

Roll No. 553050

Total No. of Questions – 6

Total No. of Printed Pages – 12

Time Allowed – 3 Hours

Jack Hammy

[Chartered studies]



Maximum Marks – 100

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Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

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.

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1. (a) ABC Infrastructure Ltd. was running business successfully from several years. P was the purchase manager of company. He authorised his agent Q to buy Raw Material on his behalf for construction of Roads in Delhi. He instructed Q to buy only Mazboot Brand of Cement @ ₹ 2,000-2,500 per ton to maintain quality of Roads in Delhi. However, Q bought 1,000 tons of Mazboot Brand of cement from Mr. R a very well-known vendor of ABC Infrastructure Ltd. @ ₹ 3,500/- per ton. Mr. Q has not disclosed the fact to R that he was

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buying cement for ABC Infrastructure Ltd. When P discovered this aspect, he refused to pay Mr. R and rejects the cement bought by Q on the ground that Q has exceeded the authority. Mr. R suffered a huge loss on account of this transaction. Give your opinion in accordance with provisions from the Indian Contract Act, 1872 :

- (i) Whether P was bound to pay Mr. R for cement purchased by his agent Mr. Q ?
- (ii) On the other hand, Q being agent refused to accept any liability to compensate R. In this situation, Whether Mr. R can file a suit against Q ?

- (b) (i) State with reasons whether the following companies can be treated as Small Companies with reference to the provisions of The Companies Act, 2013 :

1. STS Pvt. Ltd., having a turnover of ₹ 10 crores and the paid-up capital of ₹ 1 crore (1,00,000 equity shares of ₹ 100 each). Out of these 60,000 equity shares are held by UV Infratech Pvt. Ltd.
2. ZX Ltd., having a paid-up capital of ₹ 3 crores and turnover of ₹ 35 crores.

- (ii) The paid-up equity share capital of ACD Ltd. is ₹ 80 crores & preference share capital of ₹ 20 crores. B Ltd. holds equity shares in ACD Ltd. worth ₹ 15 crores and preference shares worth ₹ 10 crores.

Can B Ltd. be considered as an Associate Company of ACD Ltd.?

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- (c) In accordance with provisions of The Indian Partnership Act, 1932, explain the following :

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- (i) The rights of an outgoing partner to carry on competing business.
- (ii) The rights of a partner to be indemnified by the firm and the liability of a partner to indemnify the firm.

2. (a) S purchased a dress from a reputed showroom and made the payment in cash. The dress she purchased require some alteration. The shopkeeper assured S that it would take just one day to get the dress altered. It was agreed that once the dress was altered the shopkeeper would inform S through phone and she would collect the dress. Next day, by evening the dress was altered and kept ready to be delivered to S. The shopkeeper however forgot to inform S that the dress was ready.

In the meantime, a short circuit occurred near the delivery counter of the shop and some packets ready for delivery caught fire. After waiting for 10 days, when, S went to collect her dress she was informed that she came late and her dress was burnt in fire. S, then asked for refund of money what she paid. The shopkeeper refused, by saying that the dress was kept ready the very next day of purchase and the loss due to fire occurred after a week. He refused to bear the liability by saying

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that if S had collected the dress on time it would not have been burnt. S insisted that she was waiting for a call from the shop and thus, entitled to claim the refund of cost of dress.

Examine, with reference to the provisions of the Sale of Goods Act, 1930, whether shopkeeper will be liable to refund the cost of dress to S ?

- (b) Doctrine of indoor management allows all those who deal with the company to assume that the officers of the company have observed the provisions of the articles. In light of the above statement, explain the doctrine of indoor management and its exceptions, if any, according to provisions of The Companies Act, 2013. 7
- (c) (i) Limited Liability Partnership (LLP) gives the benefits of Limited Liability of a company on one hand and the flexibility of Partnership on the other. Discuss according to provisions of The Limited Liability Partnership Act, 2008. 3
- (ii) Raju and his friend Anil have approached you to help them to form a LLP. The object of the proposed LLP is to run a charitable school which provides free education to the poor children. What would be your suggestion in accordance of provisions of The Limited Liability Partnership Act, 2008 ? 3

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3. (a) ABC & Co is a renowned partnership firm doing business in textile industry from last twenty years. But due to technical up-gradation, firm incurred heavy debts of ₹ 50 lakhs. To maintain the integrity of the firm they introduced Mr. D, as a new partner. Before admission of D, other partners A, B, and C decided on their own and made an agreement with the creditors that the new partner will be liable for existing debt through novation. When D joins, he came to know about the debt of ₹ 50 lakhs. With reference to the provisions of The Indian Partnership Act, 1932, give your opinion : 7

- (i) Whether D would be liable for the debts of the firm incurred prior to his admission by virtue of the agreement between A, B, C, and the creditors ?
- (ii) Whether your answer will be different if D was minor at the time of admission ?
- (iii) Whether D would be liable to pay the debt upon becoming major ?

(b) (i) The Object clause of Memorandum of Association of ABC Pvt. Ltd. authorized the company to carry on the business of trading in property in Gurgaon. Since the company was not doing well, the Directors of the company in a recent board meeting planned to diversify the business and enter into Construction business. For this purpose, they borrowed a sum of ₹ 5 crores from 4

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Magnum Finance Ltd. But the members of the company did not approve the decision of the board hence, company refused to repay the loan. According to provisions of The Companies Act, 2013 what is the recourse available to Magnum Finance Ltd. for recovery of the loan ?

- (ii) SNM Ltd. was registered in 2021 with a share capital of ₹ 50 Lakh divided into 5 lakhs equity share of ₹ 10 each under Section 8 of the Companies Act, 2013 for promotion of art in Jaipur. Company earned huge profits during the financial year ending on 31st March 2025 due to boom in the market. On 10th May 2025, 75% members of the company demanded to distribute 10% dividend to the equity shareholders. For this purpose, they passed special resolution in EGM. 3

With reference to provisions of The Companies Act, 2013 decide whether SNM Ltd. can declare dividend @ 10% to equity shareholders for the year ending 31st March 2025.

- (c) According to provisions of The Indian Contract Act, 1872, define the following terms with reference to contract of guarantee : 6
- (i) Nature and extent of Surety's Liability
 - (ii) Discharge of a Contract of Surety by Invalidation of the Contract of Guarantee.

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4. (a) X was running a business of Car on lease. One fine day, Y came to hire a car for 10 days for his business tour from Delhi to Amritsar. X offered him a Honda city for ₹ 50,000/- for 10 days on a condition that petrol and toll expenses will be borne by him. During the journey, engine of car was choked. Y has to spend ₹ 10,000/- for repair of engine. When he was coming back from Amritsar, brakes of car were not working and a major accident of Y happened due to this. Y was admitted to hospital and paid a bill of ₹ 50,000 on recovery. Y asked X to compensate him charges for car repair and hospital expenses amounting ₹ 60,000/-. X denied for compensation by saying that he was not aware about the engine and brakes fault. Y filed a suit against X for recovery of damages. Give your opinion with reference to provisions of The Indian Contract Act, 1872 :

(i) Whether Y can withheld the amount of hire charges ₹ 50,000/- on account of non-payment of damages ?

(ii) Whether Mr. X was liable to pay Damage as he was not aware of the fact of faults in car ?

(b) (i) "Delivery of an instrument is essential whether instrument is payable to bearer or order for effecting the negotiation." Discuss this statement with reference to provisions of The Negotiable Instrument Act, 1881.

(ii) Differentiate between a promissory note and bill of exchange.

- (c) Explain in brief the important functions played by the Ministry of Finance, the Ministry of Corporate Affairs and the Ministry of Law and Justice in enforcing the law in India.

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5. (a) (i) P sold certain antique items to Q for ₹ 3,00,000/- on 13.12.2024. As per the terms of agreement 75% of the amount was to be paid within a week and the balance 25% was to be paid till 31.12.2024. Q appointed his agent R to take delivery of the goods after payment of first installment. Q transferred a sum of ₹ 2,80,000/- in the account of P through NEFT on 18.12.2024 which was credited in P's account on the same date. R failed to take delivery of antique items due to medical emergency.

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By the meantime, Q failed to make payment of the second installment till 31.12.2024. On 10.01.2025, Q's agent came to take the delivery of goods. But, P refused to deliver the goods and exercised his right of lien over the goods.

According to provisions of The Sale of Goods Act, 1930, give your opinion whether P was justified in exercising right of lien as only ₹ 20,000/- was left to be paid ?

- (ii) An auction takes place in Delhi for antique items. It is notified to the bidders that the sale will be completed, only when the hammer of the auctioneer hits the table and he announces "you are the highest bidder". During the auction, L bids for an antique

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sculpture, worth ₹ 8 lakhs. The hammer falls, but announcement cannot be made as the auction suddenly stops before the auctioneer can utter any words. It is notified to everyone that there has been an unexpected rise in the market price for that particular sculpture, and therefore, it will not be sold on that particular day. L contends that the auctioneer is bound to sell the sculpture to him at the price he bid because once he bid at the highest price in the auction and the hammer fell, the auction sale was completed and therefore, the auctioneer is under a contractual obligation to sell the sculpture. The auctioneer disagrees. Discuss the validity of L's claim in reference to the provisions of The Sale of Goods Act, 1930.

- (b) "The partner indeed virtually embraces the character of both a principal and an agent. The implied authority of a partner to bind the firm by all acts done by him in all matters connected with business is done in the usual way, not beyond the nature and scope of Partnership." Explain with reference to provisions of The Indian Partnership Act, 1932. 7

- (c) (i) Give your opinion with reference to provisions of The Indian Contract Act, 1872 : 4

1. Whether Joint promisor and promisee voluntary discharge their obligation even after death ?

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2. In case they won't be able to discharge their obligation, Whether any of the joint promisor may be compelled ?

3. What would be the situation in case of default by any one of them ?

(ii) What are the effects of Coercion? "Whether Threat to commit suicide is coercion"? Elaborate with reference to provisions of The Indian Contract Act, 1872.

6. (a) Ram purchased a second-hand car from his friend Rohan for ₹ 5 lakhs on 10th November, 2022. He paid ₹ 4 lakh immediately and promised to pay ₹ 1 lakh within a year. But, he could not pay the remaining amount till December-2023. On 5th January, 2024 Ram received an invitation for Rohan's wedding which he could not attend but sent a cheque of ₹ 51,000 as gift by post.

When Rohan deposited the cheque, it was returned unpaid due to insufficient balance in the account of Ram. Rohan considered it as an offence under Section 138 of The Negotiable Instruments Act, 1881.

Advise

(i) Whether Ram would be held liable for dishonour of cheque ?

(ii) Whether Rohan was justified in considering this as an offence under Section 138 of the Negotiable Instruments Act, 1881.

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(b) With reference to provisions of The Indian Contract Act, 1872 define the following terms : 6

- (i) Quasi-contracts and its salient features
- (ii) Responsibility of finder of goods

OR

(b) Explain the following terms with reference to The Indian Contract Act, 1872 : 6

- (i) Pledge by mercantile agent
- (ii) Pledge by person in possession under voidable contract

(c) With reference to provisions of The Sale of Goods Act, 1930, answer the following : 7

- (i) What do you mean by Reservation of right of disposal ? State the circumstances under which right of disposal may be reserved.
- (ii) Sometime breach of condition will be treated as breach of warranty as a result of which buyer losses his right to rescind. State the circumstance where a contract cannot be avoided even on account of breach of condition.

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