

CA FOUNDATION MAY/SEP 2026



BUSINESS LAWS

**LET'S WRITE
DAY-7**

PRACTICE DAILY, WIN CONFIDENTLY

FREE SANCHAY BATCH



CA WALLAH



Schedule



- 1 16/04 – The Companies Act, 2013
- 2 17/04 – The Partnership Act, 1932
- 3 18/04 – LLP + ICA
- 4 20/04 – The Indian Contract Act, 1872
- 5 21/04 – The Negotiable Instruments Act, 1881
- 6 22/04 – IRF + SOGA, 1930
- 7 23/04 – The Sale of Goods Act, 1930



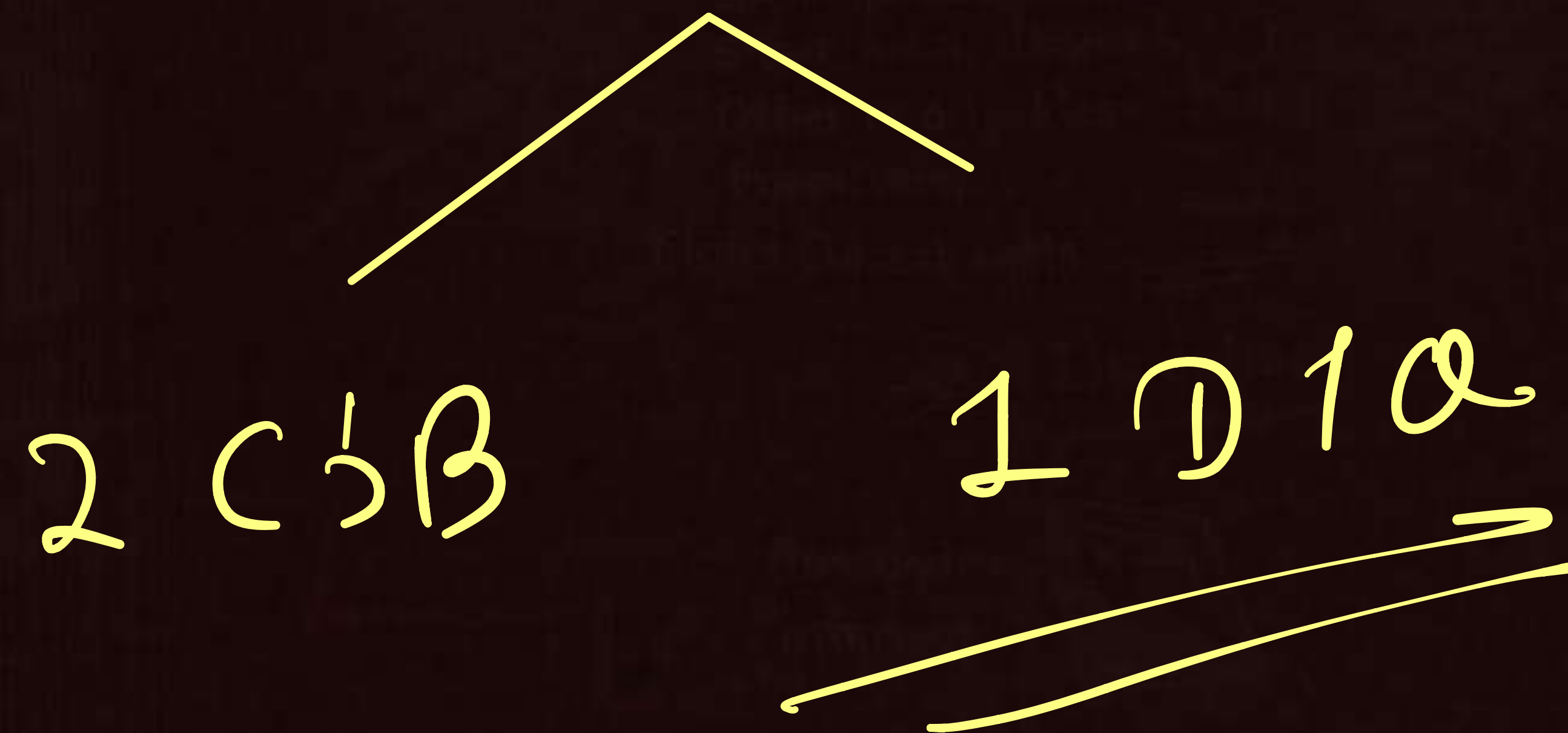


Topics to be Covered

1 23/04 - SOGA, 1930



Unit -> 2



+
3



ARE YOU READY?



Question No. 01



Q – Mrs. Geeta went to the local rice and wheat wholesale shop and asked for 100 kgs of Basmati rice. The Shopkeeper quoted the price of the same as Rs. 125 per kg to which she agreed. Mrs. Geeta insisted that she would like to see the sample of what will be provided to her by the shopkeeper before she agreed upon such purchase. The shopkeeper showed her a bowl of rice as sample. The sample exactly corresponded to the entire lot.





Question No. 01



The buyer examined the sample casually without noticing the fact that even though the sample was that of Basmati Rice but it contained a mix of long and short grains. The cook on opening the bags complained that the dish if prepared with the rice would not taste the same as the quality of rice was not as per requirement of the dish. ?

Now Mrs. Geeta wants to file a suit of fraud against the seller alleging him of selling mix of good and cheap quality rice.



Question No. 01



①
Will she be successful? Explain the basic law on sale by sample under Sale of Goods Act 1930?

Decide the fate of the case and options open to the buyer for grievance redressal as per the provisions of Sale of Goods Act 1930?

What would be your answer in case Mrs. Geeta specified her exact requirement as to length of rice?

[7m, MTP1, J26], [Sim, RTP, S25], [Sim, 7m, MDTP4, 7], [4m, MTP1, J25], [RTP, J25],

[7m, MTP3, Ju24], [Sim, RTP, D23], [6m, D19], [ICAI Module]

Answer - 1

Provision:-

As per section 17 of The Sale of Goods Act, 1930, in case of sale by sample, following are the implied conditions:-

a) Bulk shall correspond with the sample in quality.

b) Buyer shall have the reasonable
opportunity of comparing the bulk with
the sample.

c) Goods shall be free from latent
defect which makes it unmerchantable,
which would not be apparent on
reasonable examination.

Further, As per the rule of caveat
emptor, seller is no was responsible
for the bad selection of buyer.

facts of the case.

In the instant case, Geeta went to

purchase Basmati rice and examined the
sample casually without noticing that sample
was of mixture of long & short
grains. Cook complained on quality of
rice and gets want to sue the
seller for fraud.

Conclusion of the case.

from the above law & fact of the case, seller is no way liable for casual and bad selection of buyer.

As Geeta did not notice the sample carefully, hence, she could not file a

Case of Grand against the seller.

further, In the second part, If
heeta specified her exact requirement
of length of rice, there is an implied
condition that goods shall correspond with
description. If it is not as per

description, seller will held liable.



Question No. 02



Q – Akansh purchased a Television set from Jethalal, the owner of Gada Electronics on the condition that first three days he will check its quality and if satisfied he will pay for that otherwise he will return the Television set. On the second day, the Television set was spoiled due to an earthquake. Jethalal demands the price of Television set from Akansh. Whether Akansh is liable to pay the price under the Sale of Goods Act, 1930? If not, who will ultimately bear the loss?

[RTP,S24], [RTP,Ju24], [RTP,D22]

Answer - 2.

Provision: -

As per Section 24 of The Sale of Goods Act, 1930, if goods are delivered by seller on "sale or return" basis, the property passes to buyer

when: -

a) The Buyer signifies his approval or acceptance to seller or does any other act adopting the transaction.

b) If he does not specify his acceptance but retains the goods without giving notice of rejection, then if time is

fixed for return of goods, in such
case after the expiration of such time
and if no time is fixed, then on the
expiration of reasonable time.

(c) If buyer does something to the
goods which is equivalent to accepting

the goods, eg. pledge.

further, As per section 8, In case of
agreement to sell specific goods and

subsequently goods without any fault

As buyer or seller is perished or

damaged as no longer answer to their

description before risk passes to buyer,

Agreement is thereby avoided,

fact of the case.

In the instant case, Atkarsk purchased television from Jethel on sale or

return basis for first 3 days but

on the second day, television was
spoiled due to earthquake.

Conclusion of the case.

As per the above law & facts of
the case, when the television was
destroyed, property was not passed

to buyer i.e. Akansh, hence, he is
not liable to pay the price as
title follows ownership and the ownership
of television was with Jethalal.
Hence, Jethalal shall bear the loss
of television and preemption can be
avoided.



Question No. 03



Q - Distinction between Right of Lien and Right of Stoppage in Transit.

Answer - 3.

⇒ The distinction between Right of lien and Right of stoppage in Transit are as follows :-

(i) Essence of right of lien is to retain the possession while the right of stoppage in transit is to regain

the possession.

(ii) Seller should have the possession of the goods in case of lien whereas in case of stoppage in transit, the seller should have parted with the possession, the possession shall be with the carrier and buyer has not

acquired it .

(iii) Right of lien can be exercised even if buyer is not insolvent whereas right of stoppage in transit can be applied only when the buyer is insolvent .

(iv) Right of stoppage in transit begins

when the right of lien ends.

Hence, the starting point of stoppage

in transit is the ending point of

right of lien.

(v) Right of lien comes to an end as

the goods are out of possession of
seller but topp are in transit ends
as soon as the goods are delivered
to buyer,



Homework Q – Day 7



Q - Prashant reaches a sweet shop and ask for 1 Kg of 'Burfi' if the sweets are fresh. Seller replies' "Sir, my all sweets are fresh and of good quality." Prashant agrees to buy on the condition that first he tastes one piece of 'Burfi' to check the quality. Seller gives him one piece to taste. Prashant, on finding the quality is good, ask the seller to pack. On reaching the house, Prashant finds that 'Burfi' is stale not fresh while the piece tasted was fresh. Now, Prashant wants to avoid the contract and return the 'Burfi' to seller.



Homework Q – Day 7



Now, Prashant wants to avoid the contract and return the 'Burfi' to seller.

- (a) State with reason whether Prashant can avoid the contract under the Sale of Goods Act, 1930?
- (b) Will your answer be different if Prashant does not taste the sweet?

[RTP, Ju24, RTP, D21]



Homework Q – Day 7 – Ans



By virtue of provisions of Section 17 of the Sale of Goods Act, 1930, in the case of a contract for sale by sample there is an implied condition that the bulk shall correspond with the sample in quality and the buyer shall have a reasonable opportunity of comparing the bulk with the sample.

According to Section 15, where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description. If the goods do not correspond with implied condition, the buyer can avoid the contract and reject the goods purchased.



Homework Q – Day 7 – Ans



(a) In the instant case, the sale of sweet is sale by sample and the quality of bulk does not correspond with quality of sample. Hence, Prashant can return the sweet and avoid the contract.

(b) In the other case, the sale of sweet is the case of sale by description and the quality of goods does not correspond with description made by seller. Hence, answer will be same. Prashant can return the sweet and avoid the contract.



Homework Q – Day 1



Q - "The Memorandum of Association is a charter of a company". Discuss. Also, explain in brief the contents of Memorandum of Association.

[6m,D19], [6m,MTP2,Ju22], [6m,MTP1,D21]



Homework Q – Day 1 – Ans



The Memorandum of Association of company is in fact its charter; it defines its constitution and the scope of the powers of the company with which it has been established under the Act. It is the very foundation on which the whole edifice of the company is built.



Homework Q – Day 1 – Ans



Object of registering a memorandum of association:

- It contains the object for which the company is formed and therefore identifies the possible scope of its operations beyond which its actions cannot go.

- It enables shareholders, creditors and all those who deal with company to know what its powers are and what activities it can engage in. A memorandum is a public document under Section 399 of the Companies Act, 2013.

Consequently, every person entering into a contract with the company is presumed to have the knowledge of the conditions contained therein.



Homework Q – Day 1 – Ans



- The shareholders must know the purposes for which his money can be used by the company and what risks he is taking in making the investment. A company cannot depart from the provisions contained in the memorandum however imperative may be the necessity for the departure. It cannot enter into a contract or engage in any trade or business, which is beyond the power conferred on it by the memorandum. If it does so, it would be ultra vires the company and void.



Homework Q – Day 1 – Ans



Contents of the memorandum: The memorandum of a company shall state—

- a) the name of the company (Name Clause) with the last word “Limited” in the case of a public limited company, or the last words “Private Limited” in the case of a private limited company. This clause is not applicable on the companies formed under section 8 of the Act.
- b) the State in which the registered office of the company (Registered Office clause) is to be situated;



Homework Q – Day 1 – Ans



- c) the objects for which the company is proposed to be incorporated and any matter considered necessary in furtherance thereof (Object clause);
- d) the liability of members of the company (Liability clause), whether limited or unlimited
- e) the amount of authorized capital (Capital Clause) divided into share of fixed amounts and the number of shares with the subscribers to the memorandum have agreed to take, indicated opposite their names, which shall not be less than one share. A company not having share capital need not have this clause.



Homework Q – Day 1 – Ans



f) the desire of the subscribers to be formed into a company. The Memorandum shall conclude with the association clause. Every subscriber to the Memorandum shall take at least one share, and shall write against his name, the number of shares taken by him.



Homework Q – Day 2



Q - Dissolution of Partnership doesn't mean dissolution of firm". Do you agree with this statement? State any three situations where court can dissolve the Partnership firm.

[7m,MDTP9], [7m,Ju24], [4m,D19], [2m,Ju18]



Homework Q – Day 2 – Ans



Dissolution of Partnership doesn't mean dissolution of firm. According to Section 39 of the Indian Partnership Act, 1932, the dissolution of Partnership between all Partners of a firm is called the 'dissolution of the firm'.

Thus, the dissolution of firm means the discontinuation of the legal relation existing between all the Partners of the firm. But when only one or more Partners retires or becomes incapacitated from acting as a partner due to death, insolvency or insanity, the Partnership, the relationship between such a partner and other is dissolved, but the rest may decide to continue.



Homework Q – Day 2 – Ans



In such cases, there is in practice, no dissolution of the firm. The particular partner goes out, but the remaining Partners carry on the business of the firm, it is called dissolution of Partnership. In the case of dissolution of the firm, on the other hand, the whole firm is dissolved. The Partnership terminates as between each and every partner of the firm. Important note: Different mode of presentation to an answer Dissolution of Partnership doesn't mean dissolution of firm.

This statement can be proved with the help of some points of distinction between both of them, which are as follows:



Homework Q – Day 2 – Ans



Dissolution of Firm Vs. Dissolution of Partnership

Basis	Dissolution of Firm	Dissolution of Partnership
Continuation of business	It involves discontinuation of business in Partnership.	It does not affect continuation of business. It involves only reconstitution of firm.
Winding up	It involves winding up of the firm and requires realization of assets and settlement of liabilities.	It involves only reconstitution and requires only revaluation of assets and liabilities of the firm.
Order of court	A firm may be dissolved by the order of the court.	Dissolution of Partnership is not ordered by the court.
Scope	It necessarily involves dissolution of Partnership.	It may or may not involve dissolution of firm.
Final closure of the books	It involves final closure of books of the firm.	It does not involve final closure of the books of the firm.



Homework Q – Day 3



Q - What is the meaning of contingent contract? Write briefly its essentials. Also, explain rules relating to enforcement of a contingent contract.

[6m,MTP1,J26], [RTP,J26], [6m,MDTP8,9], [6m,MTP2,J25], [6m,Ju24],

[7m,MTP2,Ju23], [7m,MTP1,Ju22], [7m,Ju21], [5m,MTP1,D20], [RTP,Ju20],

[RTP,Ju19], [7m,Ju18]



Homework Q – Day 3 – Ans



"A contract to do or not to do something, if some event, collateral to such contract, does or does not happen". Contracts of Insurance, indemnity and guarantee fall under this category.

Meaning of collateral Event: Collateral event is "an event which is neither a performance directly promised as part of the contract, nor the whole of the consideration for a promise".

Essentials of a contingent contract

(a) The performance of a contingent contract would depend upon the happening or non-happening of some event or condition. The condition may be precedent or subsequent.

(b) The event referred to as collateral to the contract. The event is not part of the contract. The event should be neither performance promised nor a consideration for a promise.

(c) The contingent event should not be a mere 'will' of the promisor. The event should be contingent in addition to being the will of the promisor.

(d) The event must be uncertain. Where the event is certain or bound to happen, the contract is due to be performed, then it is a not contingent contract. **OR**

08A) Rules Relating to Enforcement of a contingent contract: The rules relating to enforcement of a contingent contract are laid down in sections 32, 33, 34, 35 and 36 of the Act.

(a) Enforcement of contracts contingent on an event happening: Section 32 says that "where a contingent contract is made to do or not to do anything if an uncertain future event happens, it cannot be enforced by law unless and until that event has happened. If the event becomes impossible, such contracts become void".



Homework Q – Day 3 – Ans



(b) Enforcement of contracts contingent on an event not happening: Section 33 says that "Where a contingent contract is made to do or not do anything if an uncertain future event does not happen, it can be enforced only when the happening of that event becomes impossible and not before".

(c) A contract would cease to be enforceable if it is contingent upon the conduct of a living person when that living person does something to make the 'event' or 'conduct' as impossible of happening.

Section 34 says that "if a contract is contingent upon as to how a person will act at an unspecified time, the event shall be considered to have become impossible when such person does anything which renders it impossible that he should so act within any definite time or otherwise than under further contingencies".

(d) Contingent on happening of specified event within the fixed time: Section 35 says that Contingent contracts to do or not to do anything, if a specified uncertain event happens within a fixed time, becomes void if, at the expiration of time fixed, such event has not happened, or if, before the time fixed, such event becomes impossible.

(e) Contingent on specified event not happening within fixed time: Section 35 also says that - "Contingent contracts to do or not to do anything, if a specified uncertain event does not happen within a fixed time, may be enforced by law when the time fixed has expired, and such event has not happened or before the time fixed has expired, if it becomes certain that such event will not happen".



Homework Q – Day 3 – Ans



(f) **Contingent on an impossible event (Section 36):** Contingent agreements to do or not to do anything, if an impossible event happens are void, whether the impossibility of the event is known or not to the parties to the agreement at the time when it is made.



Homework Q – Day 4



Q - Rahul hired a car for 15 days from M/s Kushwah Travels. After five days, M/s Kushwah Travels demanded back his car from Rahul.

He was also agreed to compensate for any loss suffered by Rahul due to such premature return of goods.

But Rahul refused to return the car before the period of bailment i.e. 15 days.

M/s Kushwah Travels sued Rahul for recovery of car.

Referring to the provisions of the Indian Contract Act, 1872, whether M/s

Kushwah Travels can recover the car from the Rahul before the time fixed for bailment?

[RTP,S25]



Homework Q – Day 4 – Ans



Ans - According to the Section 159 of the Indian Contract Act, 1872, when the goods are lent gratuitously, the bailor can demand back the goods at any time even before the expiry of the time fixed or the achievement of the object. However, due to the premature return of the goods, if the bailee suffers any loss, which is more than the benefit actually obtained by him from the use of the goods bailed, the bailor has to compensate the bailee.

In the given problem, Rahul hired a car for 15 days from M/s Kushwah Travels but just after five days, M/s Kushwah Travels demanded back his car from Rahul. Rahul refused to return the car before the period of bailment, i.e. 15 days. M/s Kushwah Travels filed suit against Rahul for recovery of car.

Premature recovery of goods bailed available only in case of gratuitous bailment. If bailment is for hire, this right is not available to bailor even he is ready to compensate for such premature return. Hence, M/s Kushwah Travels cannot recover back the goods before 15 days.



Homework Q – Day 5



Q - Mr. Anil drew a bill of exchange in Kolkata on Mr. Bimal, a resident of New York, and made it payable in Delhi. On maturity, the bill was dishonoured, and Anil sued Bimal in India claiming interest at the rate of 18% as applicable in Kolkata. Bimal contended that his liability was governed by New York law, where the rate of interest was only 6%. Decide the liability of Bimal with reference to the provisions of the Negotiable Instruments Act, 1881

[RTP,J26]



Homework Q – Day 5 – Ans



Ans - Section 11 of the Negotiable Instruments Act, 1881 defines an inland instrument as a promissory note, bill of exchange, or cheque drawn or made in India and either payable in India or drawn upon a person resident in India. Section 12 provides that any instrument which is not an inland instrument is deemed to be a foreign instrument.

Further, Section 134 of the Act states that in the absence of a contrary contract, the liability of the maker or drawer of a foreign promissory note, bill of exchange or cheque is regulated by the law of the place where the instrument is made, whereas the liability of the acceptor or indorser is determined by the law of the place where the instrument is payable.

Here, the bill was drawn by Anil in Kolkata on Bimal, a resident of New York, and was made payable in Delhi. On dishonour, Anil claimed interest at 18% as per the law prevailing in India, while Bimal claimed that his liability should be limited to 6% under New York law.

Since the bill was drawn in India but made payable in Delhi, the liability of the acceptor (Bimal) is governed by Indian law, i.e., the law of the place of payment. Therefore, Bimal is liable to pay interest at 18% as claimed by Anil.



Homework Q – Day 6



Q - What are the rights of buyer against the seller, if the seller commits a breach of contract under the Sale of Goods Act, 1930?

[RTP,J26], [7m,MDTP5], [7m,J25], [7m,MTP1,S24], [6m,MTP2,D23], [6m,Ju23],

[RTP,Ju20]



Homework Q – Day 6 – Ans



Ans - If the seller commits a breach of contract, the buyer gets the following rights against the seller:

- 1. Damages for non-delivery [Section 57]:** Where the seller wrongfully neglects or refuses to deliver the goods to the buyer, the buyer may sue the seller for damages for non-delivery.
- 2. Suit for specific performance (Section 58):** Where the seller commits a breach of the contract of sale, the buyer can appeal to the court for specific performance. The court can order for specific performance only when the goods are ascertained or specific.



Homework Q – Day 6 – Ans



3. Suit for breach of warranty (section 59): Where there is breach of warranty on the part of the seller, or where the buyer elects to treat breach of condition as breach of warranty, the buyer is not entitled to reject the goods only on the basis of such breach of warranty. But he may -

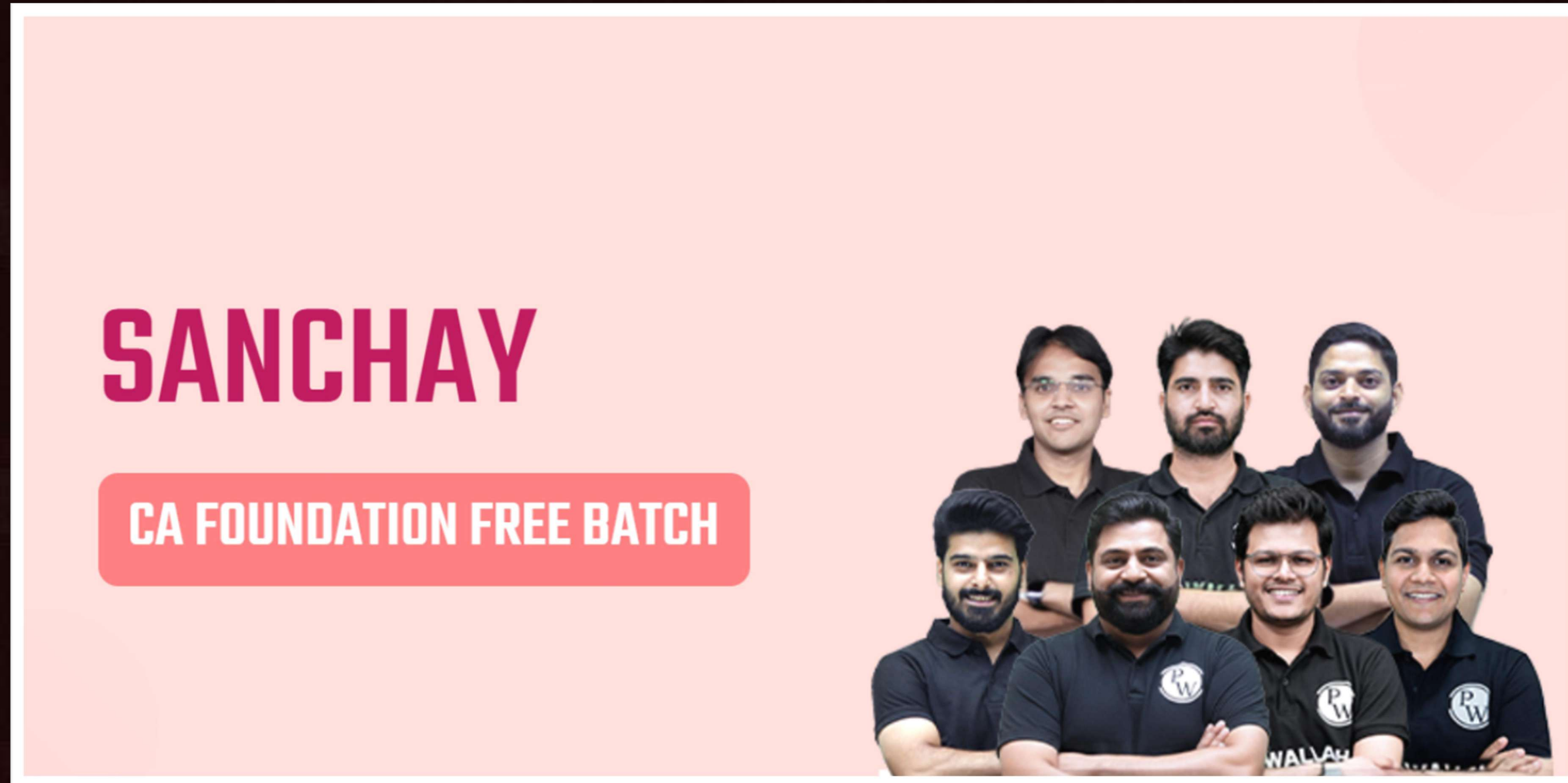
- (i) set up against the seller the breach of warranty in diminution or extinction of the price; or
- (ii) sue the seller for damages for breach of warranty.

4. Repudiation of contract before due date (Section 60): Where either party to a contract of sale repudiates the contract before the date of delivery, the other may either treat the contract as subsisting and wait till the date of delivery, or he may treat the contract as rescinded and sue for damages for the breach.

5. Suit for interest: Nothing in this Act shall affect the right of the seller or the buyer to recover interest or special damages, in any case where by law interest or special damages may be recoverable, or to recover the money paid where the consideration for the payment of it has failed.

In the absence of a contract to the contrary, the court may award interest at such rate as it thinks fit on the amount of the price to the buyer in a suit by him for the refund of the price in a case of a breach of the contract on the part of the seller from the date on which the payment was made.

Find the notes of the session here



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