

**PAPER – 2: BUSINESS LAW & BUSINESS CORRESPONDENCE AND REPORTING**

**SECTION A – BUSINESS LAW**

Question No. 1 is compulsory.

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

**Question 1**

- (a) Mr. Sohanlal sold 10 acres of his agricultural land to Mr. Mohanlal on 25<sup>th</sup> September 2018 for ₹ 25 Lakhs. The Property papers mentioned a condition, amongst other details, that whosoever purchases the land is free to use 9 acres as per his choice but the remaining 1 acre has to be allowed to be used by Mr. Chotelal, son of the seller for carrying out farming or other activity of his choice. On 12<sup>th</sup> October, 2018, Mr. Sohanlal died leaving behind his son and wife. On 15<sup>th</sup> October, 2018 purchaser started construction of an auditorium on the whole 10 acres of land and denied any land to the son.

Now Mr. Chotelal wants to file a case against the purchaser and get a suitable redressed. Discuss the above in light of provisions of Indian Contract Act, 1872 and decide upon Mr. Chotelal's plan of action? **(4 Marks)**

- (b) Sound Syndicate Ltd., a public company, its articles of association empowers the managing agents to borrow both short and long term loans on behalf of the company, Mr. Liddle, the director of the company, approached Easy Finance Ltd., a non banking finance company for a loan of ₹ 25,00,000 in name of the company.

The Lender agreed and provided the above said loan. Later on, Sound Syndicate Ltd. refused to repay the money borrowed on the pretext that no resolution authorizing such loan have been actually passed by the company and the lender should have enquired about the same prior providing such loan hence company not liable to pay such loan.

Analyse the above situation in terms of the provisions of Doctrine of Indoor Management under the Companies Act, 2013 and examine whether the contention of Sound Syndicate Ltd. is correct or not? **(4 Marks)**

- (c) Discuss the various types of implied warranties as per the Sales of Goods Act, 1930?

**(4 Marks)**

**Answer**

- (a) Problem as asked in the question is based on the provisions of the Indian Contract Act, 1872 as contained in section 2(d) and on the principle 'privity of consideration'. Consideration is one of the essential elements to make a contract valid and it can flow from the promisee or any other person. In view of the clear language used in definition of 'consideration' in Section 2(d), it is not necessary that consideration should be furnished by the promisee only. A promise is enforceable if there is some consideration for it and it

is quite immaterial whether it moves from the promisee or any other person. The leading authority in the decision of the *Chinnaya Vs. Ramayya*, held that the consideration can legitimately move from a third party and it is an accepted principle of law in India.

In the given problem, Mr. Sohanlal has entered into a contract with Mr. Mohanlal, but Mr. Chotelal has not given any consideration to Mr. Mohanlal but the consideration did flow from Mr. Sohanlal to Mr. Mohanlal on the behalf of Mr. Chotelal and such consideration from third party is sufficient to enforce the promise of Mr. Mohanlal to allow Mr. Chotelal to use 1 acre of land. Further the deed of sale and the promise made by Mr. Mohanlal to Mr. Chotelal to allow the use of 1 acre of land were executed simultaneously and therefore they should be regarded as one transaction and there was sufficient consideration for it.

Moreover, it is provided in the law that "in case covenant running with the land, where a person purchases land with notice that the owner of the land is bound by certain duties affecting land, the covenant affecting the land may be enforced by the successor of the seller."

In such a case, third party to a contract can file the suit although it has not moved the consideration.

Hence, Mr. Chotelal is entitled to file a petition against Mr. Mohanlal for execution of contract.

**(b) Doctrine of Indoor Management**

According to this doctrine, persons dealing with the company need not inquire whether internal proceedings relating to the contract are followed correctly, once they are satisfied that the transaction is in accordance with the memorandum and articles of association.

Stakeholders need not enquire whether the necessary meeting was convened and held properly or whether necessary resolution was passed properly. They are entitled to take it for granted that the company had gone through all these proceedings in a regular manner.

The doctrine helps protect external members from the company and states that the people are entitled to presume that internal proceedings are as per documents submitted with the Registrar of Companies.

Thus,

1. What happens internal to a company is not a matter of public knowledge. An outsider can only presume the intentions of a company, but do not know the information he/she is not privy to.
2. If not for the doctrine, the company could escape creditors by denying the authority of officials to act on its behalf.

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In the given question, Easy Finance Ltd. being external to the company, need not enquire whether the necessary resolution was passed properly. Even if the company claim that no resolution authorizing the loan was passed, the company is bound to pay the loan to Easy Finance Ltd.

**(c) Various types of implied warranties**

1. **Warranty as to undisturbed possession [Section 14(b) of the Sales of Goods Act, 1930]:** An implied warranty that the buyer shall have and enjoy quiet possession of the goods. That is to say, if the buyer having got possession of the goods, is later on disturbed in his possession, he is entitled to sue the seller for the breach of the warranty.
2. **Warranty as to non-existence of encumbrances [Section 14(c)]:** An implied warranty that the goods shall be free from any charge or encumbrance in favour of any third party not declared or known to the buyer before or at the time the contract is entered into.
3. **Warranty as to quality or fitness by usage of trade [Section 16(3)]:** An implied warranty as to quality or fitness for a particular purpose may be annexed or attached by the usage of trade.
4. **Disclosure of dangerous nature of goods:** Where the goods are dangerous in nature and the buyer is ignorant of the danger, the seller must warn the buyer of the probable danger. If there is a breach of warranty, the seller may be liable in damages.

**Question 2**

- (a) *"Mere silence is not fraud" but there are some circumstances where the "silence is fraud". Explain the circumstances as per the provision of Indian Contract Act, 1872?*  
**(7 Marks)**
- (b) *"LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership". Explain.*  
**(5 Marks)**

**Answer**

**(a) Mere silence is not fraud**

Mere silence as to facts likely to affect the willingness of a person to enter into a contract is not fraud, unless the circumstances of the case are such that, regard being had to them, it is the duty of the person keeping silence to speak, or unless his silence is, in itself, equivalent to speech.

It is a rule of law that mere silence does not amount to fraud. A contracting party is not duty bound to disclose the whole truth to the other party or to give him the whole information in his possession affecting the subject matter of the contract.

The rule is contained in explanation to Section 17 of the Indian Contract Act which clearly states the position that mere silence as to facts likely to affect the willingness of a person to enter into a contract is not fraud.

**Silence is fraud:**

1. **Duty of person to speak:** Where the circumstances of the case are such that it is the duty of the person observing silence to speak.

Following contracts come within this category:

- (a) **Fiduciary Relationship:** Here, the person in whom confidence is reposed is under a duty to act with utmost good faith and make full disclosure of all material facts concerning the agreement, known to him.
- (b) **Contracts of Insurance:** In contracts of marine, fire and life insurance, there is an implied condition that full disclosure of material facts shall be made, otherwise the insurer is entitled to avoid the contract.
- (c) **Contracts of marriage:** Every material fact must be disclosed by the parties to a contract of marriage.
- (d) **Contracts of family settlement:** These contracts also require full disclosure of material facts within the knowledge of the parties.
- (e) **Share Allotment contracts:** Persons issuing 'Prospectus' at the time of public issue of shares/debentures by a joint stock company have to disclose all material facts within their knowledge.

2. **Where the silence itself is equivalent to speech:** For example, A says to B "If you do not deny it, I shall assume that the horse is sound." A says nothing. His silence amounts to speech.

- (b) **LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership**

**Limited Liability:** Every partner of a LLP is, for the purpose of the business of LLP, the agent of the LLP, but not of other partners (Section 26 of the LLP Act, 2008). The liability of the partners will be limited to their agreed contribution in the LLP, while the LLP itself will be liable for the full extent of its assets.

**Flexibility of a partnership:** The LLP allows its members the flexibility of organizing their internal structure as a partnership based on a mutually arrived agreement. The LLP form enables entrepreneurs, professionals and enterprises providing services of any kind or engaged in scientific and technical disciplines, to form commercially efficient vehicles suited to their requirements. Owing to flexibility in its structure and operation, the LLP is a suitable vehicle for small enterprises and for investment by venture capital.

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**Question 3**

- (a) (i) *What is the provision related to the effect of notice to an acting partner of the firm as per the Indian Partnership Act, 1932?* **(2 Marks)**

OR

- (ii) *Discuss the provisions regarding personal profits earned by a partner under the Indian Partnership Act, 1932?* **(2 Marks)**
- (b) *"Whether a group of persons is or is not a firm, or whether a person is or not a partner in a firm." Explain the mode of determining existence of partnership as per the Indian Partnership Act, 1932?* **(4 Marks)**
- (c) *Mr. Rich aspired to get a self-portrait made by an artist. He went to the workshop of Mr. C an artist and asked whether he could sketch the former's portrait on oil painting canvass. Mr. C agreed to the offer and asked for ₹ 50,000 as full advance payment for the above creative work. Mr. C clarified that the painting shall be completed in 10 sittings and shall take 3 months.*

*On reaching to the workshop for the 6<sup>th</sup> sitting, Mr. Rich was informed that Mr. C became paralyzed and would not be able to paint for near future. Mr. C had a son Mr. K who was still pursuing his studies and had not taken up his father's profession yet?*

*Discuss in light of the Indian Contract Act, 1872?*

- (i) *Can Mr. Rich ask Mr. K to complete the artistic work in lieu of his father?*
- (ii) *Could Mr. Rich ask Mr. K for refund of money paid in advance to his father?*

**(6 Marks)**

**Answer**

- (a) (i) Effect of notice to an acting partner of the firm**

According to Section 24 of the Indian Partnership Act, 1932, notice to a partner who habitually acts in the business of the firm of any matter relating to the affairs of the firm operates as notice to the firm, except in the case of a fraud on the firm committed by or with the consent of that partner.

Thus, the notice to one is equivalent to the notice to the rest of the partners of the firm, just as a notice to an agent is notice to his principal. This notice must be actual and not constructive. It must further relate to the firm's business. Only then it would constitute a notice to the firm.

OR

- (ii) Personal Profit earned by Partners (Section 16 of the Indian Partnership Act, 1932)**

According to section 16, subject to contract between the partners:

- (a) If a partner derives any profit for himself from any transaction of the firm, or from the use of the property or business connection of the firm or the firm name, he shall account for that profit and pay it to the firm;
- (b) If a partner carries on any business of the same nature and competing with that of the firm, he shall account for and pay to the firm all profits made by him in that business.

**(b) Mode of determining existence of partnership (Section 6 of the Indian Partnership Act, 1932):** In determining whether a group of persons is or is not a firm, or whether a person is or not a partner in a firm, regard shall be had to the real relation between the parties, as shown by all relevant facts taken together.

For determining the existence of partnership, it must be proved.

1. There was an **agreement** between all the persons concerned
2. The agreement was to **share the profits** of a business and
3. the business was **carried on by all or any of them** acting for all.

1. **Agreement:** Partnership is created by agreement and not by status (Section 5). The relation of partnership arises from contract and not from status; and in particular, the members of a Hindu Undivided family carrying on a family business as such are not partners in such business.

2. **Sharing of Profit:** Sharing of profit is an essential element to constitute a partnership. But, it is only a *prima facie* evidence and not conclusive evidence, in that regard. The sharing of profits or of gross returns accruing from property by persons holding joint or common interest in the property would not by itself make such persons partners. Although the right to participate in profits is a strong test of partnership, and there may be cases where, upon a simple participation in profits, there is a partnership, yet whether the relation does or does not exist must depend upon the whole contract between the parties.

3. **Agency:** Existence of Mutual Agency which is the cardinal principle of partnership law, is very much helpful in reaching a conclusion in this regard. Each partner carrying on the business is the principal as well as an agent of other partners. So, the act of one partner done on behalf of firm, binds all the partners. If the elements of mutual agency relationship exist between the parties constituting a group formed with a view to earn profits by running a business, a partnership may be deemed to exist.

(c) A contract which involves the use of personal skill or is founded on personal consideration comes to an end on the death of the promisor. As regards any other contract the legal representatives of the deceased promisor are bound to perform it unless a contrary intention appears from the contract (Section 37 of the Indian Contract

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Act, 1872). But their liability under a contract is limited to the value of the property they inherit from the deceased.

- (i) In the instant case, since painting involves the use of personal skill and on becoming Mr. C paralyzed, Mr. Rich cannot ask Mr. K to complete the artistic work in lieu of his father Mr. C.
- (ii) According to section 65 of the Indian Contract Act, 1872, when an agreement is discovered to be void or when a contract becomes void, any person who has received any advantage under such agreement or contract is bound to restore it, or to make compensation for it to the person from whom he received it.

Hence, in the instant case, the agreement between Mr. Rich and Mr. C has become void because of paralysis to Mr. C. So, Mr. Rich can ask Mr. K for refund of money paid in advance to his father, Mr. C.

**Question 4**

- (a) *“A non-owner can convey better title to the bonafide purchaser of goods for value.” Discuss the cases when a person other than the owner can transfer title in goods as per the provisions of the Sales of Goods Act, 1930? (6 Marks)*
- (b) *M/s XYZ & Associates, a partnership firm with X, Y, Z as senior partners were engaged in the business of carpet manufacturing and exporting to foreign countries. On 25<sup>th</sup> August, 2016, they inducted Mr. G, an expert in the field of carpet manufacturing as their partner. On 10<sup>th</sup> January 2018, Mr. G was blamed for unauthorized activities and thus expelled from the partnership by united approval of rest of the partners.*
  - (i) *Examine whether action by the partners was justified or not?*
  - (ii) *What should have the factors to be kept in mind prior expelling a partner from the firm by other partners according to the provisions of the Indian Partnership Act, 1932? (6 Marks)*

**Answer**

- (a) In the following cases, a non-owner can convey better title to the bona fide purchaser of goods for value:
  - (1) **Sale by a Mercantile Agent:** A sale made by a mercantile agent of the goods for document of title to goods would pass a good title to the buyer in the following circumstances; namely,
    - (a) If he was in possession of the goods or documents with the consent of the owner;
    - (b) If the sale was made by him when acting in the ordinary course of business as a mercantile agent; and

- (c) If the buyer had acted in good faith and has at the time of the contract of sale, no notice of the fact that the seller had no authority to sell (Proviso to Section 27 of the Sale of Goods Act, 1930).
- (2) **Sale by one of the joint owners (Section 28):** If one of several joint owners of goods has the sole possession of them by permission of the co-owners, the property in the goods is transferred to any person who buys them of such joint owner in good faith and has not at the time of the contract of sale notice that the seller has no authority to sell.
- (3) **Sale by a person in possession under voidable contract:** A buyer would acquire a good title to the goods sold to him by a seller who had obtained possession of the goods under a contract voidable on the ground of coercion, fraud, misrepresentation or undue influence provided that the contract had not been rescinded until the time of the sale (Section 29).
- (4) **Sale by one who has already sold the goods but continues in possession thereof:** If a person has sold goods but continues to be in possession of them or of the documents of title to them, he may sell them to a third person, and if such person obtains the delivery thereof in good faith and without notice of the previous sale, he would have good title to them, although the property in the goods had passed to the first buyer earlier. [Section 30(1)]
- (5) **Sale by buyer obtaining possession before the property in the goods has vested in him:** Where a buyer with the consent of the seller obtains possession of the goods before the property in them has passed to him, he may sell, pledge or otherwise dispose of the goods to a third person, and if such person obtains delivery of the goods in good faith and without notice of the lien or other right of the original seller in respect of the goods, he would get a good title to them [Section 30(2)].
- (6) **Effect of Estoppel:** Where the owner is estopped by the conduct from denying the seller's authority to sell, the transferee will get a good title as against the true owner. But before a good title by estoppel can be made, it must be shown that the true owner had actively suffered or held out the other person in question as the true owner or as a person authorized to sell the goods.
- (7) **Sale by an unpaid seller:** Where an unpaid seller who had exercised his right of lien or stoppage in transit resells the goods, the buyer acquires a good title to the goods as against the original buyer [Section 54 (3)].
- (8) **Sale under the provisions of other Acts:**
- (i) Sale by an Official Receiver or Liquidator of the Company will give the purchaser a valid title.
  - (ii) Purchase of goods from a finder of goods will get a valid title under circumstances [Section 169 of the Indian Contract Act, 1872]



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- (iii) A sale by pawnee can convey a good title to the buyer [Section 176 of the Indian Contract Act, 1872]

**(b) Expulsion of a Partner (Section 33 of the Indian Partnership Act, 1932):**

A partner may not be expelled from a firm by a majority of partners except in exercise, in good faith, of powers conferred by contract between the partners.

The test of good faith as required under Section 33(1) includes three things:

- The expulsion must be in the interest of the partnership.
- The partner to be expelled is served with a notice.
- He is given an opportunity of being heard.

If a partner is otherwise expelled, the expulsion is null and void.

- (i) Action by the partners of M/s XYZ & Associates, a partnership firm to expel Mr. G from the partnership was justified as he was expelled by united approval of the partners exercised in good faith to protect the interest of the partnership against the unauthorized activities charged against Mr. G. A proper notice and opportunity of being heard has to be given to Mr. G.
- (ii) The following are the factors to be kept in mind prior expelling a partner from the firm by other partners:
- (a) the power of expulsion must have existed in a contract between the partners;
  - (b) the power has been exercised by a majority of the partners; and
  - (c) it has been exercised in good faith.

**Question 5**

- (a) *M/s Woodworth & Associates, a firm dealing with the wholesale and retail buying and selling of various kinds of wooden logs, customized as per the requirement of the customers. They dealt with Rose wood, Mango wood, Teak wood, Burma wood etc.*

*Mr. Das, a customer came to the shop and asked for wooden logs measuring 4 inches broad and 8 feet long as required by the carpenter. Mr. Das specifically mentioned that he required the wood which would be best suited for the purpose of making wooden doors and window frames. The Shop owner agreed and arranged the wooden pieces cut into as per the buyers requirements.*

*The carpenter visited Mr. Das's house next day, and he found that the seller has supplied Mango Tree wood which would most unsuitable for the purpose. The carpenter asked Mr. Das to return the wooden logs as it would not meet his requirements.*

*The Shop owner refused to return the wooden logs on the plea that logs were cut to specific requirements of Mr. Das and hence could not be resold.*

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FOUNDATION EXAMINATION: MAY, 2019

- (i) Explain the duty of the buyer as well as the seller according to the doctrine of "Caveat Emptor".
- (ii) Whether Mr. Das would be able to get the money back or the right kind of wood as required serving his purpose? **(6 Marks)**
- (b) What do you mean by "Companies with charitable purpose" (section 8) under the Companies Act, 2013? Mention the conditions of the issue and revocation of the licence of such company by the government. **(6 Marks)**

**Answer**

- (a) (i) **Duty of the buyer according to the doctrine of "Caveat Emptor"**: In case of sale of goods, the doctrine 'Caveat Emptor' means '**let the buyer beware**'. When sellers display their goods in the open market, it is for the buyers to make a proper selection or choice of the goods. If the goods turn out to be defective he cannot hold the seller liable. The seller is in no way responsible for the bad selection of the buyer. The seller is not bound to disclose the defects in the goods which he is selling.

**Duty of the seller according to the doctrine of "Caveat Emptor"**: The following exceptions to the Caveat Emptor are the duties of the seller:

1. Fitness as to quality or use
2. Goods purchased under patent or brand name
3. Goods sold by description
4. Goods of Merchantable Quality
5. Sale by sample
6. Goods by sample as well as description
7. Trade usage
8. Seller actively conceals a defect or is guilty of fraud

- (ii) As Mr. Das has specifically mentioned that he required the wood which would be best suited for the purpose of making wooden doors and window frames but the seller supplied Mango tree wood which is most unsuitable for the purpose. Mr. Das is entitled to get the money back or the right kind of wood as required serving his purpose. It is the duty of the seller to supply such goods as are reasonably fit for the purpose mentioned by buyer. [Section 16(1) of the Sale of Goods Act, 1930]

- (b) **Formation of companies with charitable purpose etc. (Section 8 company):**

Section 8 of the Companies Act, 2013 deals with the formation of companies which are formed to

- promote the charitable objects of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment etc.

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Such company intends to apply its profit in

- promoting its objects and
- prohibiting the payment of any dividend to its members.

**Examples** of section 8 companies are FICCI, ASSOCHAM, National Sports Club of India, CII etc.

**Power of Central government to issue the license–**

- (i) Section 8 allows the Central Government to register such person or association of persons as a company with limited liability without the addition of words 'Limited' or 'Private limited' to its name, by issuing licence on such conditions as it deems fit.
- (ii) The registrar shall on application register such person or association of persons as a company under this section.
- (iii) On registration the company shall enjoy same privileges and obligations as of a limited company.

**Revocation of license:** The Central Government may by order revoke the licence of the company where the company contravenes any of the requirements or the conditions of this sections subject to which a licence is issued or where the affairs of the company are conducted fraudulently, or violative of the objects of the company or prejudicial to public interest, and on revocation the Registrar shall put 'Limited' or 'Private Limited' against the company's name in the register. But before such revocation, the Central Government must give it a written notice of its intention to revoke the licence and opportunity to be heard in the matter.

**Question 6**

- (a) *Discuss the essentials of Undue Influence as per the Indian Contract Act, 1872. (5 Marks)*
- (b) *"Indian Partnership Act does not make the registration of firms compulsory nor does it impose any penalty for non-registration." Explain. Discuss the various disabilities or disadvantages that a non-registered partnership firm can face in brief? (4 Marks)*
- (c) *Popular Products Ltd. is company incorporated in India, having a total Share Capital of ₹ 20 Crores. The Share capital comprises of 12 Lakh equity shares of ₹ 100 each and 8 Lakhs Preference Shares of ₹ 100 each. Delight Products Ltd. and Happy Products Ltd. hold 2,50,000 and 3,50,000 shares respectively in Popular Products Ltd. Another company Cheerful Products Ltd. holds 2,50,000 shares in Popular Products Ltd. Jovial Ltd. is the holding company for all above three companies namely Delight Products Ltd; Happy Products Ltd.; Cheerful Products Ltd. Can Jovial Ltd. be termed as subsidiary company of Popular products. Ltd., if it. Controls composition of directors of Popular Products Ltd. State the related provision in the favour of your answer. (3 Marks)*

**Answer**

- (a) The essentials of Undue Influence as per the Indian Contract Act, 1872 are the following:
- (1) **Relation between the parties:** A person can be influenced by the other when a near relation between the two exists.
  - (2) **Position to dominate the will:** Relation between the parties exist in such a manner that one of them is in a position to dominate the will of the other. A person is deemed to be in such position in the following circumstances:
    - (a) **Real and apparent authority:** Where a person holds a real authority over the other as in the case of master and servant, doctor and patient and etc.
    - (b) **Fiduciary relationship:** Where relation of trust and confidence exists between the parties to a contract. Such type of relationship exists between father and son, solicitor and client, husband and wife, creditor and debtor, etc.
    - (c) **Mental distress:** An undue influence can be used against a person to get his consent on a contract where the mental capacity of the person is temporarily or permanently affected by the reason of mental or bodily distress, illness or of old age.
    - (d) **Unconscionable bargains:** Where one of the parties to a contract is in a position to dominate the will of the other and the contract is apparently unconscionable i.e., unfair, it is presumed by law that consent must have been obtained by undue influence. Unconscionable bargains are witnessed mostly in money lending transactions and in gifts.
  - (3) **The object must be to take undue advantage:** Where the person is in a position to influence the will of the other in getting consent, must have the object to take advantage of the other.
  - (4) **Burden of proof:** The burden of proving the absence of the use of the dominant position to obtain the unfair advantage will lie on the party who is in a position to dominate the will of the other.
- (b) Under the English Law, the registration of firms is compulsory. Therefore, there is a penalty for non-registration of firms. But the Indian Partnership Act, 1932 does not make the registration of firms compulsory nor does it impose any penalty for non-registration. The registration of a partnership is optional and one partner cannot compel another partner to join in the registration of the firm. It is not essential that the firm should be registered from the very beginning.

However, **under Section 69**, non-registration of partnership gives rise to a number of disabilities which are as follows:

- (i) **No suit in a civil court by firm or other co-partners against third party:** The firm or any other person on its behalf cannot bring an action against the third party for

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breach of contract entered into by the firm, unless the firm is registered and the persons suing are or have been shown in the register of firms as partners in the firm.

- (ii) **No relief to partners for set-off of claim:** If an action is brought against the firm by a third party, then neither the firm nor the partner can claim any set-off, if the suit be valued for more than ₹ 100 or pursue other proceedings to enforce the rights arising from any contract.
  - (iii) **Aggrieved partner cannot bring legal action against other partner or the firm:** A partner of an unregistered firm (or any other person on his behalf) is precluded from bringing legal action against the firm or any person alleged to be or to have been a partner in the firm.
  - (iv) **Third party can sue the firm:** In case of an unregistered firm, an action can be brought against the firm by a third party.
- (c) In the present case, the total share capital of Popular Products Ltd. is ₹ 20 crores comprised of 12 Lakh equity shares and 8 Lakhs preference shares.

Delight Products Ltd., Happy Products Ltd. and Cheerful Products Ltd together hold 8,50,000 shares (2,50,000+3,50,000+2,50,000) in Popular Products Ltd. Jovial Ltd. is the holding company of all above three companies. So, Jovial Ltd. along with its subsidiaries hold 8,50,000 shares in Popular Products Ltd. which amounts to less than one-half of its total share capital. Hence, Jovial Ltd. by virtue of share holding is not a holding company of Popular Products Ltd.

Secondly, it is given that Jovial Ltd. controls the composition of directors of Popular Products Ltd., hence, Jovial Ltd. is a holding company of Popular Products Ltd. and not a subsidiary company. [Section 2(87) of the Companies Act, 2013]

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**SECTION-B : BUSINESS CORRESPONDENCE AND REPORTING**

*Question No. 7 is compulsory.*

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

*All candidates (including those who have opted for Hindi Medium) are required to answer the questions in Section B, in English only.*

**Question 7**

(a) *Read the passage carefully and answer the questions given below:*

*Coral reefs are one of the most fragile, biologically complex, and diverse marine ecosystems on Earth. This ecosystem is one of the fascinating paradoxes of the biosphere. Found along the sea coasts they are formed in various shapes and sizes. They constitute as one of the beautiful creations of nature. Symbiotic cells of algae known as zooxanthellae carry out photosynthesis using the metabolic wastes of the coral thereby producing food for themselves; for their corals, hosts, and even for other members of the reef community. This symbiotic process allows organisms in the reef community to use sparse nutrient resources efficiently.*

*Unfortunately for coral reefs, however, a variety of human activities are causing worldwide degradation of shallow marine habitats by adding nutrients to the water. Agriculture, slash-and-burn<sup>1</sup> and clearing, sewage disposal and manufacturing that create waste by-products all increase nutrient loads in these waters. Typical symptoms of reef decline are destabilized herbivore populations and an increasing abundance of algae and filter-feeding animals. Declines in reef communities are consistent with observations that nutrient input is increasing in direct proportion to growing human populations, thereby threatening reef communities sensitive to subtle changes in nutrient input to their waters.*

(i) *What are the indicators of reef decay?* **(1 Mark)**

(ii) *How does Algae carry out the process of photosynthesis?* **(1 Mark)**

(iii) *How is man responsible for destruction of Natural Reef?* **(1 Mark)**

(iv) *Write a Summary of the above Passage.* **(2 Marks)**

(b) *Read the passage :*

(i) *Make Notes, using Headings, Sub headings and abbreviations whenever necessary.* **(3 Marks)**

(ii) *Write Summary,*

*In most sectors of the economy, it is the seller who attempts to attract a potential buyer with various inducements of price, quality and utility and it is the buyer who makes the decision. Where circumstances permit the buyer no choice because*

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*there is effectively only one seller and the product is relatively essential, government usually asserts monopoly and places the industry under price and other regulations. Neither of these conditions prevails in most of the health-care industry;*

*In the health-care industry, the doctor-patient relationship is the mirror image of the ordinary relationship between producer and consumer. Once an individual has chosen to see a physician and even then there may be real choice-it is the physician who usually makes all significant purchasing decisions whether the patient should: 1. Return "next Wednesday;" whether X-rays are needed, whether drugs should be prescribed, etc. It is a rare and sophisticated patient: 11. who will challenge such professional decisions or raise in advance questions about price, especially when the ailment is regarded as serious.*

*This is particularly significant in relation to hospital care. The physician must certify the need for hospitalization, determine what procedures will be performed and announce when the patient may be discharged. The patient may be consulted about some of these decisions; but in the main it is the doctor's judgment that are final. Little wonder then that in the eyes of the hospital it is the physician who is the real "consumer." As a consequence, the medical staff represents the "power centre" in hospital policy and decision-making, not the administration;*

*Although usually there are in this situation four identifiable participants the physician, the hospital, the patient, and the payer the physician makes the essential decisions for all of them. The hospital becomes an extension of the physician; the payer generally meets most of the bill, a bill generated by the physician/hospital; and for the most part the patient plays a passive role. In routine or minor illnesses, or just plain worries, the patient's options are, of course, much greater with respect to use and price. In illnesses that are of some significance, however, such choices tend to evaporate or away: DISAPPEAR "my despair evaporated J. F. Wharton", and it is for these illnesses that the bulk of the health-care dollar, is spent. We estimate that about 75-80 percent of health-care expenditures are determined by physicians, not patients; For this reason, economy measures directed at patients or the general public are relatively ineffective.*

**(2 Marks)**

**Answer**

- (a) (i) Indicators of reef decay include destabilized herbivore populations and an increasing abundance of algae and filter-feeding animals.
- (ii) Algae carry out the process of photosynthesis by using the metabolic wastes of the coral thereby producing food for themselves, for their corals, hosts, and even for other members of the reef community.

- (iii) Man is responsible for decay of reef because activities such as agriculture, slash-and-burn land clearing, sewage disposal and manufacturing that create waste by-products all increase nutrient loads in these waters that cause degradation of reef.
- (iv) Summary of the above passage-

Coral reefs are one of the most fragile and complex, marine ecosystem on Earth. Cells of algae known as zooxanthellae carry out photosynthesis using the metabolic wastes of the coral thereby producing food for themselves, for their corals, and for other members of the reef community. Man on other hand is destroying the coral reefs by carrying out agriculture, slash-and-burn land clearing etc. Thus the reef communities are in decline.

**(b) (i) Notes, using Headings, Sub-headings and Abbreviations-**

**MONOPOLY IN HEALTH CARE INDUSTRY**

**A. Govt. regulates industry.**

- a. In Economics: the seller attracts buyers
- b. In Monopoly: Govt. puts price/other curbs against industry.
- c. but in HC Industry Govt. fails to put such curbs.

**B. HC Industry.**

- a. Dr.- Pt. relationship = Producer-Consumer.
- b. It's the Dr. who decides everything i.e. Pt. visit; test types;
- c. Rarely the Dr.'s decision is questioned.

**C. Hospital Care.**

- a. Dr. decides hospitalization need; procedures to be performed; discharge period.
- b. Dr. decision final.

**D. Participants.**

- a. Four participants - Dr. Hospital; Pt.; payer.
- b. Payer pays bills as decided by hospital; dr.
- c. Pt. is passive.
- d. Health care expenses determined by physicians.

**Key**

- 1. Dr. = Doctor
- 2. Pt. = patient
- 3. HC = health care
- 4. Govt. –Government.



**PAPER – 2 : BUSINESS LAW & BUSINESS CORRESPONDENCE AND REPORTING 17****(ii) Summary-**

The health care industry has four participants namely the physician; the hospital; the patient; and the payer. The physician and hospitals are at the commanding position. They dominate over the patient and the payers with regard to type of medication and test needed. The medical staff is the power centre; the hospital comes secondary. Unlike other sector where the government puts checks to curb monopoly of the industry over the customers, restrictions do not work for the health care industry and hence any progressive measures started by the government towards patients and public becomes ineffective.

**Question 8**

(a) Define Vertical & Chain Network under network in communication? **(2 Marks)**

(b) (i) Choose the word which best expresses the meaning of the given word.

**Crooked**

(1) Straight (2) Tapering (3) Twisted (4) Circle  
**(1 Mark)**

(ii) Select a suitable antonym for the word given under:

**Predicament**

(1) Injury (2) Ease (3) Accident (4) Horrifying  
**(1 Mark)**

(iii) Change the following sentence to indirect speech:

Pari said to me "I have been living in London since last December" **(1 Mark)**

(c) Write a precis and give appropriate title to the 'passage given below:

*India has witnessed great expansion of educational opportunities since the attainment of independence. However, the disabled children have not yet benefited in any substantial manner from the growth in educational facilities.*

*Education of handicapped children, ultimately become more dependent and non productive. It is therefore believed that scarce national resources should not be wasted on them. Further, it has been our misconceived notion that the education of handicapped children requires highly specialized people and as such, it must essentially be very costly. Maybe, precisely for these wrong notions we have not been able to involve clinical and educational specialization programmers of training and education exclusively 'meant' for handicapped children. It is encouraging to note that the new National Policy on Education has recommended the placement of such children in Regular schools so as to provide them integrated education along with normal students. The integrated education will take care of the different needs of various categories and types of disabled children. The objective is to place the disabled children in ordinary*

*schools for imparting education in the help of special teachers, aids and other resources. For fulfilling this objective an array, of the necessary infrastructure by way of training of teachers, provision of equipment and book etc. are some of the basic pre-requisition. Hopefully, the parents and their handicapped children will be greatly relieved when the latter are transferred to regular schools.* **(5 Marks)**

**Answer****(a) Vertical and Chain Network**

Vertical network: The vertical network is a formal network. It is usually between a higher ranking employee and a subordinate. This is a two-way communication in which immediate feedback is possible.

Chain Network: The communication pattern that follows the chain of command from the senior to junior is called the chain network. Communication starts at the top, like from a CEO, and works its way down to the different levels of employees.

**(b) (i) Crooked = Twisted**

(ii) Predicament = Ease

(iii) Pari told me she had been living in London since last December.

**(c) Précis****Education for handicapped children**

Education opportunities for handicapped children are sparse as compared to the normal children. Expenditure on their education is treated as a wastage and rather non-productive. The view that education for handicapped requires higher costs and specialized people has led to discouragement towards development of measures towards the same. The National Education Policy recommends integrating the education for handicapped with the normal children with the help of specialized teachers and other aids. Training of teachers and necessary infrastructure shall help the handicapped children and shall relieve their parents regarding worries about their education.

**Question 9**

(a) (i) *Discuss the "Gender Barrier" in communication.* **(2 Marks)**

**Or**

(ii) *What do you mean by Informal Communication?* **(2 Marks)**

(b) *Choose the word which best expresses the meaning of the-given word:*

(i) **Reckless**

(1) *Cautious*      (2) *Clear*      (3) *Careless*      (4) *Fearless*

**(1 Mark)**

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(ii) **Humongous**

(1) Minute (2) Huge (3) Hungry (4) Hassel

**(1 Mark)**

(iii) Change the following sentence into indirect speech.

She said "I am watching a television show"

**(1 Mark)**

(c) Draft Newspaper Report on "Six Lane highway connecting two states inaugurated" to be published in a national newspaper. **(5 Marks)**

**Answer**

(a) (i) Gender barriers may be defined as the communication gap created due to the different ways of inherent mindsets of men and women as given by nature. Men talk in linear, logical and compartmentalized manner whereas the women use both logic and emotion, and are more verbose. This may be 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 maybe blamed for providing too much detail.

**OR**

(ii) Informal communication is the casual, friendly and unofficial. It is spontaneous conversation and exchange of information between two or more persons without conforming to the prescribed official rules, processes, systems, formalities, and chain of command. Informal communication is between family, friends, neighbours, members of community and other social relations that are based on common interests, tastes and dispositions. Information can flow from any source in any direction.

(b) (i) **Reckless = Careless**

(i) Humongous = Huge

(ii) She said that she was watching a television show.

(c) **Six Lane Highway Connecting Two States Inaugurated**

**Indian Express**

Anpara (UP), Feb 01, 2019.

The honourable Chief Minister of the Uttar Pradesh Mr. XY inaugurated the all new six lane highway between the States of Uttar Pradesh and Madhya Pradesh on 01<sup>st</sup> Feb, 2019. The six lane highway ranging 65 kilometers has been completed by Highway Authority of India at a record period of 24 months. The Highway will connect Anpara (U.P.) with Satna (M.P.).

The chief Minister in his inaugural speech said "the need that was being felt for the several years for a highway that shall connect the bordering areas of the two biggest

States of India. I personally thank the local people who have given their land for construction of the highway”.

The Highway has been constructed with an approved width of 43.6 Meters with speed limit indicators; caution indicators at every 6 Kilometers of the route. Energy saving LED lights have been put up at both sides of the Lanes so that perfect visibility of the road can be ensured at nights. The Toll Plaza has been set-up at 35 kilometers from Anapara near Shakti Nagar (U.P.)

The Six Lane Highway shall encourage the journey of the local people by road, thus reducing the traffic load on railways. The communication of commercial traffic shall be facilitated which will significantly reduce the time required earlier for the above purpose.

**Source: PTI**

**Question 10**

- (a) *"The listener has to be objective, practical and control his emotions" Explain with reference to importance of listening in communication? (2 Marks)*
- (b) (i) *Change the sentence from Active to Passive Voice.*  
*The teacher always answers the students' questions. (1 Mark)*
- (ii) *Change the sentence from Passive to Active Voice;*  
*Every night the office is vacuumed and dusted by the cleaning crew. (1 Mark)*
- (iii) *Change the following sentence to indirect speech.*  
*She said "My Father came yesterday". (1 Mark)*
- (c) *Write an article of about 250 words on the topic "The Fearless Indian Army": (5 Marks)*

**Answer**

- (a) A good listener does not only listen to the spoken words, but observes carefully the non-verbal cues to understand the complete message. He absorbs the given information, processes it, understands its context and meaning and forms an accurate, reasoned, intelligent response. The listener has to be objective, practical and in control of his emotions. Often the understanding of a listener is coloured by his own emotions judgements, opinions, and reactions to what is being said.
- (b) (i) The student questions are always answered by the teacher.  
 (ii) The cleaning crew vacuums and dusts the office every night.  
 (iii) She said that her father had come the day before.
- (c) **The Fearless Indian Army**

The Indian army is undoubtedly one of the finest armies in the world. Since prehistoric to modern times the Indian soldiers are one of the bravest, fighting both for homeland as well as for ensuring peace even on foreign lands such as peace keeping force in Sri Lanka.

**PAPER – 2 : BUSINESS LAW & BUSINESS CORRESPONDENCE AND REPORTING 21**

Our soldiers never surrendered before enemies. Their motto has always been 'do or die'. During Indo- china war of October – November, 1962 and later on in the Indo-Pak war of September 1965, one Indian Soldier killed many soldiers of enemy armies on various fronts. During the World war II the Indian soldiers proved their mettle on the foreign land of Europe' Africa and the Korea on various missions.

The Indian army has proved their superiority whenever the neighboring country Pakistan challenged us. The Kargil war In 1999 was triggered by the spring and summer incursion of Pakistan backed armed forces into territory on the Indian side of the LOC around Kargil in State of Jammu & Kashmir. The Indian forces were prepared for a major high altitude offensive against Pakistani posts along the border in the Kashmir region. India had to move five infantry divisions, five independent brigades and 44 battalions of paramilitary troops to Kashmir. The total Indian army troop strength in the region reached to 7,30,000. The build-up included the deployment of around 60 frontline aircraft. The Indian army campaign to repel the intrusion left 524 Indian soldiers dead and 1,363 wounded, as per the data released by then Indian defence minister Shri George Fernandez on December 01, 1999.

**Question 11**

- (a) *Define the importance of Para language Hi Non Verbal Communication.*
- (b) *Select the correct meaning of idioms/phrases given below:*
- (i) *Cry over spilled milk*
- (1) *Drain milk*
- (2) *Complain about something that cannot be rectified*
- (3) *Get into altercation with someone*
- (4) *Misbehave with someone* **(1 Mark)**
- (ii) *Judge a book by its cover.*
- (1) *Reading a book*
- (2) *To detect a fraud*
- (3) *Rely on outward appearances*
- (4) *To be intimated by appearances* **(1 Mark)**
- (iii) *Change the sentence into Active Voice: The Grand Canyon is visited by thousands of tourists every year.* **(1 Mark)**
- (iv) *Cheese the word which best expresses the meaning of the given word:*
- Mesmerized**
- (1) *Enthrall* (2) *Gruesome* (3) *Scary* (4) *Harmony* **(1 Mark)**

- (c) Write a Formal E Mail: 'Mail is written by the Manager to the employees about the changed dress code for Republic day function including time and venue of function.

**(4 Marks)**

**Answer**

- (a) Paralanguage may be defined as the way a person says something. It reveals more than the actual words used, the intent of the message. The voice quality, intonation, pitch, stress, emotion, tone and style of speaking, communicants' approval, interest or the lack of it are depicted through paralanguage. Research estimates that tone of the voice accounts for 38 percent of all communications.
- (b) (i) Complain about something that cannot be rectified.  
(ii) Rely on outward appearances.  
(iii) Thousands of tourists visit the Grand Canyon every year.  
(iii) Enthral
- (c) To: Mr. A; Mr. B; Mr. c .....

Subject: Dress code for Republic Day Function as on 26<sup>th</sup> January, 2019

Dear sir/madam,

Greetings of the day.

As you all be aware that the Republic day is round the corner. Your company is organising a flag hoisting followed by cultural program and traditional get together of all the rank and file of the organization including the executive heads.

The ceremony shall be held at 9.00 A.M. sharp at the ground in front of company's gate.

The company has decided a mandatory dress code for the occasion for all participants as-

For Men- White Kurta- Payjama

For Women- Saree preferably of white colour.

Dress code is mandatory.

Hope that all our esteemed employees and executives will grace the function by their benign presence at the time and venue in the prescribed dress code.

Thanks & Regards.

Sd/-

Company secretary,

XWZ Ltd.