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Roll No. ....

Total No. of Questions : 6

Total No. of Printed Pages : 16

Time allowed : 3 Hours

Maximum Marks : 100

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Answer to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

Question No. 1 is compulsory.

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

Working notes should form part of the answers.

SEAL

Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

Marks

1. (a) Rakesh intending to sell his used car, approached his friend to suggest the name of a reliable used car broker who can help to sell his car. His friend recommended the name of Vikash, a renowned and reliable broker. Vikash inspected the vehicle and there on the spot Rakesh informed Vikash that he has decided to sell the car for ₹ 12 Lakhs. He also informed Vikash that anyone who will be interested must give a token advance amount of ₹ 5 Lakhs at the time of the deal and to pay the balance amount

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of ₹ 7 Lakhs at the time of delivery of the vehicle. Vikash brought a potential customer Ravi for inspection of the vehicle, who inspected the same along with a mechanic brought by him. He was satisfied with the condition of the car. When Ravi informed Vikash about his interest, he came to know about the price of the car offered by Rakesh. Ravi told Vikash that he was prepared to purchase the car only for a total consideration of ₹ 10 Lakhs and immediately transferred an amount of ₹ 5 lakhs to Vikash's Bank Account through NEFT as advance, which was immediately transferred by Vikash to Rakesh. After a week when the parties met to conclude the sale, Ravi issued another cheque for only ₹ 5 lakhs as the final payment, which Rakesh rejected. Vikash tried to convince Rakesh that the condition of the car is such that it would not fetch more than ₹ 10 Lakhs. But Rakesh did not agree with Vikash.

Analysing the applicable provisions of the Indian Contract Act, 1872, answer the following questions as per the information given above.

- (i) Whether there is a legally valid and enforceable contract in this case.
- (ii) Briefly discuss the remedies available to Rakesh in this situation.
- (iii) What if Vikash (the broker) never actually (though unintentionally) told Ravi about the price of ₹ 12 Lakhs, however received ₹ 5 Lakhs anyway?

(b) Hitarth Foundation was incorporated under Section 8 of the Companies Act, 2013 in May 2020 with the object to promote a healthier lifestyle of the human beings while caring for the planet. Hitarth was one among the founder members of the Company. Mission of the Company was to inspire healthier living by providing pure, organic, and sustainably sourced products that nurture both people and the planet.

Hitarth Foundation was running successfully in terms of its objectives. Being well aware of the success of Hitarth Foundation, Ram & Sons a partnership firm, (in which Hitarth's father Ram was having 80% stake) invested 25% in the equity of Hitarth Foundation in April 2024.

A few days later, Mr. Ram started interfering in the business of Hitarth Foundation by supplying poor quality raw materials which defeated the main purpose of Hitarth Foundation of providing pure and organic products to nurture people and the planet.

Besides, Ram & Sons pressurized the directors of the Company and Hitarth Foundation succumbed by the pressure was forced to declare dividend of 10%. Ram & Sons withdrew its share of dividends whereas the other shareholders did not withdraw their share of dividend on the ground that Hitarth Foundation was incorporated for other purposes.

Some farmers, who were earlier supplying organic vegetables to Hitarth Foundation and were denied to supply their products after the interference of Ram & Sons, filed a complaint before the Central Government to revoke the license of Hitarth Foundation. The Central Government after hearing all the stakeholders gave a notice for revocation of license of Hitarth Foundation after issuing a show cause notice to the company. After revocation of

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license, the Central Government ordered for winding-up of Hitarth Foundation in public interest. Some directors of Hitarth Foundation approached you for your advice in the following matters.

- (i) Whether Ram & Sons can invest 25% in the total equity of Hitarth Foundation.
- (ii) Ram & Sons has withdrawn its share of dividends since it has 25% stake in Hitarth Foundation. Whether Hitarth Foundation should have denied for declaration of any dividend.
- (iii) Hitarth Foundation contended that the Central Government cannot give order for winding up of the Company. Maximum the Central Government can do is that it can revoke the license and thereafter Hitarth Foundation can run its business. Whether this contention was justified.

Analyzing the applicable provisions of the Companies Act, 2013 advise the directors.

- ) ABC & Co. a partnership firm is going to be dissolved. The partners seek your advice on the following points referring to the relevant provisions of the Indian Partnership Act, 1932 in this regard.
- (i) Right of partners to have business wound up after dissolution.
  - (ii) Continuing authority of partners for purposes of winding up.
  - (iii) Mode of Settlement of partnership accounts.

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2. (a) Romi went to a renowned furniture showroom named 'TRENDS IN DELHI' in Kirti Nagar, for the purpose of customizing and fixing a sofa in her office cabin. Within 30 minutes, she finalized one design which suited her office cabin colors scheme and space. Mr. Parth (owner of TRENDS IN DELHI) assured her that he will deliver the sofa within a month. Mr. Parth told her that the sofa will cost ₹ 45,000 and he will charge extra ₹ 4,500 towards cartage and corporate packing. The amount of ₹ 4,500 towards cartage and corporate packing must be paid by Romi at the time of delivery of the sofa and the remaining amount may be paid within the period fixed for approval of the transaction. He also assured Romi that he will be responsible for assembly and installation of the same without causing any harm to her office cabin, situated in the 9<sup>th</sup> floor of the building at no extra cost. Romi agreed with the terms and conditions of Mr. Parth but with the condition that she will not approve the sofa and return the same if it will not be perfect according to the size and color described. Mr. Parth agreed to this condition but fixed the maximum time by which Romi can reject the sale, i.e. 20 days after delivery and installation is over, for which Romi also agreed with.

As per the schedule, Mr. Parth sent the sofa to Romi's office. D (Employee of Parth) denied delivering the sofa at 9<sup>th</sup> floor by stairs as it was not accommodating in the service lift. Romi paid D ₹ 1,500 to deliver the sofa at 9<sup>th</sup> floor by stairs. After assembly and installation, she paid ₹ 4,500 for cartage and corporate packing as mutually agreed upon.

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One month later, when Mr. Parth asked for payment of ₹ 45,000, Romi said that she wants to return the sofa contending that it was not according to size and description of her office as she had mentioned at the time of buying the sofa. Alternatively, she was ready to pay only ₹ 25,000 towards the cost of the Sofa in place of ₹ 45,000 as the sofa was not according to her choice and exact requirements.

Analyzing the applicable provisions of the Sale of Goods Act, 1930, advise on the following with reasons :

- (i) Whether Romi can refuse to make the payment of ₹ 45,000 by mentioning that the sofa was not according to size and description which she described at the time of placing the order.
  - (ii) In your opinion whether Romi has signified her approval to Mr. Parth in any manner before the specified day of approval?
  - (iii) Whether Mr. Parth should file a suit against Romi for non-payment or he should accept ₹ 25,000 towards the full and final payment of sofa as there was remote chance of having a positive outcome of the suit and the sofa was customized and already delivered to Romi.
- (b) (i) Differentiate (any three points) between the Equity Shares with differential rights and Preference Shares under the Companies Act, 2013.
- (ii) Discuss the Doctrine of Constructive Notice.

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- (c) (i) Referring to the provisions of the Limited Liability Partnership Act, 2008 discuss the powers of the Central Government for issuing directions for taking corrective steps against an LLP being registered with a similar name of an existing LLP, company or a registered trademark of a proprietor under the Trade Marks Act, 1999 as is likely to be mistaken for it. Also discuss the power of the Central Government to suo-moto take steps towards redressal of the above issue on persisting non-compliance of such directions. 6
- (ii) "Out of the designated partners atleast one should be a resident in India". Elaborate upon the provision relating to designated partners as laid down, further defining a resident partner as provided in the Limited Liability Partnership Act, 2008.

3. (a) (i) Mr. Chand once an active partner in CHJ and Associates (a partnership firm) has lately taken a back seat due to his ailing health. He observed that the accounts of the firm were not being maintained properly and feared embezzlement by the other two partners. Keeping this in mind he assigned his interest in the firm to Mr. Niman, his nephew who is a qualified finance professional and has expertise in this field. 4

After some days of his nomination, Mr. Niman raised objection as to the transparency of the accounts and demanded an inspection of the books, which was refused by the other partners. A year later, CHJ and Associates decided to dissolve the partnership firm as the business was no longer profitable. Mr. Niman asked for the accounts of past 3 years to ascertain the share of profits been offered by the firm to him for which he was refused yet again.

Analysing the relevant provisions of the Indian Partnership Act, 1932, decide whether the firm was correct in refusing the inspection of accounts by Mr. Niman during its (Firm's) continuance.

Also decide whether Niman is legally eligible to ask for the accounts of the firm for past 3 years on dissolution. 400

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- (ii) Mr. Pramod a senior partner in PKL and Associates (a dairy product manufacturing firm having two partners) has been approached by Mr. Sanjay a raw material supplier of the Firm, to withdraw a long pending suit and settle through mediation and out of court settlement. The long pending matter relates to a dispute regarding supply of poor-quality raw materials by Mr. Sanjay to the Firm which has brought disrepute to PKL and Associates and had resulted in lowering of demand for the Firm's product in the market.

Mr. Sanjay as a part of out of court settlement has offered the Firm one of his properties at a price much below the market price. Mr. Pramod is considering to accept the offer as not only it would settle a long pending dispute, but also result in acquisition of a property to the firm at a price which is much below the market price. Mr. Pramod has communicated the above offer to the other partner Mr. Kumar whose view is not available at this moment as he is out of the state for some personal work.

Analysing the applicable provisions of the Indian Partnership Act, 1932 decide whether at this juncture Mr. Pramod as an active partner is authorized to withdraw the suit and acquire the property as offered by Mr. Sanjay when one of the partners has not offered his view.

*Cannot compromise IAP No.*

- (b) State Power Corp Private Limited was incorporated under the Companies Act, 2013 with 51% shares held by the Central Government to promote infrastructure for a future Information Technology project. The Board of the Company had the appropriate representation of the nominees of the Central Government. The Company performed extremely well in the

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initial years after incorporation. However, use of Artificial Intelligence in the field of Information Technology broke the backbone of the Company and its scale of performance nosedived during the last three years. State Power Corp Private Limited has neither conducted any business nor filed the required returns with the Registrar for the last two financial years. The Board now wishes to apply for 'Dormant' status. Some directors of the Company opined that having 51% stake of the Central Government, the Company should be considered as a Public Financial Institution in terms of the provisions of the Companies Act, 2013. In the contrary, some other directors also opposed that being a Private Company State Power Corp Private Limited even cannot be considered as a Government Company. The directors decided to procure your advice regarding the following matters:

- Inactive  
- Forged in  
Companies Act  
Not  
Applicable!

- (i) Having 51% stake of the Central Government whether State Power Corp Private Limited could be considered as a Government Company since it was incorporated as a private company. - Yes
- (ii) Whether State Power Corp Private Limited could be considered as a Public Financial Institution in terms of the provisions of the Companies Act, 2013. - No.
- (iii) Whether the Company is eligible to apply for availing the status of a Dormant Company. - Yes

Analyzing the applicable provisions of the Companies Act, 2013 advise the directors supported by justification.

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(c) Referring to the applicable provisions of the Indian Contract Act, 1872, answer the following:

(i) State the situations where Vindictive or Exemplary damage is awarded (with justification).

(ii) Penalty and liquidated damages have one thing in common that both are payable on the occurrence of a breach of contract. However, it is very difficult to draw a clear line of distinction between the two. State *any three* principles which may be helpful to differentiate between Penalty and liquidated damages.

(a) Mr. Bhusan is a businessman dealing in retail sale of jewellery made of gold and precious stones. He had approached RCK Bank Ltd. for a loan of ₹ 70 Lakhs for the purpose of expansion of his business. For availing the loan, Mr. Bhusan mortgaged gold bar worth ₹ 5 Lakhs and has arranged personal guarantee from Suresh, Suyash, Sumati and Suman, who have agreed to provide guarantee for ₹ 30 Lakhs, ₹ 20 Lakhs, ₹ 10 Lakhs and ₹ 10 Lakhs respectively in event of repayment failure on part of Mr. Bhusan. Mr. Bhusan invested the loan amount in the business and increased stock of jewellery and set up an additional jewellery showroom in the nearby area.

The gold bars which were mortgaged to the bank by physical transfer were lost due to a burglary committed in connivance with a bank's staff who could not be traced till today. Earlier Mr. Bhusan had also sold a Ganesha Idol made of gold during Diwali to the Bank (on the request of the Bank) to be kept at the Bank's main counter which was worth ₹ 5 Lakhs for which payment has not been made by the Bank so far. Meanwhile, due to a business downturn, Mr. Bhusan could not repay the loan and the Bank had to approach the guarantors for repayment of the unpaid amount. The Bank has asked the guarantors to contribute the deficit amount equally.

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Analysing the relevant provisions of the Indian Contract Act, 1872, decide:

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- (i) Whether the Bank's contention as to equal contribution by the persons who have provided guarantee is valid and if not, what amount should be paid by each of the guarantors.
  - (ii) What would be your answer regarding liability of each guarantor towards contribution in case the Bank makes changes in terms and conditions of the loan with Mr. Bhusan without consent and knowledge of any of the guarantors?

(b) Referring to the applicable provisions of the Negotiable Instruments Act, 1881, answer the following questions. 7

- (i) Negotiable instruments may be negotiated either by delivery or by indorsement and delivery.

State the situations when negotiable instrument is negotiated by the following modes: -

(A) By delivery only

(B) By delivery & indorsement

- (ii) Delivery is important in both cases, i.e. either by delivery only or by delivery & indorsement.

(A) Explain why delivery is essential for negotiation?

(B) Whether there is any circumstance where, instruments cannot be negotiated even by delivery thereof?

(c) Discuss the following terms which you would find while studying the Indian Regulatory Framework:

(i) Common Law

(ii) Principles of Natural Justice.

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5. (a) Rishi is having a farmhouse in the outskirts of Ambala. The clay of his farmhouse is very heavy and strong. In order to cultivate some seasonal vegetables, he approached a multi-brand dealer to buy a tractor and six automatic seed planter machines. He categorically specified the condition of the clay of his farmhouse to the dealer and also informed the dealer that he is relying upon the expertise of the dealer for this purpose. The dealer in turn suggested the tractor and automatic seed planter machines (which are independent of each other) of a particular leading brand. Rishi relying upon the expertise of the dealer purchased the above items through a single bill with separately itemized pricing that breaks down the individual costs for the tractor and each of the six seed planter machines with item serial number. While they were being used for digging the land and sowing seeds, the tractor broke down just after 16 days of use as it was found to be unsuitable for the purpose. In contrast, only one out of the six seed planter machines broke down on the same day as it was also unsuitable for the particular field. By this time all the other five seed planter machines were also used in the specified field by Rishi and found to be suitable. Consequently Rishi wanted to repudiate the entire contract and return the tractor and all the seed planting machines.

Analyzing the relevant provisions of the Sale of Goods Act, 1930, advise Rishi on the following based on the facts given above.

- (i) Can Rishi return the tractor of the leading brand?
- (ii) Can Rishi return all six seed planting machines?

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- (b) A minor cannot be bound by a contract because a contract with a minor is void and not merely voidable. Therefore, a minor cannot become a partner in a firm because partnership is founded on a contract. Though a minor cannot be a partner in a firm, he can nonetheless be admitted to the benefits of partnership.

Referring to the provisions of the Indian Partnership Act, 1932, discuss the rights and liabilities of a minor partner.

- (c) Briefly discuss the exceptions to the rule "Doctrine of privity of contract" as laid down under the provisions of the Indian Contract Act, 1872.

- (a) Examine the validity of the following instruments under the Negotiable Instruments Act, 1881, by providing justification in support of your conclusions (treating the three situations independent of each other)

(i) A promissory note for ₹ 25,000 executed by Alok, containing an undertaking to pay the unidentified person who brings his lost dog. Anand thereafter found and brought the dog and claimed the reward.

(ii) A signed bearer cheque was delivered by Alok as a reward to Anand for the already completed service of finding the lost dog.

(iii) Alok made a self-drawn and self-accepted bill of exchange and delivered it to Anand (as a reward) after the dog was found.

- (b) Referring to the applicable provisions of the Indian Contract Act, 1872, answer the following:

(i) Rights of finder of lost goods

(ii) Rights of Pawnee/Pledgee

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(b) Answer both of the following with reference to the provisions of the Indian Contract Act, 1872.

- (i) "The party defrauded has several remedies at his disposal". Discuss the remedies available to the party defrauded.
- (ii) State the circumstances under which a contract of bailment shall terminate.

(c) Referring to the provisions of the Sale of Goods Act, 1930, answer the following:

- (i) State the situations when a seller can restrain the passing of property to the buyer inspite of the fact that the goods have already been delivered to the buyer.

Also state the circumstances in which the seller is presumed to have reserved the right of disposal of the property in goods?

- (ii) Discuss the provisions with regard to determination of price by a third party.

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