. M found that the goods were not according to the sample and rejected the goods and gave a notice to L. L sued K and K sued J. Can M reject the goods? Also advise K and L as per the provisions of the Sale of Goods Act, 1930. **(4 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) “LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership”. Explain. **(6 Marks)**
3. (a) State giving reasons whether the following are partnerships as per the provisions under the Indian Partnership Act, 1932.
- (i) X, Y, and Z agree to divide the profits equally, but the loss, if any, is to be borne by X alone. Is it case of partnership? **(3 Marks)**
- (ii) X, a publisher, agrees to publish a book at his own expense written by Y and to pay Y, half of the net profit. Does this create a relationship of partnership between X and Y? Can paper dealer i.e. third party make Y liable for paper supplied to X? **(2 Marks)**
- (iii) A and B purchase a tea shop and incur additional expenses for purchasing utensils etc. each contributing half of the total

expense. The shop is leased out on daily rent which is divided between both. Does this arrangement constitute a partnership between A and B? **(2 Marks)**

- (b) The State Government of X, a state in the country is holding 48 lakh shares of Y Limited. The paid up capital of Y Limited is ₹ 9.5 crore (95 lakh shares of ₹ 10 each). Y Limited directly holds 2,50,600 shares of Z Private Limited which is having share capital of ₹ 5 crore in the form of 5 lakh shares of ₹ 100 each. Z Private Limited claimed the status of a subsidiary company of Y Limited as well as a Government company. Advise as a legal advisor, whether Z Private Limited is a subsidiary company of Y Limited as well as a Government company under the provisions of the Companies Act, 2013? **(7 Marks)**
- (c) “An anticipatory breach of contract is a breach of contract occurring before the time fixed for performance has arrived”. Also, discuss the effect of anticipatory breach of contracts under the Indian Contract Act, 1872. **(6 Marks)**
4. (a) (i) Mr. Gaurav and Mr. Vikas entered into a contract on 1st July, 2024, according to which Mr. Gaurav had to supply 100 tons of sugar to Mr. Vikas at a certain price strictly within a period of 10 days of the contract. Mr. Vikas also paid an amount of ₹ 70,000 towards advance as per the terms of the above contract. The mode of transportation available between their places is roadway only. Severe flood came on 2nd July, 2024 and the only road connecting their places was damaged and could not be repaired within fifteen days. Mr. Gaurav offered to supply sugar on 20th July, 2024 for which Mr. Vikas did not agree. On 1st August, 2024, Mr. Gaurav claimed compensation of ₹ 20,000 from Mr. Vikas for refusing to accept the supply of sugar, which was not there within the purview of the contract. On the other hand, Mr. Vikas claimed for refund of ₹ 70,000, which he had paid as advance in terms of the contract. Analyse the above situation in terms of the provisions of the Indian Contract Act, 1872 and decide on Mr. Vikas contention. **(4 Marks)**
- (ii) R gives his umbrella to M during raining season to be used for two days during Examinations. M keeps the umbrella for a week. While going to R's house to return the umbrella, M accidentally slips and the umbrella is badly damaged. Who bear the loss and why under the provisions of the Indian Contract Act, 1872? **(3 Marks)**
- (b) What is a cheque under the Negotiable Instruments Act, 1881, and who are the parties involved? What are the essential elements of a cheque? **(7 Marks)**
- (c) What is the structure of the Indian Judicial System, and what is the hierarchy of courts in India? **(6 Marks)**
5. (a) (i) Avyukt purchased 100 Kgs of wheat from Bhaskar at ₹30 per kg. Bhaskar says that wheat is in his warehouse in the custody of Kishore, the warehouse keeper. Kishore confirmed Avyukt that he

can take the delivery of wheat from him and till then he is holding wheat on Avyukt's behalf. Before Avyukt picks the goods from warehouse, the whole wheat in the warehouse has flowed in flood. Now Avyukt wants his price on the contention that no delivery has been done by seller. Whether Avyukt is right with his views under the Sale of Goods Act, 1930. **(4 Marks)**

(ii) Classify the following transactions under the Sale of Goods Act, 1930 according to the types of goods they are:

(A) A wholesaler of cotton has 100 bales in his godown. He agrees to sell 50 bales and these bales were selected and set aside.

(B) A agrees to sell to B one packet of sugar out of the lot of one hundred packets lying in his shop.

(C) T agrees to sell to S all the apples which will be produced in his garden this year. **(3 Marks)**

(b) When does dissolution of a partnership firm take place under the provisions of the Indian Partnership Act, 1932? Explain. **(7 Marks)**

(c) Define consideration. State the characteristics of a valid consideration under the Indian Contract Act, 1872. **(6 Marks)**

6. (a) (i) 'Nakul' made promissory note in favour of 'Sahdev' of ₹10,000 and delivered to him. 'Sahdev' indorsed the promissory note in favour of 'Arjun' but delivered to Arjun's agent. Subsequently, Arjun's agent died, and promissory note was found by 'Arjun' in his agent's table drawer. 'Arjun' sued 'Nakul' for the recovery of promissory note. Whether 'Arjun' can recover amount under the provisions of the Negotiable Instrument Act 1881? **(4 Marks)**

(ii) Utkarsh purchased some goods from Saksham for ₹ 50,000 on 14th August. Saksham drawn a bill of exchange on Utkarsh and sent to him for acceptance on the same day at 3:00 pm Utkarsh requested Saksham to allow him some time for acceptance. Saksham allowed him 48 hours for acceptance. Utkarsh could not accept till 16th August (3:00 pm). Saksham treated the bill as dishonoured for non-acceptance. Referring the provisions of the Negotiable Instruments Act, 1881, whether bill of exchange was dishonoured due to non-acceptance? **(3 Marks)**

(b) Explain the terms "Trafficking relating to public offices and titles" and "Stifling prosecution" as per the Indian Contract Act, 1872. **(6 Marks)**

(c) Explain any six circumstances in detail in which a non-owner can convey better title to the bona fide purchaser of goods for value under the Sale of Goods Act, 1930. **(7 Marks)**