

Most Expected Questions :)

80+
marks

Key tips for law paper

Try to quote
Sections & Case Laws

Underline the Key
words

Practice atleast
3 Answers daily



MADHABALI 2.0



CA Foundation Sep 2024 **BATCH**



25% ~~₹ 9,624~~ **₹ 6,999**

Batch Starts on **27th May**



CA Rakesh Kalra Accounting
CA CS Shantam Gupta Business Laws
Shivani Sharma Quantitative Aptitude
CA Aditya Sharma Business Economics

FOUNDATION
DEC '23 RESULTS

357 MARKS

Princi Khemasara
Plus Learner

345 MARKS

Bhumika Goel
Plus Learner

349 MARKS

Yash Wadhwa
Plus Learner

900+ Learners Qualified
130+ Learners scored 300+ marks out of 400
357/400 Top Scorer



Pre Exam Marathon Lets create History :)

→ EK Sapna hai CA ho Apna :) ↓

CA FOUNDATION
3100+ Live Views
CA CS SHANTAM GUPTA

DOMINATED BOTH MARATHONS

CA INTERMEDIATE
2800+ Live Views

Plan for Pre Exam Marathon

20th June

7:00pm - 10:00pm

Marathon

SOGA + Co + LLP

21st June

11:00am - 1:00pm

Marathon

Nego + IRF

Single Stream

LUNCH

Break

3:00pm - 5:00pm

Marathon

Contract

Break

6:00pm - 7:00pm

Marathon

IPA

10:00pm - 11:00pm

Guess Paper

22nd June

8:00am - 10:00am

Booster

51 Sections



Negotiable Instruments

Question 1

M owes money to N. Therefore, he makes a promissory note for the amount in favor of N, for safety of transmission he cuts the note in half and posts one half to N. He then changes his mind and calls upon N to return the half of the note which he had sent. N requires M to send the other half of the promissory note. Decide how rights of the parties are to be adjusted.

Question 2

Bholenath drew a cheque in favour of Surendar. After having issued the cheque; Bholenath requested Surendar not to present the cheque for payment and gave a stop payment request to the bank in respect of the cheque issued to Surendar. Decide, under the provisions of the Negotiable Instruments Act, 1881 whether the said acts of Bholenath constitute an offence?

Question 3

What do you mean by a Negotiable Instrument? What are the features of a Negotiable Instruments?

Question 4

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

Q4

Law

Where a Promissory note is drawn for a lawful debt and if the same is dishonoured the payee shall have the right to recover the amount of the promissory note along with any damages incurred by him on account of dishonour of the negotiable Instruments.

fact

Saurabh has sued Sachin for recovery of amount due on a promissory note as the same was dishonoured.

Conclusion

Sowrabh can rightfully recover the amount of the instrument i.e. 150,000 in addition to this all the lawful charges are also recoverable for the suit imposed by Sowrabh.

Question 3

A Negotiable Instruments means an instrument for payment which can be transferred multiple number of times, the act does not define a negotiable instrument but section 13 includes cheque, bills of exchange and promissory note as a negotiable instrument.

The features of Negotiable Instruments are as follows:-

- (i) Negotiable Instruments are freely transferable
- (ii) All Instruments should be in writing.
- (iii) Negotiable Instruments shall be signed by the maker.
- (iv) Certainty of payer, payee and amount shall be duly present in every instrument.

(v) The instrument has to be delivered for the purpose of negotiate

(vi) Instrument can be negotiated multiple times until its maturity.

(vii) The Negotiable instrument shall be drawn to pay money only.

(viii) All negotiable instruments are an unconditional undertaking.

Q2) Law

Section 138 of Negotiable Instruments Act 1881 is a penalty for dishonour of cheque in the course of payment, it states that once a cheque is drawn, if the cheque remains unpaid due to insufficiency of funds or an order is made to stop payment, it is considered to be an offence under the negotiable Instrument act.

fact

A cheque which was issued to surrender by Bholenath has been stopped for payment by order to bank.

Conclusion

Boleath is liable for the offence of stopping payment, which amounts to dishonour of the instrument can be imprisoned for upto 2 years.

Answer 1) **Law**

Negotiation of Promissory Note is valid when it is made by indorsement and delivery of the instrument. The negotiation made only by delivery is not valid.

fact

N wants M to return back the note which was given to M by him.

Conclusion

M does not become the holder of the promissory note but he can demand N to return the other half if the debt due is lawful under law.

Question 5

A purchased a watch from B. He issued a promissory note to B which was payable on demand but no specific place for payment was mentioned on it. On maturity B did not present the promissory note for payment. As the promissory note was duly presented for payment, whether A would be discharged from liability under the provisions of Negotiable Instruments 1881?

Question 6

What do you mean by an inland bill and foreign bill explain with help of an example and differentiate between inland and foreign bill?

Question 7

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?

Q7)

Law

Section 138, where a cheque is dishonoured the payee shall inform the drawer within 30 days from where intimation is received from the bank and shall allow a period of minimum 15 days for the drawer to discharge the payment, the failure to pay post 15 days shall be considered as an offence under section 138.

fact

Sumit has sued Prityansh for non payment of amount due on the cheque as the same is dishonoured due to insufficiency of funds.

Conclusion

Sumit's case against Prayansh is not valid since from the intimation by the bank on 19th June, Sumit should have informed Prayansh latest by 19th July and allot him a period 15 days to discharge the payment, since this was not done there is no liability of Prayansh against Sumit.

Question 6

Inland Bill is a bill drawn in India and is either payable in India or drawn on a person resident in India.

Example:

A bill is drawn in Mumbai on a resident of Spain but payable in India is a Inland instrument.

Foreign Bill is a bill which is not an inland bill.

In other words foreign bill is a bill drawn outside India or, a bill drawn in India on a person who is resident of a country outside India and it is payable outside India.

Example: A Bill drawn in Mexico is a foreign bill.

Basis

Meaning

Inland

An instrument drawn in India on a person resident in India or payable in India.

Foreign

An instrument drawn outside India is a foreign instrument.

Drawn in

Drawn in India

Drawn outside India

Resident
& Payable
In

Resident in India
or
Payable in India

Resident Outside India
and
Payable Outside
India

Inland



India → Resident

Payable - In Russia

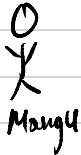
Draw

Cheque
in
India



Vimal

Inland



Resident - Greece

Payable - India

draw
in
India



Vimal


Payable in India
OR
Resident of India

+

draw in India

FB

draw
Bill
London




James

FB

Popplein London +
Resident → Russia

draw
in
India



James

Question 5

Law

A promissory note or any negotiable instrument which is payable on demand shall be duly presented on the due date for payment at the place where it is payable, if the instrument is not presented on due date the maker of the instrument is discharged from the liability.

fact

B did not present the promissory note on the due date for payment as a place for presentment was not stated in the contract.

Conclusion

Since Mr. B did not present the instrument on maturity at the place where it was drawn Mr. A is now discharged from the liability to pay on the instrument.

Question 8

Differentiate between Promissory Note and Bills of Exchange. State can a promissory note be made available to the bearer.

Question 9

What is an inchoate Instrument? [Short Note - 4 marks]

Question 10 (I) (Very Imp) ✓

RNL Ltd. issued a post-dated cheque of ₹ 5.50 Lakh to Mr. YR Gupta on account of full and final settlement of its liability for shares purchased of a renowned company. Company draws the cheque on 21.9.2023 and mentioned the cheque to be paid on 26.9.2023.

Further, Company instructed the bank, on which cheque was drawn to stop the payment of cheque, if at the time of presentation Bank account has insufficient funds to make payment. Mr. YR Gupta presented the cheque to bank for payment on 30.11.2023. On 30.11.2023 bank account maintained by company was having only ₹ 4.90 lakh. Bank denied for payment.

The cheque was dishonored for non-payment. In the above case, who will be responsible for dishonor of cheque and payment of ₹ 5.50 lakh due to Mr. YR Gupta? 1

Conclusion

Since the cheque is dishonoured YR Gupta can claim entire ₹ 5.50 lakhs from RNL Ltd, who shall be responsible to discharge the payment within 15 days from when the fact of dishonour was communicated to them.

Question 9

It means an instrument which is incomplete in some respect. The drawer/maker/acceptor/indorser of a negotiable instrument may sign and deliver the instrument to some other person, and the other person can add words to the instrument and claim payment on the same upto the specified limits, stated on the instrument if any. This is based on the principle of estoppel.

Question 8

Section 4 defines a promissory note as an instrument in writing, and signed by the maker, which is an unconditional order to pay money and money only to the order of a certain person or to the bearer of the instrument.

Section 5 defines a bill of exchange as a instrument in writing, made by drawer accepted by the drawee as an unconditional undertaking to pay money and money only to a certain person or on his order or to the bearer of the instrument

Basis	BOE	PN
Definition		
Nature of Instrument	It is an Order to Pay	Promise to Pay
Parties Involved	<p>It has 3 parties</p> <ul style="list-style-type: none"> • Drawer • Drawee • Payee 	<p>It has 2 Parties</p> <ul style="list-style-type: none"> • Maker • Payee
Acceptance	It needs the BOE to be accepted by drawee.	It does not require any acceptance
Payable to Bearer	BOE can be made payable to bearer on maturity of the instrument.	A promissory cannot be paid to the bearer

The Reserve Bank of India prohibits issue of bearer promissory note as only Reserve Bank of India can issue promissory note which is bearer in nature i.e. currency.

Question 11

A drew a cheque of 20,000 payable to B and delivered it to him. B endorsed the cheque in favour of 'R' but kept the same in the table drawer. 'R' filed the suit for recovery of cheque. Whether R can recover cheque under the provisions of NI Act 1881?

Question 12

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?

Question 11

Law

Negotiation of an order Instrument is only valid if a valid indorsement is made and the delivery of the instrument is made to the indorsee.

fact

R has filed a suit for recovery of the debt due to him from

B.

Conclusion

R cannot validly recover the cheque amount from B since the endorsement is made but delivery of the instrument was not made to him.

Indian Regulatory Framework

- Q1 ✓ What is law? What are the sources of law?
- Q2 ✓ How is the Indian Legal System structured? → a) what are different types of law?
- Q3 ✓ Write a short note on Ministry of finance?
- Q4 ✓ What is considered as the oldest law of Land?
- Q5 ✓ Discuss the composition of Reserve Bank of India?
- Q6 ✓ What is the role of the home ministry.

Q6) Ministry of home Affairs also known as Ghar Mantralaya is a ministry of the government of India. It is headed by the Union Minister of home Affairs

Departments of home Ministry

- ① Department of Jammu Kashmir and Ladakh affairs.
- ② Department of Home
- ③ Department of Internal Security
- ④ Department of Border Mangement
- ⑤ Department of States
- ⑥ Department of Official language

Q5) Reserve Bank of India is the Central Bank of the country established in the year 1935 under the RBI Act of 1934.

It is under the management of the Ministry of finance.

RBI has three Divisions

- ① **Bhartiya Reserve Bank Note Mudron** - it is concerned with issue of currency and engages in minting and printing of currency it has two branches located in Nashik and Dewas
- ② **National Payments Corporation of India** - it is one of the specialised division of RBI which deals with settlement of payments across India.

② Deposit Insurance and Credit Guarantee Corporation established under

Reserve Bank of India as one of the specialised division

engaged in providing insurance of deposits and guaranteeing of

credit facilities to all Indian banks.

Question 4

The oldest law can be traced back to the period of before Christ

① Code of Hammurabi is known as the oldest law which was written on bulky stones, from the period of 1792 to 1758 BC, in Babylon.

② In 450 BC a set of laws were engraved on bronze tablet is

Rome it was the most comprehensive law ever made in the

history of mankind and is popularly known as the Twelve tables

Question 3

The Ministry of Finance (Vitta Mahakalaya) is a ministry within the government of India

It deals with the following matters

- Capital markets
- Center and State finance
- Union Budget

CCU airport is LIT

- financial legislation
- financial Institution
- taxation

It covers the following services

R A C E

- Indian Revenue Service
- Audit and Accounts Service
- Indian Civil Accounts Services

Indian Economic Services

Departments under Ministry of Finance

Department of Revenue

Department of Expenditure

Department of Financial Services

Department of Investment and Public Asset Management

Department of Public Enterprises

Department of Economic Affairs

Question 2

The Indian legal system comprises of four judiciary bodies :

- ① **Supreme Court** - The Supreme court was established on 26 Jan 1950. The Chief Justice of India is the highest authority in the supreme court. The principal bench of Judges has increased from 7 to 34 members. A person can file a WRIT petition under article 32 directly to supreme court.
- ② **High Court** - It is the highest authority at state level. There is usually one High Court in each state, at present there are 25 High Court in the country. Article 226 permits writ petition where fundamental right is compromised.
- ③ **District Court** - They are set up to deal with civil matters only in cases involving dispute amount upto 20000, and Criminal matters shall be presided by the high court.

(4) **Metro politan Court** - Metropolitan Court are established in metro cities where population exceeds 10 lakhs and the chief metropolitan magistrate presides over this court

Question 1

Law is a set of obligations and duties imposed by the government for the purpose of securing justice and welfare. India's legal framework is vast containing laws related social, political, economical and cultural aspects.

The sources of law include:

- Constitution
- The Statutes or laws made by parliament and state Assemblies
- Judicial Decisions

Sales of Goods Act

- Q1) What do you mean by delivery & types of delivery? State the rules regarding delivery?
- Q2) What is appropriation of goods under the Sale of Goods Act 1930? State the essentials regarding appropriation of unascertained goods?
- Q3) Rights of Unpaid Seller against the buyer - ④ ✓
- Q4) Differentiate between Ascertained and Unascertained goods with example?
- Q5) What is Caveat Emptor? State its exceptions?
- Q6) The rights of ownership? (Section 26) ✓
- Q7) Rights of Unpaid Seller in relation to goods? ✓ 3
- Q8) Sale by sample, the impact of such sample sale.
- Q9) Explain any 6 circumstances in detail in which non-owner can convey better title to Bona fide Purchaser of goods.
- Q10) Sale on Return basis under section 24?
- Q11) What are the rules to regulate Auction Sale.
- Q12) Condition vs Warranty? Conditions under which condition can be treated as warranty?
- Q13) Auction Sale Short Notes?
- Q14) Destruction of Goods Before & After Contract of Sale?
- Q15) The implication of 4(1), 4(2), 4(3), 4(4).

Q16 What are the rules for the fixation of prices by third party in a Sale Contracts?

Q17 Rights of a buyer against the seller in case of default?