



The Institute of Chartered Accountants of India

Code: FD2BL238607
Subject : 02 Business Laws

Total Marks: 100
Marks Obtained : 81.5



GRAPH PAPER IS 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 laws

Number of Answer Books used : Main + 4 additional sheets

Date Seal

17 MAY 2025

For use by ICAI only



238607



Paper Code

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S
1

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z
A B C D E F G H I J K L M N O P Q R S T U V W X Y Z
A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

MCQ Booklet Serial No.

11111111

Paper No.

2

Level of Exam Foundation

Foundation Intermediate 2 Final 3

MCQ Answers

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9	A B C D	19	A B C D	29	A B C D
10	A B C D	20	A B C D	30	A B C D



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[illegible]

7. Mark your answer only in the appropriate space against the number corresponding to the question.

CORRECT METHOD WRONG METHOD

(A) ● (C) (D) ~~(B)~~ ~~(E)~~ ○

Q. No.	To be ticked <input checked="" type="checkbox"/> by the candidate against the Questions answered (Descriptive Type)	
1	<input type="checkbox"/>	8 <input type="checkbox"/>
2	<input type="checkbox"/>	9 <input type="checkbox"/>
3	<input type="checkbox"/>	10 <input type="checkbox"/>
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Total		Total



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4

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4

03



R

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4a

Question 4.
ca)

Q 4
a.

Provisions:

As per the provisions of The Indian Contract Act, 1872.



Bailment is the delivery of goods for some specific purposes, upon contract that goods shall be returned on accomplishment of purpose or disposed off according to direction of bailor.

It is the duty of bailor to disclose faults.



In case of gratuitously bailment, he is liable to pay damages to bailee for damage caused to him by the faults of which he was aware and failed to disclose them.



In case of non-gratuitous bailment, he is liable to pay damages to bailee for loss & damage suffered by him due to faults of which he was aware or not aware.



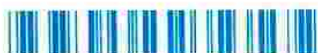
In non-gratuitous bailment, it does not matter whether bailor was baiter aware of faults or not, he must pay damages for all faults.



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Analysis

X bailed Y Honda city for ₹ 20000, during journey engine choked and brakes failed, because of these faults, Y had to incur expenses of ₹ 60000. X denied to compensate Y.



3

4aStep1

4a Step 1

i. Yes, Y can withhold the amount of hire charges ₹ 50000 on account of non-payment of damages which arose due to fault in goods bailed.

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4aStep2

ii) Yes Mr. X is liable to pay ~~compens~~ damages even though he was not aware of faults in car because goods were bailed non-gratuitously.

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4aStep3

In non-gratuitous bailment, bailor is bound to pay compensation for faults in goods bailed.



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Question 4
b. i

Ans per the provisions of the Negotiable Instruments Act, 1881.

Delivery of an instrument is essential where instrument is payable to bearer or order for affecting the negotiation.

✓ Delivery of instrument is an essential requirement of negotiable instrument for negotiability.

Delivery must be made voluntarily & object of delivery must to pass property of instrument to the person to whom it is delivered.

2 4biStep1

✓ Delivery can be actual or constructive, when drawer physically hands over the instrument to drawee, it is called actual delivery.

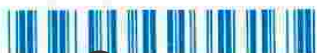
Order instruments are negotiated by delivery & endorsement where bearer instruments are negotiated by mere delivery.



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06

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b ii

4
4bii

Ques Q 4.
b ii

Points.	Promissory Note	Bill of exchange
Meaning	As per Section 4, of Promissory negotiable instruments act, promissory note is an instrument in writing containing an unconditional undertaking, signed by maker ^{promising} pay to to pay certain sum of money only to, or order of, a certain person or bearer of instrument.	As per Section 5 of negotiable instruments Act, bill of exchange is instrument containing an unconditional order, signed by drawer to pay directing a person to pay certain sum of money only to, or to order of, certain person or to bearer of instrument.
Nature of instrument	It contains promise to pay money.	It contains order to pay money.



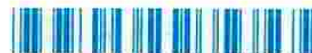
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Acceptance



It does not require acceptance of instrument as it is drawn by person who has to pay.

It requires acceptance of instrument of drawee, who is directed to pay.

Parties



It contains two parties
a. Maker / drawer
b. Payee.

It contains three parties
a. Drawer
b. Drawee
c. Payee.

Payable to bearer



R

4biiStep1

It cannot be made payable to bearer



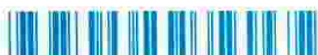
It can be made payable to bearer, but not payable to bearer on demand.



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08

1901

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R
4c

Question 4
(c).

As per The Indian Regulatory Act.

1. Functions of Ministry of finance.

Is apex controlling authority of Central four civil services, namely.

- a. Indian Revenue service
- b. Indian Civil Accounts service.
- c. Indian Economic service
- d. Indian Audit & Accounts service.

It also controls central Commerce Central service named
Indian Cost & Management Accounts Service.

2. Ministry of Corporate affairs, It plays functions of

→ administering the Companies Act, 2013, Companies Act 1956, Limited Liability Partnership Act, 2008 & Insolvency & Bankruptcy Code, 2016

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→ Regulation of Indian Enterprises in Service & Industry & Sector

→ It is run by civil servants of IAS cadre which are elected by Civil Service Examination conducted by Union Public Service Commission.

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4cStep1

3. Functions of Ministry of Law & Justice.

It provides functions of dealing with

- a. legal affairs through legislative department
- b. legislative activities through department of legal affairs.
- c. Administering justice in India through department of Justice.

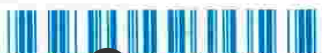
Department of legal affairs is concerned with providing advice to Ministers in a sense where, legislative department is concerned with drafting principal legislation.



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3a

Question 3.
(a).

a) Provisions

As per the provisions of the Indian Partnership Act, 1932.

Incoming partner is person admitted to ~~fi~~ already existing firm with consent of all partners.

Liability of incoming partner commences ☒ from date from which he is admitted, if he won't be liable for existing debts ~~unless~~ ^{incurred} prior to his admission.

Partners cannot decide by themselves that incoming partner will be liable for existing debts too.

Minor as beneficiary does not have any personal liability, only his estate will be liable that too for ~~de~~ debts accruing after his ☒ date of becoming beneficiary.

Minor, after attaining majority shall be liable for all acts done after of firm after his

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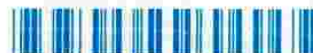
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admission as beneficiary.

Analysis:

2

3aStep1

ABC Co is partnership firm, firm incurred debt of ₹ 50 lakhs. Mr

Mr. D is admitted as partner, A, B, C partners have agreed to creditors that new partner will be liable for existing debt.

2

3aStep2

Conclusion:

i No Mr. D won't be liable for debts of firm incurred prior to his admission by virtue of agreement between A, B, & C with creditors.

However, if he agrees by his own willingness to be liable, before existing debts, he will be held liable.

ii Yes, our answer would remain due to 2 reasons. same on the ground that

As he is minor, he cannot be held personally liable, and never for already existing debts before his becoming beneficiary.



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R

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3aStep3

iii No D would be not be liable to pay debt even after becoming major because,

Minor after becoming major is liable for acts done at from the date of his becoming beneficiary and not for debts incurred prior that date.



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R

1

3bi

Question 3
(b) i

3

b. i

Provisions.

As per the provisions of The Companies Act, 2013.

Doctrine of indoor management of company states that,

an outsider can presume that all the internal formalities & procedures of company before entering into a contract with anyone, has been compiled with, and hence can enforce the contract.

Analysis:

According to doctrine of constructive notice, outsider should have knowledge of objects of company.

According to doctrine of ultra virus, if company enters

Analysis.

A Directors of ABC Pvt Ltd took loan of ₹ crores from Telagum Finance Ltd.

Directors Members did not approve decision & therefore company refuse to repay



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1401

1 **R** 3biStep1
Conclusion.

Magnum finance ltd can recover loan if
members company is ^{not} paying loan because
R ~~direct~~ members did not approve.,
X because it is not the duty of outsider
to check whether company has taken
compiled ^{with} all their internal procedures.

0 **R** 3biStep2

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3bii

Question 3.
b ii

b ii

Provisions:

As per the provisions of ~~Section~~ ^{The} Companies Act, 2013

Section 8 company is formed for promoting charitable objects of art, commerce, science, sports, etc.

It cannot declare its dividend, it is prohibited from declaring dividend to its members.

It intends to use its profits in promoting its objects. It works under special license from Central Government.

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3biiStep1

Conclusion.

No, SNM Ltd cannot declare dividend as it is registered under Section 8 of Companies Act 2013 & Section 8 ^{companies} are prohibited to declare dividend.

1

3biiStep2



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Q 3. 6 R 3c
c.i

Question 3.
(c) i

As per provisions of ~~the~~ Indian Contract Act.
Nature & extend of Surety's liability

- i Surety's liability is ✓ co-extensive unless there is an agreement to contrary.
- ii His liability is of ✓ secondary nature as he will be liable only on default of principle debtor.
- iii If principal debtor ✓ cannot be held liable due to defects in writing or due to any other reason, surety is also discharged.
- iv A creditor may choose to proceed towards surety first, in absence of agreement to contrary. ✓

3 R 3cStep1

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ICAI

17



R

3

3cStep2

Q 3

(c) ii

Q 3.
Cii

As per provisions of ^{The} Indian Contract Act, 1872.

Discharge of surety by invalidation of Contract of Guarantee.

i ☒ Guarantee obtained by misrepresentation

Where creditor obtains guarantee from surety by means of misrepresentation, guarantee shall be invalid.

ii ☒ Guarantee obtained by keeping silence to material circumstances.

~~where guar~~ Any guarantee obtained by creditor by keeping silence as to material circumstances or by active concealment of facts is invalid & is void.

iii ☒ Joint Guarantee on condition to join other persons as co-surety.

Guarantee given by g. surety is not valid,



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if he has given guarantee on condition
that other persons may also join him
as co-sureties & such other persons does
not join as co-sureties.



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Q6
a

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R

6

6a

Question 6.
(a)

Provisions

As per the provisions of Section 138 of Negotiable Instruments Act, 1881.

Where any person draws a cheque on an account maintained by him with banker ^{to} pay for certain sum to certain person for discharge of any debt or liability, is returned by bank, either because

- Amount of money standing to credit of that account is insufficient.
- It exceeds amount arranged to be paid from that account by an agreement with the banker.



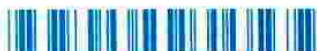
Such a person is deemed to have committed an offence & shall be punishable for imprisonment which may extend to 2 years or fine which shall not be less than twice the amount of cheque or with both.



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But, following conditions shall be fulfilled,

- Cheque has been presented within its validity
- Payee has given notice of return of cheque in writing to drawer with 30 days of receipt of information.
- that Drawer fails to pay within 15 days of receipt of said notice.

However, this section shall not apply to cheques issued for donation, gift, charity.

Analysis.

Ram purchased car from Rohan & the payment of 1 lakh is still pending.

Ram received invitation of Rohan's wedding & sent cheque of ₹ 51000 as gift by post.

Conclusion:

- ☒ ~~No~~ He will ^{not} be held liable for dishonour of cheque but he is not ^{entitled} ~~liable~~ to be punished as cheque was for gift.

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ii) No Rohan was not justified in considering this as an offence under Section 138 on the ground that Section 138 does not apply to cheques issued for donation, gift or charity.

R

3

6aStep1

R

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6aStep2

R

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6aStep3



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R

6b

Question 6 (b) i.

- As per the provisions of Indian Contract Act 1872
- i. Quasi contracts are ^{not actual} contracts but resembles to contract, where there is no contract, law imposes a contract & such contract is called quasi contracts. ✓

It is contract where there is no intention or part of either of party to create legal relationship, it is law which imposes rights & duties of contract. ✓

Silent features of quasi contract.

- a. ^R a right is always right to money. ✓
- b. It is contract which does not provide right against whole world but against certain person or persons. ✓
- c. ~~It is~~ This contract does not arise due to agreement between parties, it is imposed by law upon parties. ✓

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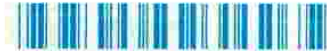


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R

3

6bStep2

Question 6
b ii

bii

As per the provisions of Indian Contract, Act, 1872.

Responsibility

When any person find goods belonging to another person, He has his responsibility to

a Take reasonable care of goods as a man of ordinary prudence takes care of his own goods.

b No right to appropriate goods.

c Restore the goods if owner is found.

d Sell goods if goods are of perishable nature.



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R

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6c

Question 6.
(c) . i

6 (c)

Provisions:

- i As per the provisions of Sales of Goods Act 1930.

Reservation of right of disposal means
seller has attached certain condition on
whose fulfillment property in goods has
to be passed.

If seller has ~~app~~ delivered goods to carrier
without reserving right of disposal, he is
deemed to have unconditionally appropriated
goods to buyer.

Seller can ~~enigh~~ reserve his right of
disposal in following circumstances

- i When buyer has not paid amount due to price
of goods.

R

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6cStep1

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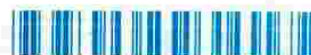


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Q6
c ii

3

R

6cStep2

Question 6.
(c) is

As per the provisions of Sale of Goods Act, 1930

Sometimes breach of condition will be treated as breach of warranty as a result of which buyer loses his right to rescind.

In following cases, ~~right of~~ ^{breach of} ~~can~~ condition is treated as breach of warranty & ~~contract~~ ^{cannot} be ~~rescinded~~ ^{avoided} even on breach of condition

a. Where buyer altogether waives performance of condition, it should be voluntary waiver by buyer.



b. Where buyer elects to treat breach of condition as one of the breach of warranty.



c. Where contract is non-severable or non-separable & buyer has accepted goods either in whole or in part.



d. Where performance of any warranty or condition is treated as excused by law by reason





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of impossibility or otherwise.



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1951

Q1

a.

Provisions

As per the provisions of The Indian Contract Act, 1872.

Agent is a person employed to do a task for to represent another person or to represent another person while dealing with third parties.

⇒ Agent cannot enforce or is not liable for any acts entered into by him for principle.

However, there is an exception to above rule,

If agent acts in excess of his authority, or does act which is not within the scope of implied or specific authority, he will be personally liable.

Where agent exceeds authority ^{or does not disclose his principal}, ~~he is pres~~
it is assumed that he is undertaking to be personally liable.

Principal won't be liable for acts of agent done in excess of his authority

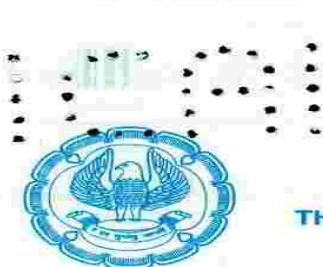




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Addl. Book No. 1

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

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ADDITIONAL ANSWER BOOK

17 MAY 2025

Analysis:

P authorised his agent Q to buy raw material of Mazboot Brand @ ₹2000-2500 per ton.

Q bought 1000 tons of Mazboot brand @ ₹3500 per ton. P refused to pay money to Mr R.

Conclusion

3

1aStep1

No, P is not bound to pay to Mr R for cement purchased by his agent Q because Q has exceeded his authority & also has not disclosed his principal.

And in such case, it is pr assumed to be personally liable.

2

1aStep2



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ii Yes Mr. R can file suit against Q
as in his case, he is personally
liable & he is not paying amount due for
cement sold purchased.

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1aStep3

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Q 6
b i

Question 1
(b) i

Provisions:

As per the provisions of The Companies Act, 2013.

Small Company is a company.

→ Whose total paid up share capital does not exceed 4 crores.

→ And whose turnover as per immediately preceding profit and loss account of immediately preceding financial year does not exceed 40 crores.

Analysis & conclusion.

1. STS Pvt Ltd has turnover of 10 crores and paid up share capital of 1 crore, which is within the limits prescribed

& hence can be treated as Small Company.

2. ZV Ltd has total share capital of 8 crores & turnover of 35 crores.



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which is also within the limits prescribed.

So, this company X can also be treated as small company.



R

1biStep3

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Addl. Book No. 2

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ADDITIONAL ANSWER BOOK

17 MAY 2025

Q1
b ii

3

R

1bii

Question 1
b ii

Provisions

As per the provisions of the Companies Act, 2013.

Associate Company is a company in relation to two or more company, it means a company in which such other companies have significant influence but which is not subsidiary of such company having significant influence & includes joint venture corp capital.

Significant influence means

✓ ☐ ~~to~~ Control of minimum 20% of total voting power, or

Power to interfere in business of company.



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for calculation of total voting power,
~~only~~ only equity shares are counted
✓ & not preference shares as they
don't carry voting rights.

Conclusion

ACP B Ltd cannot be considered
associate company as it of A Ltd
it only control 18.75% of voting
power, which is less than limit.

Calculation $\rightarrow \frac{15cr}{80cr} \times 100 = 18.75\%$

2 1biiStep1 ✓

1 1biiStep2



The Institute of Chartered Accountants of India

Code: FD2BL238607
Subject: 02 Business Laws

Total Marks: 100
Marks Obtained: 81.5

5.5 R 1c 3

2238607-04

Question 1
(C) i

C: As per the provisions of Indian Partnership Act, 1932.

i Rights of outgoing partner.

He can carry business of similar nature with that of firm, but

✓

ii He cannot use firm name.

iii Represent himself as carrying business of firm

✓

iv Solicit the custom of persons dealing with that before his retirement.

✓

But these rules are subject to the contract to the contrary.

3 R 1c Step 1

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Subject: 02 Business Laws

Total Marks: 100
Marks Obtained: 81.5

Q.1
c.ii

2.5

R

1cStep2

Question 1
cc) ii



As per the provisions of The Indian Partnership Act, 1932.

Every partner has a right to be indemnified by firm for liabilities incurred & payment made in an ordinary course of business to protect the firm from losses in an emergency.

Partner is liable. Partner is entitled to indemnify the firm for damages & losses suffered by firm due to his misconduct, fraud or misapplication of third party's property.

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Total Marks:	100
Marks Obtained :	81.5





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Total Marks: 100
Marks Obtained: 81.5

Exceptions to the doctrine of indoor management.

i) Actual or constructive notice of irregularity:

Doctrine does not protect any person who while entering into a contract had knowledge of irregularity, whether actual or constructive.

1.5

2bStep1

ii) Suspicion of irregularity:

Contract Doctrine no way regards those who behave ~~negligently~~ negligently, where a person is put upon an enquiry, where transaction is unfair not in usual course, it is the duty of outsider to make necessary enquiry.

iii) Forgery.

Doctrine applies to irregularity ~~into~~ which might affect any transaction, but it does not apply to forgery which is to be regarded as nullity.

4.5

2bStep2



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Subject: 02 Business Laws

Total Marks: 100
Marks Obtained: 81.5



2238607-06

3

R

2.5

2ci

Question 2

Q 2

(i)

As per the provisions of The LLP Act, 2008..

Limited Liability Partnership (LLP) gives benefit of limited liability & flexibility of partnership.

Limited liability



Liability of partner of limited liability Partnership is limited to their agreed contribution, this contribution may be tangible or intangible.

All partners are agents of LLP alone, no one partner can bind other partner.

his act, partner creditors of LLP shall remain creditors of LLP alone.

Flexibility.

LLP firm provides advantage of organising their internal structure as partnership based on mutually arrived agreement.



It is hybrid between company & partnership, owing to its flexibility.

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Code: FD2BL238607
Subject: 02 Business Laws

Total Marks: 100
Marks Obtained: 81.5

Q. 2.5 R
2cii

Question # 2
(C) 11

As per the provisions of LLP Act, 2008
Essential requirement of incorporating
LLP is carrying on lawful business for
acquisition of gains, motive must be to earn
profit.



It cannot be formed for charitable
objects or non-economic purposes.

Conclusion -



Raju & his friend cannot incorporate
LLP as their object is to run charitable
school by providing free education.

2.5 R
2ciiStep1

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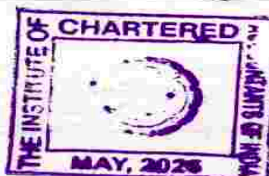
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Total Marks: 100
Marks Obtained: 81.5



2238607-07



17 MAY 2025

Addl. Book No. 4

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

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ADDITIONAL ANSWER BOOK

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Q 2
a.

6

R

2a

Question 2.
(a)

Provisions

As per the provisions of The Sale of Goods
Act, 1930.

Where seller informs that delivery has
to be taken according to his directions,
and he will provide the directions for
goods to be handed over and delivered.



Risk passes with property

Seller Buyer is bound to take delivery of
goods as per seller's directions.

And if seller fails to provide directions
or instrument and subject matter of
contract is perished.



Seller is liable to pay compensation to
buyer. If any time delivery of goods has been delayed
due to fault of any party, goods shall remain on his
risk as goods loss which might not have
arisen but for default.



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Subject: 02 Business Laws

Total Marks: 100
Marks Obtained: 81.5

Analysis:

S purchased dress from showroom, seller agreed with S to alter ~~it~~ \S

Seller informed S that he would inform S once dress is altered through phone \S , then she can collect dress.

However, seller forgot to inform S. \S dress was destroyed due to fire.

4

2aStep1

Conclusion:

Yes Shopkeeper will be liable to refund the cost of dress to S as dress was ☒ destroyed due to his fault to inform \S that dress is ready.

2

2aStep2

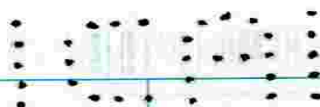
Shopkeeper has to pay also because ownership with him, as in case of sale of goods, when seller is bound to be do something in order to put it in deliverable state, property shall pass to buyer when seller has done that thing \S buyer has notice thereof.



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Code: FD2BL238607
Subject : 02 Business Laws

Total Marks: 100
Marks Obtained : 81.5



3



2238607-08



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Total Marks:	100
Marks Obtained :	81.5

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Code: FD2BL238607
Subject : 02 Business Laws

Total Marks: 100
Marks Obtained : 81.5

Result Overview

Awarded Marks: 81.5

Max Marks:100

NA Not Attempted

O Optional

M Marked

Q1_Compulsory (Score: 16/20)

Question No	Awarded Marks	Maximum Marks	Status
1	16	20	M
1a	6.5	7	M
1bi	1	4	M
1bii	3	3	M
1c	5.5	6	M

Q2_Q6 (Score: 65.5/80)

Question No	Awarded Marks	Maximum Marks	Status
2	17	20	M
2a	6	7	M
2b	6	7	M
2ci	2.5	3	M
2cii	2.5	3	M
3	14.5	20	M
3a	5	7	M
3bi	1	4	M
3bii	2.5	3	M
3c	6	6	M
4	17.5	20	M
4a	6	7	M
4bi	2	3	M
4bii	4	4	M

4c	5.5	6	M
5	0	20	O
5ai	0	4	O
5aii	0	3	O
5b	0	7	O
5ci	0	4	O
5cii	0	2	O
6	16.5	20	M
6a	6	7	M
6b	5.5	6	M
6c	5	7	M