

**MODEL TEST PAPER 1**  
**FOUNDATION COURSE**  
**PAPER 2: 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.

**(Time allowed: 3 Hours)**

**(100 Marks)**

1. (a) Kashish was running a business of artificial jewellery since long. He sold his business to Naman and promises, not to carry on the business of artificial jewellery and real diamond jewellery in that area for a period of next one year. After two months, Kashish opened a show room for real diamond jewellery. Naman filed a suit against Kashish for closing the business of real diamond jewellery business as it was against the agreement. Whether Kashish is liable to close his business of real diamond jewellery following the provisions of Indian Contract Act, 1872? **(7 Marks)**
- (b) The paid-up capital of Darshan Photographs Private Limited is ₹ 1 Crores in the form of 50,000 Equity Shares of ₹ 100 each and 50,000 Preference Shares (not carrying any voting rights) of ₹ 100 each. Shadow Evening Private Limited is holding 25,000 Equity Shares in Darshan Photographs Private Limited. State with reason,
  - (a) Whether Darshan Photographs Private Limited is subsidiary of Shadow Evening Private Limited?
  - (b) Whether your answer would be different in case Shadow Evening Private Limited is holding 25,000 Equity Shares and 5,000 Preference Shares in Darshan Photographs Private Limited?

**(7 Marks)**
- (c) Define partnership and name the essential elements for the existence of a partnership as per the Indian Partnership Act, 1932. **(3+3 = 6 Marks)**
2. (a) Kapil entered in a contract with Rahul to purchase 1000 litres of mustard oil at the price which should be fixed by Akhilesh. Rahul already delivered 600 litres out of 1000 litres to Kapil but when remaining 400 litres was ready to deliver, Akhilesh denied fixing the price of mustard oil. Rahul asked Kapil to return the oil already delivered and avoid the delivery of 400 litres. Kapil sued Rahul for non-delivery of remaining 400 litres mustard oil. Advise in the light of the Sale of Goods Act, 1930. **(7 Marks)**

- (b) Explain the '*Doctrine of ultra vires*' under the Companies Act, 2013. What are the consequences of 'ultra vires' acts of the company? **(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) A and B are partners in M/s Aee Bee & Company. Firm is doing business of trading of plastic bottles. A is authorised to sell the stock of plastic bottles. It was decided between them that A should sell the plastic bottles at the minimum price which they have decided and if A sells at a price less than minimum price, he should first take the permission of B. Due to sudden change in government policy, the price of plastic bottles were continuously declining. To save the loss of firm, A sold the stock at lower price. Meanwhile, A tried to contact B but could not do so as B was on foreign trip. Afterwards when B came, he filed the suit to recover the difference of sale price and minimum price to the firm. Whether B can do so under the provisions of Indian Partnership Act, 1932? **(7 Marks)**
- (b) (i) Tycoon Private Limited is the holding company of Glassware Private Limited. As per the last profit and loss account for the year ending 31<sup>st</sup> March, 2023 of Glassware Private Limited, its turnover was ₹ 1.80 crore and paid up share capital was ₹ 80 lakh. The Board of Directors wants to avail the status of a small company. The Company Secretary of the company advised the directors that Glassware Private Limited cannot be categorized as a small company. In the light of the above facts and in accordance with the provisions of the Companies Act, 2013, you are required to examine whether the contention of Company Secretary is correct, explaining the relevant provisions of the Act. **(4 Marks)**
- (ii) In the Flower Fans Private Limited, there are only 5 members. All of them go in a boat on a pleasure trip into an open sea. The boat capsizes and all of them died being drowned. Explain with reference to the provisions of Companies Act, 2013:
- (A) Is Flower Fans Private Limited no longer in existence?
- (B) Further is it correct to say that a company being an artificial person cannot own property and cannot sue or be sued? **(3 Marks)**
- (c) "An anticipatory breach of contract is a breach of contract occurring before the time fixed for performance has arrived". Discuss stating also the effect of anticipatory breach on contracts. **(6 Marks)**
4. (a) (i) Nitesh Gupta is constructing his house. For this purpose, he entered in a contract with M/s Baba Brick House to supply of 10,000 bricks on 12<sup>th</sup> August 2023. M/s Baba Brick House has two Lorries of 5,000

brick capacity. On 12<sup>th</sup> August 2023, one of the Lorries was not in working condition so M/s Baba Brick House supplied only 5,000 bricks and promised Nitesh Gupta to supply rest 5,000 bricks on next day. Nitesh Gupta wants to cancel the contract, as M/s Baba Brick House did not supply the bricks as per the contract. M/s Baba Brick House gave the plea that no fault has been made from its part, hence contract should not be cancelled. In this situation, whether Nitesh Gupta can avoid the contract under Indian Contract Act, 1872?

**(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 taking into account the provisions of the Indian Contract Act, 1872?

**(3 Marks)**

(b) What are Negotiable Instruments? Explain its essential characteristics under the Negotiable Instruments Act, 1881.

**(7 Marks)**

(c) Explain in brief the various types of laws in the Indian Legal System.

**(6 Marks)**

5. (a) (i) A agrees to sell certain goods to B on a certain date on 10 days credit. The period of 10 days expired and goods were still in the possession of A. B has also not paid the price of the goods. B becomes insolvent. A refuses to deliver the goods to exercise his right of lien on the goods. Can he do so under the Sale of Goods Act, 1930?

**(4 Marks)**

(ii) AB sold 500 bags of wheat to CD. Each bag contains 50 Kilograms of wheat. AB sent 450 bags by road transport and CD himself took remaining 50 bags. Before CD receives delivery of 450 bags sent by road transport, he becomes bankrupt. AB being still unpaid, stops the bags in transit. The official receiver, on CD's insolvency claims the bags. Decide the case with reference to the provisions of the Sale of Goods Act, 1930.

**(3 Marks)**

(b) (i) When the continuing guarantee can be revoked under the Indian Partnership Act, 1932?

**(4 Marks)**

(ii) What do you mean by Goodwill as per the provisions of Indian Partnership Act, 1932?

**(3 Marks)**

(c) Explain any five circumstances under which contracts need not be performed with the consent of both the parties.

**(6 Marks)**

6. (a) Priyansh purchased some goods from Sumit. He issued a cheque to Sumit for the sale price on 14<sup>th</sup> June, 2023. Sumit presented the cheque in his bank and his bank informed him on 19<sup>th</sup> June, 2023 that cheque was returned unpaid due to insufficiency of funds in the account of Priyansh. Sumit sued against Priyansh under section 138 of the Negotiable Instruments Act, 1881. State with reasons, whether this suit is maintainable? **(7 Marks)**
- (b) State the essential elements of a contract of bailment. **(6 Marks)**
- (c) State the various essential elements involved in the sale of unascertained goods and its appropriation as per the Sale of Goods Act, 1930. **(7 Marks)**

## MODEL TEST PAPER 2

### FOUNDATION COURSE

#### Paper 2: Business Laws (100 Marks)

*Question No. 1 is compulsory.*

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

1. (i) Mr. Y aged 21 years, lost his mental balance after the death of his parents in an accident. He was left with his grandmother aged 85 years, incapable of walking and dependent upon him. Mr. M, their neighbour, out of pity, started supplying food and other necessities to both of them. Mr. Y and his grandmother used to live in the house built by his parents. Mr. M also provided grandmother with some financial assistance for her emergency medical treatment. After supplying necessities to Mr. Y for four years, Mr. M approached the former asking him to payback ` 15 Lakhs inclusive of ` 7 Lakhs incurred for the medical treatment of the lady (grandmother). Mr. Y pleaded that he has got his parents' jewellery to sell to a maximum value of ` 4 Lakhs, which may be adjusted against the dues. Mr. M refused and threatened Mr. Y with a legal suit to be brought against for recovering the money.

Now, you are to decide upon based on the provisions of the Indian Contract Act, 1872:

- (a) Will Mr. M succeed in filing the suit to recover money?
- (b) What is the maximum amount of money that can be recovered by Mr. M?
- (c) Shall the provisions of the above Act also apply to the medical treatment given to the grandmother? **(7 Marks)**
- (ii) Jagannath Oils Limited is a public company and having 220 members. Of which 25 members were employed in the company during the period 1<sup>st</sup> April 2006 to 28<sup>th</sup> June 2016. They were allotted shares in Jagannath Oils Limited first time on 1<sup>st</sup> July 2007 which were sold by them on 1<sup>st</sup> August 2016. After some time, on 1<sup>st</sup> December 2016, each of those 25 members acquired shares in Jagannath Oils Limited which they are holding till date. Now the company wants to convert itself into a private company. State with reasons:
- (a) Whether Jagannath Oils Limited is required to reduce the number of members.
- (b) Would your answer be different, if above 25 members were the employee in Jagannath Oils Limited for the period from 1<sup>st</sup> April 2006 to 28<sup>th</sup> June 2017? **(7 Marks)**
- (iii) (a) What do you mean by 'Partnership for a fixed period' as per the Indian Partnership Act, 1932? **(2 Marks)**
- (b) Can a minor become a partner in a partnership firm? Justify your answer and also explain the rights of a minor in a partnership firm. **(4 Marks)**

2. (i) Sonal went to a Jewellery shop and asked the salesgirl to show her diamond bangles with Ruby stones. The Jeweller told her that we have a lot of designs of diamond bangles but with red stones. If she chooses for herself any special design of diamond bangle with red stones, they will replace red stones with Ruby stones. But for the Ruby stones they will charge some extra cost. Sonal selected a beautiful set of designer bangles and paid for them. She also paid the extra cost of Ruby stones. The Jeweller requested her to come back a week later for delivery of those bangles. When she came after a week to take delivery of bangles, she noticed that due to Ruby stones, the design of bangles has been completely disturbed. Now, she wants to terminate the contract and thus, asked the manager to give her money back, but he refused for the same. Answer the following questions as per the Sale of Goods Act, 1930.

- (a) State with reasons whether Sonal can recover the amount from the Jeweller.
- (b) What would be your answer, if Jeweller says that he can change the design as to his original form, but he will charge extra cost for the same? **(7 Marks)**
- (ii) An employee, Mr. Karan, signed a contract with his employer, company ABC Limited, that he will not solicit the customers after leaving the employment from the company.
- But after Mr. Karan left ABC Limited, he started up his own company PQR Limited and he started soliciting the customers of ABC Limited for his own business purposes.
- ABC Limited filed a case against Mr. Karan for breach of employment contract and for soliciting their customers for own business. Mr. Karan contended that there is a corporate veil between him, and his company and he should not be personally held liable for this.
- In this context, the company ABC Limited seek your advice as to the meaning of corporate veil and when the veil can be lifted to make the owners liable for the acts done by a company. **(7 Marks)**
- (iii) "A LLP (Limited Liability Partnership) is a type of partnership which provides the benefits of limited liability but allows its members the flexibility of organizing their internal structure as a partnership based on a mutually arrived agreement."
- In line with the above statement clearly elaborate the difference between LLP and Limited Liability Company (LLC). **(6 Marks)**
3. (i) State whether the following are partnerships under the Indian Partnership Act, 1932:
- (a) X, a contractor, appointed Y one of his servants to manage his business of loading and unloading railway wagons. Y was to receive 50% of the profits of the business and also to bear the losses, if any.
- (b) Two firms each having 12 partners combine by an agreement into one firm.
- (c) A and B, co-owners, agree to conduct the business in common for profit.
- (d) Some individuals form an association to which each individual contributes ` 500 annually. The objective of the association is to produce clothes and distribute the clothes free to the war widows.
- (e) A and B, co-owners share between themselves the rent derived from a piece of land.
- (f) A and B buy commodity X and agree to sell the commodity, sharing the profits equally.
- (g) 10 major persons form an association to which each member contributes ` 10,000. The purpose is to produce medicines for free distribution to poor patients. **(7 Marks)**
- (ii) BC Private Limited and its subsidiary KL Private Limited are holding 90,000 and 70,000 shares respectively in PQ Private Limited. The paid-up share capital of PQ Private Limited is ` 30 Lakhs (3 Lakhs equity shares of ` 10 each fully paid). Analyse with reference to provisions of the Companies Act, 2013 whether PQ Private Limited is a subsidiary of BC Private Limited. What would be your answer if KL Private Limited holds 1,60,000 shares in PQ Private Limited and no shares are held by BC Private Limited in PQ Private Limited? **(7 Marks)**
- (iii) As per the general rule, "Stranger to a contract cannot file a suit in case of breach of contract". Comment and explain the exceptions to this rule as per the provisions of the Indian Contract Act, 1872. **(6 Marks)**
4. (i) (a) Mr. R extended a loan to Mr. D with X, Y, and Z as sureties. Each surety executed a bond with varying penalty amounts, X with a penalty of ` 10,000, Y with ` 20,000 and Z with

- ₹ 40,000, in the event of Mr. D's failure to repay the borrowed money to Mr. R. Examine the liabilities of the sureties in accordance with the Indian Contract Act, 1872, when Mr. D defaults to the tune of ₹ 42,000. Additionally, assess the situation, if there is no contractual arrangement among the sureties. **(4 Marks)**
- (b) X agrees to pay Y ₹ 1,00,000, if Y kills Z. To pay Y, X borrows ₹ 1,00,000 from W, who is also aware of the purpose of the loan. Y kills Z but X refuses to pay. X also to repay the loan to W. Explain the validity of the contract.
- (i) Between X and Y
- (ii) Between X and W **(3 Marks)**
- (ii) What is a Bill of Exchange? Also, explain its essential characteristics under the Negotiable Instruments Act, 1881. **(7 Marks)**
- (iii) What do you understand by Law? Also, elaborate the procedure for making a law. **(6 Marks)**
5. (i) (a) An auction sale of certain goods was held on 7<sup>th</sup> March 2023 by the fall of hammer in favour of the highest bidder X. The payment of auction price was made on 8<sup>th</sup> March 2023 followed by the delivery of goods on 10<sup>th</sup> March 2023. Based upon the provisions of the Sale of Goods Act, 1930, decide when the auction sale is complete. **(2 Marks)**
- (b) 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. **(5 Marks)**
- (ii) Can a partner be expelled? If so, how? Which factors should be kept in mind prior to expelling a partner from the firm by the other partners according to the provision of the Indian Partnership Act, 1932? **(7 Marks)**
- (iii) (a) Both a sub-agent and a substituted agent are appointed by the agent. But, however, there are some points of distinction between the two. Explain any three points under the Indian Contract Act, 1872. **(3 Marks)**
- (b) Differentiate between Novation and Alteration as per the Indian Contract Act, 1872. **(3 Marks)**
6. (i) Utkarsh purchased some goods from Saksham for ₹ 50,000 on 14<sup>th</sup> August, 2023. Saksham drawn a bill of exchange on Utkarsh and sent to him for acceptance on the same day at 3:00 p.m. Utkarsh requested Saksham to allow him some time for acceptance. Saksham allowed him 48 hours for acceptance. Utkarsh could not accept till 16<sup>th</sup> August, 2023 (3:00 p.m.). Saksham treated the bill as dishonoured for non-acceptance. Referring to the provisions of the Negotiable Instruments Act, 1881, whether bill of exchange was dishonoured due to non-acceptance? **(7 Marks)**
- (ii) Explain the following statements in the light of provisions of the Indian Contract Act, 1872:
- (a) "Agreements made out of love and affection are valid agreements."
- (b) "Promise to pay a time barred debt cannot be enforced." **(6 Marks)**
- OR**
- (ii) State the essential elements of a contract of bailment. **(6 Marks)**
- (iii) What are the implied conditions in a contract of 'Sale by sample' under the Sale of Goods Act, 1930? Also state the implied warranties operative under the Act. **(7 Marks)**

**MODEL TEST PAPER 3**  
**FOUNDATION COURSE**  
**PAPER 2: 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.

**(Time allowed: 3 Hours)**

**(100 Marks)**

1. (a) In light of provisions of the Indian Contract Act, 1872 answer the following:
- (i) Mr. S and Mr. R made contract wherein Mr. S agreed to deliver paper cup manufacture machine to Mr. R and to receive payment on delivery. On the delivery date, Mr. R did not pay the agreed price. Decide whether Mr. S is bound to fulfil his promise at the time of delivery?
  - (ii) Mr. Y has given loan to Mr. G of ₹ 30,00,000. Mr. G defaulted the loan on due date and debt became time barred. After the time barred debt, Mr. G agreed to settle the full amount to Mr. Y. Whether acceptance of time barred debt Contract is enforceable as per the Indian Contract Act, 1872?
  - (iii) A & B entered into a contract to supply unique item, alternate of which is not available in the market. A refused to supply the agreed unique item to B. What directions could be given by the court for breach of such contract? **(7 Marks)**
- (b) (i) Nolimit Private Company is incorporated as unlimited company having share capital of ₹ 10,00,000. One of its creditors, Mr. Samuel filed a suit against a shareholder Mr. Innocent for recovery of his debt against Nolimit Private Company. Mr. Innocent has given his plea in the court that he is not liable as he is just a shareholder. Explain whether Mr. Samuel will be successful in recovering his dues from Mr. Innocent? **(4 Marks)**
- (ii) A Company registered under Section 8 of the Companies Act, 2013, has been consistently making profits for the past 5 years after a major change in the management structure. Few members contented that they are entitled to receive dividends. Can the company distribute dividend? If yes, what is the maximum percentage of dividend that can be distributed as per provisions of the Companies Act, 2013? Also, to discuss this along with other regular matters, the company held a general meeting by giving only 14 days' notice. Is this valid? **(3 Marks)**
- (c) (i) "Whether a group of persons is or is not a firm, or whether a person is or is not a partner in a firm." Explain the mode of determining existence of partnership as per the Indian Partnership Act, 1932? **(4 Marks)**

- (ii) Discuss the provisions regarding personal profits earned by a partner under the Indian Partnership Act, 1932? **(2 Marks)**
2. (a) Mr. G sold some goods to Mr. H for a certain price by issue of an invoice, but payment in respect of the same was not received on that day. The goods were packed and lying in the godown of Mr. G. The goods were inspected by H's agent and were found to be in order. Later on, the dues of the goods were settled in cash. Just after receiving cash, Mr. G asked Mr. H that goods should be taken away from his godown to enable him to store other goods purchased by him. After one day, since Mr. H did not take delivery of the goods, Mr. G kept the goods out of the godown in an open space. Due to rain, some goods were damaged.
- Referring to the provisions of the Sale of Goods Act, 1930, analyse the above situation and decide who will be held responsible for the above damage. Will your answer be different if the dues were not settled in cash and are still pending? **(7 Marks)**
- (b) Define OPC (One Person Company) and state the rules regarding its membership. Can it be converted into a non-profit company under Section 8 or a private company? **(7 Marks)**
- (c) List the differences between the Limited Liability Partnership (LLP) and the Limited Liability Company. **(6 Marks)**
3. (a) P, Q, R and S are the partners in M/S PQRS & Co., a partnership firm which deals in trading of Washing Machines of various brands.
- Due to the conflict of views between partners, P & Q decided to leave the partnership firm and started competitive business on 31st July, 2023, in the name of M/S PQ & Co. Meanwhile, R & S have continued using the property in the name of M/S PQRS & Co. in which P & Q also has a share.
- Based on the above facts, explain in detail the rights of outgoing partners as per the Indian Partnership Act, 1932 and comment on the following:
- (i) Rights of P & Q to start a competitive business.
- (ii) Rights of P & Q regarding their share in property of M/S PQRS & Co. **(7 Marks)**
- (b) MNP Private Ltd. is a company registered under the Companies Act, 2013 with Paid Up Share Capital of ₹ 5 crores and turnover of ₹ 35 crores. Explain the meaning of the "Small Company" and examine the following in accordance with the provisions of the Companies Act, 2013:
- (i) Whether the MNP Private Ltd. can avail the status of small company?
- (ii) What will be your answer if the turnover of the company is ₹ 45 crores? **(7 Marks)**
- (c) Define Misrepresentation and Fraud. Explain the difference between Fraud and Misrepresentation as per the Indian Contract Act, 1872. **(6 Marks)**
4. (a) M Ltd. contract with Shanti Traders to make and deliver certain machinery to them by 30<sup>th</sup> June 2023 for ₹ 11.50 lakhs. Due to labour strike, M Ltd. could not manufacture and deliver the machinery to Shanti Traders. Later,

Shanti Traders procured the machinery from another manufacturer for ₹ 12.75 lakhs. Due to this, Shanti Traders was also prevented from performing a contract which it had made with Zenith Traders at the time of their contract with M Ltd. and were compelled to pay compensation for breach of contract. Advise Shanti Traders the amount of compensation which it can claim from M Ltd., referring to the legal provisions of the Indian Contract Act, 1872. **(7 Marks)**

- (b) What are Inchoate and Ambiguous Instruments under the Negotiable Instruments Act, 1881? **(7 Marks)**
- (c) What is the significance of the Supreme Court and High Court in the Indian judiciary? **(6 Marks)**
5. (a) (i) Ram sells 200 bales of cloth to Shyam and sends 100 bales by lorry and 100 bales by Railway. Shyam receives delivery of 100 bales sent by lorry, but before he receives the delivery of the bales sent by railway, he becomes bankrupt. Ram being still unpaid, stops the goods in transit. The official receiver, on Shyam's insolvency claims the goods. Decide the case with reference to the provisions of the Sale of Goods Act, 1930. **(4 Marks)**
- (ii) Classify the following transactions 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) State the grounds on which a firm may be dissolved by the Court under the Indian Partnership Act, 1932? **(7 Marks)**
- (c) Explain whether the agency shall be terminated in the following cases under the provisions of the Indian Contract Act, 1872:
- (i) A gives authority to B to sell A's land, and to pay himself, out of the proceeds, the debts due to him from A. Afterwards, A becomes insane.
- (ii) A appoints B as A's agent to sell A's land. B, under the authority of A, appoints C as agent of B. Afterwards, A revokes the authority of B but not of C. What is the status of agency of C? **(6 Marks)**
6. (a) (i) Advik purchased a mobile from Bhanu. He issued a promissory note to Bhanu which was payable on demand but no specific place for payment was mentioned on it. On maturity, Bhanu did not present the promissory note for payment. As the promissory note was not duly presented for payment, whether Advik would be discharged from liability under the provisions of the Negotiable Instruments Act, 1881? **(4 Marks)**

- (ii) Shiva gave a gift of ₹ 21,000 to his sister through a cheque issued in her favour on the occasion of Raksha Bandhan. Afterwards, Shiva informed his sister not to present the cheque for payment and also informed the bank to stop the payment. Examining the provisions of the Negotiable Instruments Act, 1881, decide whether Shiva's acts constitute an offence under section 138 of the Act? **(3 Marks)**
- (b) What do you mean by Quantum Meruit and state the cases where the claim for Quantum Meruit arises? **(6 Marks)**
- (c) Write the exceptions to the doctrine of Caveat Emptor as per the Sale of Goods Act, 1930. **(7 Marks)**