

Question No. 1 is compulsory.

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

Working notes should form part of the answers.

Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch will be expelled from the examination and will also be liable for further punitive action.

**Marks**

1. (a) Examine the validity of the following agreements under the provisions of The Indian Contract Act, 1872 and justify your answer : **7**
- (i) Mrs. Priya pays a sum of ₹ 10,000 to a marriage bureau to provide information about the prospective grooms for her daughter's marriage.
- (ii) Bharat agrees with John to sell his white bull. Unknown to both the parties, the bull was dead at the time of agreement.

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(iii) Rishabh sells the goodwill of his shop to Omkar for ₹ 10,00,000 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 ₹ 2,00,000 was agreed to be sold for just ₹ 25,000 by a person of unsound mind.

(b) (i) "Harmony 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 31<sup>st</sup> March, 2024, the company earned a substantial profit and transferred some amount to M/S LMP Associates (a Partnership firm and one of the member of the Harmony 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.

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- (ii) Justice 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 ?

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- (c) A minor admitted to the benefits of a partnership firm is entitled to certain rights and may also have liabilities to third parties for the acts of the firm. Discuss the rights and liabilities (before attaining majority only) of the minor under The Indian Partnership Act, 1932.

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2. (a) (i) MNO Limited, a supplier of electronic components, entered into a contract on August 1, 2023, 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 MNO Limited's warehouse. The contract stipulated that the goods would be delivered on September 1, 2023.

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On August 10, 2023, 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 ?

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(4)

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(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.

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(b) Write in brief the content and model of the Articles of Association (AOA), according to which the director and other officers are required to perform their functions as regards the management of the company, its accounts and audit.

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(c) Dyana and Bharti, newly qualified chartered accountants, wish to form a Limited Liability Partnership (LLP) to provide their professional services. They seek information about the provisions of The Limited Liability Partnership Act, 2008, specifically regarding the incorporation document. Additionally, they want to know whether the statement filed along with the incorporation document serves as sufficient evidence that all legal requirements for the incorporation of the LLP have been fulfilled. Explain these aspects to them.

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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 :

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- (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 ?

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(5)

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- (b) (i) The extract of the major shareholders holding paid-up share capital in Rural Development Fin. Corp. Ltd., are as follows : 5

Central Government	26%
State of Maharastra	18%
State of Tamilnadu	24% and
Public	32%

Whether the company would be considered as a Public Financial Institution (PFI) under the provisions of The Companies Act, 2013 ? Explain in brief about various institutions regarded as 'Public Financial Institutions' under The Companies Act, 2013.

- (ii) Whether it is mandatory to have common seal for the company ? 2  
If not, then what are the other options available as per The Companies Act, 2013 ?

- (c) What are the agreements which are held to be opposed to public policy under The Indian Contract Act, 1872. Explain any 6 such agreements. 6

4. (a) A, B and C jointly promised to pay D a sum of ₹ 6,000. Examine, considering the provisions of The Indian Contract Act, 1872 - 7

- (i) Can D compel any of three parties A, B and C to pay him ₹ 6,000 ?  
(ii) C is compelled to pay the whole of the amount to D. Can he recover anything from A and B, when -

- (1) Both A and B were solvents.  
(2) A is not in a position to pay anything.

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(b) What are the rules governing the compensation payable in the event of dishonour of a negotiable instrument under the provisions of The Negotiable Instruments Act, 1881 ?

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(c) Ashok and Vimal are pursuing chartered accountancy course and discussing about the structure of the Indian judicial system. Explain them the functions of judiciary system of India and the hierarchy of courts and briefly explain their functioning under the Indian Regulatory Framework.

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5. (a) (i) The Institute of Science, Pune (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.

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(ii) Adarsh 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 Adarsh can invoke the implied condition of merchantability and repudiate the contract due to the defect in the car.

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(b) (i) Explain the following terms under The Indian Partnership Act, 1932 : 4

(1) Partner by holding out

(2) Nominal Partner

(ii) "Dissolution of a partnership firm may occur by mutual agreement with the consent of the majority of partners, while compulsory dissolution requires an order from the court." Discuss this statement with reference to the relevant provisions of The Indian Partnership Act, 1932. 3

(c) Explain with reference to The Indian Contract Act, 1872 : 6

(i) When a contract is said to be induced by "undue influence".

(ii) When a party is deemed to be in a position to dominate the will of another.

6. (a) (i) Anjali purchased various cosmetic products worth ₹ 15,000 during the last week from Sushil, a shopkeeper, on credit of one month. After a fortnight, she makes out a blank promissory note, signed it and delivered to Sushil 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 Sushil and on maturity presented it to Anjali 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 Anjali is liable to honour the promissory note to Manish for ₹ 17,000 ? 4



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- (ii) Priya, a small business owner, receives a bill of exchange from her customer, Sanjay, which is due for payment on October 15<sup>th</sup>. On October 12<sup>th</sup>, Priya presents the bill of exchange for payment at Sanjay's office during regular business hours, but Sanjay is not present. Priya leaves the bill with Sanjay's assistant, requesting to be presented to Sanjay for payment when he returns. However, Sanjay's assistant forgot to give the bill, and Sanjay 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 Priya's presentation of the bill of exchange to Sanjay's assistant is valid under law.

- (b) What are the conditions to be satisfied for an "Agent's authority in an emergency" under the provisions of The Indian Contract Act, 1872 ?

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OR

- (b) Both a sub-agent and a substituted agent are appointed by the agent, however, there are some points of distinction between the two. Elaborate any 6 points.

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- (c) What are the rights of a buyer, when seller commits a breach of contract under the provisions of The Sale of Goods Act, 1930 ?

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