Test Series: March, 2018

MOCK TEST PAPER

FOUNDATION COURSE

PAPER 2A: BUSINESS LAWS

*Question No. **1** is compulsory.*

*Answer any **four** questions 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.

Total Marks: 60

QUESTIONS

1. (a) Ishaan, aged 16 years, was studying in an engineering college. On 1st March, 2016 he took a loan of ₹ 2 lakhs from Vishal for the payment of his college fee and agreed to pay by 30th May, 2017. Ishaan possesses assets worth ₹ 15 lakhs. On due date Ishaan fails to pay back the loan to Vishal. Vishal now wants to recover the loan from Ishaan out of his assets. Decide whether Vishal would succeed referring to the provisions of the Indian Contract Act, 1872. ***(4 Marks)***

   (b) Krishna, 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 Krishna as a pretended loan. This way, Krishna 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. ***(4 Marks)***

   (c) Explain the difference between Sale and Agreement to sell under the Sale of Goods Act, 1930. ***(4 Marks)***

2. (a) State the grounds upon which a contract may be discharged under the provisions of the Indian Contract Act, 1872. ***(7 Marks)***

   (b) State the meaning of Limited Liability Partnership (LLP). What are the relevant steps to incorporate LLP? ***(5 Marks)***

3. (a) State the modes by which a partner may transfer his interest in the firm in favour of another person under the Indian Partnership Act, 1932. What are the rights of such a transferee? ***(6 Marks)***

   (b) 'X' entered into a contract with 'Y' to supply him 1,000 water bottles @ ₹ 5.00 per water bottle, to be delivered at a specified time. Thereafter, 'X' contracts with 'Z' for the purchase of 1,000 water bottles @ ₹ 4.50 per water bottle, and at the same time told 'Z' that he did so for the purpose of performing his contract entered into with 'Y'. 'Z' failed to perform his contract in due course and market price of each water bottle on that day was ₹ 5.25 per water bottle. Consequently, 'X' could not procure any water bottle and 'Y' rescinded the contract. Calculate the amount of damages which 'X' could claim from 'Z' in the circumstances? What would be your answer if 'Z' had not informed about the 'Y's contract? Explain with reference to the provisions of the Indian Contract Act, 1872. ***(6 Marks)***

4. (a) What are the implied conditions in a contract of 'Sale by sample' under the Sale of Goods Act, 1930? State also the implied warranties operatives under the said Act. ***(6 Marks)***

(b) A, B and C are partners in a firm called ABC Firm. A, with the intention of deceiving D, a supplier of office stationery, buys certain stationery on behalf of the ABC Firm. The stationery is of use in the ordinary course of the firm's business. A does not give the stationery to the firm, instead brings it to his own use. The supplier D, who is unaware of the private use of stationery by A, claims the price from the firm. The firm refuses to pay for the price, on the ground that the stationery was never received by it (firm). Referring to the provisions of the Indian Partnership Act, 1932 decide:

(i) Whether the Firm's contention shall be tenable?

(ii) What would be your answer if a part of the stationery so purchased by A was delivered to the firm by him, and the rest of the stationery was used by him for private use, about which neither the firm nor the supplier D was aware? ***(6 Marks)***

5. (a) Mr. Samuel agreed to purchase 100 bales of cotton from Mr. Varun, out of his large stock and sent his men to take delivery of the goods. They could pack only 60 bales. Later on, there was an accidental fire and the entire stock was destroyed including 60 bales that were already packed. Referring to the provisions of the Sale of Goods Act, 1930 explain as to who will bear the loss and to what extent? ***(6 Marks)***

(b) Explain the meaning of Guarantee Company? State the similarities and dissimilarities between a 'Guarantee Company' and 'Company Limited by Shares'. ***(6 Marks)***

6. (a) "No consideration, no contract". Discuss.

Or

"Mere silence does not amount to fraud". Discuss. ***(5 Marks)***

(b) What is Partnership Deed and state the information contained therein? ***(4 Marks)***

(c) Examine with reasons whether the following statement is correct or incorrect:

(i) A private limited company must have a minimum of two members, while a public limited company must have at least seven members.

(ii) Affixing of Common seal on company's documents is compulsory. ***(3 Marks)***