

**Mock Test Paper - Series I: April, 2024**

**Date of Paper: 30<sup>th</sup> April, 2024**

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

**FOUNDATION COURSE**

**PAPER 2: BUSINESS LAWS**

Question No. 1 is compulsory.

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

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

**(Time allowed: 3 Hours)**

**(100 Marks)**

1. (a) Kashish was running a business of artificial jewellery since long. He sold his business to Naman and promises, not to carry on the business of artificial jewellery and real diamond jewellery in that area for a period of next one year. After two months, Kashish opened a show room for real diamond jewellery. Naman filed a suit against Kashish for closing the business of real diamond jewellery business as it was against the agreement. Whether Kashish is liable to close his business of real diamond jewellery following the provisions of Indian Contract Act, 1872? **(7 Marks)**
- (b) The paid-up capital of Darshan Photographs Private Limited is ₹ 1 Crores in the form of 50,000 Equity Shares of ₹ 100 each and 50,000 Preference Shares (not carrying any voting rights) of ₹ 100 each. Shadow Evening Private Limited is holding 25,000 Equity Shares in Darshan Photographs Private Limited. State with reason,
  - (a) Whether Darshan Photographs Private Limited is subsidiary of Shadow Evening Private Limited?
  - (b) Whether your answer would be different in case Shadow Evening Private Limited is holding 25,000 Equity Shares and 5,000 Preference Shares in Darshan Photographs Private Limited?**(7 Marks)**
- (c) Define partnership and name the essential elements for the existence of a partnership as per the Indian Partnership Act, 1932. **(3+3 = 6 Marks)**
2. (a) Kapil entered in a contract with Rahul to purchase 1000 litres of mustard oil at the price which should be fixed by Akhilesh. Rahul already delivered 600 litres out of 1000 litres to Kapil but when remaining 400 litres was ready to deliver, Akhilesh denied fixing the price of mustard oil. Rahul asked Kapil to return the oil already delivered and avoid the delivery of 400 litres. Kapil sued Rahul for non-delivery of remaining 400 litres mustard oil. Advise in the light of the Sale of Goods Act, 1930. **(7 Marks)**

- (b) Explain the '*Doctrine of ultra vires*' under the Companies Act, 2013. What are the consequences of 'ultra vires' acts of the company? **(7 Marks)**
- (c) "LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership". Explain. **(6 Marks)**
3. (a) A and B are partners in M/s Aee Bee & Company. Firm is doing business of trading of plastic bottles. A is authorised to sell the stock of plastic bottles. It was decided between them that A should sell the plastic bottles at the minimum price which they have decided and if A sells at a price less than minimum price, he should first take the permission of B. Due to sudden change in government policy, the price of plastic bottles were continuously declining. To save the loss of firm, A sold the stock at lower price. Meanwhile, A tried to contact B but could not do so as B was on foreign trip. Afterwards when B came, he filed the suit to recover the difference of sale price and minimum price to the firm. Whether B can do so under the provisions of Indian Partnership Act, 1932? **(7 Marks)**
- (b) (i) Tycoon Private Limited is the holding company of Glassware Private Limited. As per the last profit and loss account for the year ending 31<sup>st</sup> March, 2023 of Glassware 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 Glassware 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 Flower Fans 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 Companies Act, 2013:
- (A) Is Flower Fans 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) "An anticipatory breach of contract is a breach of contract occurring before the time fixed for performance has arrived". Discuss stating also the effect of anticipatory breach on contracts. **(6 Marks)**
4. (a) (i) Nitesh Gupta is constructing his house. For this purpose, he entered in a contract with M/s Baba Brick House to supply of 10,000 bricks on 12<sup>th</sup> August 2023. M/s Baba Brick House has two Lorries of 5,000

brick capacity. On 12<sup>th</sup> August 2023, one of the Lorries was not in working condition so M/s Baba Brick House supplied only 5,000 bricks and promised Nitesh Gupta to supply rest 5,000 bricks on next day. Nitesh Gupta wants to cancel the contract, as M/s Baba Brick House did not supply the bricks as per the contract. M/s Baba Brick House gave the plea that no fault has been made from its part, hence contract should not be cancelled. In this situation, whether Nitesh Gupta can avoid the contract under Indian Contract Act, 1872?

**(4 Marks)**

- (ii) Rahul, a transporter was entrusted with the duty of transporting tomatoes from a rural farm to a city by Aswin. Due to heavy rains, Rahul was stranded for more than two days. Rahul sold the tomatoes below the market rate in the nearby market where he was stranded fearing that the tomatoes may perish. Can Aswin recover the loss from Rahul on the ground that Rahul had acted beyond his authority taking into account the provisions of the Indian Contract Act, 1872?

**(3 Marks)**

- (b) What are Negotiable Instruments? Explain its essential characteristics under the Negotiable Instruments Act, 1881.

**(7 Marks)**

- (c) Explain in brief the various types of laws in the Indian Legal System.

**(6 Marks)**

5. (a) (i) A agrees to sell certain goods to B on a certain date on 10 days credit. The period of 10 days expired and goods were still in the possession of A. B has also not paid the price of the goods. B becomes insolvent. A refuses to deliver the goods to exercise his right of lien on the goods. Can he do so under the Sale of Goods Act, 1930?

**(4 Marks)**

- (ii) AB sold 500 bags of wheat to CD. Each bag contains 50 Kilograms of wheat. AB sent 450 bags by road transport and CD himself took remaining 50 bags. Before CD receives delivery of 450 bags sent by road transport, he becomes bankrupt. AB being still unpaid, stops the bags in transit. The official receiver, on CD's insolvency claims the bags. Decide the case with reference to the provisions of the Sale of Goods Act, 1930.

**(3 Marks)**

- (b) (i) When the continuing guarantee can be revoked under the Indian Partnership Act, 1932?

**(4 Marks)**

- (ii) What do you mean by Goodwill as per the provisions of Indian Partnership Act, 1932?

**(3 Marks)**

- (c) Explain any five circumstances under which contracts need not be performed with the consent of both the parties.

**(6 Marks)**

6. (a) Priyansh purchased some goods from Sumit. He issued a cheque to Sumit for the sale price on 14<sup>th</sup> June, 2023. Sumit presented the cheque in his bank and his bank informed him on 19<sup>th</sup> June, 2023 that cheque was returned unpaid due to insufficiency of funds in the account of Priyansh. Sumit sued against Priyansh under section 138 of the Negotiable Instruments Act, 1881. State with reasons, whether this suit is maintainable? **(7 Marks)**
- (b) State the essential elements of a contract of bailment. **(6 Marks)**
- (c) State the various essential elements involved in the sale of unascertained goods and its appropriation as per the Sale of Goods Act, 1930. **(7 Marks)**