

C2 - Shaan - Gupta

Mock Test Paper - Series II: January, 2025

Date of Paper: 2<sup>nd</sup> January, 2025

Time of Paper: 10.30 A.M. to 1.30 P.M.

**FOUNDATION COURSE**

**PAPER – 2: BUSINESS LAWS**

Question No. 1 is compulsory.

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

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

(Time allowed: 3 Hours)

(100 Marks)

1. (a) (i) Mr. A was running an orphanage. His friend Mr. S a philanthropist agreed to donate ₹ 2 lakh for treatment of a child, who was suffering from cancer. On emergency, Mr. A incurred ₹ 1.5 lakh on treatment of child. Now, Mr. S refused to pay. Whether Mr. A can claim ₹ 1.5 lakh from Mr. S with reference to provisions of the Indian Contract Act, 1872? (3 Marks)

25 Charity 1.5 lakhs

(ii) Mr. L let out his residential house to Mr. M for ₹ 50,000 p.m. for a period of one year. According to the Rent agreement, electricity bill will be paid by Mr. L. But Mr. L could not pay electricity dues up to 5 months, due to his financial hardships. The Electricity Board sent the notice of disconnection, if it is not paid within a week's time. To avoid all this, Mr. M paid the electricity bill of ₹ 50,000 with penalty. Later on, L refused to reimburse ₹ 50,000 and argued that he has paid bill voluntarily because of his own interest. Decide with reference to provisions of the Indian Contract Act, 1872 whether Mr. M is entitled to be reimbursed by Mr. L? (4 Marks)

Quasi

69

Indian Contract Act

Payment by interest Party

(b) (i) XYZ Ltd. was incorporated to hold the patent for a new product. The company is expecting to start its commercial production within the next two years. In the meanwhile, for timely installation, the company has placed the purchase order for plant and machinery with a down payment of ₹ 1 crore. Referring to the provisions of the Companies Act, 2013 examine, whether the company can go for acquiring the status of a dormant company? (4 Marks)

Inactive

dormant

Act

Maintenance

M A A F

Fees

Allotment

(ii) Mike LLC incorporated in Singapore having an office in Pune, India. Analyze whether Mike LLC would be called a foreign company as per the provisions of the Companies Act, 2013? Also explain the meaning of foreign company. (3 Marks)

2(42)

(c) State the modes by which a partner may transfer his interest in the firm in favour of another person under the Indian Partnership Act, 1932. What are the rights of such a transferee? (6 Marks)

Section 29

~~3~~ ~~3~~ ~~3~~ ~~3~~ ~~3~~

4 → facts ✓

b(ii)

## Law

As per section 2(42) a foreign company is a company incorporated outside India and has a place of business in India and does business in India either physical, agency or electronically or by any other means.

## Conclusion

Mike LLC incorporated in Singapore having office in Pune is a foreign company in India.

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- (ii) Mr. L let out his residential house to Mr. M for ₹ 50,000 p.m. for a period of one year. According to the Rent agreement, electricity bill will be paid by Mr. L. But Mr. L could not pay electricity dues up to 5 months, due to his financial hardships. The Electricity Board sent the notice of disconnection, if it is not paid within a week's time. To avoid all this, Mr. M paid the electricity bill of ₹ 50,000 with penalty. Later on, L refused to reimburse ₹ 50,000 and argued that he has paid bill voluntarily because of his own interest. Decide with reference to provisions of the Indian Contract Act, 1872 whether Mr. M is entitled to be reimbursed by Mr. L? **(4 Marks)**
- (b) (i) XYZ Ltd. was incorporated to hold the patent for a new product. The company is expecting to start its commercial production within the next two years. In the meanwhile, for timely installation, the company has placed the purchase order for plant and machinery with a down payment of ₹ 1 crore. Referring to the provisions of the Companies Act, 2013 examine, whether the company can go for acquiring the status of a dormant company? **(4 Marks)**
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- (c) State the modes by which a partner may transfer his interest in the firm in favour of another person under the Indian Partnership Act, 1932. What are the rights of such a transferee? **(6 Marks)**

2. (a) Sony, a friend of Priya wanted to buy her two-wheeler. Priya agreed to sell her two-wheeler to Sony and it was decided that price of her two-wheeler will be fixed by Priya's father, who is an auto dealer. Priya immediately handed over the keys to Sony. However, Priya's father refused to fix the price as he did not want Priya to sell her vehicle. Priya expressed her inability to sell the two-wheeler to Sony and asked for return, but Sony refused to return the same. Explain-

- (i) Can Priya take-back the vehicle from Sony?  
(ii) Will your answer be different, if Priya had not handed over the vehicle to Sony?

(b) Define OPC (One Person Company) and state the rules regarding its membership. Can it be converted into a non-profit company under Section 8 or a private company? (7 Marks)

(c) A LLP is a new form of legal business entity with limited liability. It's an alternative corporate business vehicle that only gives the benefits of limited liability at low compliance cost but allows its partners the flexibility of organizing their internal structure as a traditional partnership. Keeping in view of above, define the following characteristics of LLP.

- (i) Body Corporate ✓  
(ii) Mutual Agency ✓  
(iii) Foreign LLPs ✓  
(iv) Artificial legal person ✓
- pdf → ca-shaen-gupta
- is an LLP incorporated outside India but conducts business operations in India either physical or agency or electronic.

3. (a) P, Q and R formed a partnership agreement to operate motor buses along specific routes for a duration of 12 years. After operating the business for four years, it was observed that the business incurred losses each year. Despite this, P is determined to continue the business for the remaining Period. Examine with reference to the Indian Partnership Act, 1932, can P insist to continue the business? If so, what options are available to Q and R who are reluctant to continue operating the business? (4 Marks)

(i) A and B operate a textile merchant business in partnership. Mr. A finances the business and is a sleeping partner. In the regular course of business, B acquires certain fabric goods belonging to C. However, B is aware that these goods are stolen property. Despite this knowledge, B proceeds to purchase and sell some of these stolen goods. Moreover, B records proceeds from these sales in the firm's books. Now, A wants to avoid the liability towards C, on the grounds of misconduct by B. In the light of the provisions of the Indian Partnership Act, 1932 discuss the liability of A and B towards C. (3 Marks)

(b) (i) XYZ is a company incorporated under the Companies Act, 2013. The paid up share capital of the company is held by others as on 31.03.2024 in as under:

3(a)

(i) Law

According to **Section 44** of the Indian Partnership Act 1932,

- a fixed period partnership is a partnership which has a fixed duration of continuation and is dissolved on completion of such time period. however such partnership can be dissolved prior to such period with the consent of all partners.
- where a firm is incurring perpetual losses the partners can call for dissolution from the court where consent of all partners is not obtained.

Conclusion

- P can insist to continue the partnership firm as prior to 12 years closure is not possible
- A & R can approach the court to dissolve the partnership firm due to continuous losses.

## Meet bhai please ruk ja

2(a)

Law

According to section 9 read with section 10 of the Sale of Goods Act

- The price in a contract can be fixed by

- (a) manner prescribed
- (b) contract between parties
- (c) regular course of dealings

- In a contract of sale a price may be determined by a third party however where the third party refuses to determine the contract can be avoided, however if delivery of goods is made reasonable price has to be paid.

- Symbolic delivery is transfer of possession of goods by transfer of token related to the goods.

fact

Priya's father has refused to decide the price and prior to this keys are already handed over to Sony, and Priya wishes to avoid the contract.

Conclusion

(i) Priya cannot recover the vehicle from Sony.

(ii) In case Priya would not have handed over the vehicle to Sony he was eligible to avoid the contract.

40%

54%

Cg Sg

Cg+Sg

(1)	Government of India	20% + 10% + 10% = 40%	20% → Cg
(2)	Life Insurance Corporation of India (Public Institution)		8%
(3)	Government of Tamil Nadu	Sg	10%
(4)	Government of Rajasthan	Sg	10%
(5)	ABC Limited (owned by Government Company)		15%

As per above shareholding, state whether XYZ limited be called a Government Company under the provisions of the Companies Act, 2013. (4 Marks)

(ii) M and N holding 70% and 30% of the shares in the company. Both died in an accident. Answer with reference to the provisions of the Companies Act, 2013, what will be the legal effect on the company as both the members have died? (3 Marks)

*Law PS 2/20*  
*Conclusion*

Explain in brief with reference to the provisions of the Indian Contract Act, 1872, what are the rights enjoyed by Surety against the Creditor, the Principal Debtor and Co-Sureties? (6 Marks)

*subrogation/Indemnity*  
*Suit of Insolvent Share in Property*

4. (a) (i) Mr. J entered into an agreement with Mr. S to purchase his house for ₹ 20 lakh, within three months. He also paid ₹ 50,000/- as token money. In the meanwhile, in an anti-encroachment drive of the local administration, Mr. S's house was demolished. When Mr. J was informed about the incident he asked for the refund of token money. Referring to the relevant provisions of the Indian Contract Act, 1872 state whether Mr. J is entitled to the refund of the amount paid. (4 Marks)

*void impossibility*  
*GS*

(ii) Rama directs Shyam to sell laptops for him and agrees to give Shyam eleven percent (11%) commission on the sale price fixed by Rama for each laptop. As Government of India put restrictions on import of Laptops, Rama thought that the prices of laptops might go up in near future and he revokes Shyam's authority for any further sale. Shyam, before receiving the letter at his end sold 5 laptops at the price fixed by Rama. Shyam asked for 11% commission on the sale of 5 Laptops for ₹ 1 lakh each. Explain under the provisions of the Indian Contract Act, 1872:

*11%*  
 $100,000 \times 5$   
 $500,000 \times 11\%$   
 $55,000$

- Whether sale of laptops after revoking Shyam's authority is binding on Rama?
  - Whether Shyam will be able to recover his commission from Rama, if yes, what will be the amount of such commission?
- Contracting guarantee*  
*Incomplete*

(b) What are Inchoate and Ambiguous Instruments under the Negotiable Instruments Act, 1881? (7 Marks)

(c) Describe in brief about the following Regulatory bodies of the Government of India:

bio

## Law

According to section 2(45) of the Companies act which states that a government company is a company when at least 51% of total paid up capital is held by

- (i) CG or
- (ii) Any SG or
- (iii) Partly one or more State Govt and
- (iv) includes a company which is a subsidiary of both Govt company

## Conclusion

Since the total holding of both Central and State Governments combined does not exceed or become equal to 51% of capital it is not a government company (Government of India 20% + Government of Tamil Nadu 10% + Government of Rajasthan 10%) 40%.

- (i) Securities and Exchange Board of India →
  - (ii) Reserve Bank of India (1926) → (1925)
  - (iii) Insolvency and Bankruptcy Board of India
- BRBN  
NPCI  
(6 Marks)  
DTC

5. (a) (i) Ram sells 200 bales of cloth to Shyam and sends 100 bales by lorry and 100 bales by Railway. Shyam receives delivery of 100 bales sent by lorry, but before he receives the delivery of the bales sent by railway, he becomes bankrupt. Ram being still unpaid, stops the goods in transit. The official receiver, on Shyam's insolvency claims the goods. Decide the case with reference to the provisions of the Sale of Goods Act, 1930. (4 Marks)

(ii) Classify the following transactions according to the types of goods they are:

(6)

- (A) A wholesaler of cotton has 100 bales in his godown. He agrees to sell 50 bales and these bales were selected and set aside.
  - (B) A agrees to sell to B one packet of sugar out of the lot of one hundred packets lying in his shop.
  - (C) T agrees to sell to S all the apples which will be produced in his garden this year. Future
- (3 Marks)

(b) State the circumstances, in which a Court may, at the suit of the partner, dissolve a partnership firm under the provisions of the Indian Partnership Act, 1932. (4) Insolvency / Retirement / (7 Marks)

(c) In accordance with the provisions of the Indian Contract Act, 1872, answer the following:

- (i) Rights of Bailor against any wrong doer (Third Party)
  - (ii) Duties of the Pawnee
- Just & Equitable  
(6 Marks)

6. (a) Referring to the provisions of the Negotiable Instruments Act, 1881, answer the following in the given scenario:

LR  
Agent

(46) (57)

(i) Aman drew the bill of exchange (the bill) on Baban, who accepted it, payable to Magan or order. Magan indorsed the bill to Gagan. Gagan indorsed the bill to Akash to be delivered to him on the next day. However, on the death of Gagan on the same day, his only son Ankit delivered the bill to Akash on the next day as intended by his deceased father. On presenting the bill on the due date, Baban refused to pay. Explaining the importance of delivery in negotiation, decide whether Akash can enforce the payment of the bill against Baban or the previous parties. (4 Marks)

Domestic in India +

Resident in India (Mumbai)

Payable → LA

(4674362247)  
Inland Instrument



Q.6 (a) ← Krishna  
(i)

## Law

According to section 46 read 57 of the Negotiable Instrument Act.

Negotiation of an order instrument is only complete when the instrument is indorsed and delivery of the same is made by the indorser himself or his Agent.

Provided that legal representative and agent, the rights of both the entities are not the same, a legal representative cannot deliver the instrument to complete the negotiation of an instrument so in case of death of the indorser further negotiation is not possible.

## Conclusion

Akash cannot claim money from Baban or any of the other parties as the payment on the instrument can only be made if the negotiation is complete. Since negotiation is not complete payment is not possible.

MTP 2

done

C2 - Shaan - Gupta

whether the bill of exchange is an inland instrument or a foreign instrument. Assume that the bill of exchange was signed by the authorised person for the drawer company. **(3 Marks)**

~~(b)~~ Answer the following as per the provisions of the Indian Contract Act, 1872:

(i) 'Agent cannot personally enforce, nor be personally bound by, contracts on behalf of the principal' however there are some exceptions to this general rule, explain. **(4 Marks)**

(ii) State the rights of Indemnity-holder when sued. **(2 Marks)**

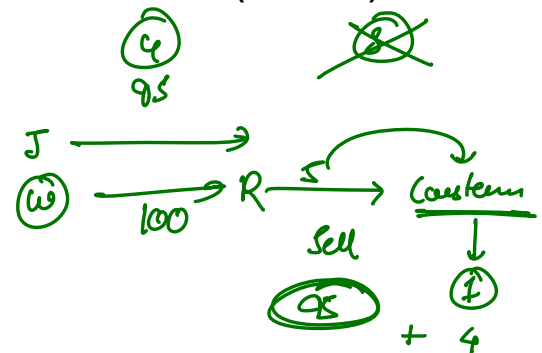
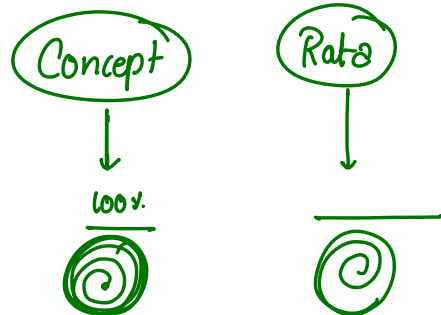
OR

(b) What is the meaning of contingent contract? Write briefly its essentials. Also, explain any three rules relating to enforcement of a contingent contract. **(6 Marks)**

(c) J, a wholesaler of premium Basmati rice delivered on approval 100 bags of rice of 10 kg each to a local retailer, on sale or returnable basis within a month of delivery. The next day the retailer sold 5 bags of rice to a regular customer K. A week later K informed the retailer that the quality of rice was not as per the price.

24 The retailer now wants to return all the rice bags to J, including the 4 bags not used by K. Can the retailer do so?

Also briefly describe the provisions underlying in this context of the Sale of Goods Act, 1930, **(7 Marks)**



600

Agent will be solely liable for the acts of his own under the following circumstance

- (1) Where the Agency is in relation to a principal located outside India - when an agent is the only representative of the principal in India then the agent shall represent the principal and be personally liable for such activities.
- (2) Where the Agent does not disclose the name of the principal - when the agent does not disclose the name of the principal then for all such contracts the agent is personally liable.
- (3) Non-existent or incompetent principal - where the principal is incompetent to contract then the Agent shall be personally liable.
- (4) Pretended Agent - if the agent is not actually an Agent and principal does not ratify the transaction the pretended Agent is himself liable.
- (5) When Agent Exceeds Authority - where the Agent performs any activity which is beyond his authority or operation, then it is expected that Authority has been breached and in such case agent is himself liable.

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