



The Institute of Chartered Accountants of India

Code: FD2BL611610
Subject : 02 Business Laws and Business Correspondence and Reporting

Total Marks: 100
Marks Obtained : 79


GRAPH PAPER IS ON THE PENULTIMATE PAGE
Book No. 1 (containing 28 pages)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

CA FOUNDATION Examination

Group No. Paper No. 2

Subject Business Laws & Business Correspondence and

Number of Answer Books used : Main + additional sheets

For use by ICAI only


611610




THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
DECEMBER 2023

02 JAN 2024

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							
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14							
Total							

Total Marks awarded (in words)

Examiner's Signature

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

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



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INSTRUCTIONS TO THE CANDIDATE

Answers are not to be written on this page

1. The answer should be written in figures and words in the allotted space at the right hand corner of the answer sheet only and nowhere else including additional answer book/s and graph paper.
2. The roll number should be written in the box in numbers and darken the appropriate circles of the OMR portion 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.



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3



SECTION - A

1 ✓ 10

1a ✓ 2

1 (a)

As per the provisions regarding appropriation of payment in the Indian Contract Act, 1872, when a debtor owes several debts to a creditor and makes payment without which is not sufficient to discharge all debts, the payment is appropriated as follows:

1aStep1 ✓

i. Where debt to be discharged is indicated: when the debtor makes payment by expressly stating expressly or under the circumstances implying that the payment is to be applied to a particular debt, the payment if accepted must be applied accordingly.

ii. Where debt to be discharged is not indicated: where the debtor does not expressly state, the creditor may apply the payment to any lawful debt due to him, at his own discretion. Provided that the debt may or may not be barred by Limitation Act, 1963.

iii. Where neither party appropriates: where neither debtor or creditor appropriates the payment to a particular debt, it may be applied to any debt which is or is not barred by the Limitation Act, 1963 in order of time. If the debts are of equal standing, payment may be applied accordingly.

In the instant case, Mr. G makes payment of two cheques of ₹2500 and ₹4000 to Mr. T without any notice regarding appropriation and Mr. T has also not appropriated the amount. As per the above mentioned provision, the



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payment will be appropriated as follows:

- (ii) the cheque for £4000 will be applied to discharge the debts barred by limitation proportionately. £2500 applied to debt of £5000 and remaining £1500 to debt of £3000, both barred on 1st July, 2023.

1 (b) 15. According to the provisions of the Companies Act, 2013, a government company is a company in which not less than 51% of total paid up share capital is held by -

- i. either the Central Government, or
- ii. one or more State Governments, or
- iii. partly by Central Government and partly by state government and includes a company which is the subsidiary of such government company.

Further, a subsidiary company is defined as a company in relation to another company, in which the holding company -

1. controls composition of board of directors, or.
2. exercises or controls ~~not less~~ ^{more} than one-half of the total voting power either by itself or together with one or more of its subsidiaries.



The Institute of Chartered Accountants of India

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5



In the instant case, Y Ltd. holds 250600 shares of the total 5 lakh shares of Z Limited. Therefore, Z Limited will be a subsidiary of Y Limited as it controls more than half the total voting power.

Also, it is given that State Government of X holds 43 lakh of the 95 lakh shares of Y Limited, which is less than 51% of the total paid-up capital which comes to 48.45 lakhs.

Therefore Y Ltd is not a government company and neither is Z Limited.

1bStep2



2 Z Limited is only a subsidiary of Y Limited but not a government company.

1 (c) As per the Sale of Goods Act, 1930, the various implied warranties are as follows -

1c



1. Warranty as to undisturbed possession : where the buyer has purchased goods and taken possession of them, there is an implied warranty that he must enjoy peaceful and undisturbed possession of them. If disturbed, he may sue the seller for damages of breach of warranty.

2. Warranty as to non-existence of encumbrances : where the buyer has purchased goods, there is an implied warranty the goods must be free from any charge or encumbrance not known or disclosed to buyer at the time or before sale.



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Subject : 02 Business Laws and Business Correspondence and Reporting

Marks Obtained : 79

6



3. Fitness or quality by usage of trade : the fitness or quality of goods for buyer's particular purpose may be annexed to usage of trade.

4. Disclosure of dangerous nature of goods : where the goods are of a dangerous nature and the buyer is ignorant of such danger, the seller must make aware the buyer of the probable danger. If seller fails to do so, buyer may sue the seller for breach of warranty.

1cStep1



4

3



9

3(a) As per the provisions of Indian Partnership Act, 1932, done by the partner in conduct of business of the firm is in fact the act of the firm and it binds the firm. Such authority of partner to bind the firm is known as implied authority.

3a



4

3aStep1



1

However, there are certain situations which do not come under the implied authority. They are as follows -

1. opening a banking account on behalf of the firm.
2. acquiring immovable property on behalf of the firm.
3. transferring immovable property belonging to firm.
4. drawing any suit or proceeding on behalf of firm.
5. admitting any liability in a suit or proceeding against the firm.
6. compromise or relinquish any claim or part of claim of the firm.
7. enter into partnership on behalf of the firm.

3aStep2



3



The Institute of Chartered Accountants of India

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- 7
- 3b 5
- 3(b) i) Under the Indian Contract Act, 1872, an invitation to offer is distinguished from an offer. Where a person without signifying his final willingness, proposes certain terms on which he is willing to negotiate, he does not make an offer. He only invites another to make an offer. Price tags, quotations, menu cards are considered an invitation to offer. It is an act precedent to making an offer. Acceptance of invitation to offer does not result into contracts. Only a offer emerges in the process.
- 3bStep1 2
- 3bStep1 2
- 3bStep2 1
- 3bStep2 1
- 3bStep3 2
- 3(b) ii) Rights of J Readymade Garments in regard to provisions of the Indian Contract Act are with regards to Anticipatory Breach. the promisor refuses to perform or disables himself from performing his promise, in its entirety, the promisee may put an end to the contract. Here the promisor, before the due date of performance, wilfully refuses to perform the promise.



The Institute of Chartered Accountants of India

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8



In case of anticipatory breach, the promisee is discharged from his performance and gets a choice -

1. to treat the contract as repudiated and sue for damages of breach.
2. to treat the contract as subsisting and wait for due date of performance and then sue for damages of non-performance.

In the instant case T Readymade Dress Gownments refuses to supply shirts before due date. Thus T Ready made Gownments gets a choice -

- a. Rescind the contract and claim damages of non delivery.
- b. to wait for due date and then rescind the claim damages of £100 on 300 pieces of each type of shirt.

4(a) Yes, an unpaid seller who has possession of goods exercise his right of lien, when the price is not been paid or tendered, he may retain possession of goods until the payment of price in the following circumstances -

1. where goods have been sold on credit and term of credit has expired.

4aStep1

2. where goods have been sold without any stipulation as to credit.

3. when the buyer becomes insolvent.

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The Institute of Chartered Accountants of India

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9



As per the provisions of the Sale of Goods Act, the ^{unpaid} seller loses his right lien when he loses possession of goods in the following cases -

1. where he transfers the goods to carrier or bailee for purpose of transmission to buyer without reserving right to disposal.

4a



2. 6 once buyer or his agent lawfully acquires possession of goods.

3. by waiver thereof.

4aStep2



3

4. by acknowledgement or estoppel, where buyer makes the third party believe that lien does not exist.

4b



2

4(5)(i) Yes it is a case of partnership. Sharing of profits is an essential condition for existence of partnership as there can be no partnership where only one person gets all profits. However, sharing of losses is not necessary. One or more partners may take up to share all losses. If there is no

4bStep1



2

agreement for the same, losses must be shared in ratio of profit shared. Here X, Y, Z share profits and X takes up to share all losses, there it is a valid case of partnership.

(ii) Yes it is a case of partnership. In this case, X a publisher

4bStep2



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and Y a writer agree to share profits of sale of a book and expenses of which are to be borne by X. Since



The Institute of Chartered Accountants of India

Code: FD2BL611610

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Marks Obtained : 79

10



it is a partnership, Y will be liable for acts of X done in ordinary course of business. Therefore Y is liable to the paper dealer for paper supplied to X, but he may recover such amount from X under the agreement. Alternatively, if element of mutual agency is missing, there is no partnership and no liability of Y to the paper dealer.

(iii) Yes the arrangement constitutes a partnership between A and B as they both contribute to expenses and then decide to share profits in terms of daily rent from the leased out

4bStep3



0

Alternatively, since business must exist for existence of partnership as well as mutual agency, the arrangement might not constitute partnership.

5 (a)

5



11

the provisions of Sale of Goods Act, 1930, where goods are delivered to the buyer with the

5a



6

that property in goods shall pass to the buyer only after it is paid for, then the property in goods does not pass to the buyer until condition is fulfilled i.e. price is paid for.

In the instant case, X delivers furniture to buyer under agreement that property passes on payment of last of the three instalments. But before such



The Institute of Chartered Accountants of India

Code: FD2BL611610

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11



5aStep1



payment, Y sold the furniture to Z who purchased in good faith.

Hence, the sale by Y is not valid as the property in goods had not transferred to him and he cannot give better title to goods even to a bona fide purchaser. X can recover the furniture from Z.

Alternatively, the exception to the rule of Nemo dat quod non habet that a buyer in possession of goods may transfer title to goods before property in goods has vested in him may be applied. Provided the goods were sold for value and in good faith. Hence X cannot recover the furniture from Z.

5aStep3



(ii) As per the provisions of Sale of Goods Act, 1930, where a buyer has accepted part delivery of goods in whole of the goods, he must pay for the part delivery in case of breach.

In the instant case, R agrees to sell against B's tender 1000 kg of tomatoes of which he could deliver only 700 kg which B had accepted. Later R fails to supply the rest.

As per the above mentioned provisions, B cannot refuse to pay R and must pay for 700 kgs @ ₹100 as he had tendered the price and accepted part delivery of goods.

However, B may sue for damages of non-delivery of the remaining 300 kg.



The Institute of Chartered Accountants of India

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5b



5

12



5 (b) As per the companies Act, 2013 the two types of share capital are -

1. Equity share capital: with reference to a company having share capital, it is the part of capital other than preference share capital. It enjoys no preferential rights but has voting power attached to it.

2. Preference share capital: with reference to company having share capital it is the part of capital which has or will have preferential rights with respect to -

a. payment of dividend - either of a fixed amount or a fixed rate on an amount, which may or may not be subject to Income Tax.

b. repayment - either on liquidation/winding up or on repayment of capital of the total amount paid or deemed to be paid up on the shares.

The capital of the company is deemed to be preference share capital if it enjoys both of the preferential rights as against equity share capital. If it enjoys only one or neither, it is equity share capital and not preference share capital.

5bStep2



1

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13



6(a) ☒ 11
Mere silence does not amount to fraud. As per the provisions of Indian Contract Act, Section 17 states that the false representation of what one does not believe to be true or active concealment of material facts with an intent to deceive another person is fraud. However, mere silence as to facts regarding the subject matter is not fraud. A person is not bound to disclose all relevant facts which are likely to affect the willingness of the other to enter into contract.

6a ☒ 4
There are certain exceptions to this rule. Mere silence amounts to fraud when -
1. ☒ 4 ☒ 4 is the duty of person to speak: where the person is in a fiduciary relationship, it is the duty of person to disclose all relevant facts like in contracts of insurance.
2. Where silence is equivalent to speech: where the party by its conduct shows that its silence is equivalent to speech, it may amount to fraud.

6(b) ☒ 4
As per the provisions of Indian Partnership Act, the accounts of the firm after dissolution shall be settled as follows:

1. losses, including deficiency in capital shall first be paid out of profits, then if required out of capitals of partners and finally by partners individually from their personal assets in proportion of their share in profits.



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14



11. the assets of the firm shall be applied in the following order :

6bStep1



4

- (i) to discharge all debts and liabilities to third parties
- (ii) to pay each partner ^{notably} what is due to him from capital.
- (iii) to pay each partner & notably what is due to him on account of capital.
- (iv) surplus if any shall be distributed among partners in ratio of their share of profits.

6c



3

6(c) MTK private Limited is an inactive company as it has not started its business for the last two years. The companies Act, 2013 defines inactive company as a company which has not been carrying any business or operations, for the or does not have any significant accounting transaction for the last two years or has not filed its financial statements with the registrar of companies for the last two financial years.

6cStep1



2

is also eligible to apply for status of a dormant company.

Significant accounting transaction here means transactions other

6cStep2



1

- 1. to registration for the prescribed fee.
- 2. allotment of shares for requirements of this Act.
- 3. payment made for fulfilling requirements of this Act.
- 4. payment for maintenance of office and records.

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

Examination Department
The Institute of Chartered Accountants of India
18th May 2024

IMPORTANT ANNOUNCEMENT

No. 13-CA (EXAM)/SEPTEMBER/2024: In pursuance of Regulation 22 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India is pleased to announce that the next Chartered Accountants Foundation and Intermediate Examinations will be held on the dates and places which are given below provided that sufficient number of candidates offer themselves to appear from each of the below mentioned places.

FOUNDATION COURSE EXAMINATION
(As per syllabus contained in the scheme notified by the Council under Regulation 25 F of the Chartered Accountants Regulations, 1988.)

13th, 15th, 18th & 20th September 2024

INTERMEDIATE COURSE EXAMINATION
(As per syllabus contained in the scheme notified by the Council under Regulation 26 F of the Chartered Accountants Regulations, 1988.)

Group - I: 12th, 14th & 17th September 2024
Group - II: 19th, 21st & 23rd September 2024

No examination is scheduled on 16th September 2024 (Monday) on account of Midat - un - Nadi, being a compulsory (gazetted) Central Government holiday as per P. No. 12/2/2023-ICA dated 3.7.2023 issued by Ministry of Personnel, Public Grievance and Pensions, Government of India.

It may be emphasized that there would be no change in the examination schedule in the event of any day of the examination schedule being declared a Public Holiday by the Central Government or any State Government / Local Bodies.

Papers 3 & 4 of Foundation Examination are of 2 hours duration. However, all other examinations are of 3 hours duration, and the examination wise timing(s) are given below:

Examination	Paper(s)	Exam. Timings (IST)	Duration
Foundation	Paper: 1 & 2 Paper: 3 & 4	2 PM to 3 PM 2 PM to 4 PM	3 hours 2 hours
Intermediate	All Papers	2 PM to 5 PM	3 hours

प्रयास से परिणाम तक 🔥
CA Foundation September 2024
Exam Date Sheet Officially
Announced by ICAI
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4.6K Vinay Singh, 6:10 PM



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Tomorrow MBS 🟠 LIVE Class schedule 🔥
Mark your Presence & Prepare accordingly
9:00Am - Business Law
11:00Am - Account's
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