

Mock Test Paper - Series I: August, 2025

Date of Paper: 12th August, 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) 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 brake's 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? **(7 Marks)**
- (b) (i) Evergreen 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)**

- (ii) 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. **(4 Marks)**
- (c) "Explain the concept of 'Partner by Holding Out' as provided under the Indian Partnership Act, 1932. Under what circumstances can a person be held liable as a partner by holding out? **(6 Marks)**
2. (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.
- 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? **(4 Marks)**
- (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 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. **(3 Marks)**

- (b) (i) Explain the concept of 'Separate Legal Entity' in Company Law. How does it differentiate a company from its members?
- (ii) What is meant by 'Perpetual Succession' in relation to a company? How does this feature contribute to the continuity of a company despite changes in its membership? **(7 Marks)**
- (c) "Explain the provisions relating to the change of name of a Limited Liability Partnership (LLP) under the LLP Act, 2008. Under what circumstances can the Central Government direct an LLP to change its name? What are the consequences of non-compliance with such directions? **(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) 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 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?

(4 Marks)

- (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 Extra Ordinary General Meeting.

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. **(3 Marks)**

- (c) "Explain the various persons by whom a contract may be performed as per the Indian Contract Act, 1872. **(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. 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.
- (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. **(7 Marks)**

- (b) Explain the legal provisions regarding presentment for acceptance of a bill of exchange under the Negotiable Instruments Act, 1881. What are the consequences of failure to present a bill for acceptance?

Also, distinguish it from the presentment of a promissory note for sight.

(7 Marks)

- (c) "Explain the process by which a Bill becomes an Act of Parliament in India. After a law is enacted, how is it enforced, and which authorities are responsible for its implementation? **(6 Marks)**

5. (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.
- 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? **(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) "Discuss the various grounds on which a partnership firm may be dissolved by the Court under the Indian Partnership Act, 1932. **(7 Marks)**
- (c) What are the conditions to be satisfied for an "Agent's authority in an emergency" under the Indian Contract Act, 1872? **(6 Marks)**
6. (a) Classify the following instruments as inland or foreign instruments as per the Negotiable Instruments Act, 1881 and justify your classification with proper reasoning.
- (i) A promissory note is made in Kolkata and is payable in Mumbai.
- (ii) A bill is drawn in Varanasi on a person resident in Jodhpur, but it is made payable in Singapore.
- (iii) A, resident of Agra, draws a bill of exchange in Agra on B, a merchant in New York, and B accepts it as payable in Delhi.
- (iv) A promissory note is made in New York by A, a resident of New York, and made payable to B in Delhi, India.
- (v) A bill of exchange is drawn in London on a person residing in Dubai, and it is payable in Dubai. **(7 Marks)**

- (b) With reference to provisions of the Indian Contract Act, 1872 define the following terms:
- (i) Quasi-contracts and its salient features
 - (ii) Responsibility of finder of goods **(6 Marks)**
- (c) (i) Classify the following transactions according to the types of goods they are:
- (A) A wholesaler of cotton has 100 bales in his godown. He agrees to sell 50 bales and these bales were selected and set aside.
 - (B) A agrees to sell to B one packet of sugar out of the lot of one hundred packets lying in his shop.
- (ii) Sometime breach of condition will be treated as breach of warranty as a result of which buyer loses his right to rescind. State the circumstance where a contract cannot be avoided even on account of breach of condition. **(7 Marks)**