



GRAPH PAPER IS ON THE PENULTIMATE PAGE

Book No. 1 (containing 28 pages)

# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Foundation Examination

Group No. I Paper No. 2 (MAP2)

Subject Business Laws & Business Correspondence

Number of Answer Books used : Main + 3 additional sheets

For use by ICAI only

527588



07 JUN 2019

202307-1249

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

ICAI

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

Total Marks awarded

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

Total Marks awarded (In words)

Eighty Six

Eighty Five

Examiner's Sign

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

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**INSTRUCTIONS TO THE CANDIDATE**

**Answers are not to be written on this page**

Answers should be written in figures and words in the allotted space at the right hand corner of the answer book only and nowhere else including additional answer book/s and graph paper.

Roll number should be written in the box in numbers and darken the appropriate circles of the OMR sheet provided in the right hand corner of the cover page with **Black / Blue** ball point pen.

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

## Section A

Ques 1 (a)

Ques 1(a)

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

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

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

Conclusion :- Therefore Mr. Chotelal can carry out farming on the land.

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Ques 1(b)

Ques 1(b)

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

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

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will be VALID.

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

2/ Conclusion :- Therefore the contention of Sound Syndicate Limited is not correct and they have to pay

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Ques 1 (C)

The various Implied Warranties are :-

Warranty as to Quality or fitness by usage of trade	Warranty as to undisturbed possession	Warranty as to free from encumbrance	Disclosure of dangerous nature of goods.
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1. Warranty as to Quality or fitness of trade :-

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

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

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

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

should be free from any charges of the previous owner which are not sold to the buyer.

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

#### 4. Disclosure of Dangerous Nature of Goods :-

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



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24  
4+4+4

(12) told in advance to the buyer.

#### Ques 2(a)

#### Ques 2(a)

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

But it is fraud in certain cases :-

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

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

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

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

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

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

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

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

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

JOIN BEINGCACSCMA FOR MORE NOTES

## Ques 2(b)

### Ques 2(b)

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

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

Following are the features of LLP:-

1. Limited liability :- The liability of all

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





2. Separate Entity :- An Limited Liability Partnership

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

3. Perpetual Succession :- A LLP is not affected

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

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

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



5. Body Corporate :- LHP can only come into existence through law and can be wound up only by law because it is a Body Corporate in itself.

6x5

Ques 3(a)

Ques 3(a)

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

2 ✓ Ex But the above provision is subject to the following exception:-

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



[Ques 3(b)]

[Ques 3(b)]

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

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

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

2. Profit sharing :- The existence of partnership

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

But in the following cases, the if the



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

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

But this is only a Prima Facie evidence of Partnership

3. Mutual Agency :- The true test or Cardinal

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

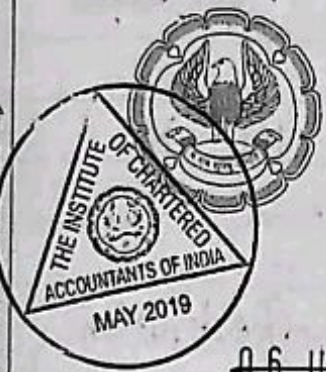
The partners are the agents as well as Principal of each other.

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



Addl. Book No. 1

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA  
ADDL. BOOK



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ADDITIONAL ANSWER BOOK

06 JUN 2019

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Ques 3(c)

Ques 3(c)

Provision :- As per the provisions of Indian Contracts Act, 1872, if there is an intent between the parties, that the contract shall be performed by the parties only, then it should be performed by the parties to contract only.

This happens in case of Personal Nature of Contract such as Singing, Painting, etc.

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



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

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

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

2 x 3 + 6 = 12

Ques 5(a)

Ques 5(a)

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

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



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

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

Ques 5(b)

Ques 5(b)

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

They apply their profits in the promotion of their purpose and



do not declare dividends out of these profits.

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

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

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

1. ask them to change its name and status

2. wind up.

2a. amalgamate with other companies formed for the same purpose.

2b The government can also levy fine on them.

4+6=10





Addl. Book No. .... 2 .....



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA  
ADDL. BOOK

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ADDITIONAL ANSWER BOOK

06 JUN 2019

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Ques 6(a)

Ques 6(a)

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

Following are the essentials required for Undue Influence :-

1. Relation between parties :- It is very essential that there should be ~~not~~ some kind of relations between the



parties.

The relation can be Authoritative  
or fiduciary

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

3. Obtain an Unfair Advantage :- The party

who has a dominating position should use that position to gain some advantage over the other.

4.



Ques 6(b)

Ques 6(b)

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

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

The consequences of a non-registered firm are :-

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

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



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

(iii). Partners cannot sue other partners :-

Any partner can also not obtain a suit against any partner of or all for accounts of the firm or sue for his share in the profits.

(iv). Third parties can sue :- Non-registration

does not affect the third parties from filing any case against the partners for any breach of contract.

They can still sue the partners.



Addl. Book No. .... 3 .....

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA  
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ADDITIONAL ANSWER BOOK

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Ques 6 (c)

Ques 6 (c)

Provision :

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

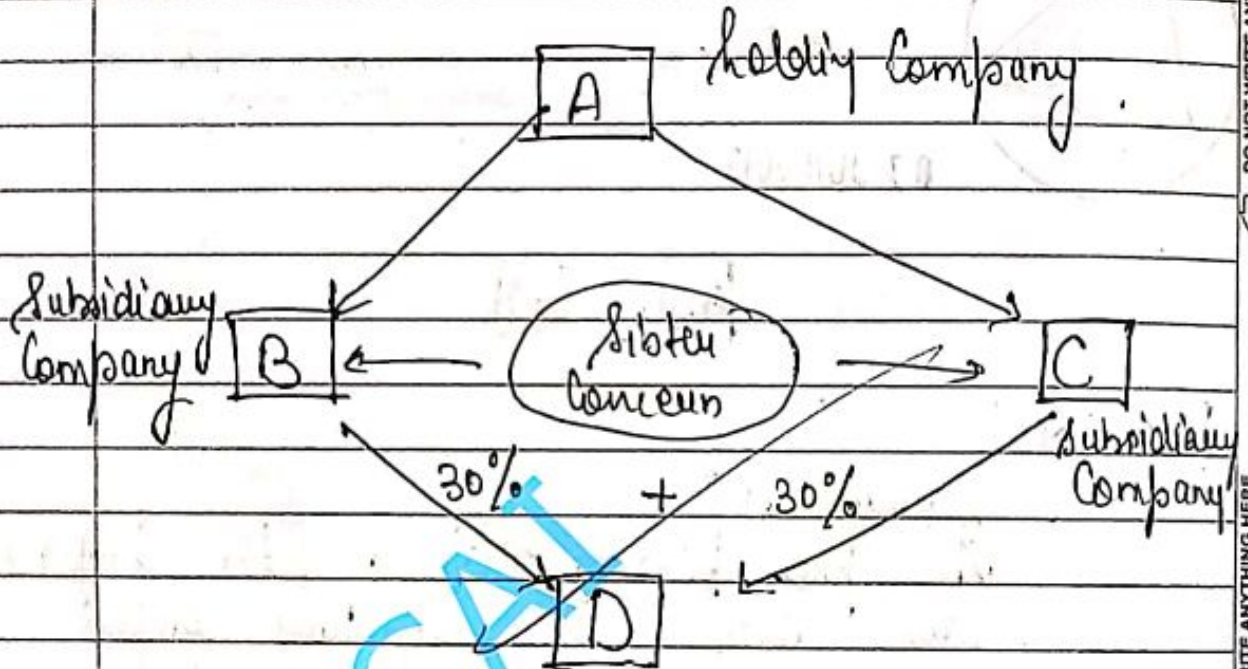
(i) More than one half of the total Share Capital of the Company.

(ii) Controls the Composition of Boards of Directors.

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



For eg :-



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

Analysis :

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

Also, Joyal holds the composition of Board of Directors,



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

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

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12  
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