



# Ca Cs Shantam Gupta

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MAHA

CASE STUDIES





➤ ABC Limited was registered as a public company. There were 245 members in the company. Their details are as follows:

Directors and their relatives	190
Employees	<u>15</u>
Ex-employees	(shares were allotted when they were employees) 20
Others	20
(Including 10 joint holders holding shares jointly in the name of father and son)	

The Board of directors of the company propose to convert it into a private company.  
Advice whether reduction in the number of members is necessary for conversion.  
(4 Marks)



➤ Ayush, who is a minor, purchased 10 fancy coats for the wedding ceremony of his sister on credit from M/s Surjewala & sons. The cost of all coats was Rs 80,000. Not even a single coat was a necessity. Ayush has assets of worth of Rs.1,00,000. M/s Surjewala & sons file a suit against Ayush for recovery of Rs.80,000 out of his assets. Following the provisions of Indian Contract Act, 1872, whether Ayush is liable to pay Rs.80,000 to M/s Surjewala & sons?  
(6 Marks)



➤ Samar was in search of a second-hand car. For this purpose, he approached “Car Wala 007”, a dealer in pre-owned cars. The sales manager of “Car Wala 007” showed him three cars which were standing in the parking lane just outside the office. Samar finalised red Wagon R car. After completing the documenting formalities and receiving the price of car, sales manager of “Car Wala 007” handed over the key of car to Samar. But when Samar was coming to parking area for picking the car, the electric poll fell on the car which badly damaged the car. Samar claimed that repair expenses of the car should be borne by “Car Wala 007” as car was not delivered to him. Referring to the provisions of the Sales of Goods Act 1930, state who will be liable to get the car repaired?

(6 Marks)



➤ Mr. Nikhil has decided to get interior work for his new office. For this purpose, he entered into a contract with M/s Sherry Fine Interiors. It was agreed that M/s Sherry Fine Interiors will complete the interior work latest by 31st January, 2023. On 31st January, 2023, Mr. Nikhil observed that only 20% to 30% work has been completed. He decided to cancel the contract with M/s Sherry Fine Interiors. On cancellation of the contract, M/s Sherry Fine Interiors filed a suit against Mr. Nikhil for recovery of the cost which it has incurred on the interior work. Mr. Nikhil argued that M/s Sherry Fine Interiors did not complete the work within the time as per contract and further the work done till 31st January, 2023 by M/s Sherry Fine Interiors was of no use for him as he has to appoint a new interior designer. Explain, whether Mr. Nikhil is liable to pay the cost of work done by M/s Sherry Fine Interiors under the provisions of Indian Contract Act, 1872? (4 Marks)



➤ Mr. Samuel agreed to purchase 100 bales of cotton from Mr. Varun, out of his large stock and sent his men to take delivery of the goods. They could pack only 60 bales. Later on, there was an accidental fire and the entire stock was destroyed including 60 bales that were already packed.

Referring to the provisions of the Sale of Goods Act, 1930 explain as to who will bear the loss and to what extent? (6 Marks)



➤ Mr. G sold some goods to Mr. H for 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? (6 Marks)



➤ 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 25th August, 2016, they inducted Mr. G, an expert in the field of carpet manufacturing as their partner. On 10th 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)



➤ Chhotu of 17 years has purchased a mobile of ₹ 25,000 for his online classes from Mobile Sales Centre on credit. On due date, he did not make the payment of mobile. Mobile Sales Centre sued Chhotu and his parents for the price of mobile. Chhotu has ₹ 15,000 as his cash balance but his father has enough money to pay the price of mobile. Who will be liable to pay the price of mobile under the provisions of Indian Contract Act, 1872? (6 Marks)

CSG



➤ 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 sell 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 was continuously declining. To save the loss of firm, A sold the stock at lower price. Meanwhile, A tried to contact B but couldn't 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?

(6 Marks)



➤ Ram Bilas Yadav is a farmer. Anna Chips Company approached him and entered in a contract to supply 100 quintals of potatoes which to be grown in the fields belonging to Ram Bilas Yadav @ Rs1000/- per quintal. Anna Chips Company made the payment of price but delivery to be made after six months. Before the time of delivery, the whole crop of potatoes was destroyed due to flood. Anna Chips Company demanded the payment of price which is already made by it. Ram Bilas Yadav denied returning the price by saying that contract of sale was already entered and hence crop belongs to Anna Chips Company. Hence loss of crop must be borne by it. Referring to the provisions of the Sale of Goods Act, 1930, whether Anna Chips Company recover amount from Ram Bilas Yadav?

(6 Marks)



➤ Seema was running a boutique in New Delhi. She was to deliver some cloth to her friend Kiran who was putting up an exhibition at Mumbai. Seema delivered the sewing machine and some cloth to a railway company to be delivered at a place where the exhibition was to be held. Seema expected to earn an exceptional profit from the sales made at this exhibition however she did not bring this fact to the notice of the railway's authorities. The goods were delivered at the place after the conclusion of the exhibition. On account of such breach of contract by railways authorities, can Seema recover the loss of profits?  
(6 Marks)



➤ Ashwin goes to super market to buy a Air Conditioner. He selects a branded Air Conditioner having a price tag of Rs.40,000 after a discount of Rs.3000. Ashwin reaches at cash counter for making the payment, but cashier says, “Sorry sir, the discount was upto yesterday. There is no discount from today. Hence you have to pay Rs.43,000.” Ashwin got angry and insists for Rs.40,000. State with reasons whether under Indian Contract Act, 1872, Ashwin can enforce the cashier to sell at discounted price i.e. ` Rs. 40,000. (4 Marks)



➤ Mrs. Geeta went to the local rice and wheat wholesale shop and asked for 100 kgs of Basmati rice. The Shopkeeper quoted the price of the same as ₹125 per kg to which she agreed. Mrs. Geeta insisted that she would like to see the sample of what will be provided to her by the shopkeeper before she agreed upon such purchase. The shopkeeper showed her a bowl of rice as sample. The sample exactly corresponded to the entire lot. The buyer examined the sample casually without noticing the fact that even though the sample was that of Basmati Rice but it contained a mix of long and short grains. The cook on opening the bags complained that the dish if prepared with the rice would not taste the same as the quality of rice was not as per requirement of the dish.

Now Mrs. Geeta wants to file a suit of fraud against the seller alleging him of selling mix of good and cheap quality rice. Will she be successful? Explain the basic law on sale by sample under Sale of Goods Act 1930? Decide the fate of the case and options open to the buyer for grievance redressal as per the provisions of Sale of Goods Act 1930?

What would be your answer in case Mrs. Geeta specified her exact requirement as to length of rice? (6 Marks)



➤ Ram consults Shyam, a motor-car dealer for a car suitable for touring purposes to promote the sale of his product. Shyam suggests 'Maruti' and Ram accordingly buys it from Shyam. The car turns out to be unfit for touring purposes. What remedy Ram is having now under the Sale of Goods Act, 1930?





➤ Examine the validity of the following contracts as per the Indian Contract Act, 1872 giving reasons.

- (i) X aged 16 years borrowed a loan of Rs.50,000 for his personal purposes. Few months later he had become major and could not pay back the amount borrowed, on due date. The lender wants to file a suit against X.
- (ii) J contracts to take in cargo for K at a foreign port. J's government afterwards declares war against the country in which the port is situated and therefore the contract could not be fulfilled. K wants to file a suit against J. (6 Marks)



➤ P sells by auction to Q a horse which P knows to be unsound. The horse appears to be sound but P knows about the unsoundness of the horse. Is this contract valid in the following circumstances under the Indian Contract Act, 1872:

(a) If P says nothing about the unsoundness of the horse to Q.

(b) If P says nothing about it to Q who is P's daughter who has just come of age.

(c) If Q says to P "If you do not deny it, I shall assume that the horse is sound." P says nothing. (3 Marks)



➤ Mr. M is one of the four partners in M/s XY Enterprises. He owes a sum of ₹6 crore to his friend Mr. Z which he is unable to pay on due time. So, he wants to sell his share in the firm to Mr. Z for settling the amount. In the light of the provisions of the Indian Partnership Act, 1932, discuss each of the following:

- (i) Can Mr. M validly transfer his interest in the firm by way of sale?
- (ii) What would be the rights of the transferee (Mr. Z) in case Mr. M wants to retire from the firm after a period of 6 months from the date of transfer? (6 Marks)



➤ X, Y and Z are partners in a Partnership Firm. They were carrying their business successfully for the past several years. Due to expansion of business, they planned to hire another partner Mr A. Now the firm has 4 partners X, Y, Z and A. The business was continuing at normal pace. In one of formal business meeting, it was observed that Mr. Y misbehaved with Mrs. A (wife of Mr. A).

Mr. Y was badly drunk and also spoke rudely with Mrs. A. Mrs. A felt very embarrassed and told her husband Mr. A about the entire incident. Mr. A got angry on the incident and started arguing and fighting with Mr. Y in the meeting place itself.

Next day, in the office Mr. A convinced X and Z that they should expel Y from their partnership firm. Y was expelled from partnership without any notice from X, A and Z. Considering the provisions of the Indian Partnership Act, 1932, state whether they can expel a partner from the firm. What are the criteria for test of good faith in such circumstances? (6 Marks)



➤ Rahul, a minor, falsely representing his age, enters into an agreement with a shopkeeper for a loan amount for purchasing a laptop. He gave his expensive watch as a security and took a loan of ₹ 40,000. He was very happy to get ₹ 40,000 and quickly went to the market and purchased a laptop worth ₹ 30,000. He happily spent the rest of the amount with his friends on a pleasure trip. Later on, Rahul realized that his watch was an expensive watch and he should not have given like this to the shopkeeper. So, he went back to the shopkeeper and asked for his watch back. Also, he refused to repay the loan amount. The shopkeeper disagrees to this and files a case against minor for recovery of the loan amount. Can the shopkeeper succeed in recovering the loan amount under the Indian Contract Act, 1872?



➤ X, Y and Z jointly borrowed ₹90,000 from L. Decide each of the following in the light of the Indian Contract Act, 1872:

(i) Whether L can compel only Y to pay the entire loan of ₹90,000?

(ii) Whether L can compel only the legal representatives of Y to pay the loan of ₹90,000, if X, Y and Z died?

(iii) Whether Y and Z are released from their liability to L and X is released from his liability to Y and Z for contribution, if L releases X from his liability and sues Y and Z for payment? (6 Marks)



➤ Ajay, Vijay and Sanjay are partners of software business and jointly promises to pay ₹6,00, 000 to Kartik. Over a period of time Vijay became insolvent, but his assets are sufficient to pay one-fourth of his debts. Sanjay is compelled to pay the whole. Decide whether Sanjay is required to pay whole amount himself to Kartik in discharging joint promise under the Indian Contract Act, 1872.





➤ Mr. Anil formed a One Person Company (OPC) on 16th April, 2018 for manufacturing electric cars.

The turnover of the OPC for the financial year ended 31st March, 2019 was about ₹2.25 Crores. His friend Sunil wanted to invest in his OPC, so they decided to convert it voluntarily into a private limited company. Can Anil do so? (4 Marks)





➤ Krish, Kamya and Ketan are partners in a firm. They jointly promised to pay ₹6,00,000 to Dia. Kamya become insolvent and her private assets are sufficient to pay 1/5 of her share of debts. Krish is compelled to pay the whole amount to Dia. Examining the provisions of the Indian Contract Act, 1872, decide the extent to which Krish can recover the amount from Ketan. (4 Marks)





➤ Mr. Dheeraj was running a shop selling good quality washing machines. Mr. Vishal came to his shop and asked for washing machine which is suitable for washing woollen clothes. Mr. Dheeraj showed him a particular machine which Mr. Vishal liked and paid for it. Later on, when the machine was delivered at Mr. Vishal's house, it was found that it was wrong machine and also unfit for washing woollen clothes. He immediately informed Mr. Dheeraj about the delivery of wrong machine. Mr. Dheeraj refused to exchange the same, saying that the contract was complete after the delivery of washing machine and payment of price. With reference to the provisions of Sale of Goods Act, 1930, discuss whether Mr. Dheeraj is right in refusing to exchange the washing machine?

(6 Marks)



➤ Avyukt purchased 100 Kgs of wheat from Bhaskar at Rs. 30 per kg. Bhaskar says that wheat is in his warehouse in the custody of Kishore, the warehouse keeper. Kishore confirmed Avyukt that he can take the delivery of wheat from him and till then he is holding wheat on Avyukt's behalf. Before Avyukt picks the goods from warehouse, the whole wheat in the warehouse has flowed in flood. Now Avyukt wants his price on the contention that no delivery has been done by seller. Whether Avyukt is right with his views under the Sale of Goods Act, 1930. (6 Marks)



➤ Sarthak is employed as a cashier on a monthly salary of Rs 50000 by ABC Bank for a period of 3 years . Mohit gave surety for sarthak's good conduct . After 9 months the financial position of the bank deteriorates . Then Sarthak agrees to accept a lower salary of Rs 40000 per month from the bank . Two months later it was found that Sarthak has misappropriated cash from the time of his appointment . What is the liability of Mohit taking into account the provisions of the Indian Contract Act 1872 ?

CSG



➤ Sachin bought 1000 Kg rice from Saurabh for \* 1,50,000 on three months credit. For this purpose, Sachin issued a promissory note to Saurabh on the same date payable after 3 months. On the date of maturity, the promissory note was dishonoured. Saurabh filed suit for the recovery of the amount plus fees of advocate paid by him for defending the suit. Referring to the provisions of the Negotiable instruments Act, 1881, what amount could be recovered by Saurabh .



➤ Priyansh purchased some goods from Sumit. He issued a cheque to Sumit for the sale price on 14th June, 2023. Sumit presented the cheque in his bank and his bank informed him on 19th 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?

CSG



➤ Tycoon Private Limited is the holding company of Glassware Private Limited. As per the last profit and loss account for the year ending 31st 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 .



➤ Mr. Ahuja of Delhi engaged Mr. Singh as his agent to buy a house in West Extension area. Mr. Singh bought a house for 20 lakhs in the name of a nominee and then purchased it himself for 24 lakhs. He then sold the same house to Mr. Ahuja for 26 lakhs. Mr. Ahuja later comes to know the mischief of Mr. Singh and tries to recover the excess amount paid to Mr. Singh. Is he entitled to recover any amount from Mr. Singh? If so , how much ? Explain .

CSG



➤ Due to urgent need of money amounting to \* 3,00,000, Pawan approached Raman and asked him for the money. Raman lent the money on the guarantee of Suraj, Tarun and Usha. Pawan makes default in payment and Suraj pays full amount to Raman. Suraj, afterwards, claimed contribution from Tarun and Usha refused to contribute on the basis that there is no contract between Suraj and him. Examine referring to the provisions of the Indian Contract Act, 1872, whether Tarun can escape from his liability.



➤ Rahul was a Disk Jockey at a five-star hotel. As per the contract, he is supposed to perform every weekend. (i.e. twice a week). Rahul will be paid ` 2,500 per day. However, after a month, Rahul willfully absents himself from the performance. Taking into account the provisions of the Indian Contract Act, 1872, answer the following:

(I) Does the hotel have the right to end the contract?

(II) If the hotel sends out a mail to Rahul that they are interested to continue the contract and Rahul accepts, can the hotel rescind the contract after a month on this ground subsequently?

(III ) In which of the case – (termination of contract or continuance of contract) can the hotel claim damages that it had suffered as a result of this breach?





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?



➤ M Ltd. contract with Shanti Traders to make and deliver certain machinery to them by 30th 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.



➤ Priyansh purchased some goods from Sumit. He issued a cheque to Sumit for the sale price on 14th June, 2023. Sumit presented the cheque in his bank and his bank informed him on 19th 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?

CSC



➤ 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?

CSG



➤ 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?



➤ 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?



➤ 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.

CSC



- 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.

CSG



➤ Mr. X draws a cheque in favour of Mr. R for payment of his outstanding dues of 5,00,000 on 26/07/2022 with date of 1/08/2022. At the time of issuing cheque, he was having sufficient balance in his account, but on 29/07/2022 he made payment for his taxes, now his bank account is left with only ₹ 4,50,000. So, Mr. X requested Mr. R not to present the cheque for payment, but he did not accept his request. So, Mr. X instructed the bank to stop payment of cheque issued for dated 01/08/2022 in favour of Mr. R. Decide, under the provisions of the Negotiable Instruments Act, 1881 whether the said acts of Mr. X constitute an offence?



➤ 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?



- 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?



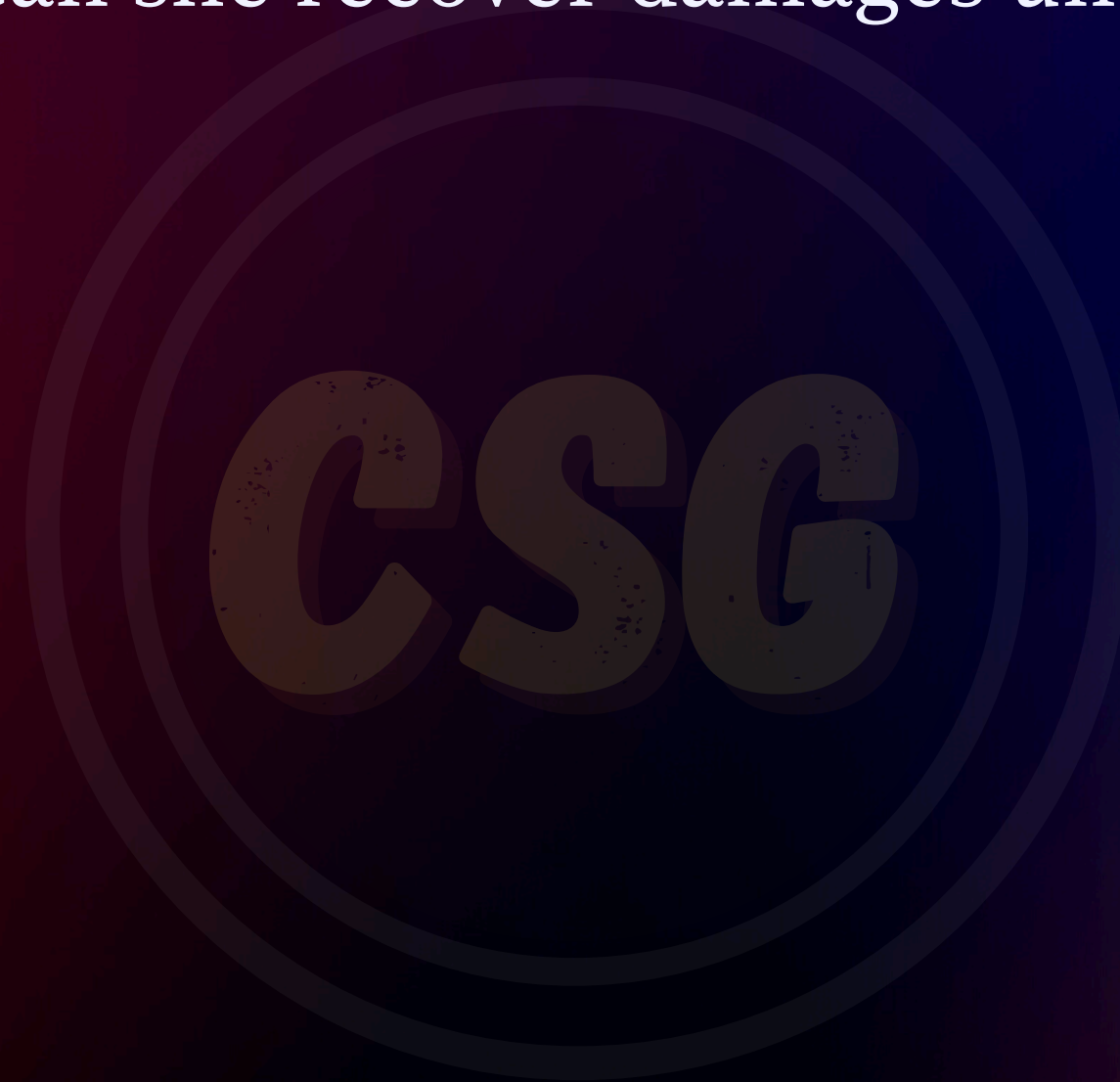
➤ Nitesh Gupta is constructing his house. For this purpose, he entered in a contract with M/s Baba Brick House to supply of 10,000 bricks on 12th August 2023. M/s Baba Brick House has two Lorries of 5,000 brick capacity. On 12th August 2023, one of the Lorries was not in working condition so M/s Baba 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?



➤ Gargi was running a boutique in New Delhi. She has to deliver some cloth to her friend Kiran who was putting up an exhibition at Mumbai. Gargi delivered the sewing machine and some cloth to a railway company to be delivered at a place where the exhibition was to be held. Gargi expected to earn an exceptional profit from the sales made at this exhibition however she did not bring this fact to the notice of the railway's authorities. The goods were delivered at the place after the conclusion of the exhibition. On account of such breach of contract by railways authorities, can Gargi recover the loss of profits under the Indian Contract Act, 1872?



- Mrs. G bought a tweed coat from P. When she used the coat, she got rashes on her skin as her skin was abnormally sensitive.
- But she did not make this fact known to the seller i.e. P. Mrs. G filled a case against the seller to recover damages. Can she recover damages under the Sale of Goods Act, 1930?





➤ Sonal went to a Jewellery shop and asked the sales girl 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 denied for the same.

Answer the following questions as per the Sale of Goods Act, 1930.

- (i) State with reasons whether Sonal can recover the amount from the Jeweller.
- (ii) What would be your answer if Jeweller says that he can change the design, but he will charge extra cost for the same? (6 Marks)



➤ X found a wallet in a restaurant. He enquired of all the customers present there but the true owner could not be found. He handed over the same to the manager of the restaurant to keep till the true owner is found. After a week he went back to the restaurant to enquire about the wallet. The manager refused to return it back to X, saying that it did not belong to him.

In the light of the Indian Contract Act, 1872, can X recover it from the Manager?  
(4 Marks)

CSG



➤ Rahul, a minor, falsely representing his age, enters into an agreement with a shopkeeper for a loan amount for purchasing a laptop. He gave his expensive watch as a security and took a loan of ₹ 40,000. He was very happy to get ₹ 40,000 and quickly went to the market and purchased a laptop worth ₹ 30,000. He happily spent the rest of the amount with his friends on a pleasure trip. Later on, Rahul realized that his watch was an expensive watch and he should not have given like this to the shopkeeper. So, he went back to the shopkeeper and asked for his watch back. Also, he refused to repay the loan amount. The shopkeeper disagrees to this and files a case against minor for recovery of the loan amount. Can the shopkeeper succeed in recovering the loan amount under the Indian Contract Act, 1872?



➤ Jagannath Oils Limited is a public company and having 220 members. Of which 25 members were employee in the company during the period 1st April 2006 to 28th June 2016. They were allotted shares in Jagannath Oils Limited first time on 1st July 2007 which were sold by them on 1st August 2016. After some time, on 1st December 2016, each of those 25 members acquired shares in Jagannath Oils Limited which they are holding till date. Now 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

Q50

Oils Limited for the period from 1st April 2006 to 28th June 2017?

(7)

1st April 2006

1st July 2007



28th June 2016

1/8/2016

1/12/2016



Q1 Law

2(68) defines a Private company as a company where the maximum number of members is limited upto 200 members however this shall not include any ex employees or those employees who have received the shares during the employment in the company. Similarly share which are held by joint owners shall be counted as one.

Fact

25 ex-employees of Jagannath oils have bought shares after completing period of employment on 1st Dec 2017, the concern is whether they will be included in the number of



members required to form a private company.

### Conclusion

(a) Jaganath oils is required to reduce the number from 220 members to 200 members for the purpose of forming a private company. The reduction is required since the ex-employees had acquired shares after completion of employment period.



(b) In that case no reduction would be required as the 25 employees would not be regarded as members since they have acquired shares in the company during employment, which was upto 28<sup>th</sup> June 2017.



➤ M/s ABC Associates has been a partnership firm since 1990. Mr. A, Mr. B and Mr. C were partners in the firm since beginning. Mr. A, being a very senior partner of aged 78 years transfers his share in the firm to his son Mr. Vikas, a Chartered Accountant. Mr. B and Mr. C were not interested that Mr. Vikas joining them as partner in M/s ABC Associates. After some time, Mr. Vikas felt that the books of accounts were displaying only a small amount as profit despite a huge turnover. He wanted to inspect the book of accounts of the firm arguing that it is his entitlement as a transferee. However, the other partners believed that he cannot challenge the books of accounts. Can Mr. Vikas be introduced as a partner if his father wants to retire? As an advisor, help them resolve the issues applying the necessary provisions from the Indian Partnership Act, 1932.

Q51



Q)2

Law

In light of relevant provisions of the partnership act 1932, a partner can transfer, sale, mortgage, pledge his share in the partnership firm in favour of another person (transferee) only with the consent of all other partners, and the transferee shall have the following rights:

- i) to share in profits and losses as agreed with the transferee.
- (ii) not to participate in business of the firm
- (iii) no right to inspect the books of accounts

Provided that, such right shall only arise when the partnership is dissolved or the transferee has retired from the firm, the transferee can check books to determine share in the firm's property.

fact

Mr. Vikas has been introduced as a partner in place of his father and wishes to inspect the books of accounts to which the other partners Mr. B and Mr. C disagree -

Conclusion

Firstly, introduction of a person as a partner should

be consented by all partners, in the above case

Mr. Vikas's introduction as a partner was not agreed by B & C therefore technically this transfer is void. <sup>void (without any legal effect)</sup> Provided that even if such transfer is valid Vikas shall have no right, except in the event of dissolution, <sup>or retirement</sup> to check the books of the firm.



➤ Shubhangi went to a Jewellery shop and asked the salesgirl to show her diamond necklace with Sapphire stones. The Jeweller told her that we have a lot of designs of diamond necklace but with blue stones. If she chooses for herself any special design of diamond necklace with blue stones, they will replace blue stones with Sapphire stones. But for the Sapphire stones they will charge some extra cost. Shubhangi selected a beautiful designer necklace and paid for it. She also paid the extra cost of Sapphire stones. The Jeweller requested her to come back a week later for delivery of that necklace. When she came after a week to take delivery of necklace, she noticed that due to Sapphire stones, the design of necklace had been completely disturbed. Now, she wants to terminate the contract and thus, asked the manager to give her money back, but he denied for the same. Answer the following questions as per the Sale of Goods Act, 1930.

Q52

- (i) State with reasons whether Shubhangi can recover the amount from the Jeweller.
- (ii) What would be your answer if Jeweller says that he can change the design, but he will charge extra cost for the same?



Q3

Section 4(3) read with section 4(4) of Sales of goods Act 1930

Law

A Contract of Sale may be conditional or absolute in relation to terms of its formation. Where the sale contract is conditional, i.e. involving transfer of ownership at a later date of completion of prescribed condition, it is termed as an agreement to sale transforms into a sale contract on completion of the condition or



with lapse of time.

fact (Analysis)

Shubhangini has ordered a diamond necklace with sapphire stones, paid the excess amount and was promised by the sales girl of delivery within 2 week of the diamond necklace with the stones selected by her, however the design of the same is disturbed on delivery.



## Conclusion

- (i) Shubhangi is eligible to recover the amount from the jeweller as the terms of the agreement to sale have not been complied with.
- (ii) Shubhangi is not responsible to pay any extra cost for the jewellery and the agreement did not specify any extra payment.



➤ Mr. Seth (an industrialist) has been fighting a long-drawn litigation with Mr. Raman (another industrialist). To support his legal campaign, Mr. Seth enlists the services of Mr. X, a legal expert stating that an amount of ` 5 lakhs would be paid, if Mr. X does not take up the case of Mr. Raman. Mr. X agrees, but at the end of the litigation, Mr. Seth refused to pay. Decide whether Mr. X can recover the amount promised by Mr. Seth under the provisions of the Indian Contract Act, 1872.

Q53





Q)

Law

where any agreement is made to obstruct the legal proceedings of a case, by promise of any monetary consideration to the judicial officer, such an agreement is against public policy and considered to have an unlawful object and consideration in its contract.

Fact

Mr. Seth has promised to pay rupees 5 lakhs if Mr. X refuses to take up the suit of Mr. Ram.

Conclusion

Since the agreement is void, lawfully Mr. X cannot recover any amount from Mr. Seth.







➤ Rohan found a wallet in a restaurant. He enquired all the customers present there but the true owner could not be found. He handed over the same to the manager of the restaurant to keep the wallet till the true owner is found. After a week, Rohan went back to the restaurant to enquire about the wallet. The manager refused to return it to Rohan, saying that it did not belong to him. In the light of the Indian Contract Act, 1872, can Rohan recover the wallet from the Manager?

Most Lupa

Q84

CSG



Q)

## Law

Section 71 of the ICA 1872, states that a finder of lost goods under section 71 acquires the responsibility of a bailee, where he is required to take care of the goods until the true owner is found and not to appropriate such goods.

## Case Law

As held in the case of *Hollins vs Fowler*.



Fact

The restaurant owner has refused to return the wallet to Mr. Rohan, who is rightfully the finder of such goods.

Conclusion

As per section 71, Rohan being the finder of lost goods has the responsibility of bailee, hence is eligible to recover the wallet from the restaurant manager.



➤ Priyansh orders an iron window to an Iron Merchant for his new house. Iron merchant sends his technician to take the size of windows. The technician comes at the site and takes size of area where window to be fitted. Afterwards, Iron merchant on discussion with his technician intimates Priyansh that cost of the window will be ` 5,000 and he will take ` 1,000 as advance. Priyansh gives ` 1,000 as advance and rest after fitting of window. After three days when technician try to fit the window made by him at the site of Priyansh, it was noticed that the size of window was not proper.

Priyansh requests the Iron merchant either to remove the defect or return his advance. Iron merchant replies that the window was specifically made for his site and the defect cannot be removed nor can it be of other use. So, he will not refund the advance money rather Priyansh should give him the balance of ` 4,000. State with reason under the provisions of the Sale of Goods Act, 1930, whether Priyansh can take his advance back?

Q58



Q55

Law

Section 16(2)  
where the goods are sold in the ordinary course of business, the condition as to mercantability requires that the goods shall be as per the description stated in the contract being adequate for the purpose of use by the buyer or for resale.

Fact

Iron merchant has supplied the iron frame to



Priganeh but the same does not comply with the measurements as taken by his staff on the earlier visit.

## Conclusion

Priganeh will be eligible to repudiate the contract and recover the advance of £1000, as the terms of the contract of sale have been violated by the Iron merchant.



➤ Articles of Association of XYZ Private Limited provides that Board of Directors (BOD) can take the loan upto ₹ 5,00,000 for Company by passing the board resolution. In that case, the loan amount is in excess of the limit, special resolution is required to be passed in general meeting. Due to urgent needs of funds, BOD applied for loan in a reputed bank for ₹ 10,00,000 without passing the resolution in the general meeting. BOD gave an undertaking to bank that Special Resolution has been passed for such loan. The bank on believing on such undertaking lend the money. On demanding the repayment of loan, company denied the payment as act was ultra vires to company. Kindly, advise.

Q56

SOGA + CO + ICA + IPA



## Law

Doctrine of Constructive Notice requires the outsider dealing with the company to have read the memorandum, articles and other public documents of the company prior to forming a business relationship, Provided that the compliance of such internal affairs as per the Doctrine of Indoor management is the responsibility of the internal management, for any irregularities in the internal affairs of the company the management is solely responsible.



## Case law

Royal British Bank vs Turquand and this is established as Turquand's rule.

## fact

The Board of Directors of the company have borrowed amount in excess of rupees five lakh without passing a Special resolution under a false undertaking to the bank.



## Conclusion

The Bank will recover the entire amount of  
rupees ten lakh since this is beyond the  
scope of power bestowed upon the directors  
(Amended)

And the doctrine of Indoor management will  
protect the bank.



Break

45mins

Chia  
Piyo  
Biscuit  
Knob

we will resume

at 2:15

---

notwithstanding — means overriding.



➤ Srishti, a minor, falsely representing her age, enters into an agreement with an authorised Laptop dealer Mr. Gupta, owner of SP Laptops, for purchase of Laptop on credit amounting ₹60,000/- for purchasing a laptop, on 1 st August 2021. She promised to pay back the outstanding amount with interest @ 16% p.a. by 31 st July 2022. She told him that in case she won't be able to pay the outstanding amount, her father Mr. Ram will pay back on her behalf. After One year, when Srishti was asked to pay the outstanding amount with interest she refused to pay the amount and told the owner that she is minor and now he can't recover a single penny from her.

Q57 She will be adult on 1 st January 2024, only after that agreement can be ratified. Explain by which of the following way Mr. Gupta will succeed in recovering the outstanding amount with reference to the Indian Contract Act, 1872.

- (i) By filing a case against Srishti, a minor for recovery of outstanding amount with interest?
- (ii) By filing a case against Mr. Ram, father of Srishti for recovery of outstanding amount?
- (iii) By filing a case against Srishti, a minor for recovery of outstanding amount after she attains maturity? (6 Marks)



Q) law  
Section 11 of ICA 1872, any Agreement with a minor is void ab initio i.e. without any legal effect, therefore the minor can plead minority and be discharged from the contract.

Provided that, the parents of the minor are not liable from the activities of the minor unless the minor is acting as an agent.

Provided further that, the minor is not bound by acceptance of any contract on attaining majority which was entered on minority.



## Fact

Shruti has taken a laptop from Mr. Gupta on credit which she has refused to pay back on expiry of the loan term.

## Conclusion

(i) Mr. Gupta will not be eligible to get any claim against minor since the agreement is void ab initio.

(ii) Mr. Gupta cannot recover any amount from Mr. Ram the father of Shruti.



(iii) there is not ratification of minor's agreement therefore no recovery even on majority is possible, from Shresti



➤ Mukesh is running a grocery store in Delhi. He sells his grocery business, including goodwill worth ` 1,00,000 to Rohit for a sum of ` 5,00,000. After the sale of goodwill, Rohit made an agreement with Mukesh. As per this agreement, Mukesh cannot open another grocery store (similar kind of business) in the whole of India for next ten years. However, Mukesh opens another store in the same city two months later. What are the rights available with Rohit regarding the restriction imposed on Mukesh with reference to Indian Contract Act, 1872?

Q58

CSG



Q)

Law

Section 27, restrains a person in carrying on a trade within local limits after the sale of business of the same kind, when agreed under a contract.

Provided that,  
Such a restraint is only valid if the same is reasonable.

Provided further that.  
Restrain shall only be limited to performing trade within local limits.



## fact

Mukesh has opened another store in the same city, when as per agreement Rohit has restricted the same for a period of 10 years across India.

## Conclusion

The restrain of ten years is invalid, however the restrain within local limits is valid, since in this case the shop is set up in the same city but not in the same local area the restrain is invalid and agreement is void.



➤ Akansh purchased a Television set from Jethalal, the owner of Gada Electronics on the condition that first three days he will check it's quality and if satisfied he will pay for that otherwise he will return the Television set. On the second day, the Television set was spoiled due to an earthquake. Jethalal demand the price of Television set from Akansh. Whether Akansh is liable to pay the price under the Sale of Goods Act, 1930? Who will ultimately bear the loss?

Q59

Section 24 + Section 8  
Sale on Approval SOGA

Conclusion ←  
Seller (Gada Electronics will bear the loss)



- a) Law
- Section 24 of Sale of Goods act read with section 8
- where the goods are sent of approval the ownership is transferred when:
- (i) expressly indicated by the buyer.
  - (ii) on expiry of fixed time or reasonable time (where fixed time is not provided under the contract)
  - (iii) where the buyer does something inconsistent to ownership  
eg. pledge or resale.



Provided that  
where after an agreement to sell the goods are  
destroyed without the fault of the buyer or  
seller the agreement is void and the loss shall  
be borne by the seller.

fact & Conclusion → Jeethalal Ka loss.



➤ Sheena was a classical dancer. She entered into an agreement with Shital Vidya Mandir for 60 dance performances. As per the contract, she was supposed to perform every weekend and she will be paid ₹10,000/- per performance. However, after a month, she was absent without informing, due to her personal reasons. Answer the following questions as per the Indian Contract Act, 1872.

Q60

Section 39

~~(i)~~ Whether the management of Shital Vidya Mandir has right to terminate the contract?

Yes can cancel

~~(ii)~~ If the management of Shital Vidya Mandir informed Sheena about its continuance, can the management still rescind the contract after a month on this ground subsequently?

No cancellation subsequent

~~(iii)~~ Can the Shital Vidya Mandir claim damages that it has suffered because of this breach in any of the above cases? (4 Marks)

Yes in both cases



Q)

Law

Section 39 of the Indian Contract Act 1872, states that, where the promisor has discharged himself from the performance of the contract or excused performance, the promisee shall be eligible to repudiate the contract.

Provided that, where the promisee accepts continuance of performance the repudiation shall not be available at a later date.



Provided further that.

Under any of the circumstances the promisee shall be eligible to recover the damages.



➤ G, I and S were friends and they decided to form a partnership firm and trade in a particular type of chemicals. After three years of partnership, a law was passed which banned the trading of such chemicals. As per the provisions of the Indian Partnership Act, 1932 can G, I and S continue the partnership or will their partnership firm get dissolved?

Q61

Law

(41)

Section 41 of Indian Partnership Act 1932, provides that where business of the partnership firm becomes unlawful, the firm shall be dissolved.

Provided that, where a firm engages in more than one business, if lawful and unlawful business can be separated, dissolution shall not be a necessity.



fact

AJS are friends operating a partnership business which has now become unlawful.

Conclusion

The partnership firm shall be dissolved as the purpose is unlawful.



➤ Mr. Sonumal a wealthy individual provided a loan of ` 80,000 to Mr. Datumal on 26.02.2019. The borrower Mr. Datumal asked for a further loan of ` 1,50,000. Mr. Sonumal agreed but provided the loan in parts at different dates. He provided ` 1,00,000 on 28.02.2019 and remaining ` 50,000 on 03.03.2019.

On 10.03.2019 Mr. Datumal while paying off part ` 75,000 to Mr. Sonumal insisted that the lender should adjusted ` 50,000 towards the loan taken on 03.03.2019 and balance as against the loan on 26.02.2019. Mr. Sonumal objected to this arrangement and asked the borrower to adjust in the order of date of borrowal of funds. Now you decide:

(i) Whether the contention of Mr. Datumal correct or otherwise as per the provisions of the Indian Contract Act, 1872?

Q62 (ii) What would be the answer in case the borrower does not insist on such order of adjustment of repayment?

(iii) What would the mode of adjustment/appropriation of such part payment in case neither Mr. Sonumal nor Mr. Datumal insist any order of adjustment on their part?

(6 Marks)



Q6a

Law

Section 59, 60, 61 of the Indian Contract act 1872

- In case of appropriation of payments the creditor shall duly follow instruction of the debtor in case of settlement of debts, if such instructions are provided.
- Provided that, where the debtor fails to provide such instruction, the creditor can adjust the debt in the order of time, other than disputed debt, in this case creditor is allowed to use his own discretion.



— Provided further that

In event of both the creditor and debtor unaware about the adjustment in such case adjustment shall be made in the order of time including the time barred debt.

fact

Sonumal has given various loans to datumal, and datumal is returning the same with instructions of settlement to which Sonumal does not agree.



## Conclusion

(i) Datumal is correct as the debtor is eligible to instruct the creditor for settlement.

(ii) Datumal in such case can adjust the debt in the order of time, other than disputed debt, time barred can be adjusted.

(iii) The debts in such a case can be adjusted in order of time, including time barred debt at the same time adjustment of similar debt can be made proportionately.



Creditor  
Sonumal

loan

Debtor  
Datamal  
~~80,000~~  
26/02/2019

loan 2

150,000

• 100,000 - 28/02/2019

✓ 50,000 - 3/3/2019

50,000 - 3/3/2019  
75,000 - 26/02/2019

75,000

10.03.2019



➤ Mr. B makes a proposal to Mr. S by post to sell his house for ` 10 lakhs and posted the letter on 10th April 2020 and the letter reaches to Mr. S on 12th April 2020. He reads the letter on 13th April 2020. Mr. S sends his letter of acceptance on 16th April 2020 and the letter reaches Mr. B on 20th April 2020. On 17th April Mr. S changed his mind and sends a telegram withdrawing his acceptance. Telegram reaches to Mr. B on 19th April 2020. Examine with reference to the Indian Contract Act, 1872:

Q63

- (i) On which date, the offer made by Mr. B will complete? 13th April
- (ii) Discuss the validity of acceptance. Not Valid → 19th
- (iii) What would be validity of acceptance if letter of revocation and letter of acceptance reached together? (7 Marks)

Offeror

Offeree



Q)

Section 4 of Indian Contract 1872,

Law

Communication of offer is complete when the knowledge of such offer is received by the offeree.

Revocation of Acceptance can be done at any time before the letter of acceptance reaches the offeror.

Fact

Mr. B has given an offer for the sale of his house to Mr. S which Mr. S has accepted but



wishes to revoke such acceptance.

### Conclusion

- (i) The offer will be complete when Mr. S reads the offer that is on 13<sup>th</sup> April 2020.
- (ii) The offeror is bound by the acceptance when such acceptance is put in course of transit by the offeree. However for the offeror acceptance is complete when the same comes to the knowledge of the offeror, therefore acceptance can be revoked at any time prior to its communication being complete.



(iii) Where the letter of acceptance and the letter of revocation reach together, revocation is absolute that is the acceptance will stand revoked.



➤ A transport company wanted to obtain licences for its vehicles but could not obtain licences if applied in its own name. It, therefore, formed a subsidiary company and the application for licence was made in the name of the subsidiary company. The vehicles were to be transferred to the subsidiary company. Will the parent and the subsidiary company be treated as separate commercial units? Explain in the light of the provisions of the Companies Act, 2013.

Q64

Case law Merchandise Transport Limited vs British Transport Commission

Law - Corporate Veil

Fact -

Conclusion - they are the same entity not a separate commercial unit.



➤ Mr. Mukund wants to sell his car. For this purpose, he appoints Mr. Parth, a minor as his agent. Mr. Mukund instructs Mr. Parth that car should not be sold at price less than ` 2,00,000. Mr. Parth ignores the instruction of Mr. Mukund and sells the car to Mr. Naman for ` 1,50,000. Explain the legal position of contract under Indian Contract Act, 1872 whether:

- (a) Mr. Mukund can recover the loss of ` 50,000 from Mr. Parth?  
(b) Mr. Mukund can recover his car from Mr. Naman?

Q65

Agency



Q)

Law

In a contract of agency, a minor can be appointed as an agent, however the principal shall be a person of sound mind and competent to contract and the principal shall be liable for all activities performed by the agent.

Provided that any agreement with a minor is void ab initio under section 11 of Indian Contract Act



fact

Mukund has appointed Pooth to act as an agent for his sale of car at 200,000 which he sold at 150,000.

Conclusion

- (a) Mr. Mukund cannot recover any amount from Mr. Pooth as Pooth is a minor.
- (b) Mr. Naman has acquired the car in good faith there is no recovery possible from him, as contracts entered



by agents are enforceable on the principal.



➤ Sheena was a classical dancer. She entered into an agreement with Shital Vidya Mandir for 60 dance performances. As per the contract, she was supposed to perform every weekend and she will be paid ₹10,000/- per performance. However, after a month, she was absent without informing, due to her personal reasons. Answer the following questions as per the Indian Contract Act, 1872.

- (i) Whether the management of Shital Vidya Mandir has right to terminate the contract?
- (ii) If the management of Shital Vidya Mandir informed Sheena about its continuance, can the management still rescind the contract after a month on this ground subsequently?
- (iii) Can the Shital Vidya Mandir claim damages that it has suffered because of this breach in any of the above cases? (4 Marks)





Akansh purchased a Television set from Jethalal, the owner of Gada Electronics on the condition that first three days he will check it's quality and if satisfied he will pay for that otherwise he will return the Television set. On the second day, the Television set was spoiled due to an earthquake. Jethalal demand the price of Television set from Akansh. Whether Akansh is liable to pay the price under the Sale of Goods Act, 1930? Who will ultimately bear the loss?



➤ Mohan, Sohan and Rohan are partners in the firm M/s Mosoro & Company. They admitted Bohan as nominal partner and on agreement between all the partners, Bohan is not entitled to share profit in the firm. After some time, a creditor Karan filed a suit to Bohan for recovery of his debt. Bohan denied for same as he is just a nominal partner and he is not liable for the debts of the firm and Karan should claim his dues from the other partners. Taking into account the provisions of the Indian Partnership Act, 1932

(a) Whether Bohan is liable for the dues of Karan against the firm.

(b) In case, Karan has filed the suit against firm, whether Bohan would be liable?

Q66



Q66

Law

Nominal Partner is the partner of the firm who has contributed his name to the firm does not provide any capital, share any profit or losses, neither participates in the functioning of the firm. However is liable to the third party to an unlimited extent for the activities of the firm.

fact

Bohan is a nominal partner in the partnership firm of M/s Mosoro & Co and a creditor wants to recover entire



debt from him.

### Conclusion

- (a) Bohan is jointly and severally liable as per section 18 read with section 25.
- (b) Since Bohan is a nominal partner of the firm just like other partner Bohan is also liable where the firm is liable.



Break

4:33

Resume

Pani mein  
hoat sukhi  
10



Provision  $\equiv$  Law

However  $\equiv$  Provided that

Fact  $\equiv$  Analysis

Conclusion

readwith  $\equiv$  Subject to



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

Q67

Very tricky

~~X~~

$$5.00 - 4.50 = 0.50 \times 1000 = 500$$

Not informed

~~X~~

4.50

-

5.25

$$(0.75) \times 1000 = 750$$



Q

Law

Section 73, ordinary damages are recoverable where they are naturally accruing in the course of business and resulted in actual loss to the party involved, however special damages in the nature of loss of profit are only recoverable when the fact of special contract was made known to the party in the contract.



Fact

Z has promised to deliver bottles at ₹4.50 to Mr. X which X intends to further sell at ₹5.00 to Mr. Y, due to default of Mr. Z, the contract could not be completed as the market price was ₹5.25 per bottle.

### Conclusion

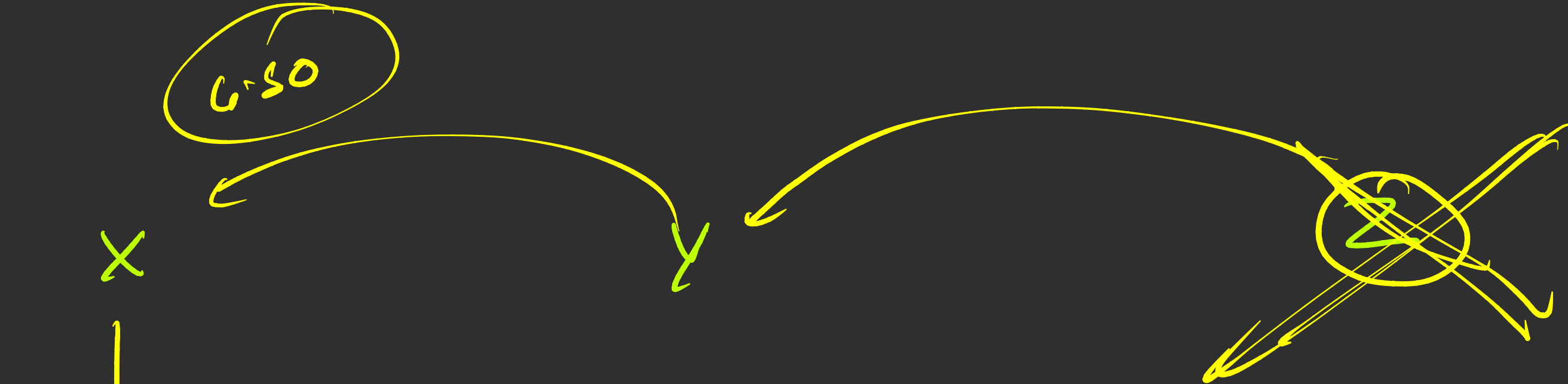
- Where Mr. Z was duly informed about the existence of another contract, Mr. X can recover the loss of profit which was incurred by him due to Z's default i.e. ₹500



$$[(5.00 - 4.50) \times 1000]$$

- where Mr. Z is unaware of any additional contract, then recovery shall be limited to difference between market price and contract price ie. 2750  $[(5.25 - 4.50) \times 1000]$





$$1000 \times 0.75$$

$$(5.25 - 4.50) \quad 0.75$$

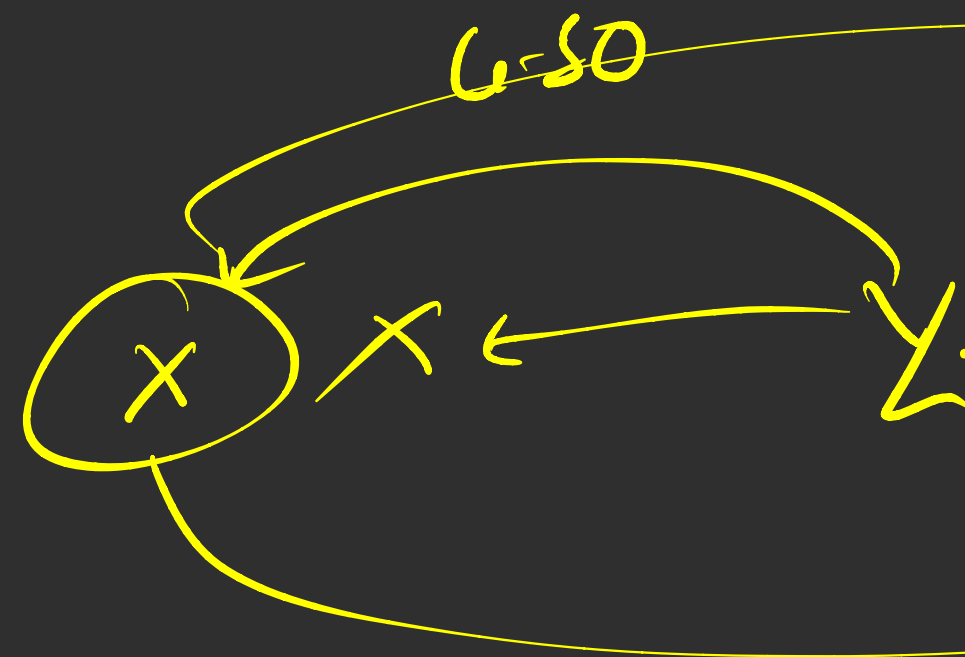
Sorry

Z

$$5.00$$

$$5.00 - 4.50 = 0.50$$

$$5.25$$





➤ Rahul, a minor, falsely representing his age, enters into an agreement with a shopkeeper for a loan amount for purchasing a laptop. He gave his expensive watch as a security and took a loan of ₹ 40,000. He was very happy to get ₹ 40,000 and quickly went to the market and purchased a laptop worth ₹ 30,000. He happily spent the rest of the amount with his friends on a pleasure trip. Later on, Rahul realized that his watch was an expensive watch and he should not have given like this to the shopkeeper. So, he went back to the shopkeeper and asked for his watch back. Also, he refused to repay the loan amount. The shopkeeper disagrees to this and files a case against minor for recovery of the loan amount. Can the shopkeeper succeed in recovering the loan amount under the Indian Contract Act, 1872?

Q62

11

Loan Recover X

Shopkeeper will take the laptop



➤ Mr. Ram Lal Birla was a big businessman of city Pune having two sons and one married daughter. He decided to gift his one house to his daughter. For this purpose, he called his lawyer at his house and made a written document for such gift. The lawyer advised him to get the transfer document properly registered. When they both were going for registration of document, they met with an accident and both of them died. Later, his daughter found the document and claimed the house on the basis of that document. Explain, whether she can get the house as gift under the Indian Contract Act, 1872?

Q69



Q)

Law

Section 25(1) of the Indian Contract Act 1872, where a contract is formed on the grounds of natural love and affection it is valid provided that

(i) parties are in close relation

(ii) deed is in writing.

(iii) registered under law

(iv) gift based on natural love and affection



fact  
The property by Mr. Ram Lal Birla was transferred in the name of the daughter however registration was not completed as the father died in an accident.

Conclusion  
lawfully until the deed is registered it does not have any enforcement therefore the daughter cannot recover the property.



★ Archika went to a jewellery shop and asked the shopkeeper to show the gold bangles with white polish. The shopkeeper informed that he has gold bangles with lots of designs but not in white polish rather if Archika select gold bangles in his shop, he will arrange white polish on those gold bangles without any extra cost. Archika select a set of designer bangles and pay for that. The shopkeeper requested Archika to come after two days for delivery of those bangles so that white polish can be done on those bangles. When Archika comes after two days to take delivery of bangles, she noticed that due to white polishing, the design of bangles has been disturbed. Now, she wants Q10 to avoid the contract and asked the shopkeeper to give her money back but shopkeeper has denied for the same. HW ①

(a) State with reasons whether Archika can recover the amount under the Sale of Goods Act, 1930.

(b) What would be your answer if shopkeeper says that he can repair those bangles but he will charge extra cost for same?



➤ Naveen incorporated a “One Person Company” making his sister Navita as the nominee. Navita is leaving India permanently due to her marriage abroad. Due to this fact, she is withdrawing her consent of nomination in the said One Person Company. Taking into considerations the provisions of the Companies Act, 2013 answer the questions given below.

- (a) If Navita is leaving India permanently, is it mandatory for her to withdraw her nomination in the said One Person Company?
- (b) If Navita maintained the status of Resident of India after her marriage, then can she continue her nomination in the said One Person Company?

Q 71

Most Most  
Most

debateable  
Question



Q

Law

Section 2(62) an One person company requires the nominee to be an Indian citizen, whether or not resident in India, but should have stayed in India for a period of 120 days in the previous year.

fact

Nawita who is a nominee in the OPC is leaving India permanently and wants to understand the status of her nomination.



## Conclusion

- ci) If Navita is leaving Permanently she has to withdraw her nomination as the criteria of 120 days shall not be complied with.
- cii) Residential Status is irrelevant to decide whether nominee is competent, only stay of 120 days in India can make her a nominee



↓  
OPC  
2013

M  
+  
N

(IC) + (IR)

1<sup>st</sup>

2<sup>nd</sup>

Now  
IC + (IR)

120 days

meaning  
IT Act 1961

182 days ✓

IC

~~IR~~

But  
should be  
in  
India for  
120 days

(AAJ)

+

(NP)



➤ Chandan was suffering from some disease and was in great pain. He went to Dr. Jhunjhunwala whose consultation fee was ₹300. The doctor agreed to treat him but on the condition that Chandan had to sign a promissory note of ₹ 5000 payable to doctor. Chandan signed the promissory note and gave it to doctor. On recovering from the disease, Chandan refused to honour the promissory note. State with reasons, can doctor recover the amount of promissory note under the provisions of the Indian Contract Act, 1872?

Q12

Section 16

Undue Influence



Q)

Law

Section 16

Undue Influence occurs when a person in a dominant position, and in a fiduciary relationship with the other party, with the use of such influence enters into a contract to deceive the other party and gain unfair advantage for his own, misutilising the mental illness or bodily deformity of the other party. Where such a contract is entered it is voidable at the



option of the aggrieved party.



★ (D) AB Cloth House, a firm dealing with the wholesale and retail buying and selling of various kinds of clothes, customized as per the requirement of the customers. They dealt with Silk, Organdie, cotton, khadi, chiffon and many other different varieties of cloth. Mrs. Reema, a customer came to the shop and asked for specific type of cloth suitable for making a saree for her daughter's wedding. She specifically mentioned that she required cotton silk cloth which is best suited for the purpose. The Shop owner agreed and arranged the cloth pieces cut into as per the buyers' requirements. When Reema went to the tailor for getting the saree stitched, she found that seller has supplied her cotton organdie material, cloth was not suitable for the said purpose. It has heavily starched and not suitable for making the saree that Reema desired for. The Tailor asked Reema to return the cotton organdie cloth as it would not meet his requirements. The Shop owner refused to return the cloth on the plea that it was cut to specific requirements of Mrs. Reema and hence could not be resold.

With reference to the doctrine of "Caveat Emptor" explain the duty of the buyer as well as the seller. Also explain whether Mrs. Reema would be able to get the money back or the right kind of cloth as per the requirement?



Q) Law  
Section 16(1), Condition as the quality and fitness requires that  
where  
(i) buyer has explained the purpose of purchase  
(ii) seller is dealing in goods of such nature  
(iii) the buyer has relied upon the skill of the seller  
The condition shall give the right to the buyer to repudiate  
the contract and claim damages for the same.  
Caveat Emptor which means let the buyer beware shall not  
apply where the condition for quality and fitness is  
applicable.



## Conclusion

Break at 7:00pm

Caveat  
Emptor



buyer duty

The buyer is responsible as per Caveat Emptor to select the correct goods to fit his purpose as the buyer cannot hold the seller liable for incorrect selection.

seller's duty

The seller is not responsible for the choice of goods made by the buyer in the ordinary course of business.



➤ Moni and Tony were partners in the firm M/s MOTO & Company. They admitted Sony as partner in the firm and he is actively engaged in day-to-day activities of the firm. There is a tradition in the firm that all active partners will get a monthly remuneration of ₹ 20,000 but no express agreement was there. After admission of Sony in the firm, Moni and Tony were continuing getting salary from the firm but no salary was given to Sony from the firm. Sony claimed his remuneration but denied by existing partners by saying that there was no express agreement for that. Whether under the Indian Partnership Act, 1932, Sony can claim remuneration from the firm?

Q74

Conclusion: Sony can recover salary as it is a custom in the business therefore Sony is also eligible for remuneration



Law

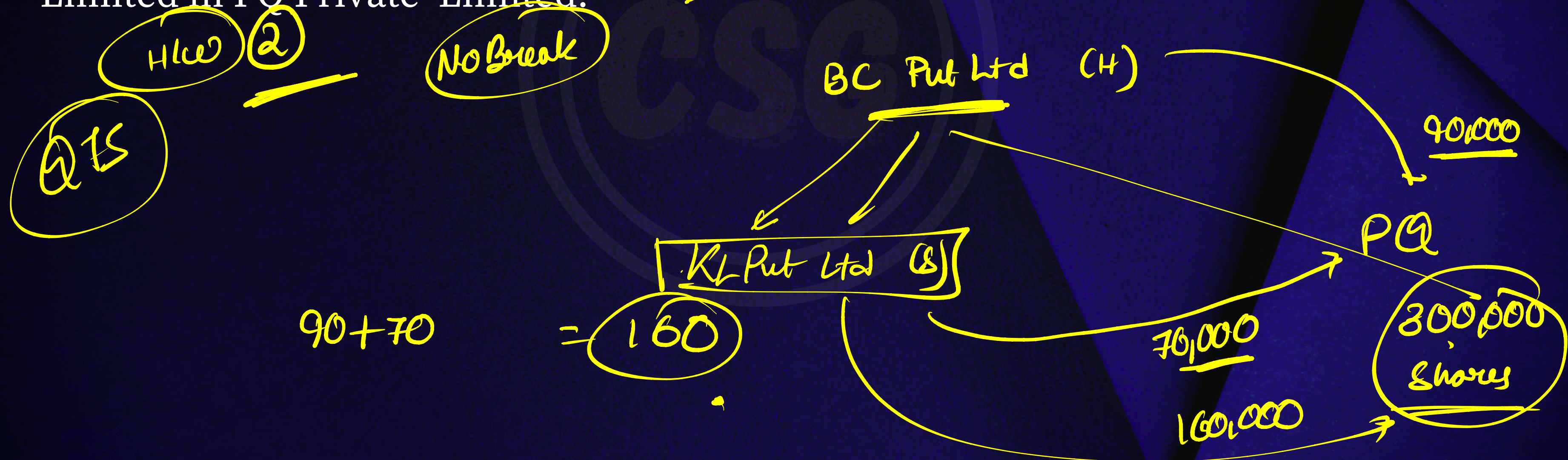
Section 13 of IPA 1932 states where the partnership agreement provides no clause for payment of salary to partners,

no salary shall be payable to any of the partners.

Provided that, if the salary is paid as a customary tradition in the business of the firm all partners shall be legally entitled to the same.



➤ 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 is holding 1,60,000 shares in PQ Private Limited and no shares are held by BC Private Limited in PQ Private Limited?





➤ Prashant reaches a sweet shop and ask for 1 Kg of 'Burfi' if the sweets are fresh. Seller replies' "Sir, my all sweets are fresh and of good quality." Prashant agrees to buy on the condition that first he tastes one piece of 'Burfi' to check the quality. Seller gives him one piece to taste. Prashant, on finding the quality is good, ask the seller to pack. On reaching the house, Prashant finds that 'Burfi' is stale not fresh while the piece tasted was fresh. Now, Prashant wants to avoid the contract and return the 'Burfi' to seller.

(a) State with reason whether Prashant can avoid the contract under the Sale of Goods

Act, 1930?

(b) Will your answer be different if Prashant does not taste the sweet?

Q76



Q) Law  
Section 15, Sale by sample and description, where the goods are sold by sample as well as description there is an implied condition that goods shall comply with both sample as well as description, where any or both of the conditions are violated the buyer can cancel the contract and recover the price of goods.

fact  
Prashant purchases sweets from the local shop on the presumption that they are fresh after testing the sample.



## Conclusion

(a) Prashant can avoid the contract since the sample did not comply with the goods which were delivered by the sweet shop to Mr. Prashant.

(b) If Prashant does not taste the sweets still contract can be repudiated since the description of it being fresh did not match with the goods supplied.





Mrs. G bought a tweed coat from P. When she used the coat, she got rashes on her skin as her skin was abnormally sensitive. But she did not make this fact known to the seller i.e. P. Mrs. G filled a case against the seller to recover damages. Can she recover damages under the Sale of Goods Act, 1930?

Q11

HW3

No damages  
Caveat Emptor



➤ Ms. R owns a two Wheeler which she handed over to her friend Ms. K on sale or return basis. Even after a week, Ms. K neither returned the vehicle nor made payment for it. She instead pledged the vehicle to Mr. A to obtain a loan. Ms. R now wants to claim the two Wheeler from Mr. A. Will she succeed?

- (i) Examine with reference to the provisions of the Sale of Goods Act, 1930, what recourse is available to Ms. R?
- (ii) Would your answer be different if it had been expressly provided that the vehicle would remain the property of Ms. R until the price has been paid?

Q18



a)

Law  
Section 24, where the goods are sold on sale and approval basis, the ownership is transferred on acceptance by the buyer, expiry of fixed time or reasonable time or where the buyer does something inconsistent to the contract between him and the seller i.e. resale or pledge of goods.

Provided that, where the goods are sold for cash only or return basis the buyer cannot resale or pledge such



goods without prior purchase from the seller.

Fact

R has pledged two vehicles of Mr-R to Mr-A against the loan taken from Mr. A.

Conclusion

(a) Mr-R can only recover the price of two wheeler, and is not eligible to get back the vehicle from Mr. A.

(b) If the contract provides expressly that vehicle shall remain the property of Mrs R then she can



recount back the Nechide.



➤ Mr. T was a retailer trader of fans of various kinds. Mr. M came to his shop and asked for an exhaust fan for kitchen. Mr. T showed him different brands and Mr. M approved of a particular brand and paid for it. Fan was delivered at Mr. M's house; at the time of opening the packet he found that it was a table fan. He informed Mr. T about the delivery of the wrong fan. Mr. T refused to exchange the same, saying that the contract was complete after the delivery of the fan and payment of price.

(i) Discuss whether Mr. T is right in refusing to exchange as per provisions of the Sale of Goods Act, 1930?

Seller

(ii) What is the remedy available to Mr. M?

Repudiate

claim price  
+ damages

sample ↓

or  
exchange the  
fan

sale by sample + Descrip from

15

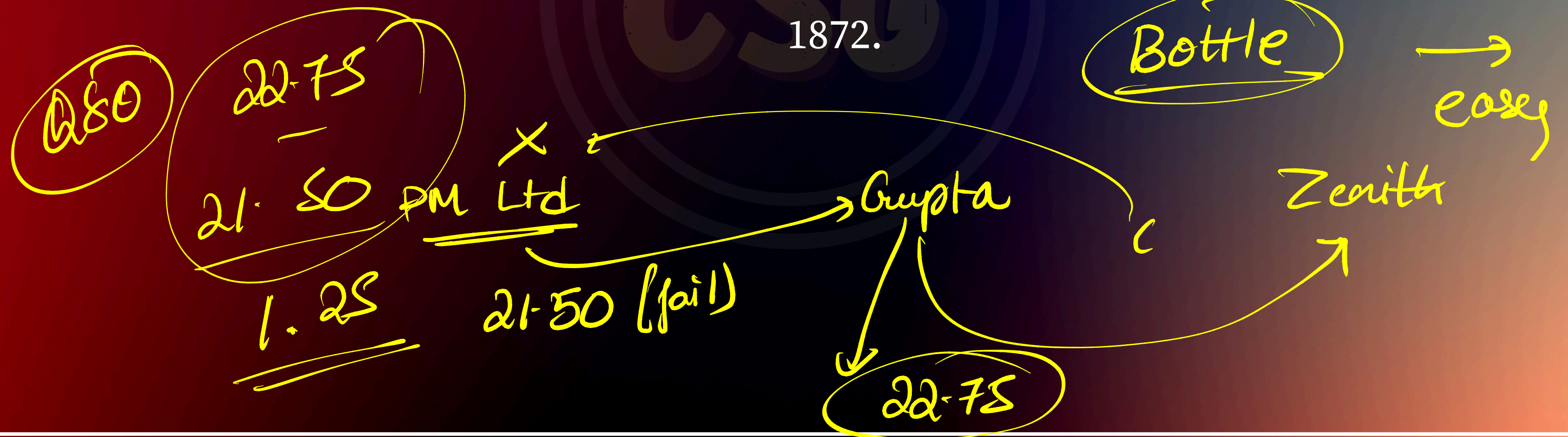
Q79

similar to

76



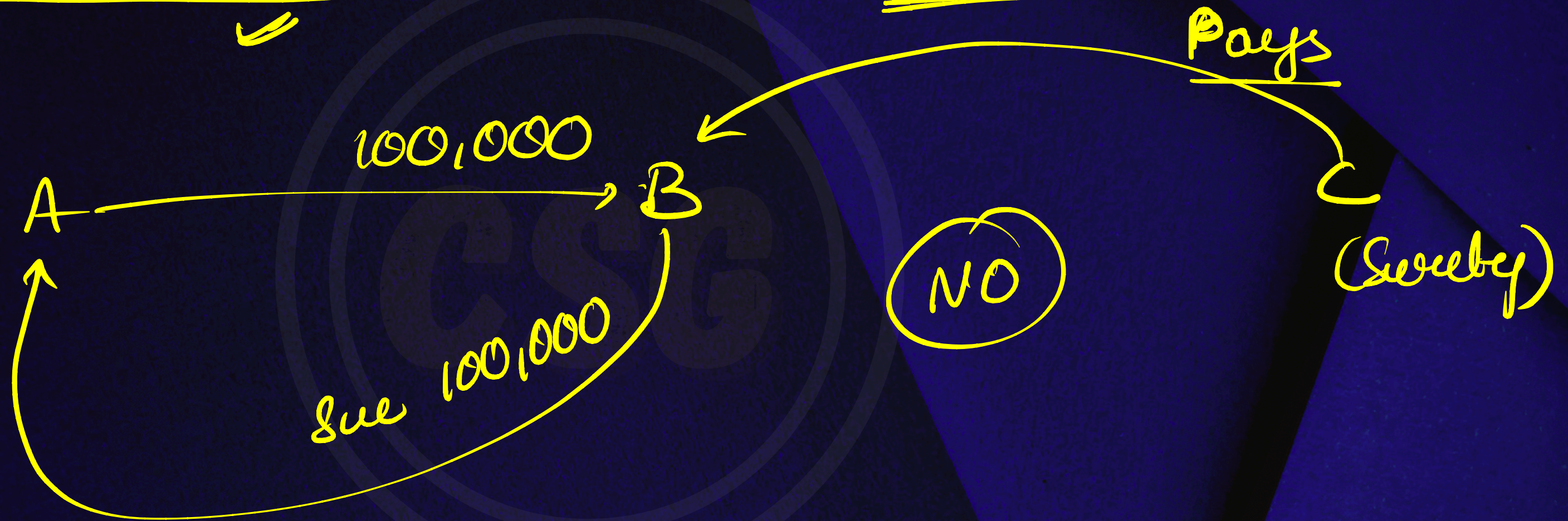
➤ PM Ltd., contracts with Gupta Traders to make and deliver certain machinery to them by 30th June 2017 for ₹ 21.50 Lakhs. Due to labour strike, PM Ltd. could not manufacture and deliver the machinery to Gupta Traders. Later Gupta Traders procured the machinery from another manufacturer for ₹ 22.75 lakhs. Gupta Traders was also prevented from performing a contract which it had made with Zenith Traders at the time of their contract with PM Ltd. and were compelled to pay compensation for breach of contract. Calculate the amount of compensation which Gupta Traders can claim from PM Ltd., referring to the legal provisions of the Indian Contract Act, 1872.





- A received certain goods from B promising to pay ` 1,00,000. Later on, A expressed his inability to make payment. C, who is known to A, pays ` 60,000 to B on behalf of A. However, A was not aware of the payment. Now B is intending to sue A for the amount of ` 1,00,000. Discuss whether the contention of B is right? ✓

Q&A





Q) Law

In a contract consideration can move from a party who is a stranger to the contract, in such an event, the recovery shall be limited only upto

the amount not paid by the interested person. Where a person has acted as a surety under

a contract the principal creditor can recover only the debt not paid by the surety from the debtor.



Fact  
A has defaulted in payment to Mr. B and C has partly paid the debt which is due to Mr. B.

Conclusion  
Mr. B can only sue for the remaining amount  
ie. 40,000 from Mr. A, the 60,000 has been  
already received from the interested person Mr.  
C.



➤ 'X' agreed to become an assistant for 2 years to 'Y' who was practicing Chartered Accountant at Jodhpur. It was also agreed that during the term of agreement 'X' will not practice as a Chartered Accountant on his own account within 20 kms of the office of 'Y' at Jodhpur. At the end of one year, 'X' left the assistantship of 'Y' and started practice on his own account within the said area of 20 kms. Referring to the provisions of the Indian Contract Act, 1872, decide whether 'X' could be restrained from doing so?

Q&A

Section 27

Restrain Valid → employment  
→ valid → within local limit



Q&A

Law

Section 27, Agreement is restrain of trade are valid where the restrain is in course of employment and the same is also valid where the restrain is reasonable and prevents the exercise of similar business within local limits.



➤ Mr. Balwant, an old man, by a registered deed of gift, granted certain landed property to Ms. Reema, his daughter. By the terms of the deed, it was stipulated that an annuity of 20,000 should be paid every year to Mr. Sawant, who was the brother of Mr. Balwant. On the same day Ms. Reema made a promise to Mr. Sawant and executed in his favour an agreement to give effect to the stipulation. Ms. Reema failed to pay the stipulated sum. In an action against her by Mr. Sawant, she contended that since Mr. Sawant had not furnished any consideration, he has no right of action.

Examining the provisions of the Indian Contract Act, 1872, decide, whether the contention of Ms. Reema is valid?

Q83

Chinnay vs Ramya

Law: In a contract consideration may move from a party other than the promisee in a contract.

In other words, a stranger can provide consideration in a contract



# Employment mein restriction

Reasonable or Unreasonable

Valid hota hai



After Break Ther

Bailmen + + N'GGO

Cases

Resume at

8:00pm

Cases left

125

- 83

42  $\Rightarrow$