

# CA Foundation

## Paper 2- Business Laws

### Case Studies Questions

*By - CA Shantam Gupta*



# Question 1

ca - shaan - gupta Insta Bio drive link

ABC Limited was registered as a public company. There were 245 members in the company. Their details are as follows:

Directors and their relatives

190

Employees x

15

Ex-employees (shares were allotted when they were employees) x

20

Others

$$10 \times 2 = 20$$

10 =

200

20

(Including 10 joint holders holding shares jointly in the name of father and son)

The Board of directors of the company propose to convert it into a private company. Advice whether reduction in the number of members is necessary for conversion.

(4 Marks)

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2      3      fact x  
4 +      Marks fact ✓

### Question 1

#### Law

As per Section 2(68) of the Companies Act-2013 a private company is a company where the articles of association contain following restrictions

- (i) maximum number of members do not exceed two hundred;
- (ii) there is restriction as to transfer of shares;
- (iii) <sup>cannot</sup> invite public to subscribe to securities

Provided that,

- the employees who received shares during employment and continue to hold such shares even when employment ceases to occur shall not be included as members
- joint holders shall be counted as one.

#### fact

ABC limited with 245 members wishes to convert itself into a private company.

Directors	190
Ex-Employee	NA
Employees	NA
Joint holders	10
	<hr/>
	200

#### Conclusion

Since ABC Limited has exactly 200 members reduction in members shall not be required for the purpose of conversion.

## Question 2

Ayush, who is a minor, purchased 10 fancy coats for the wedding ceremony of his sister on credit from M/s Surjewala & sons. The cost of all coats was Rs 80,000. Not even a single coat was a necessity. Ayush has assets of worth of Rs. 1,00,000. M/s Surjewala & sons file a suit against Ayush for recovery of Rs. 80,000 out of his assets. Following the provisions of Indian Contract Act, 1872, whether Ayush is liable to pay ` Rs. 80,000 to M/s Surjewala & sons?  
(6 Marks)

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## Question 2

213

486

### Law

According to Section 11 of the Indian Contract Act any agreement with a minor is void ab initio, i.e. it is unenforceable by law, provided that Section 68 of the Indian Contract Act 1872 allows use of minor estate to recover any debt incurred towards necessity.

### Fact

Surajwala & Sone' have filed a suit against a minor for recovery of a debt of 80,000 in relation to suits acquired by Ayush from him.

### Conclusion

Since any agreement with a minor is void ab initio there is no claim against Ayush, since costs are not

necessity there is no claim of Surajwala and Sone against the minor.

### Question 3

Samar was in search of a second-hand car. For this purpose, he approached “Car Wala 007”, a dealer in pre-owned cars. The sales manager of “Car Wala 007” showed him three cars which were standing in the parking lane just outside the office. Samar finalised red Wagon R car. After completing the documenting formalities and receiving the price of car, sales manager of “Car Wala 007” handed over the key of car to Samar. But when Samar was coming to parking area for picking the car, the electric poll fell on the car which badly damaged the car. Samar claimed that repair expenses of the car should be borne by “Car Wala 007” as car was not delivered to him. Referring to the provisions of the Sales of Goods Act 1930, state who will be liable to get the car repaired?

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(6 Marks)

### Question 3

#### Law

According to the relevant provisions of the sales of goods act 1930, where a token of the goods is transferred from the seller to the buyer symbolic delivery is complete.

where ownership i.e. risk and rewards are transferred

the person who is the owner of such goods, irrespective

of the fact that delivery was made or not, the buyer

shall bear the risk.

#### fact

In the car parking lot a light pole has struck the car which has damaged the car after the keys were handed over to Samar, Carwala - 007 denied any repair claiming ownership was already transferred.

#### Conclusion

Carwala - 007 is correct in his approach that the damage was done after symbolic delivery of the keys was completed and hence the loss is Samar's responsibility.

Tommorrow I am going back home

So my flight is at 10:05pm

therefore there is no session

tommorrow

Frome

## Question 4

55

Mr. Nikhil has decided to get interior work for his new office. For this purpose, he entered into a contract with M/s Sherry Fine Interiors. It was agreed that M/s Sherry Fine Interiors will complete the interior work latest by 31st January, 2023. On 31st January, 2023, Mr. Nikhil observed that only 20% to 30% work has been completed. He decided to cancel the contract with M/s Sherry Fine Interiors. On cancellation of the contract, M/s Sherry Fine Interiors filed a suit against Mr. Nikhil for recovery of the cost which it has incurred on the interior work. Mr. Nikhil argued that M/s Sherry Fine Interiors did not complete the work within the time as per contract and further the work done till 31st January, 2023 by M/s Sherry Fine Interiors was of no use for him as he has to appoint a new interior designer. Explain, whether Mr. Nikhil is liable to pay the cost of work done by M/s Sherry Fine Interiors under the provisions of Indian Contract Act, 1872?

(4 Marks)

7100pm

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## Law

According to Section 55 of the Indian Contract Act 1872 states that where time is an essential component of the contract, then failing to perform the contract within stipulated time, gives the parties involved the right to rescind the contract.

## fact

Nikhil has given a contract for interior designing to MIS Shreey interiors, which the interior company failed to fulfill within stipulated time.

## Conclusion

Under provisions of contract Mr. Nikhil shall not be required to pay any compensation to Shreey interiors for the work done by them during the period of performance since work was not completed on time, in addition to the same work being of poor quality.

## Question 5

HIW

Mr. Samuel agreed to purchase 100 bales of cotton from Mr. Varun, out of his large stock and sent his men to take delivery of the goods. They could pack only 60 bales. Later on, there was an accidental fire and the entire stock was destroyed including 60 bales that were already packed. Referring to the provisions of the Sale of Goods Act, 1930 explain as to who will bear the loss and to what extent?

Answer

$$\begin{array}{r} 23 \\ + 26 \\ + 8 \\ \hline \end{array}$$

(6 Marks)

23/18

By - CA Shantam Gupta

Law

According to Section 26, Section 23 subject to section 8, where unascertain goods are put into deliverable state and delivery is to be made on an unconditional basis, the ownership is transferred when the goods are put into deliverable

Risk is prima facie transferred with ownership, irrespective of whether or not delivery is made to the buyer.

where the goods are destroyed without the fault of the buyer or the seller after the agreement to sale but prior to completion of sale contract, the agreement is void due to impossibility

fact

The men could pack only 60 bales of cotton while the entire stock was destroyed due to fire.

Conclusion

The loss upto 60 bales of cotton shall be borne by the buyer i.e. Mr. Samuel while remaining 40, the loss shall be borne by the seller, Mr. Vasun.

## Question 6

HW

Seller

Buyer

Ownership Transfer

Mr. G sold some goods to Mr. H for certain price by issue of an invoice, but payment in respect of the same was not received on that day. The goods were packed and lying in the godown of Mr. G. The goods were inspected by H's agent and were found to be in order. Later on, the dues of the goods were settled in cash. Just after receiving cash, Mr. G asked Mr. H that goods should be taken away from his godown to enable him to store other goods purchased by him. After one day, since Mr. H did not take delivery of the goods, Mr. G kept the goods out of the godown in an open space. Due to rain, some goods were damaged. Referring to the provisions of the Sale of Goods Act, 1930, analyse the above situation and decide who will be held responsible for the above damage. Will your answer be different, if the dues were not settled in cash and are still pending?

(6 Marks)

26

44

By - CA Shantam Gupta

Q6

Law

According to Section 26 of the Sale of Goods Act subject to section 44.

The risk and rewards related to the goods are transferred to the buyer irrespective of the fact whether delivery is made or not.

On wrongful refusal of the buyer to accept the goods any loss incurred by the seller in transit or due to damage of such goods the seller is eligible to recover the same from the buyer.

fact

Mr. G sold some goods to Mr. H, which he is delaying in accepting delivery, due to which Mr. G has kept the goods outside the godown where they are damaged by rain.

Conclusion

- The Buyer, Mr. H shall be responsible for such damages as he is the owner of such goods and has delayed delivery on his own account.
- If dues are not settled in cash, the answer shall remain the same, since ownership was transferred when the invoice was made to Mr. H.

## Question 7 ✓

M/s XYZ & Associates, a partnership firm with X, Y, Z as senior partners were engaged in the business of carpet manufacturing and exporting to foreign countries. On 25th August, 2016, they inducted Mr. G, an expert in the field of carpet manufacturing as their partner. On 10th January 2018, Mr. G was blamed for unauthorized activities and thus expelled from the partnership by united approval of rest of the partners. (33)

- (i) Examine whether action by the partners was justified or not?
- (ii) What should have the factors to be kept in mind prior expelling a partner from the firm by other partners according to the provisions of the Indian Partnership Act, 1932?

(6 Marks)

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## Question 7

### Law

a notice duly provided stating the facts of expulsion of a partner.

According to section 33 of the Indian Partnership 1932

a partner shall not be expelled from the firm unless

- such removal is in good faith,
- there is express provision in the deed granting such expulsion and
- majority partners approve such removal.

- (Provided that removal shall be in good faith where the same is in the best interest of the firm, notice is served to the partner being expelled and opportunity of being heard is given to such partner.)

### fact

Partners x, y, z admit G<sub>1</sub> as a new partner, who is now being charged of unauthorised activities.

### Conclusion

- (i) Since Mr. G<sub>1</sub> is charged with unauthorised activities he can be removed from the firm, by majority approval.
- (ii) The factors that shall be evaluated prior to expelling the partner involve analysis of good faith, opportunity of fair representation

## Question 8

education → necessity

Chhotu of 17 years has purchased a mobile of ₹ 25,000 for his online classes from Mobile Sales Centre on credit. On due date, he did not make the payment of mobile. Mobile Sales Centre sued Chhotu and his parents for the price of mobile. Chhotu has ₹ 15,000 as his cash balance but his father has enough money to pay the price of mobile. Who will be liable to pay the price of mobile under the provisions of Indian Contract Act, 1872?

(6 Marks)

By - CA Shantam Gupta

Q8

Prabal I dont know

law

According to **Section 11 Subject to Section 68** of Indian Contract Act 1872 any agreement with a minor is void ab initio, a minor cannot bind his parents by the contract entered by him unless the minor has acted as an agent of his parents. In case of necessities, for the minor his estate is liable for recovery, necessities shall include education, health services and infant services or funeral services.

fact

Chotu has purchased a mobile for 25,000 to take online classes, but he is unable to pay for the same, the mobile phone dealer wants to recover the same from his parents.

Conclusion

The seller can only recover 15,000 from Mr. Chotu which is a part of his estate, no recovery can be made beyond this point from the parents.

## Question 9

Insta @ca-shantan-gupta

A and B are partners in M/s Aee Bee & Company. Firm is doing business of trading of plastic bottles. A is authorised to sell the stock of plastic bottles. It was decided between them that A should sell the plastic bottles at the minimum price which they have decided and if A sell at a price less than minimum price, he should first take the permission of B. Due to sudden change in government policy, the price of plastic bottles was continuously declining. To save the loss of firm, A sold the stock at lower price. Meanwhile, A tried to contact B but couldn't do so as B was on foreign trip. Afterwards when B came, he filed the suit to recover the difference of sale price and minimum price to the firm. Whether B can do so under the provisions of Indian Partnership Act, 1932?

(6 Marks)

20 + 21 + 13e

By - CA Shantanu Gupta

Q9

Law

According to Section 20 subject to Section 13(c) of Indian Partnership Act 1932.

Any Authority of a partner may be extended or restricted subject to agreement between partners and any actions of a partner in course of emergency to protect the firm from any loss, shall be justified where such expense is incurred in the normal course of business in capacity of a prudent person.

fact

B was not in communication with A during the period of emergency in order to save the firm from the loss he sold the plastic bottle at a price lower than the minimum selling price.

Conclusion

B cannot recover any amount from Mr. A since, Mr. A has acted as a person in ordinary prudence to carry out a transaction protecting his firm from any loss, due to sudden fall in prices.

Jo Test 7 Jan ko hoga woh aapke  
liye free hoga I will pay for it

So Please prepare well Just Follow  
On insta for updates Ca - Shaan - gupta

# Question 10

Ram Bilas Yadav is a farmer. Anna Chips Company approached him and entered in a contract to supply 100 quintals of potatoes which to be grown in the fields belonging to Ram Bilas Yadav @ Rs1000/- per quintal. Anna Chips Company made the payment of price but delivery to be made after six months. Before the time of delivery, the whole crop of potatoes was destroyed due to flood. Anna Chips Company demanded the payment of price which is already made by it. Ram Bilas Yadav denied returning the price by saying that contract of sale was already entered and hence crop belongs to Anna Chips Company. Hence loss of crop must be borne by it. Referring to the provisions of the Sale of Goods Act, 1930, whether Anna Chips Company recover amount from Ram Bilas Yadav?

Future Goods

ATS

Section 8

SC

Goods damaged

void

64

voidable

65

void

(6 Marks)

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## Q10

### Law

According to Section 8 of the Sales of Goods Act 1930 where goods are destroyed after the agreement to sale but prior to sale contract, where such goods involving future goods which are of a specific nature are destroyed without the fault of the buyer or the seller, then the agreement is void due to impossibility of performance.

(YT)

CA Shantam Gupta

### Fact

Due to flood the potato supply promised by Ram Bilas for which payment was already made was destroyed and the contract could not be completed.

### Conclusion

Since the sale has become void due to supervening impossibility the farmer Ram Bilas shall be required to return back the amount accepted as an advance from Anna Chaps Company.

# Question 11 <sup>HW</sup>

CA - Shaan - Gupta

Seema was running a boutique in New Delhi. She was to deliver some cloth to her friend Kiran who was putting up an exhibition at Mumbai. Seema delivered the sewing machine and some cloth to a railway company to be delivered at a place where the exhibition was to be held. Seema expected to earn an exceptional profit from the sales made at this exhibition however she did not bring this fact to the notice of the railway's authorities. The goods were delivered at the place after the conclusion of the exhibition. On account of such breach of contract by railways authorities, can Seema recover the loss of profits?

NO

Indian Contract Act

72

(6 Marks)  
Special damages ~~Ordinary~~

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