

MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING

SECTION A: BUSINESS LAWS (60 Marks)

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

Time Allowed – 3 Hours

Maximum Marks – 100

QUESTIONS

- 1 (a) Mr. Shekhar wants to sell his car. For this purpose, he appoints Mr. Nadan, a minor as his agent. Mr. Shekhar instructs Mr. Nadan that car should not be sold at price less than Rs. 1,00,000. Mr. Nadan ignores the instruction of Mr. Shekhar and sells the car to Mr. Masoom for Rs. 80,000. Explain the legal position of contract under the Indian Contract Act, 1872 whether:
- (i) Mr. Shekhar can recover the loss of Rs. 20,000 from Mr. Nadan?
- (ii) Mr. Shekhar can recover his car from Mr. Masoom? **(4 Marks)**
- (b) Jagannath Oils Limited is a public company and having 220 members of which 25 members were employee in the company during the period 1st April, 2006 to 28th June 2016. They were allotted shares in Jagannath Oils Limited first time on 1st July, 2007 which were sold by them 1st August, 2016. After some time, on 1st December, 2016, each of those 25 members acquired shares in Jagannath Oils Limited which they are holding till date. Now company wants to convert itself into a private company. State with reasons:
- (I) Whether Jagannath Oils Limited is required to reduce the number of members.
- (II) Would your answer be different if above 25 members were the employee in Jagannath Oils Limited for the period from 1st April, 2006 to 28th June, 2017? **(4 Marks)**
- (c) “*Nemo Dat Quod Non Habet*” – “None can give or transfer goods what he does not himself own.” State the cases in which the rule does not apply under the provisions of the Sale of Goods Act, 1930. **(4 Marks)**
- 2 (a) (i) “All contracts are agreements, but all agreements are not contracts”. Comment. **(4 Marks)**
- (ii) Shambhu Dayal started “self service” system in his shop. Smt. Prakash entered the shop, took a basket and after taking articles of her choice into the basket reached the cashier for payments. The cashier refuses to accept the price. Can Shambhu Dayal be compelled to sell the said articles to Smt. Prakash? Decide as per the provisions of the Indian Contract Act, 1872. **(3 Marks)**
- (b) What do you mean by Designated Partner? Whether it is mandatory to appoint Designated partner in a LLP? **(5 Marks)**
- 3 (a) Ms. Lucy while drafting partnership deed taken care of few important points. What are those points? She wants to know the list of information which must be part of partnership deed drafted by her. Also, give list of information to be included in partnership deed? **(6 Marks)**
- (b) Mr. Murari owes payment of 3 bills to Mr. Girdhari as on 31st March, 2020. (i) ₹ 12,120 which was due in May 2016. (ii) ₹ 5,650 which was due in August 2018 (iii) ₹ 9,680 which was due in

May 2019. Mr. Murari made payment on 1st April 2020 as below without any notice of how to appropriate them:

- (i) A cheque of ₹ 9,680
- (ii) A cheque of ₹ 15,000

Advice under the provisions of the Indian Contract Act, 1872. **(6 Marks)**

- 4 (a) When can an unpaid seller of goods exercise his right of lien over the goods under the Sale of Goods Act? Can he exercise his right of lien even if the property in goods has passed to the buyer? When such a right is terminated? Can he exercise his right even after he has obtained a decree for the price of goods from the court? **(6 Marks)**

- (b) X, Y and Z are partners in a Partnership Firm. They were carrying their business successfully for the past several years. Due to expansion of business, they planned to hire another partner Mr A. Now the firm has 4 partners X, Y, Z and A. The business was continuing at normal pace. In one of formal business meeting, it was observed that Mr. Y misbehaved with Mrs. A (wife of Mr. A). Mr. Y was badly drunk and also spoke rudely with Mrs. A.

Mrs. A felt very embarrassed and told her husband Mr. A about the entire incident. Mr. A got angry on the incident and started arguing and fighting with Mr. Y in the meeting place itself. Next day, in the office Mr. A convinced X and Z that they should expel Y from their partnership firm. Y was expelled from partnership without any notice from X, A and Z.

Considering the provisions of the Indian Partnership Act, 1932, state whether they can expel a partner from the firm. What are the criteria for test of good faith in such circumstances?

(6 Marks)

- 5 (a) Avyukt purchased 100 Kgs of wheat from Bhaskar at Rs. 30 per kg. Bhaskar says that wheat is in his warehouse in the custody of Kishore, the warehouse keeper. Kishore confirmed Avyukt that he can take the delivery of wheat from him and till then he is holding wheat on Avyukt's behalf. Before Avyukt picks the goods from warehouse, the whole wheat in the warehouse has flowed in flood. Now Avyukt wants his price on the contention that no delivery has been done by seller. Whether Avyukt is right with his views under the Sale of Goods Act, 1930. **(6 Marks)**

- (b) Briefly explain the doctrine of "ultravires" under the Companies Act, 2013. What are the consequences of ultravires acts of the company? **(6 Marks)**

- 6 (a) Explain the-term 'Quasi Contracts' and state their characteristics. **(5 Marks)**

- (b) "Indian Partnership Act does not make the registration of firms compulsory nor does it impose any penalty for non-registration." In light of the given statement, discuss the consequences of non-registration of the partnership firms In India? **(4 Marks)**

- (c) Manicar Limited has allotted equity shares with voting rights to Nanicar Limited worth ₹ 10 Crores and issued Non-Convertible Debentures worth ₹ 30 Crores during the Financial Year 2017-18. After that total Paid-up Equity Share Capital of the company is ₹ 100 Crores and Non-Convertible Debentures stands at ₹ 150 Crores.

Define the Meaning of Associate Company and comment on whether Manicar Limited and Nanicar Limited would be called Associate Company as per the provisions of the Companies Act, 2013? **(3 Marks)**

SECTION B: BUSINESS CORRESPONDENCE AND REPORTING (40 Marks)

Question No. 1 is compulsory.

Answer any three questions from the remaining five questions.

QUESTIONS

1. (a) Read the passage carefully and answer the questions that follow:

In the United States the per capita costs of schooling have risen almost as fast as the cost of medical treatment. But increased treatment by both doctors and teachers has shown steadily declining results. Medical expenses concentrated on those above forty-five have doubled several times over a period of forty years with a resulting 3 percent increase in the life expectancy of men. The increase in educational expenditures has produced even stranger results; otherwise President Nixon could not have been moved this spring to promise that every child shall soon have the "Right to Read" before leaving school.

In the United States it would take eighty billion dollars per year to provide what educators regard as equal treatment for all in grammar and high school. This is well over twice the \$36 billion now being spent. Independent cost projections prepared at HEW and at the University of Florida indicate that by 1974 the comparable figures will be \$107 billion as against the \$45 billion now projected, and these figures wholly omit the enormous costs of what is called "higher education," for which demand is growing even faster. The United States, which spent nearly eighty billion dollars in 1969 for "defense," including its deployment in Vietnam, is obviously too poor to provide equal schooling. The President's committee for the study of school finance should ask not how to support or how to trim such increasing costs, but how they can be avoided.

Equal obligatory schooling must be recognized as at least economically unfeasible. In Latin America the amount of public money spent on each graduate student is between 350 and 1,500 times the amount spent on the median citizen (that is, the citizen who holds the middle ground between the poorest and the richest). In the United States, the discrepancy is smaller, but the discrimination is keener. The richest parents, some 10 percent, can afford private education for their children and help them to benefit from foundation grants. In addition, they obtain ten times the per capita amount of public funds if this is compared with the per capita expenditure made on the children of the 10 percent who are poorest. The principal reasons for this are that rich children stay longer in school, that a year in a university is disproportionately more expensive than a year in high school, and that most private universities depend—at least indirectly—on tax-derived finances.

Obligatory schooling inevitably polarizes a society; it also grades the nations of the world according to an international caste system. Countries are rated like castes whose educational dignity is determined by the average years of schooling of its citizens, a rating which is closely related to per capita gross national product, and much more painful.

(a) What is the main idea of the passage? **(1 Marks)**

(b) How many years would it take to provide what educators regard as equal treatment in high school in US? **(1 Marks)**

(c) According to the passage, education is like health care in all of the following ways

EXCEPT: **(1 Marks)**

(A) It has reached a point of diminishing returns, increased spending no longer results in significant improvement.

- (B) It has an inappropriate “more is better” philosophy.
- (C) It is unfairly distributed between rich and poor.
- (D) The amount of money being spent on older students is increasing.
- (E) Its cost has increased nearly as fast.
- d) Why does the author consider the results from increased educational expenditures to be “even stranger” than those from increased medical expenditures? **(1 Marks)**
- (A) The aging of the population should have had an impact only on medical care, not on education.
- (B) The “Right to Read” should be a bare minimum, not a Presidential ideal.
- (C) Educational spending has shown even poorer results than spending on health care, despite greater increases.
- (D) Education has become even more discriminatory than health care.
- (E) It inevitably polarizes society.
- (e) How much is spent on each graduate in Latin America from the public money? **(1 Marks)**
- (b) Read the passage given below.
- (i) Make notes, using headings, sub-headings, and abbreviations wherever necessary. **(3 Marks)**
- (ii) Write summary. **(2 Marks)**
1. A good business letter is one that gets results. The best way to get results is to develop a letter that, in its appearance, style and content, conveys information efficiently. To perform this function, a business letter should be concise, clear and courteous.
 2. The business letter must be concise: don't waste words. Little introduction or preliminary chat is necessary. Get to the point, make the point, and leave it. It is safe to assume that your letter is being read by a very busy person with all kinds of papers to deal with. Re-read and revise your message until the words and sentences you have used are precise. This takes time, but is a necessary part of a good business letter. A short business letter that makes its point quickly has much more impact on a reader than a long-winded, rambling exercise in creative writing. This does not mean that there is no place for style and even, on occasion, humour in the business letter. While it conveys a message in its contents, the letter also provides the reader with an impression of you, its author: the medium is part of the message.
 3. The business letter must be clear. You should have a very firm idea of what you want to say, and you should let the reader know it. Use the structure of the letter—the paragraphs, topic sentences, introduction and conclusion—to guide the reader point by point from your thesis, through your reasoning, to your conclusion. Paragraph often, to break up the page and to lend an air of organisation to the letter. Use an accepted business-letter format. Re-read what you have written from the point of view of someone who is seeing it for the first time, and be sure that all explanations are adequate, all information provided (including reference numbers, dates, and other identification). A clear message, clearly delivered, is the essence of business communication.
 4. The business letter must be courteous. Sarcasm and insults are ineffective and can often work against you. If you are sure you are right, point that out as politely as possible, explain why you are right, and outline what the reader is expected to do about it. Another form of

courtesy is taking care in your writing and typing of the business letter. Grammatical and spelling errors (even if you call them typing errors) tell a reader that you don't think enough of him or can lower the reader's opinion of your personality faster than anything you say, no matter how idiotic. There are excuses for ignorance; there are no excuses for sloppiness.

5. The business letter is your custom-made representative. It speaks for you and is a permanent record of your message. It can pay big dividends on the time you invest in giving it a concise message, a clear structure, and a courteous tone.

- 2 (a) What is Visual Communication?
- (b) (i) Choose the word which best expresses the meaning of the given word. **(1 Marks)**
Perspicacious
(a) Bad (b) Clear (c) Hazy (d) Shrewd **(1 Marks)**
- (ii) Select a suitable antonym for the word given in question. **(1 Marks)**
Malevolence
(a) Benefitting (b) Tenderness (c) Indulgence (d) Kindness
- (iii) Change the following sentences into passive voice. **(1 Marks)**
Has she phoned him?
- (iv) Change the following sentences to indirect speech. **(1 Marks)**
She said to me, "What can I do for you?"
- (c) Write a précis and give appropriate title to the passage given below. **(5 Marks)**

English education and English language have done immense goods to India, in spite of their glaring drawbacks. The notions of democracy and self-government are the born of English education. Those who fought and died for Mother India's freedom were nursed in the cradle of English thought and culture. The West has made contribution to the East. The history of Europe has fired the hearts of our leaders. Our struggle for freedom has been inspired by the struggles for freedom in England, America and France. If our leaders were ignorant of English and if they had not studied this language, how could they have been inspired by these heroic struggles for freedom in other lands? English, therefore, did us great good in the past and if properly studied will do immense good in future.

English is spoken throughout the world. For international contact our commerce and trade, for the development of our practical ideas, for the scientific studies, English-is indispensable "English is very rich in literature," our own literature has been made richer by this foreign language. It will really be a fatal day if we altogether forget Shakespeare, Milton, Keats and Shaw.

- 3 (a) What do you understand by completeness in communication? **(1 Marks)**
- (b) (i) Choose the word which best expresses the meaning of the given word. **(1 Marks)**
Mercenary
(a) luring by false charms (b) poisonous (c) serving only for pay (d) unworthy **(1 Marks)**
- (ii) Select a suitable antonym for the word given in question. **(1 Marks)**
Boisterous
(a) calm (b) courageous (c) serenity (d) cheerful

- (iii) Change the following sentences into passive voice: **(1 Marks)**
They don't help you.
- (iv) Change the following sentence to indirect speech. **(1 Marks)**
Everybody said, "How well she sings."
- (c) You are SD, Senior Manager of BNM International and you want to host Diwali Party in your organization. Write a letter to FGH caterers to enquire about the services.
4. (a) Briefly discuss any 4 barriers of communications. **(2 Marks)**
- (b) (i) Select the suitable antonym for the given word: **(1 Marks)**
Indict
(a) reprimand (b) allege (c) condemn (d) acquit
- (ii) Rewrite the following sentence in active voice: **(1 Marks)**
Are you picked up by your mom?
- (iii) Change the following sentence into Indirect speech. **(1 Marks)**
Ria said to Siya, "Who were you speaking to over the phone?"
- (c) Write an Article of about 250-300 words on the topic '**Sports in India in present times**' **(5 Marks)**

Or

Write a report on '**Indian unicorn start-ups IPO launch**' in 250-300 words.

5. (a) What is the difference between Vertical and Horizontal Communication? **(2 Marks)**
- (b) (i) Select the correct meaning of the idioms/phrases used in sentences given below. **(2 Marks)**
1. The elephant in the room
(a) A slow person
(b) A fat person
(c) The useless person in the group
(d) The main issue
2. A man of straw
(a) A man of no substance
(b) A man without wife
(c) A man in the village
(d) None of the above
- (ii) Change the following sentence into Active Voice. **(1 Marks)**
The prize wasn't won by Sheena.

- (c) Prepare minutes of the meetings of a meeting with company heads and project members. The agenda of the meeting to discuss the progress of the project and discuss the hurdles. **(5 Marks)**

OR

Prepare a cover letter and detailed Résumé in the functional format for a candidate applying for the post of Article Assistant in a CA firm in Gomati Nagar in New Delhi.

Name: Jagjeet Singh

Qualifications: CA Intermediate