



The Institute of Chartered Accountants of India

Code: FD2BL137735
 Subject: 02 Business Laws

Total Marks: 100
 Marks Obtained: 70

GRAPH PAPERS ON THE PENULTIMATE PAGE
 Book No. 1 containing 28 pages

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
FOUNDATION Examination

Group No. _____ Paper No. 2
 Subject Business Law

Number of Answer Books used : Main + 5 additional sheets

For use by ICAI only

137735



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	✓						
2	✓						
3							
4	✓						
5	✓						
6	✓						
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Total							

Total Marks awarded (in words) _____

Examiner's Signature _____

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



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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 cover page 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 portion provided in the right hand corner of the cover page with **Black / Blue** ball point pen.
- Fill particulars such as name of Examination, Group No., Paper No. and subject at the appropriate space at the left hand upper corner.
- 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.
- 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.
- The answers should be written neatly and legibly
- 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.
- 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.
- 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"
- 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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15.5 R
4
3 R
4ai
3 R
4aiStep1

3



Ans 4(a) (i)

Provisions -

According to provisions of Indian Contract Act, 1872, a person who finds a good which does not belong to him is called finder of lost goods.

Its duty of the finder of lost good -

- i) To take proper care of good as a bailee
- ii) Not to appropriate the goods
- iii) Retain the goods until true owner is found.

If true owner is found and he refuses to pay the necessary expenses incurred by the finder of lost goods, then the person cannot sue the true owner for recovery of price but can retain the goods till the price is paid.

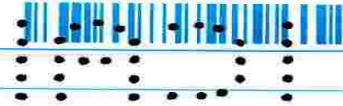


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Analysis and conclusion:-

In present case, Raghav found a watch and after waiting for a certain period of time when the true owner did not turn up, he gifted the watch to his son Mahesh.

Madhav, the true owner saw the watch on wrist of Mahesh but ^{Mahesh} refused to return it to him.

Raghav told Madhav to pay the necessary expenses he incurred for finding Madhav or else he will sue Madhav or sell the watch.

According to above provisions and Analysis -

A) Raghav on being a finder of lost goods cannot gift the wristwatch to his son, because he has no right to appropriate the good.

B) Madhav cannot be sued for recovery of lawful expenses but Raghav can retain the watch till the expenses are paid.

X

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Q. 5

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C) Yes, Raghav can retain the watch.

D) No, Raghav cannot ^{sell} the watch for recovery of expenses because as a bailee he has no right to sell the good.



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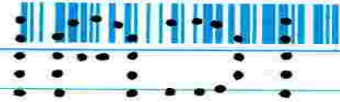
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2
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4aii
4aiiStep1
4aiiStep3
1
4aiiStep2

6



ans 4(a)(ii)

Provisions -

As per the provisions of Indian Contract Act, 1872, where time is the essence of contract then the goods must be delivered or contract must be fulfilled within reasonable time if time is not mentioned or before expiry of time, if time is mentioned.

if the contract is not fulfilled ^{within time} then the aggrieved party can repudiate the contract.

But if the goods are accepted then payment must be done as mentioned in the contract, and can claim damages.

Analysis and Conclusion - ✓

Woolen Garment Ltd. entered into a contract to supply woolen clothes till October end, 2023.

The cloth was delivered ~~during end~~ in March, 2024.

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Q. 7



According to above provision and facts of case,

Yes,
A) ~~the~~ company can reject the total supply by women group since the contract was not fulfilled within time.

~~By if the company accepts the total~~

By Yes, the company can accept total supply of good at the contract price and can claim damages.

X



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1.5
4biStep1

8



1.5
4biStep2

Ans 4(b)(i)

When

As per section 138, of The Negotiable Instruments Act, 1881,

when a person cheque is drawn by a person on his account with a bank to pay certain sum of money to another person from that account to discharge a lawful debt, is returned unpaid, either due to -

- (i) insufficiency of funds, or
- (ii) due to any arrangement made with the bank [Stop payment],

then that person is deemed to have committed an offence and can get punishment of -

- (a) imprisonment up which may extend upto two years, or
- (b) fine twice the amount of cheque or both.

Dishonour of cheque is a criminal offence.

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~~Section~~
Section 138 applies only if following conditions are fulfilled -
if presented with validity ^{period} i.e. within three months

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ii) The payee within 30 days, of receiving the information that the cheque has been remain unpaid, demand from the drawer the payment.

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iii) The drawer is to make payment within 15 days of the notice received from payee.





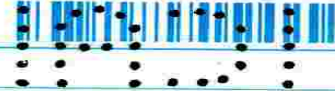
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3 4bii 1.5 4biiStep1

10



1.5 4biiStep2

Ans u(b) (ii)

All the cheques are bills while all the bills are not cheques.

Essentials of Bills of Exchange -

- i) It must be in writing
- ii) It must contain an unconditional order to pay.
- iii) There must be ~~promise~~ order to pay money only.
- iv) The sum must be certain
- v) The name of drawer, drawee and payee must be certain.
- vi) Should be signed by drawer.

Essential features of cheque -

In addition to all the features of bills of exchange, cheque has following additional feature -

- a) Payable on demand, which means it is payable only when holder presents it to drawee.
- b) Must be drawn on specified banker.

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By ambiguous instrument

an instrument which can be construed either as a promissory note or a bill of exchange is an ambiguous instrument.

The holder, at his election may treat it like either, and it will be treated accordingly.

Once this option is exercised, the holder cannot treat it like other kind of instrument.



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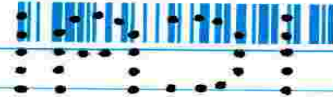
Total Marks: 100
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4c

4cStep1

12



ans 4(c)

Types of law in Indian legal system are -

i) criminal law -

The law which is concerned with law pertaining to violation and public wrong and punishments are criminal law.

It is governed by Indian penal code and law of criminal procedure.

Indian penal code deals with nature and crime and its punishments.

code of criminal procedure deals by which the punishments will be held.

Eg - Rape, theft etc.

ii) civil law -

It deals with dispute resolution between citizens and government rather than punishment.

It is governed by code of civil procedure.

It includes law of tort, family law,

etc.

Eg - Breach of contract

Non delivery of goods.



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iii) Common Law -

Law passed by supreme court is binding on all other courts.

Common law is ~~per~~ law of doctrine of stare decisis.

Doctrine of stare decisis means that to follow the same judgement as followed as in cases having similar facts.

iv) Principle of natural justice -

It is also known as Jus Natural. It means that nobody should be made a judge in his own case, and party must be given a fair hearing.



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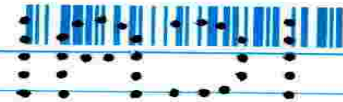
1.5

5aiStep1

2

5aiStep2

14



Ans 6 (a) (i)

Provisions -

According to provisions of sales of goods Act, 1930, a good is said to be delivered and accepted by the buyer if -

a) he expressly intimates that he has accepted the good.

b) he retains a good for a long period of time.

c) he does something to the good which is equivalent to acceptance like sale, or pledge.

When goods are sold on cash or return basis then the ownership does not pass to buyer until he pays for it.

A person who has no title of good cannot further make owner sale the good further and deliver good title or ownership.

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Analysis and conclusion -

Ashok delivered a camera on sale or return mangesh basis to mangesh who delivers it to Rahul on sale for cash or return. Rahul delivered it to Vishal on sale or return basis without paying cash to mangesh. Goods were lost by theft when it was in possession of Vishal.

NO, mangesh, Rahul and Vishal are not

Since mangesh was given the camera by ashok on sale or return basis therefore when he sold the good to Rahul then mangesh is deemed to have accepted the good and ^{must} pay to Ashok.

Only mangesh is liable to pay Ashok.

Ownership of ^{camera} good is with mangesh because he sold the good to Rahul for sale of cash or return basis who did not pay for camera.



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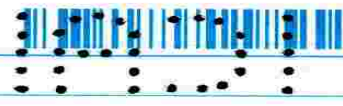
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2 R 5aii R
1 R 5aiiStep1 R
0 R 5aiiStep3

1 R 5aiiStep2

16



सूचना (सू)

Provision -

As per provisions of sales of good Act, 1930, the seller can stop the good in transit if following conditions are fulfilled -

- i) the seller must be unpaid
- ii) good must be in transit
- iii) seller must have parted away from possession of good.
- iv) Buyer becomes insolvent
- v) Subject to provision of this Act -



Goods in transit comes to an end when the carrier refuses to deliver the goods.

If the seller know about the special circumstances of case effected due to contract then he will be liable to pay special damages.

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Conclusion -

A) NO, Ansari has no right to stop the good in transit since the conditions on which he can stop the good in transit are not fulfilled.

B) Babunam cannot claim loss suffered due to non delivery only if he because he did not intimate Ansari about sale to shyamal.

However he can claim ordinary damages, that he may have suffered because of non-delivery.



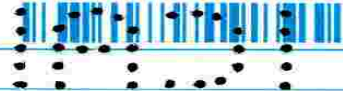
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R
6 5b

18



R
6 5bStep1

Ans 5(b)

Dissolution of partnership firm can be done by order of court, in following circumstances-

i) Unsound mind -

when a partner becomes of unsound mind and is not able to participate in the firm's business. temporarily sickness does not affect the ~~contra~~ firm.

ii) Permanent Incapacity -

when a partner becomes permanently incapable of working in the business and take decision.

iii) Misconduct by partner -

when a partner is guilty of any misconduct affecting the business, the court may order to dissolve the firm.

The misconduct need not be of the firm but it must be affecting the business of firm.

iv) Persistent breach of contract -

when a partner persistently breaches the contract after certain ~~warnings~~ warnings, still continues to breach,

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vi) Transfer of Interest -

when a partner transfer whole of his interest to a seller or gives it to the court ^{to sale} for land revenue, then the court may order to dissolve the firm. ✓

vii) Just and Equitable Grounds -

If the court thinks that it is just to dissolve the firm then it can dissolve the firm. ✓

viii) when after demanding the accounts of firm, a partner refuses to show the amount to other partner. ✓



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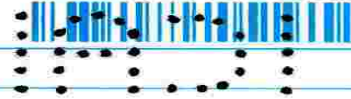
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20



Ques 5 (C)

i) Rights of bailor against wrong doer (third party) -

3.5

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5cStep2

When a third party does not allow bailor to make use of goods and disturb him in his possession or do causes any harm to the goods, then the bailor can sue the third party.

The bailor can too take necessary steps against the third party as the true owner.

ii) Duties of pawnee are as follows -

a) To take reasonable care of good -

The pawnee must take reasonable care of good as a man of ordinary prudence.



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by NOT to make inconsistent use of goods -

The pawnee must not make use of goods.



by Return the goods -

The pawnee must return the good to the pawnor after fulfilment of contract.

by Return ^{of} any accretion -

If any accretion arises from the good then pawnee must ~~set~~ along with goods must give the benefit accrued.



by NOT to set up adverse title -

The pawnee must not set up adverse title.

The title of good is still with the pawnor.

by NOT to mix the goods -

pawnee must not mix the goods, if



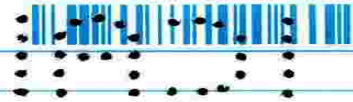


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the goods are mixed then pawnee must pay for the expenses for separating the good or if the goods are not severable then the loss occurred compensation for loss occurred.



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23



Ans 6 (a) (ii)

Provisions -

2.5 6aiStep1 per provisions of Negotiable Instrument Act, 1881,

1 6aiStep2 Delivery is an important element to transfer the property of the bill of exchange.

Delivery can be actual or constructive.

Delivery of bill is necessary not only at the time of negotiation but also at time of drawing the bill.

The bill endorsed must be delivered of a bill if a person makes endorsement, but before delivery of the same, dies, then his legal representative cannot deliver the bill because he is not an agent of the endorser.

Analysis and conclusion -

Aman drew a bill of exchange on Baban, who accepted it, payable to Magan or order. Magan endorsed the bill to Bagan. Bagan endorsed the bill to Akash but before delivery dies. Bagan's son Akash delivered.

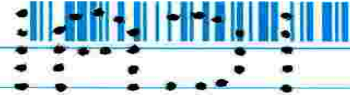


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the bill to Akash.

On presenting the bill, Baban refused to pay. Now the question is if Akash can enforce the ~~payment~~ payment of the bill against Baban or previous parties.

NO, Akash cannot enforce the payment of the bill against Baban or previous parties because ~~delivery~~ on p when bill is payable on order, it can be negotiated by deli endorsement and delivery.

NO delivery was made to Akash by Baban.

Delivery by any other person is not valid.

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2.5
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1.5
6aiiStep1

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1
6aiiStep2

provisions -

According to the provision of Negotiable Instrument Act, 1881,

An inland instrument means an instrument drawn in India and payable in India or payable to a resident of India.

Inland instrument - drawn in India and payable in India or payable to resident of India.

An instrument which is not an inland instrument is a foreign instrument.

analysis and conclusion -

Since the bill is drawn in India to a resident of Indian, it is an inland instrument.

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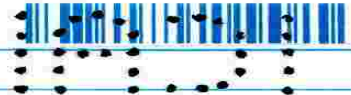
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6biStep1

26



Ans 6 (b) (i)

agent cannot personally enforce nor be personally liable bound by, contracts on behalf of principal.

But there are certain exceptions, they are -

i) Delivery to a foreign merchant -

when goods are delivered to a foreign resident merchant then the agent will be personally liable as he will be deemed to be the principal.

ii) Principal not disclosed -

iii) Undisclosed principal -

when the agent does not disclose the principal's name, then he will be held personally liable.

iii) Acts done beyond authority -

when agent does act which are beyond his authority, then principal will be liable for those acts.

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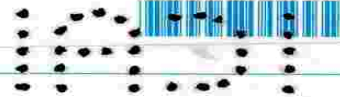
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iv) ^{Principal} Pretended Agent -
when a ~~principal~~ person

iv) Presented Agent -
when a person pretends to be an agent
but is not, then he will be bound by
the contract.

1.5

6bii Step 1

R

1.5

6bii

Ans b (ii)

Ans b (ii)

Rights of Indemnity holder when Sued -

i) all damages which he have been compelled
to pay in suit.

ii) all sums ~~incurred~~ paid in bringing / defending
the suit

iii) all costs he may have paid in compromise
of suit.

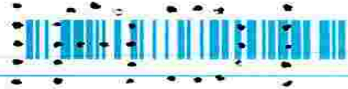


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Effect of Pretended Bidding -

Pretended bidding means when the seller ~~also~~ sits to bid for raising the bid.

This is not allowed and is voidable at and the auction is ~~not~~ not valid.



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R
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6ciiStep1

ans 6(c) (ii)

According to the provisions of Sales of Goods Act, 1930, if the seller delivers wrong quantity of goods then following actions prevail -

if when goods delivered are more -
If the goods delivered are in excess then the buyer may reject whole of goods, or accept the ~~amount~~^{quantity} as mentioned in contract and reject the rest.

If the buyer agrees to accept whole of good then he has to pay for the good at contract price.

if when goods delivered are less -

If goods are less than what was to be delivered then the buyer can reject whole of goods or accept the goods and make payment at contract price.





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14
3

R
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2aiStep1

1.5

R
2aiStep2

Ans (2) (a) (i)

Provisions -

As per the provision of sales of good Act, 1930, when goods are to be delivered as per description, then the goods must correspond to that of description. If it does not correspond to the description then the ~~seller~~ ^{buyer} ~~is not~~ ^{can} reject the good and he ~~has~~ ^{need} not to pay for it.

Buyer is not liable if the goods are not according to the description and he has the right to reject whole of good.

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Add. Book No. 02

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ADDL. BOOK

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ADDITIONAL ANSWER BOOK

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Analysis and conclusion -

M/s RK traders made a contract with M/s CK traders for purchase of 2000 kg of Basmati Rice from Chattisgarh in pink coloured bags of 25 kg.

By mistake, M/s CK traders packed 1800 kg of rice from Maharashtra in white coloured bags and rest 200 kg from Chattisgarh in pink coloured bags.

Yes, the buyer can reject the entire quantity of Basmati rice supplied by the seller because the rice did not correspond as per the description.

If the buyer accepts the entire quantity then he has no remedy available.



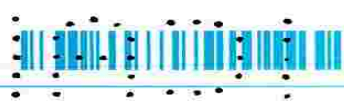


The Institute of Chartered Accountants of India

Code: FD2BL137735
Subject: 02 Business Laws

Total Marks: 100
Marks Obtained: 70

2.5 2aii R 1 2aiiStep2 R 1.5 2aiiStep1 2



Ans 2 (a) (ii)

Provisions-

According to the provisions of sales of Goods Act, 1930, when goods ^{price of goods} are to be ascertained by a third person, then -

as if the third person (valuer) refuses to do the valuation, then the contract becomes void. ✓

by if one party does not allow the valuer to do valuation then the party in default has to pay compensation for the loss occurred to the party not in default. ✓

if goods are sold then the buyer has to pay reasonable price. ✓

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Total Marks: 100
Marks Obtained: 70

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conclusion -

Kartik is ~~not~~^{not} bound by his promise to deliver the laptop as the price was to be set ~~be~~ up by a valuer who was not allowed to value the ~~go~~ laptop by kartik.

If vasant agrees to ~~that~~ pay reasonable price then kartik must deliver the good.

Vasant may claim damages from kartik because he did not allow ~~the~~ museum to make the valuation.



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Total Marks: 100
Marks Obtained: 70

R
3.5 2bi

R
3.5 2biStep1 ans 2(b) (i)

According to provisions of Companies Act, 2013, corporate veil theory implies that the members of the company are shielded with liability connected to company's action. If the company contravenes any law, members of the company cannot be held liable.

In certain cases the corporate veil can be lifted.

Lifting of Corporate veil -
When the court stops seeing the company as a separate legal entity and pay regards to the realities of the company ~~the~~ behind the legal facade, then corporate veil is said to be lifted.

Following are the cases where corporate veil can be lifted -

as Protection against tax revenue -

If a company is formed to evade taxes then corporate veil can be lifted.

Case Law - Siu Dinshaw Manekjee Pettit and Co.

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Subject: 02 Business Laws

Total Marks: 100
Marks Obtained: 70



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Addl. Book No. ⁰³.....

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

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ADDITIONAL ANSWER BOOK

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If a company is formed just to transfer the income earned and dividend earned to the exemption of income tax, then this company is a sham.

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by formation of subsidiaries to act as an agent -
Sometimes a company may act as an agent of another company and then ~~that~~ that company is deemed to have lost its individuality in favour of its principal.

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when a company is formed just to obtain a license, then that company is a fraud.

by To determine the character of the company - whether a enemy company or not -

If a company is under the control of person / director of enemy's country then that company is considered as an enemy company.



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Code: FD2BL137735
Subject: 02 Business Laws

Total Marks: 100
Marks Obtained: 70

2



No transactions can be made with the
~~the~~ enemy company.

R

1

2bii

R

1

2biiStep1

Ans 2(b) (ii)

Memorandum and Articles when registered
become public documents and any person
dealing with the company should inspect
these documents to know about the conformity
of transaction they are entering into are
within the powers of company or not.

It is presumed that person dealing with
company has knowledge of the powers of
company.



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Total Marks: 100
Marks Obtained: 70



Addl. Book No. 04

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

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ADDITIONAL ANSWER BOOK

0.5

1ai

0

1aiStep1

Ans (a) (i)

Provisions -

As per provisions of Indian Contract Act, 1872, when a contract is made and the promisor does not fulfil the promise then the promisee may sue the promisor.

0.5

1aiStep2

Analysis and conclusion -

In this case, Mr. L did not pay the electricity bills and was paid by Mr. M. Mr. L refused to pay.

Yes, Mr. M is entitled to be reimbursed by Mr. L as there was an agreement between them to pay the electricity bill by L.





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Code: FD2BL137735
Subject: 02 Business Laws

Total Marks: 100
Marks Obtained: 70

Handwritten answer on lined paper with annotations. The text is as follows:

Annotations: (2) 1bi, (1) 1biStep1, (1) 1biStep2, (0) 1biStep3, (R) 3

Barcode: 1311331

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Ans (b) (i)

Provisions-

According to provisions of companies Act, 2013, person can become a member or or nominee of only only OPC, whether resident or not.

As resident means a person who has stayed atleast 90 India for 120 days during preceding financial year

Conclusion

~~The fees-~~

The nominee can be changed by giving notice to registrar.

Conclusion

yes,
17 He can be a nominee since he an Indian citizen.

27 Yes, he can be appointed as a nominee

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Code: FD2BL137735
Subject: 02 Business Laws

Total Marks: 100
Marks Obtained: 70

1.5 R 1bii
1.5 R 1biiStep1

0 R 1biiStep2
Ans (b) (ii)

Provisions -

As per provisions of Companies Act, 2013, a dormant company means a company

- a) who has a future project and no significant accounting transaction.
- b) has a intellectual property and has no significant accounting transaction or an inactive company.

Inactive company means a company which-

- a) has not filed financial statement since last two years
- b) has no significant accounting transaction since last two years
- c) has no business since last two financial years.

Conclusion -

Yes, the company can acquire a status of dormant company.

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Code: FD2BL137735
Subject: 02 Business Laws

Total Marks: 100
Marks Obtained: 70



Addl. Book No. 04 05

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

DO NOT WRITE ROLL NUMBER ANYWHERE IN THIS
ADDITIONAL ANSWER BOOK

R
R
2.5
1ci
1ciStep1
R
1
1ciStep2

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Ans 1 (c) (i)

As per provisions of Indian Partnership Act, 1932, expulsion can be made only if following conditions are fulfilled -

- a) Expulsion must have existed in the contract by it must be done by majority of partners
- b) It must be in good faith.

Good faith means -

a) Expulsion is done to protect the interest of the firm

by the partner to be expelled is given a notice.
c) The person partner must be given a opportunity of being heard.

If a partner is otherwise expelled, the expulsion is null and void.



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Code: FD2BL137735
Subject: 02 Business Laws

Total Marks: 100
Marks Obtained: 70



2
ans 1 (c) (ii)

After expulsion, the partner who is expelled won't be held liable for any act done by the firm because he is no longer a partner of the firm.

0 R
1cii

0 R
1ciiStep2

X

0 R
1ciiStep1

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Code: FD2BL137735
Subject : 02 Business Laws

Total Marks: 100
Marks Obtained : 70

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X



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Code: FD2BL137735
Subject : 02 Business Laws

Total Marks: 100
Marks Obtained : 70

Result Overview

Awarded Marks: 70

Max Marks:100

Not Attempted

Optional

Marked

Q1_Compulsory (Score: 8.5/20)

Question No	Awarded Marks	Maximum Marks	Status
1	8.5	20	
1ai	0.5	3	
1aii	NA	2	
1aiii	1	2	
1bi	2	4	
1bii	1.5	3	
1ci	3.5	4	
1cii	0	2	

Q2_Q6 (Score: 61.5/80)

Question No	Awarded Marks	Maximum Marks	Status
2	14	20	
2ai	3	4	
2aii	2.5	3	
2bi	3.5	5	
2bii	1	2	
2ci	3	4	
2cii	1	2	
3	0	20	
3ai	0	3	
3aii	0	2	
3aiii	0	2	

3bi	0	4	O
3bii	0	3	O
3ci	0	3	O
3cii	0	3	O
4	15.5	20	M
4ai	3	4	M
4aii	2	3	M
4bi	3	4	M
4bii	3	3	M
4c	4.5	6	M
5	16.5	20	M
5ai	3.5	4	M
5aii	2	3	M
5b	6	7	M
5c	5	6	M
6	15.5	20	M
6ai	3.5	4	M
6aii	2.5	3	M
6bi	3	4	M
6bii	1.5	2	M
6ci	3	4	M
6cii	2	3	M