

FOUNDATION COURSE EXAMINATION

December 2019

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 question paper has two sections.

Both the sections are to be answered subject to instructions given against each.

Section - A

1. Answer all the questions:

Choose the correct answer from the given four alternatives:

1×25=25

- (i) A void contract
 - (A) is void from the very beginning.
 - (B) is valid in the beginning but becomes void later on.
 - (C) is enforceable at the option of one of the contracting parties only.
 - (D) None of the above
- (ii) Which one of the following does not connote 'goods' as defined in the Sale of Goods Act?
 - (A) Money
 - (B) Animals
 - (C) Debt
 - (D) Both (A) and (C)
- (iii) Acceptance takes place as against the proposer,
 - (A) when the letter of acceptance is posted by the acceptor.
 - (B) when the letter of acceptance is received by the proposer.
 - (C) when the offeree, writes the letter of acceptance, but doesn't post it.
 - (D) All of the above
- (iv) Conditions are stipulations
 - (A) essential to the main purpose of the contract.
 - (B) collateral to the main purpose of the contract.
 - (C) Either (A) or (B)
 - (D) Neither (A) nor (B)

- (v) Which of the following is an offer?
(A) The mere quotation of terms by trader
(B) The quotation of the lowest price in answer to enquiry
(C) Advertisement for sale or auction of goods
(D) Bids in an auction sale
- (vi) The general rule of Sale of Goods Act is, risk prima facie passes with
(A) Ownership
(B) Possession
(C) Delivery
(D) Custody
- (vii) Which one of the following has the correct sequence?
(A) Offer, acceptance, contract, consideration
(B) Offer, acceptance, consideration, contract
(C) Contract, acceptance, consideration, offer
(D) Offer, consideration, acceptance, contract
- (viii) The exceptions to the rule A stranger to a contract cannot sue are
(A) Beneficiaries in the case of trust.
(B) Family settlement.
(C) Assignment of contract.
(D) All of the above
- (ix) Delivery of the keys of a godown where goods are kept amounts to
(A) Actual delivery
(B) Symbolic delivery
(C) Constructive delivery
(D) All of the above
- (x) In Indian Law consideration must have been done at the desire of the promisor, if it is done at the instance of a third party or without the desire of the promisor, it is
(A) Consideration
(B) Not consideration
(C) Offer
(D) Promise
- (xi) Is a pronote executed in favour of a minor good in law?
(A) Yes
(B) No
(C) Not in normal cases
(D) Depends

- (xii) Right of Stoppage in transit can be exercised by the Unpaid Seller, where the Buyer
- (A) is solvent.
 - (B) becomes insolvent.
 - (C) acts fraudulently.
 - (D) acts smartly.
- (xiii) 'A' threatened to commit suicide if his wife did not execute a sale deed in favour of his brother. The wife executed the sale deed. This transaction is
- (A) voidable due to under influence .
 - (B) voidable due to coercion.
 - (C) void being immoral.
 - (D) void being forbidden by law.
- (xiv) Which one of the following statements is correct?
- (A) Void agreements are always illegal.
 - (B) Illegal agreements are voidable.
 - (C) Illegal agreement can be ratified by the parties.
 - (D) Illegal agreements are always void.
- (xv) In pretended bidding, sale is
- (A) voidable at the option of the seller.
 - (B) valid.
 - (C) voidable at the option of the buyer.
 - (D) illegal.
- (xvi) B, having discovered a vein of ore on the estate of A, adopts means to conceal, and does conceal, the existence of the ore from A. Owing to A's ignorance B is enabled to buy the estate at a low-price. The contract is
- (A) Valid
 - (B) Void
 - (C) Voidable at the option of A
 - (D) Invalid
- (xvii) A paid ₹ 500 to a Government servant to get him a contract for the canteen. The Government servant could not get the contract. Can A recover ₹ 500 paid by him to the Government servant?
- (A) Yes, the agreement between them is valid and enforceable.
 - (B) Yes, the agreement is not opposed to public policy.
 - (C) No, the agreement is a voidable agreement and can be avoided by A.
 - (D) No, the agreement is void.

- (xviii) Under section 118 of the Negotiable Instruments Act, 1881, it is presumed, until the contrary is proved, that every transfer of a negotiable instrument was made
- (A) after its maturity.
 - (B) before its maturity.
 - (C) at its maturity.
 - (D) None of the above
- (xix) Which of the following statement is false in connection with the contingent contract?
- (A) The event must be collateral.
 - (B) The event must be uncertain.
 - (C) The event should not be mere will of the promisor.
 - (D) None of the above
- (xx) Who is liable for necessities supplied to a minor?
- (A) The guardian of the minor
 - (B) The minor
 - (C) His property
 - (D) None of the above
- (xxi) Cheque is a _____.
- (A) Promissory note
 - (B) Bill of exchange
 - (C) Both (A) and (B)
 - (D) None of the above
- (xxii) A contract stands discharged
- (A) by performance of the contract.
 - (B) by breach of the contract.
 - (C) by agreement and novation.
 - (D) All of the above
- (xxiii) The maturity of a promissory note or bill of exchange is the date
- (A) at which it falls due.
 - (B) of its presentation.
 - (C) of its acceptance.
 - (D) None of the above
- (xxiv) Where the parties to a contract have agreed that a certain sum of money would be paid in case of breach of contract, the Court will ensure that
- (A) the exact amount mentioned in the contract is paid to the injured party.
 - (B) an amount not exceeding the stipulated amount is awarded.
 - (C) reasonable compensation not exceeding the amount stipulated is awarded.
 - (D) a sum exceeding the amount stipulated is awarded.

(xxv) _____ days grace period is allowed for payment of a Cheque.

- (A) 0
(B) 3
(C) 2
(D) 7

2. Match the following:

1×5=5

	Column 'A'		Column 'B'
(i)	Consensus-ad-idem	P	As much as is earned
(ii)	Warranty	Q	Mere delivery
(iii)	Quantum of Merit	R	Identity of minds
(iv)	Order of Instrument	S	Contingent Contract
(v)	Insurance Contract	T	Collateral to the main purpose of contract

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

1×12=12

- (i) Communication of offer is complete when the offerer writes the letter but does not post it.
- (ii) 'Caveat emptor' means buyer be aware.
- (iii) When the mode of acceptance is prescribed in the proposal then acceptance can be given in usual or reasonable mode.
- (iv) Voluntary transfer of possession of goods from one person to another is called delivery of goods.
- (v) Can the mere writing on bills of medical practitioners that interest at one per cent, per men-sum be charged, amounts to a contract?
- (vi) If a finder of lost goods could not trace the owner or the owner refuses to pay the lawful charges of the finder, the finder can resell the goods when the thing is perishable or when his lawful charges for finding the owner amount to 1/3rd of value of goods.
- (vii) Where a person is in a position to dominate the will of another person and uses that position to obtain an unfair advantage over the other, it is called undue influence.
- (viii) Negotiable Instruments can be transferred ad infinitum.
- (ix) Can a letter of acceptance to a Proposer, not correctly addressed, although posted, be said to have been "Put in a course of transmission" to him?
- (x) An instrument incomplete in some respect is known as inchoate instrument.
- (xi) Can there be an acceptance of an offer which has not come to the knowledge of the offeree?
- (xii) Share Certificates with Blank Transfer Deeds, Deposit Receipts and Mate's Receipts are Negotiable Instruments.

Please Turn Over

4. Answer any four of the following questions: 7×4=28

- (i) What is 'Fraud'? What are the acts under Section 17 of the Indian Contract Act that amounts to 'Fraud'? 7
- (ii) (a) A threatens to kill B if he (B) does not sell his house to A for ₹ 20 lakh. B agrees. A borrows ₹ 20 lakh from C who is also aware of the purpose of the loan. State what is the nature of these two agreements between A and B, and A and C. 1+2=3
- (b) L sent his servant to trace his lost grandson. When his servant had left, L announced a reward of ₹ 10,000 to anyone who traces his missing grandson. His servant found the boy and brought him home. When he came to know about the reward later, he filed a suit against his master (L) to recover the reward. State whether the Indian Contract Act supports the servant's claim. 4
- (iii) (a) Mention the effects of 'Undue Influence' as per the provisions of Indian Contract Act. 4
- (b) Who are declared as incompetent to make contracts under Indian Contract Act? 3
- (iv) What does the legal rule 'Nemo dat quod non habet' mean? Name the exceptional situations to this rule. 2+5=7
- (v) Explain the essential elements of a Contract of Sale. 7
- (vi) What is bill of exchange? What are the essential elements of a bill of exchange? 2+5=7

Section - B

5. Choose the correct answer from the given four alternatives: 1×12=12

- (i) The word ethics is derived from
- (A) Latin word 'ethike'.
 - (B) Greek word 'ethik'.
 - (C) Greek word 'ethike'.
 - (D) Latin word 'ethik'.
- (ii) 'It is difficult but not impossible to conduct strictly honest business' is famous quote by
- (A) Mahatma Gandhi
 - (B) Adam Smith
 - (C) George Bernard Shaw
 - (D) Peter Drucker
- (iii) This is not of the 7 principles of Public Life—
- (A) Integrity
 - (B) Honesty
 - (C) Content
 - (D) Accountability

- (iv) The term 'business ethics' came into common use in year _____.
- (A) 1950
 - (B) 1960
 - (C) 1970
 - (D) 1980
- (v) Ethics is a set of _____ of human conduct that govern the behaviour of individuals or organizations.
- (A) principles
 - (B) standards
 - (C) principles or standards
 - (D) None of the above
- (vi) _____ is about obeying and adhering to rule and authority.
- (A) Ethics
 - (B) Code
 - (C) Conduct
 - (D) Compliance
- (vii) Which of the following is an unethical business practice?
- (A) Collusion
 - (B) False Communication
 - (C) Insider Trading
 - (D) All of the above
- (viii) Administrative corruption includes 'gifts' to the _____.
- (A) factory inspector
 - (B) boiler inspector
 - (C) pollution control board inspectors
 - (D) All of the above
- (ix) Business ethics is based on well accepted _____.
- (A) moral and social values
 - (B) social values only
 - (C) moral values only
 - (D) None of the above
- (x) Business ethics has a _____ application.
- (A) universal
 - (B) natural
 - (C) practical
 - (D) None of the above

(xi) _____ are beliefs about what is right and wrong or good or bad.

- (A) Mores
- (B) Motivators
- (C) Cultures
- (D) Ethics

(xii) Business Ethics is _____ in nature.

- (A) absolute
- (B) not absolute
- (C) permanent
- (D) None of the above

6. State whether the following statement is True or False:

1×6=6

- (i) Ethics has evolved with evolution of Society.
- (ii) Morals refers to well-founded standards of right and wrong that describe what humans ought to do in terms of rights, obligations, benefits to society.
- (iii) Law is Codification of ethics.
- (iv) Holders of public office are not accountable for their decisions and actions to the public.
- (v) Business ethics is also called as corporation ethics.
- (vi) Business ethics is not a pure science but a professional practice, and society expects businessmen to abide by the principles of civil society.

7. Answer *any two* of the following questions:

6×2=12

- (i) What is Business Ethics? 6
- (ii) Why Ethics and Law are not same? 6
- (iii) (a) Name the three C's of Business Ethics. 2
(b) How do ethics help in smooth functioning of business? 2
(c) How do business ethics help in improving customers' confidence? 2