

**FOUNDATION COURSE EXAMINATION**

December 2017

**P-3(FLE)  
Syllabus 2016**

**Fundamentals of Laws and Ethics**

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.*

*This paper contains six questions. All questions are compulsory,  
subject to instruction provided against each question.*

*Where necessary, suitable assumptions may be made and disclosed by way of a Note.*

*Please: (1) Answer all bits of a question at one place.*

*(2) Open a new page for answer to new question.*

**Section - A**

1. Choose the correct answer from the given four alternatives:

1×25=25

- (i) A void agreement is one
- (A) which is forbidden by law.
  - (B) enforceable at the option of one of the parties.
  - (C) which is not enforceable by law.
  - (D) enforceable by law.
- (ii) A contract is formed when the acceptor
- (A) has done something to signify his intention.
  - (B) makes his mind to do so.
  - (C) reads the offer.
  - (D) All of the above
- (iii) Express offers and acceptances may be proved by the agreement between the parties but implied offers can be proved only by
- (A) The words
  - (B) The conduct
  - (C) Circumstantial evidence
  - (D) Both (B) and (C)

**Please Turn Over**

- (iv) Sections 4 and 5 of the Indian Contract Act provide for communication of offer and acceptance and revocation thereof. In this relation, which one of the following is not correct?
- (A) Communication of offer is complete when it reaches the offeree.
  - (B) Revocation of acceptance is complete when acceptance is posted in favour of the proposer.
  - (C) A proposal may be revoked any time before communication of acceptance.
  - (D) Acceptance may be revoked any time before communication of acceptance.
- (v) Consider the following statements: Consideration is
1. A motive for any promise
  2. A price for any promise
  3. Only a moral obligation
  4. Something of value in the eye of law of these statements
- (A) 1, 2 and 3 are correct.
  - (B) 1 and 4 are correct.
  - (C) 2 and 4 are correct.
  - (D) 3 alone is correct.
- (vi) Two persons have the capacity to contract
- (A) if both are not of unsound mind.
  - (B) if none is disqualified from contracting by any law to which he is subject.
  - (C) if both have attained the age of maturity.
  - (D) All of the above
- (vii) Which of the following types of persons are not disqualified from contracting?
- (A) Foreign Sovereigns
  - (B) Alien Enemy
  - (C) Convicts
  - (D) None of the above

- (viii) When both the parties to an agreement are under a mistake as to a matter of fact essential to an agreement, the agreement is
- (A) Void
  - (B) Valid
  - (C) Voidable
  - (D) Illegal
- (ix) A agrees to sell to B a 'hundred tons of oil'. There is nothing whatever to show what kind of oil was intended. The agreement is
- (A) Valid
  - (B) Void for uncertainty
  - (C) Voidable
  - (D) Illegal
- (x) A promised B to obtain an employment for him in a public office. B promised to pay ₹ 2,000 to A for this. B gets a job through A but refuses to pay the money. A can
- (A) challenge B's appointment on the ground of non-payment of money.
  - (B) sue B for ₹ 2,000.
  - (C) do nothing.
  - (D) Both (A) and (B)
- (xi) Which one of the following is not a characteristic of a contingent contract?
- (A) Performance depends upon a future event.
  - (B) The event must be uncertain.
  - (C) The event must be collateral to the contract.
  - (D) There must be reciprocal promises.
- (xii) A gives a recognizance binding him in a penalty of ₹ 500 to appear in the court on a certain day. He forfeits his recognizance. He is
- (A) liable to pay the whole penalty.
  - (B) not liable to pay the penalty.
  - (C) liable to pay partially.
  - (D) None of the above

- (xiii) Agreement by way of wager are
- (A) Valid and enforceable by law
  - (B) Void
  - (C) Voidable at the option of party
  - (D) Illegal
- (xiv) A valid tender or offer of performance must be
- (A) made at proper time.
  - (B) made at proper place.
  - (C) made to the proper person.
  - (D) All of the above
- (xv) A, dealing in baby foods, sends samples by train for being exhibited at a Consumer Product's Show which fact was made known to the railway company. The goods reached the destination after the show was over. A sued the railway company for damages. A will be entitled to
- (A) Ordinary damages
  - (B) No damages
  - (C) Exemplary damages
  - (D) Special damages
- (xvi) 'Goods' means
- (A) every kind of movable property other than actionable claims and money.
  - (B) some kinds of immovable property only.
  - (C) every kind of movable property including actionable claims and money.
  - (D) Both (A) and (B)
- (xvii) 'Future Goods'
- (A) can be the subject matter of sale.
  - (B) cannot be subject matter of sale.
  - (C) sometimes may be the subject matter of sale.
  - (D) depends on circumstances.

- (xviii) The doctrine of Caveat emptor is not applicable
- (A) in case of sale under a patent name.
  - (B) in case of sale under a trade name.
  - (C) where the seller is guilty of fraud.
  - (D) where the buyer relies on the skill and judgement of the seller.
- (xix) "Nemo dat quad non habet", means
- (A) no one is greater than God.
  - (B) none can give who does not himself possess.
  - (C) every one can give everything he has.
  - (D) everyone is bound by his habit.
- (xx) Delivery of goods means
- (A) voluntary transfer of possession.
  - (B) compulsory transfer of possession.
  - (C) exchange of goods.
  - (D) voluntary transfer of ownership.
- (xxi) Unpaid seller can exercise his right of withholding delivery of goods
- (A) even when property in goods has passed to the buyer.
  - (B) only when property in goods has not passed to the buyer.
  - (C) Either (A) or (B)
  - (D) Neither (A) nor (B)
- (xxii) Where the sale is not notified to be subject to a right to bid on behalf of seller, and the Auctioneer knowingly takes any bid from the seller or any such person, the sale shall be treated as \_\_\_\_\_ by the buyer.
- (A) unlawful
  - (B) illegal
  - (C) immoral
  - (D) fraudulent

- (xxiii) The undertaking contained in promissory note, to pay a certain sum of money is  
(A) conditional.  
(B) unconditional.  
(C) may be conditional or unconditional depending upon the circumstances.  
(D) None of the above
- (xxiv) Which of these is not a Negotiable Instrument as per the Negotiable Instrument Act, 1881?  
(A) Bill of Exchange  
(B) Delivery Note  
(C) Bearer Cheque  
(D) Share Certificate
- (xxv) When a cheque is payable across the counter of a bank it is called  
(A) OTC Cheque  
(B) Open Cheque  
(C) Crossed Cheque  
(D) Restricted Cheque

2. Match the following:

1×5=5

|       | Column A              |     | Column B                       |
|-------|-----------------------|-----|--------------------------------|
| (I)   | Valid Contracts       | (P) | Delivery by attornment         |
| (II)  | Novation              | (Q) | Unconditional order            |
| (III) | Error in Consensus    | (R) | Enforceable at law             |
| (IV)  | Constructive Delivery | (S) | Substitution of a new contract |
| (V)   | Bill of Exchange      | (T) | Absence of consent             |

3. State whether the following statement is *True* or *False*:

1×12=12

- (i) S agreed to sell 10 silver coins for ₹ 4,000 to B. This is an example of contract of sale.
- (ii) Appointment of agent for the creation of an agency without any consideration is valid under Section 185 of the Contract Act.
- (iii) Conditions and warranties can be implied or expressed.
- (iv) Quiet possession, freedom from encumbrance, disclosing dangerous nature of goods, etc. are expressed conditions in a contract sale.

- (v) If a finder of lost goods could not find the true owner with reasonable effort or the true owner refuses to pay the lawful charges of the finder of lost goods, the finder of lost goods can sell such goods when the lawful charges of the finder of lost goods amounts to  $\frac{1}{3}$ rd of its value.
- (vi) Void contracts do not provide any legal remedy for the parties to the contract.
- (vii) Remaining silent with respect to the known defects fraudulent.
- (viii) A mows B's lawn without asked by B to do so. B watches A do the work but does not attempt to stop him. Thus A is entitled to get consideration from B.
- (ix) A invites B to dinner in a top class restaurant. B accepts the invitation but fails to turn up. A incurred certain expenses on this account. Under the Contract Act, A can sue B for own damage.
- (x) In a voidable contract, if a third party who purchased goods in good faith and for consideration before the contract is repudiated, acquires good title to those goods.
- (xi) If in certain special cases of breach of contract, if the court is of opinion that there is no standard for ascertaining the actual damage caused by the non-performance, the court may in such cases, order specific performance of the contract.
- (xii) A negotiable instrument may be payable to two or more persons jointly or it may be made payable in the alternative to one of two or one or some of several payees.

4. Answer *any four* of the following questions:

7×4=28

- (i) General rule is *ex-nudopacto non oritur action* i.e. an agreement made without consideration is void but there some exception to "no consideration. No contract", state such exceptions.
- (ii) What are the exceptions to the Rule that a stranger to a contract can not sue?
- (iii) What are the features of a Quasi contract?
- (iv) What are the implied Warranties in a contract of sale?
- (v) How and when the ownership in goods passes from the seller to the buyer under sales known as "goods on approval or on sale or return"?
- (vi) What is "Special Crossing" on a negotiable instrument? Mention the benefits of Special Crossing.

3+4=7

**Section - B**

1. Choose the correct answer from the given four alternatives:

1×12=12

- (i) Business ethics has a \_\_\_\_\_ Application.
- (A) Universal
  - (B) Practical
  - (C) General
  - (D) Limited
- (ii) Business ethics calls for avoidance of
- (A) Self interest
  - (B) Monopoly
  - (C) Competition
  - (D) Competency
- (iii) Holders of Public Office should promote and support the seven principles of public life by \_\_\_\_\_ and prove to be example in whatever way they perform.
- (A) accountability
  - (B) integrity
  - (C) leadership
  - (D) honesty
- (iv) The relevance of ethics is in its
- (A) Principles
  - (B) Understanding
  - (C) Context
  - (D) Application

- (v) Which one of the following is not the seven principles of public life?
- (A) Selfishness
  - (B) Objectivity
  - (C) Content
  - (D) Honesty
- (vi) Ethics is a set of \_\_\_\_\_ of human conduct that govern the behaviours of individuals.
- (A) standards
  - (B) principles
  - (C) principles of standard
  - (D) None of the above
- (vii) Following is not the professional characteristics
- (A) Competency
  - (B) Character
  - (C) Compensation
  - (D) Competition (undercutting)
- (viii) Compliance is about obeying and adhering to
- (A) Laws
  - (B) Rules on Authority
  - (C) Discipline
  - (D) None of the above
- (ix) For survival of business
- (A) to have guidance on ethics.
  - (B) it is always better to follow appropriate code of conduct to survive in the market.
  - (C) need to obtain feedback from customers.
  - (D) to have Governments support.

- (x) Which of the following is an unethical business practice?
- (A) Malpractices
  - (B) Insider Trading
  - (C) Collusion
  - (D) All of the above
- (xi) Business Malpractices do not include
- (A) Black Marketing
  - (B) Adulteration
  - (C) Advertising
  - (D) Monopoly
- (xii) "It is difficult but not impossible to conduct strictly honest Business". It is a famous quote by
- (A) Peter Drucker
  - (B) George Bernard Shaw
  - (C) Mahatma Gandhi
  - (D) Adam Smith

2. State whether the following statement is *True* or *False*:

1×6=6

- (i) The object of Social Code of Conduct is to maintain, promote and elevate harmonious relationships.
- (ii) Selflessness is not one of the seven principles of public life.
- (iii) Customers have more trust and confidence in the businessmen who follows ethical rules.
- (iv) Business ethics relates to Government decision.
- (v) Business ethics are not gaining importance, because of growth of consumer movement.
- (vi) Compensation, competency and character are the three C's of professional character of Business ethics.

3. Answer any two of the following questions:

- (i) What relevance does ethics have to business? List at least six benefits of managing ethics in the workplace. 2+4=6
  - (ii) Many small firm owners believe that 'Business Ethics' do not really matter to them. They will get away with whatever they can in order to succeed. Critically examine why such a view of small firms might be common and whether it is likely to be accurate. 6
  - (iii) What is the difference between what is ethical and what is legal? 6
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