

Search @canotes_foundation & Join CA Foundation Telegram Channel

GRAPH PAPER IS ON THE PENULTIMATE PAGE

Book No. 1 (containing 28 pages)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Foundation Examination

Group No. I Paper No. 2 (MAP2)

Subject Business Laws & Business Correspondence

Number of Answer Books used : Main + 3 additional sheets

For use by ICAI only



07 JUN 2019

Q.No.	To be ticked (✓) by the candidate against the Questions answered	Marks Awarded (To be filled by Examiner)					Total
		a	b	c	d	e	
1	✓	4	4	4			12
2	✓	6	5				11
3	✓	2	3	6			11
4							
5	✓	4	6				10
6	✓	4	5	3			12
7	✓	4	3				7
8	✓	2	3	2			7
9							
10	✓	1	2	3			6
11	✓	2	4	4			10
12							
13							
14							
Total							86

Use only Blue / Black Ball Point Pen to write and shade the circles. **AVOID RED PEN.** Write the marks in the boxes before shading the respective circles.

Total Marks awarded

86

- 0
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9

Total Marks awarded (In words)

Eighty Six

Examiner's Sign

Note: Awarded more than the maximum marks in QN. 6(b)

Click here and Join CA Foundation Telegram Channel

Search @canotes_foundation in Telegram App and Join

INSTRUCTIONS TO THE CANDIDATE

Answers are not to be written on this page

1. Answers should be written in figures and words in the allotted space at the right hand corner of the cover page only and nowhere else including additional answer book/s and graph paper.
2. Roll number should be written in the box in numbers and darken the appropriate circles of the OMR sheet provided in the right hand corner of the cover page with **Black / Blue** ball point pen.
3. Fill particulars such as name of Examination, Group No., Paper No. and subject at the appropriate space at the left hand upper corner.
4. Remove the Bar Code sticker of the particular paper from the Attendance sheet and affix the same on the box provided in the right hand corner of the cover page.
5. Since a machine will read the Roll no., please check and ensure that Roll number written in numbers, words and circles darkened are correct. In case any candidate fills this information wrongly, Institute will not take any responsibility for rectifying the mistake.
6. The answers should be written neatly and legibly
7. The answer to each question must be commenced on a fresh page and question number prominently written at the top of each answer. Alternatively, the question number should be distinctly written in the margin.
8. The answer to each question in all parts should be fully completed in one page or in a consecutive set of pages, before the next question is taken up.
9. Writing of Roll number in place/s other than the space provided for the purpose or writing distinguishing mark, symbols like "OM", "Sri", "Jesus", "786", etc., will tantamount to adoption of "unfair means"
10. Before submission of answer book to the invigilator take care to score out (X) blank pages, if any, that you might have left.



Section - B

Ques 7 (a)

Ques 7(a)

(i) The indicators of reef decay are destabilized herbivore populations and an increasing abundance of algae and filter feeding animals.

(ii) Symbiotic cells of algae known as Zooxanthellae carry out photosynthesis using the metabolic waste of the coral. Thereby

(iii) A variety of human activities are responsible for degradation of natural Reef by adding nutrients to the water through agriculture, slash-and-burn land clearing and other manufacturing activities.

(iv)

Summary.

Coral reefs which are one of the most fragile, complex and diverse marine ecosystem,



found along the sea coast constitute a beautiful creation of nature. Symbiotic cells of algae, Zooxanthellae carry out the photosynthesis and using the sparse nutrient resources efficiently.

↓ But many human activities are degrading them which are evidenced by destabilized herbivore population and increasing algae. With growing human population, the nutrient input is also increasing threatening reef communities.



DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

Ques 7(b)

Ques 7(b)

(i).

THE HEALTH CARE INDUSTRY.

1. Buyer - Seller relation

1.a. seller - attract ptntl. buyer

1.b. buyer - makes decsn.

1.c. only 1 slu., prod. essential

1.c.i. gov. monopoly

1.c.ii. under regulatⁿ

2. Doctor - ptntl. relatⁿ

2.a. individual chose to see phy.

2.b. phy. makes purcha^g decsn.

2.c. slave ptntl. - challenge

2.c.i. profesⁿ decisions

2.c.ii. ques. about price.

2.c.iii. ailment - serious.

3. Hospital care

3.a. phy. certify need

3.a.i. what procedure

3.a.ii. when ptntl. may discharge.

3.b. hospital - phy. real consumer.

3.c. medical staff - "power centre"



4. Participants

4.a. phy. - makes essential decsn.

4.b. hosp. - extenⁿ of phy.

4.c. ~~patnt.~~

4.c.i. routine illness - great options

4.c.ii. significant illness - options disappear

4.d. measures for patnts - ineffective.

2.

Key to Abbreviations.

patnt

potential

decsn

decision

slu.

seller

prodct

product

regulatⁿ

regulation

patnt

patient

phy

physician

profesⁿ

professional

extenⁿ

extension

ques.

question.



(ii).

Summary.

In a typical buyer-seller relation, it is the seller who attracts potential buyers and the buyer makes choices. But it is not true in a doctor-patient relation where if an individual chooses to see a physician, it will be the physician who will make all the important decisions. Only naive patients will challenge such decisions. In the case of hospital care, the physicians are the real consumers and therefore the medical staff are the power centre. In a routine illness, the patients might have great options but in significant illness, these options disappear. So the economic measures for patients are ineffective.

$$\begin{array}{l} a + b \\ 4 + 3 \\ \hline = 7 \end{array}$$

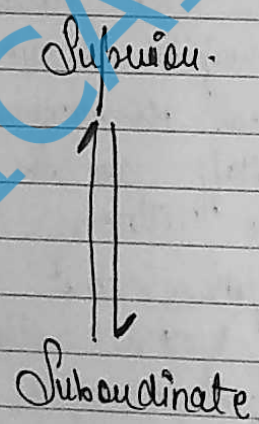


Ques 8(a)

Ques 8(a)

Vertical Network Vertical Network usually

takes place between supervisor and subordinate. All the information passes from subordinate to supervisor and all the rules and decisions pass from supervisor to subordinates.



Chain Network Chain network is followed

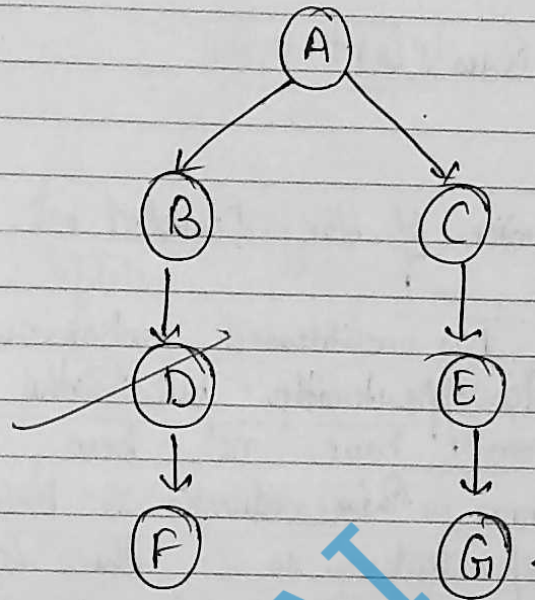
where a typical organisational hierarchy is followed. In this, there is a chain of command and is more organised.

Search @canotes_foundation & Join CA Foundation Telegram Channel



↑ DO NOT WRITE ANYTHING HERE

g



↑ DO NOT WRITE ANYTHING HERE

Ques 8 (b)

Ques 8 (b)

(i). Twisted ✓

(ii). Ease ✓

(iii). Pavi told me that she had been living in London since last December. ✓

↑ DO NOT WRITE ANYTHING HERE

[Ques 8(c)]

[Ques 8(c)]

Education of the Disabled

Though, India has witnessed expansion in educational opportunities but the disabled children have not been benefited in any manner. Their education becomes more dependent so, the scarce national resources are not wasted on them. Also we have not been able to include specialisation programmes of training because of our misconceived notion that it will be very costly. But the New National Policy on Education has provided for the placement of such children in regular schools for imparting education with the help of special teachers and other resources. An away of necessary infrastructure is being provided. Hopefully, this will relieve the parents and their handicapped children.

$$\begin{array}{l} a+b+c \\ 2+3+2 \\ \hline 7 \end{array}$$



↑ DO NOT WRITE ANYTHING HERE

Ques 10(a)

Ques 10(a)

For an effective communication to get complete, it is necessary that the listener is objective, practical and controls his emotion.

↑ DO NOT WRITE ANYTHING HERE

If the listener is not willing and able to receive all the information then how can the process of communication be complete?

So, the listener should be all his ears, and ready to receive all the information in its entirety and has no preconceived notion in his mind.

Ques 10(b)

↑ DO NOT WRITE ANYTHING HERE

Ques 10(b)

(i) In student's questions are always answered by the teacher.



(ii). The cleaning women vacuumed and dust
 1 the office every night.

(iii). She said that her father came the
 0 day before.

[Ques 10 (c)]

[Ques 10 (c)]

The Fearless Indian Army

By : XYZ.

After the Uri and Balakot attack, the Indian Army has yet again proved their courage and hoisted the flag of fearlessness in the whole world.

But these attacks were not the only ones, the Indian Army has proved their determination many a times before also like the Indo-Pak war, Indo-China war, Kargil war and many more.

The Army soldiers have a heart made of iron who forgets



↑ DO NOT WRITE ANYTHING HERE

their family, parents and children and constantly are worried about the citizens of the country. It is rightly said that they are the true sons of Mother India.

↑ DO NOT WRITE ANYTHING HERE

They constantly guard the borders of our country without even thinking of themselves. They show a great example of team work, without which they would never be able to succeed.

The whole world looks upto the Indian Army for their sheer determination and dedication. They have never stepped back in front of the enemy, whether they win or lose.

↑ DO NOT WRITE ANYTHING HERE

But however, they are not treated in the ~~so~~ similar way. They even do not get good quality food sometimes of which they cannot even complain.

↑ DO NOT WRITE ANYTHING HERE

These soldiers who get martyred, there is

no one to look after their family.
They have to suffer a lot.
But now some policies and schemes
are also being made to secure
3 their family also after their demise.

1 $a+b+c$
 $1+2+3$
6
get there are many children and
young ones who see the dreams
of getting into the Indian Army
by seeing their courage.

Ques 11(a)

Ques 11(a)

Paralanguage Paralanguage, refers to the
voice, intonation, pitch and ~~and~~ other
gestures that aid in a verbal
communication. The way you say
something more than the actual
words, are more important for
an effective communication.

Paralanguage helps a verbal communication
by ~~or~~ enabling the receiver to

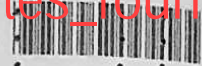


2. ~~understand~~ more clearly about the
intent of the sender.

Ques 11 (b)

Ques 11 (b)

- (i). Complain about something that cannot be
verified
- (ii). Rely on outward appearances.
- (iii). Thousands of tourists visit the Grand
Canyon every year.
- (iv). Enthusiasm.



Ques 11 (C)

Ans 11 (C)

To: Rohan mehua@gmail.com

CC: Satish bhansali@gmail.com / Reshan moondua@gmail.com

BCG : xyz@gmail.com / ABC@gmail.com.

~~Subject: Change in dress code.~~

Dear employees,

This is to notify everyone that there is a change in the dress code for Republic day function. Now, you can wear Indian or ethnic wear to the function.

Also, the new timings of the function are from 9 am and the venue has been changed to the Office Terrace due to some unavoidable changes.

Hope to see you all in the function at time.



↑ DO NOT WRITE ANYTHING HERE

A

$a+b$ +c
 $g+y$ +y
 10

Yours truly,
 PQR
 (Manager).

Section A

Ques 1 (a)

↑ DO NOT WRITE ANYTHING HERE

Ques 1(a)

Provision :- As per Section 2(d), the consideration may move from the promisee or any other person on his best behalf and that will be considered as valid consideration and also VALID contract. The case law is in this regard is Chinnaya v/s Ramaya.

↑ DO NOT WRITE ANYTHING HERE

Analysis :- In the given case, though Mr. Chetlal has not paid any consideration but his father has already mentioned in the contract ~~out~~ about his use of land which was an adequate

consideration and so Mr. Chatelal can file a case against the purchaser and get a suitable redressal.

✓ **Conclusion** :- Therefore Mr. Chatelal can carry out ~~farming~~ on the land.

Ques 1(b)

Ques 1(b)

Provision :- As per **Section 399** of the Companies Act, 2013, the memorandum and articles are public documents and can be viewed by anyone who is contracting with the Company and should have the ~~knowledge~~ of both.

✓ But the doctrine of Indoor Management is an exception to the above rule, according to which the ~~co~~ contracting party may not have knowledge about the internal regulations of the Company and still the contract



will be VOID.

Analysis :- In the above case, though the Articles of Association have empowered them to take loan, so the other Contracting party will ~~be~~ not be required to look into the internal resolution of the Company.

2
4
Conclusion :- Therefore the contention of Sound Syndicate Limited is not correct and they have to pay back the loan.

Ques 1 (C)

Ques 1 (C)

The various Implied Warranties are :-

warranty as to Quality or fitness by usage of trade	warranty as to undisturbed possession	warranty as to free from encumbrance	disclosure of dangerous nature of goods.
---	---------------------------------------	--------------------------------------	--

Search @canotes_foundation & Join CA Foundation Telegram Channel

1. Warranty as to Quality or Fitness of Trade :-

There is an implied warranty that if goods are bought through description then they should correspond to that quality only.

2. Warranty as to undisturbed Possession :- If the buyer

has purchased any good, then he shall not be disturbed again for its possession.

3. Warranty as to free from encumbrance :- The goods

should be free from any charges of the previous owners which are not told to the buyer.

Eg :- The goods should not be of mortgaged or of hire-purchase.

4. Disclosure of Dangerous Nature of Goods :-

If there are any dangerous nature of goods, then they should be



DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

24

4+4+4 = 12 told in advance to the buyer.

Ques 2(a)

Ques 2(a)

As per Section 17 of the Indian Contracts Act, 1872, mere silences as to things likely to affect the willingness of the promisee is not fraud.

But it is fraud in certain cases :-

(i). Duty of the person to speak :- When it

the duty of the person keeping silence to speak, in that cases silence will amount to fraud. These cases are :-

(a) Fiduciary Relationship :- Where the parties

are in a relation of trust to each other, there the silence will amount to fraud.

Search @canotes_foundation & Join CA Foundation Telegram Channel

(b) Contracts of Marriage :- It is necessary to tell all details in case of marriage

(c) Contracts of family Settlement :- In the contracts of family settlement where there is utmost faith, there also every detail should be told.

(d) Contract of Innuance :- In the contract of Innuance, silence as to any fact important will amount to fraud.

(ii) Silence is in itself equivalent to speech :-

Where the silence is equivalent to speech, there it is ~~not~~ necessary to ~~clearly~~ speak.

For eg :- If A says, "If you do not deny, I shall assume that the painting is impaled". B does not say anything though the painting was not impaled. It will amount to fraud.



Ques 2(b)

Ques 2(b)

According to the Limited Liability Partnership Act, 2008, LLP is a form of organisation where the liability of each partner is limited to the extent of their share in the business.

It is an alternative corporate business form that gives the benefit of limited liability and flexibility of partnership.

Following are the features of LLP:-

1. Limited liability: The liability of all

the partners is limited only to the extent of their share in the business. Only in case of wilful fraud, their liability will cease to be limited.



2. Separate Entity :- An Limited Liability Partnership

has got a separate legal entity distinct from its partners. which means the actions and liabilities will be different from that of its partners.

3. Perpetual Succession :- A LLP is not affected

due to retirement, death or insolvency of a partner. It is an a body corporate in itself and is not affected by its members.

4. Artificial person :- when a LLP is formed,

it is clothed with an identity of itself. means it can hold property in its name, sue and be sued by others and perform all functions that a legal person can perform except be sent to jail.



5. Body Corporate e- LLP can only come

into existence through law and can be wound up only by law because it is a

Body Corporate in itself.

6x5 = 30

Ques 3(a)

Ques 3(a)

(i) ~~Q~~ Do the provisions of Indian Partnership Act, 1932, a notice to an active partner of partnership serves as a notice to the entire firm, whether it is known to all the partners or not.

~~Q~~ But the above provision is subject to the following exception:-

where there is a fraud done to that partner only who is being served with the notice.



[Ques 3(b)]

[Ques 3(b)]

The mode or the true test of determining existence of partnership remains in the following cases :-

1. Agreement :- The existence of a partnership is deemed to exist subject to the agreement between the partners.

The agreement between the partners decides the type of partnership and all the partners who are in the partnership.

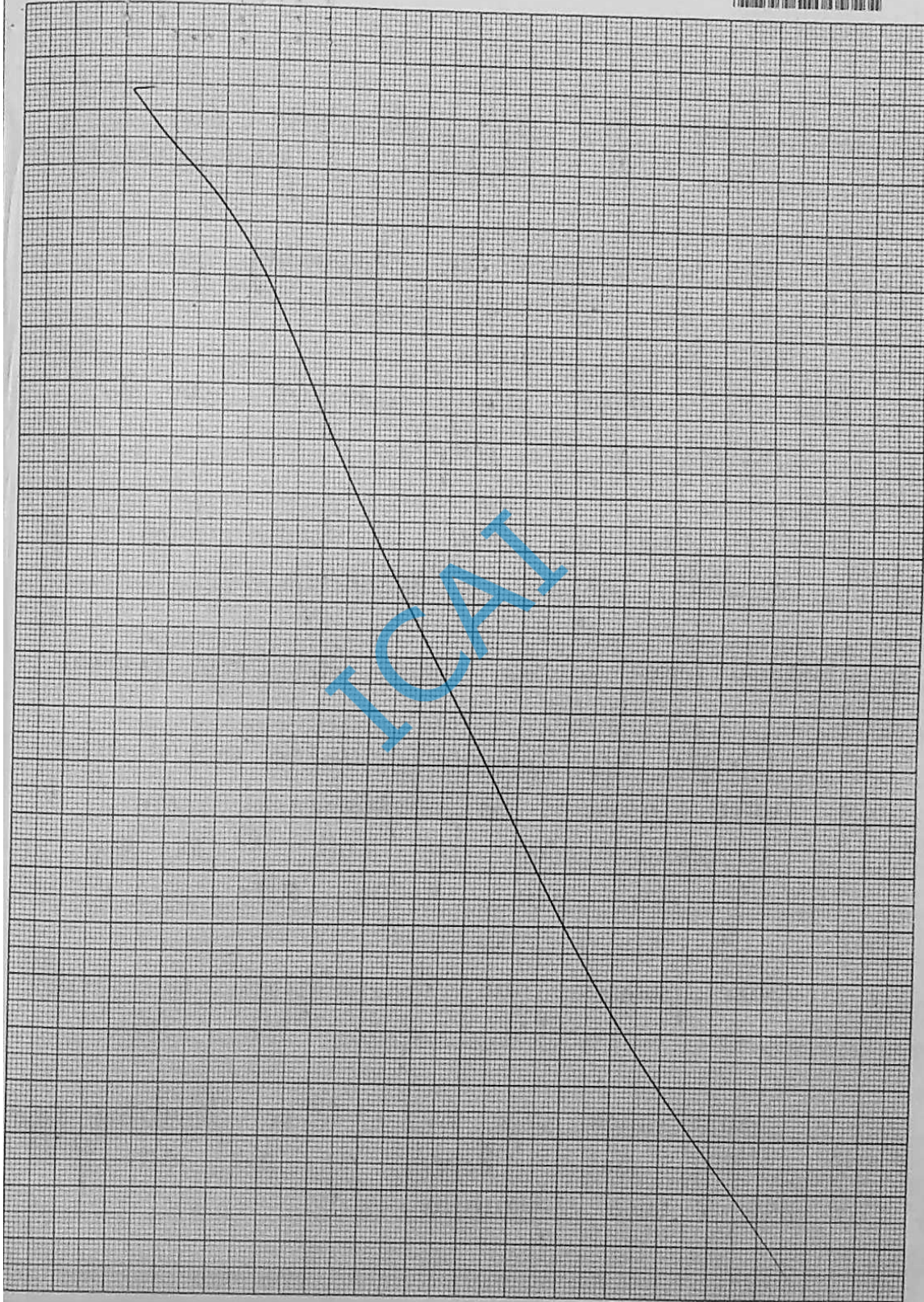
2. Profit sharing :- The existence of partnership

can also be judged by the sharing of profits among the partners. It is not a provision that the whole profit goes to a single partner. There should be sharing of profits among all.

But in the following cases, the if the



Search @canotes_foundation & Join CA Foundation Telegram Channel



share of profit is given then it does not constitute partnership :-

- (i) To the lender for providing funds
- (ii) To the deceased partner's estate or family member
- (iii) To anyone else contingent on the amount of profit.

But this is only a Prima Facie evidence of Partnership

3. Mutual Agency :- The true test or Cardinal

Principle of Partnership is the mutual agency which means the partnership can be carried on by all or any of them acting for all.

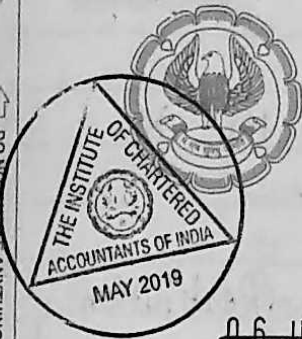
The partners are the agents as well as Principal of each other.

Their acts bind other partners and they are bound by the acts of other partners.



Addl. Book No. 1

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK



DO NOT WRITE ROLL NUMBER ANYWHERE IN THIS
ADDITIONAL ANSWER BOOK

~~06 JUN 2019~~ 07 JUN 2019

Ques 3(c)

Ques 3(c)

Provision :- do not the provisions of Indian Contracts Act, 1872, if there is an intent between the parties, that the contract shall be performed by the parties only, then it should be performed by the parties to contract only.

This happens in case of Personal Nature of contract such as Singing, painting, etc.

Analysis :- In the given case, it is personal nature of contract which involves the skills of the party promisee so it should be performed by him only.



Search @canotes_foundation & Join CA Foundation Telegram Channel

(ii). So, Mr. Rich cannot ask Mr. K to complete the contract.

(iii). According to Doctrine of Restitution, if any advance has been received from a contract which ceases to be enforceable then it has to be returned back.

So, Mr. K has to return the money paid in advance.

2+3+6 = 11

Ques 5(a)

Ques 5(a)

(i). As per section 16 of the Sale of Goods Act, 1930, there is no implied condition or warranty as to quality or fitness for a particular purpose of goods supplied under a contract of sale. The rule is "let the buyer be aware".

But if the buyer tells in advance his purpose of purchase and relies



Search @canotes_foundation & Join CA Foundation Telegram Channel

DO NOT WRITE ANYTHING HERE

On the skills of the seller for the purchase then the rule of Caveat emptor does not apply. These are the exceptions of Caveat emptor.

DO NOT WRITE ANYTHING HERE

(ii). As Mr. Das has already told in advance about his purpose of purchase so he will be able to get the money back as the right kind of used as required by him.

Ques 5(b)

Ques 5(b)

DO NOT WRITE ANYTHING HERE

As per [Section 8] of the Companies Act, 2013, Companies formed under this Act are formed for the purpose of promoting charitable purpose such as Commerce, art, social welfare, etc.

They apply their profits in the promotion of their purpose and



Search @canotes_foundation & Join CA Foundation Telegram Channel

do not declare dividends out of these profits.

These companies are formed by ~~or~~ a special permission from the Central Government regarding their status.

2 The Central Government or the Registrar of Companies issue them licence.

If such Companies deviate from the purpose for which they were formed then the Central Government can -

- 1. ask them to change its name and status
- 2. wind up.
- 3. amalgamate with other companies formed for the same purpose.

26 The government can also levy fine on them.

$4 + 6 = 10$



Adl. Book No. 2



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

DO NOT WRITE ROLL NUMBER ANYWHERE IN THIS
ADDITIONAL ANSWER BOOK

06 JUN 2019

07 JUN 2019

Ques 6(a)

Ques 6(a)

As per Section 16 of the Indian Contracts Act, 1872, a Contract is said to be induced by Undue Influence if the relation subsisting between the parties is such that one of the party is in a position to dominate the will of the other and uses that position to obtain an unfair advantage over the other.

Following are the essentials required for Undue Influence :-

1. Relation between parties :- It is very

essential that there should be ~~not~~ some kind of ~~relations~~ between the

parties.

The relation can be Authoritative
or fiduciary

2. Position of domination :- The relation should be such that one of the party can dominate the will of the other.

3. Obtain an Unfair Advantage :- The party who has a dominating position should use that position to gain some advantage over the other.

4.



Ques 6(b)

Ques 6(b)

Indian Partnership Act, 1932 does not make the registration of firms compulsory. It is in the hands of the partners to register the firm or not.

But it is desirable to register for safety from any future discrepancy.

The consequences of a non-registered firm are :-

(i). No suit against third party :- The

partners cannot file any case against any third party in case of breach of any contract. The persons who have not been shown as partners in the register cannot file a suit.



Search @canotes_foundation & Join CA Foundation Telegram Channel

(ii). No set-off for claim :- The partners cannot claim ~~or~~ for set-off of any amount ~~more than~~ ₹100.

(iii). Partners cannot sue other partners :- Any partner can also not obtain a suit against any partner of the firm ~~or~~ sue for accounts of his share in the profits.

(iv). Third parties can sue :- Non-registration does not affect the third parties from filing any case against the partners for any breach of contract.

5

They can still sue the partners.

04



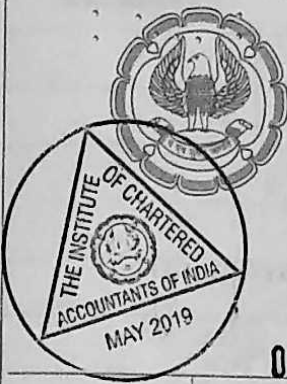
Addl. Book No. 3

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

DO NOT WRITE ROLL NUMBER ANYWHERE IN THIS
ADDITIONAL ANSWER BOOK

07 JUN 2019

↑ DO NOT WRITE ANYTHING HERE



Ques 6 (c)

Ques 6 (c)

Provision :-

As per Section 2(47) of the Companies Act, 2013, a subsidiary company is one in which the other Company has :-

(i) More than one half of the total share Capital of the Company.

(ii) Controls the Composition of Boards of Directors.

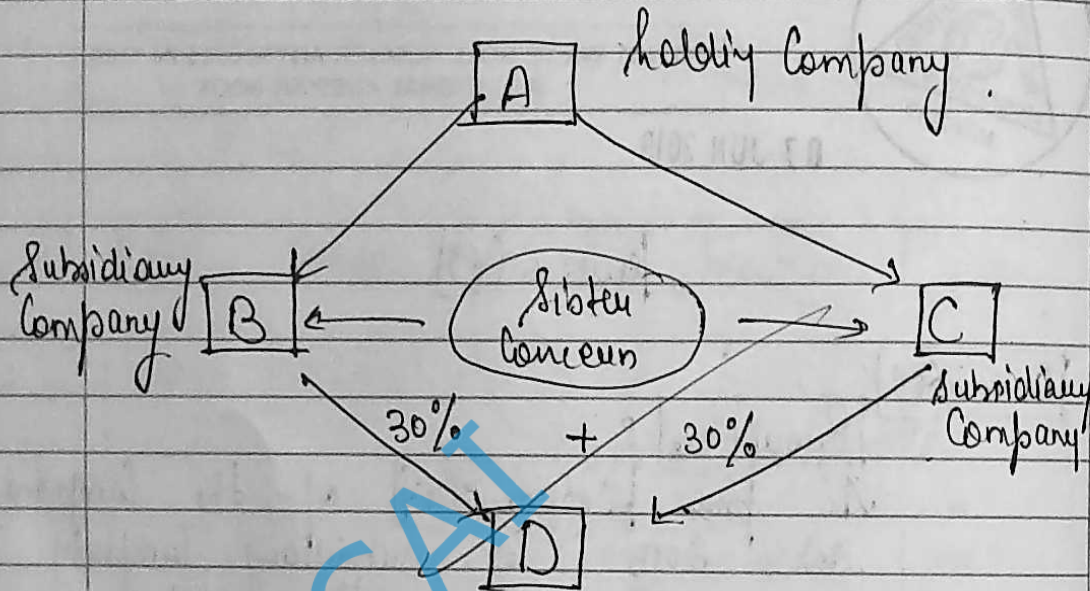
(iii) Any holding company along with any of the subsidiary can hold such share.

↑ DO NOT WRITE ANYTHING HERE

↑ DO NOT WRITE ANYTHING HERE



For eg :-



So, A will also be the Holding Company of D.

Analysis :

In the above given case also, Joyal Ltd. is the holding company of Delight Products Ltd, Happy Products Ltd, Cheerful Product Ltd. And these three companies together hold more than shares of Popular Products Ltd.

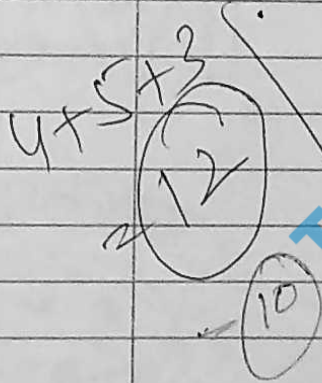
Also, Joyal holds the Composition of Board of Directors,



so, it will be Holding Company
of Popular Products also.

Conclusion :- Therefore Serial dtel. will
also be called the Holding Company
of Popular Products dtel.

23



Search @canotes_foundation & Join CA Foundation Telegram Channel

↑ DO NOT WRITE ANYTHING HERE

↑ DO NOT WRITE ANYTHING HERE

↑ DO NOT WRITE ANYTHING HERE



Search @canotes_foundation & Join CA Foundation Telegram Channel

