

Mock Test Paper - Series II: May, 2025

Date of Paper: 6th May, 2025

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS

Question No. 1 is compulsory.

Attempt any **four** questions from the remaining **five** questions.

(Time allowed: 3 Hours)

(100 Marks)

1. (a) P, Q and R jointly promised to pay S a sum of ₹ 60,000. Examine, considering the provisions of the Indian Contract Act, 1872 -
 - (i) Can S compel any of three parties P, Q and R to pay him ₹ 60,000?
 - (ii) R is compelled to pay the whole of the amount to S. Can he recover anything from P and Q, when -
 - (1) Both P and Q were solvents.
 - (2) P is not in a position to pay anything. **(7 Marks)**
- (b) (i) Oakwood Private Limited is the holding company of Silveroak Private Limited. As per the last profit and loss account for the year ending 31st March, 2025 of Silveroak 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 Silveroak 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. **(4 Marks)**
- (ii) In the Blossom Private Limited, there are only 5 members. All of them go in a boat on a pleasure trip into an open sea. The boat capsizes and all of them died being drowned. Explain with reference to the provisions of the Companies Act, 2013:

- (A) Is Blossom Private Limited no longer in existence?
- (B) Further is it correct to say that a company being an artificial person cannot own property and cannot sue or be sued? **(3 Marks)**
- (c) (i) Explain the rules laid down under the Indian Partnership Act, 1932, for the mode of settlement of partnership accounts after the dissolution of a firm. What is the order in which the assets of the firm are applied? **(4 Marks)**
- (ii) Discuss the provisions of the Indian Partnership Act, 1932 regarding the payment of firm debts and separate debts of partners. How are the firm's property and the partners' separate property applied in settling such debts? **(2 Marks)**
2. (a) (i) The Institute of Science and Technology, Dehradun (the buyer), placed an order for various chemicals worth ₹ 1,50,000 from a supplier in Delhi (the seller). The buyer made full advance payment, and the seller dispatched the consignment via a courier of his own choice, without reserving any right of disposal over the goods. The consignment was lost in transit, and now the buyer seeks a refund of the purchase price. With reference to the provisions of the Sale of Goods Act, 1930, assess the validity of the buyer's claim for a refund. **(4 Marks)**
- (ii) Sidharth visited an authorized car showroom and purchased a car of his choice without conducting a detailed inspection. After making the payment and taking delivery of the car, he discovered a defect in the engine that could not have been detected even with a reasonable inspection. With reference to the provisions of the Sale of Goods Act, 1930, advise, whether Sidharth can invoke the implied condition of merchantability and repudiate the contract due to the defect in the car. **(3 Marks)**
- (b) Explain the classification of capital under Company Law as per the Companies Act, 2013. Discuss the different types of capital and the statutory definitions associated with each. **(7 Marks)**
- (c) Explain the advantages of the LLP form of business. How does its legal structure make it a flexible and preferable business model for entrepreneurs? Also, discuss the legal capacities an LLP acquires upon registration. **(6 Marks)**
3. (a) P, Q and R, are partners in a construction firm, PQR Associates. P buys cement on behalf of the firm from D. The cement is used in the ordinary course of the firm's business. P uses the cement for his personal purposes. The supplier D, who is unaware of the private use of cement by P, claims the price from the firm. The

firm refuses to pay for the price, on the ground that the cement was never received by it. Referring to the provisions of the Indian Partnership Act, 1932, answer the followings:

- (i) Whether the Firm's contention is tenable?
 - (ii) What would be your answer if a part of the cement so purchased by P was delivered to the firm by him, and the rest of the cement was used by him for his private use, about which neither the firm nor the supplier were aware? **(7 Marks)**
- (b)
- (i) "Unity Foundation" is a newly incorporated company focused on promoting education and healthcare services in rural areas. The company is registered as a section 8 company with a clear plan to reinvest all profits into its activities, and a license has been accorded by the Central Government. For the financial year ending on 31st March, 2025, the company earned a substantial profit and transferred some amount to M/s ABC Associates (a Partnership firm and one of the member of the Unity Foundation). Subsequently, on the complaint of one of the members, the Central Government, after giving an opportunity of being heard, directed the company to be wound up on the ground that a partnership firm cannot be a member of the section 8 company and it cannot transfer any part of profit to the firm. Explain, in the light of the provisions of the Companies Act, 2013, whether the ground taken for winding up is sufficient. **(4 Marks)**
 - (ii) Pacific Private Limited has 9 directors on its Board of Directors. The company's Articles of Association currently state that the quorum for board meetings shall be 1/3rd of the total strength or 2 directors, whichever is higher. The company now intends to amend this article to specify that the quorum for board meetings shall be 1/3rd of the total strength or 4 directors, whichever is higher. Advise the company on the procedure for including this entrenchment provision in its Articles, in accordance with the provisions of the Companies Act, 2013. Would your advice differ if the company were a public company? **(3 Marks)**
- (c) What is an anticipatory breach of contract? Discuss the legal rights and options available to the promisee under the Indian Contract Act, 1872, when anticipatory breach takes place. **(6 Marks)**

4. (a) Examine the validity of the following agreements under the provisions of the Indian Contract Act, 1872 and justify your answer:
- (i) Mrs. Deepika pays a sum of ₹ 20,000 to a marriage bureau to provide information about the prospective grooms for her daughter's marriage.
 - (ii) Bharat agrees with Rahul to sell his white horse. Unknown to both the parties, the horse was dead at the time of agreement.
 - (iii) Ayush sells the goodwill of his shop to Omkar for ₹ 5,00,000 and promises not to carry on such similar business within the local limits so long as Omkar carries on like business.
 - (iv) A property worth ₹ 20,00,000 was agreed to be sold for just ₹ 2,50,000 by a person of unsound mind. **(7 Marks)**
- (b) What is a Negotiable Instrument? Explain its meaning and essential characteristics. How does the Negotiable Instruments Act, 1881 classify instruments as payable to order or payable to bearer? **(7 Marks)**
- (c) (i) Describe the major functions and specialised divisions of the Reserve Bank of India (RBI). How does it contribute to India's economic development?
- (ii) Explain the key responsibilities and organizational structure of the Ministry of Corporate Affairs (MCA). Highlight the legislative acts it administers and the role of the ICLS cadre. **(6 Marks)**
5. (a) (i) PQR Limited, a supplier of electronic components, entered into a contract on August 1, 2024, with PQR Enterprises for the sale of 1000 units of microchips. The contract specifically identified the microchips by serial numbers and confirmed that they were in a deliverable state, stored in PQR Limited's warehouse. The contract stipulated that the goods would be delivered on September 1, 2024.
- On August 10, 2024, a flood occurred, damaged the warehouse and destroyed the entire stock of microchips, including the 1000 units intended for PQR Enterprises. Examine, with reference to the provisions of the Sale of Goods Act, 1930 who shall suffer the loss? What will be your answer if the microchips are not specifically identified and marked for PQR Enterprises at the time of the contract? **(4 Marks)**
- (ii) A purchases a motorcycle from B and uses it for some time. It turns out that the motorcycle sold by B to A was a stolen one and had to be returned to a rightful owner. A brings action against B for the return of the price. Will

he succeed? Examine this with reference to the provisions of the Sale of Goods Act, 1930. **(3 Marks)**

(b) What is a Partnership Deed? Explain its significance and list the key contents typically included in a partnership deed. Why is it advisable to have the deed in writing, even though it is not mandatory? **(7 Marks)**

(c) Enumerate and explain the duties and obligations of an agent towards the principal under the Indian Contract Act, 1872. **(6 Marks)**

6. (a) (i) Kanika purchased various cosmetic products worth ₹ 15,000 during the last week from Kartik, a shopkeeper, on credit of one month. After a fortnight, she makes out a blank promissory note, signed it and delivered to Kartik who further endorsed it to Manish for the payment of his dues. Manish, who is holder in due course, filled up the due amount of ₹ 17,000 from Kartik and on maturity presented it to Kanika for payment but she refused to pay because the amount filled up is more than the agreed amount of ₹ 15,000. It is to be noted that the amount of ₹ 17,000 is covered by the stamp affixed on it. Referring to the provisions of the Negotiable Instruments Act, 1881 decide, whether Kanika is liable to honour the promissory note to Manish for ₹ 17,000? **(4 Marks)**

(ii) Nisha, a small business owner, receives a bill of exchange from her customer, Neeraj, which is due for payment on October 15th. On October 12th, Nisha presents the bill of exchange for payment at Neeraj's office during regular business hours, but Neeraj is not present. Nisha leaves the bill with Neeraj's assistant, requesting to be presented to Neeraj for payment when he returns. However, Neeraj's assistant forgot to give the bill, and Neeraj does not make the payment by the due date, and the bill is dishonoured. Based on the provisions of the Negotiable Instruments Act, 1881, examine whether Nisha's presentation of the bill of exchange to Neeraj's assistant. **(3 Marks)**

(b) Explain the circumstances under which a contract of bailment may be terminated under the Indian Contract Act, 1872. **(6 Marks)**

(c) Explain the concept of the "Right of Re-sale" under the Sale of Goods Act, 1930. Under what circumstances can an unpaid seller exercise this right? **(7 Marks)**