

CA Foundation

Paper 2 - Business Laws

Case Studies Questions

By - CA Shantam Gupta



Question 1

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	15
Ex-employees (shares were allotted when they were employees)	20
Others	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)

By - CA Shantam Gupta

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)

By - CA Shantam Gupta

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?

By - CA Shantam Gupta

(6 Marks)

Question 4

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)

By - CA Shantam Gupta

Question 5

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?

(6 Marks)

By - CA Shantam Gupta

Question 6

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)

By - CA Shantam Gupta

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.

- (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)

By - CA Shantam Gupta

Question 8

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

Question 9

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)

By - CA Shantam 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?

(6 Marks)

By - CA Shantam Gupta

Question 11

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?

(6 Marks)

By - CA Shantam Gupta

Question 12

Ashwin goes to super market to buy a Air Conditioner. He selects a branded Air Conditioner having a price tag of Rs.40,000 after a discount of Rs.3000. Ashwin reaches at cash counter for making the payment, but cashier says, “Sorry sir, the discount was upto yesterday. There is no discount from today. Hence you have to pay Rs.43,000.” Ashwin got angry and insists for Rs.40,000. State with reasons whether under Indian Contract Act, 1872, Ashwin can enforce the cashier to sell at discounted price i.e. ` Rs. 40,000.

(4 Marks)

By - CA Shantam Gupta

Question 13

Mrs. Geeta went to the local rice and wheat wholesale shop and asked for 100 kgs of Basmati rice. The Shopkeeper quoted the price of the same as ₹125 per kg to which she agreed. Mrs. Geeta insisted that she would like to see the sample of what will be provided to her by the shopkeeper before she agreed upon such purchase. The shopkeeper showed her a bowl of rice as sample. The sample exactly corresponded to the entire lot. The buyer examined the sample casually without noticing the fact that even though the sample was that of Basmati Rice but it contained a mix of long and short grains. The cook on opening the bags complained that the dish if prepared with the rice would not taste the same as the quality of rice was not as per requirement of the dish. Now Mrs. Geeta wants to file a suit of fraud against the seller alleging him of selling mix of good and cheap quality rice. Will she be successful ? Explain the basic law on sale by sample under Sale of Goods Act 1930? Decide the fate of the case and options open to the buyer for grievance redressal as per the provisions of Sale of Goods Act 1930? What would be your answer in case Mrs. Geeta specified her exact requirement as to length of rice?

(6 Marks)

By - CA Shantam Gupta

Question 14

Ram consults Shyam, a motor-car dealer for a car suitable for touring purposes to promote the sale of his product. Shyam suggests 'Maruti' and Ram accordingly buys it from Shyam. The car turns out to be unfit for touring purposes. What remedy Ram is having now under the Sale of Goods Act, 1930?

By - CA Shantam Gupta

Question 15

Examine the validity of the following contracts as per the Indian Contract Act, 1872 giving reasons.

(i) X aged 16 years borrowed a loan of Rs.50,000 for his personal purposes. Few months later he had become major and could not pay back the amount borrowed, on due date. The lender wants to file a suit against X.

(ii) J contracts to take in cargo for K at a foreign port. J's government afterwards declares war against the country in which the port is situated and therefore the contract could not be fulfilled. K wants to file a suit against J.

(6 Marks)

By - CA Shantam Gupta

Question 16

P sells by auction to Q a horse which P knows to be unsound. The horse appears to be sound but P knows about the unsoundness of the horse. Is this contract valid in the following circumstances under the Indian Contract Act, 1872:

- (a) If P says nothing about the unsoundness of the horse to Q.
- (b) If P says nothing about it to Q who is P's daughter who has just come of age.
- (c) If Q says to P "If you do not deny it, I shall assume that the horse is sound." P says nothing.

(3 Marks)

By - CA Shantam Gupta

Question 17

Mr. M is one of the four partners in M/s XY Enterprises. He owes a sum of ₹6 crore to his friend Mr. Z which he is unable to pay on due time. So, he wants to sell his share in the firm to Mr. Z for settling the amount. In the light of the provisions of the Indian Partnership Act, 1932, discuss each of the following:

- (i) Can Mr. M validly transfer his interest in the firm by way of sale?
- (ii) What would be the rights of the transferee (Mr. Z) in case Mr. M wants to retire from the firm after a period of 6 months from the date of transfer?

(6 Marks)

By - CA Shantam Gupta

Question 18

X, Y and Z are partners in a Partnership Firm. They were carrying their business successfully for the past several years. Due to expansion of business, they planned to hire another partner Mr. A. Now the firm has 4 partners X, Y, Z and A. The business was continuing at normal pace. In one of formal business meeting, it was observed that Mr. Y misbehaved with Mrs. A (wife of Mr. A). Mr. Y was badly drunk and also spoke rudely with Mrs. A. Mrs. A felt very embarrassed and told her husband Mr. A about the entire incident. Mr. A got angry on the incident and started arguing and fighting with Mr. Y in the meeting place itself. Next day, in the office Mr. A convinced X and Z that they should expel Y from their partnership firm. Y was expelled from partnership without any notice from X, A and Z.

Considering the provisions of the Indian Partnership Act, 1932, state whether they can expel a partner from the firm. What are the criteria for test of good faith in such circumstances?

(6 Marks)

By - CA Shantam Gupta

Question 19

Rahul, a minor, falsely representing his age, enters into an agreement with a shopkeeper for a loan amount for purchasing a laptop. He gave his expensive watch as a security and took a loan of ₹ 40,000. He was very happy to get ₹ 40,000 and quickly went to the market and purchased a laptop worth ₹ 30,000. He happily spent the rest of the amount with his friends on a pleasure trip. Later on, Rahul realized that his watch was an expensive watch and he should not have given like this to the shopkeeper. So, he went back to the shopkeeper and asked for his watch back. Also, he refused to repay the loan amount. The shopkeeper disagrees to this and files a case against minor for recovery of the loan amount. Can the shopkeeper succeed in recovering the loan amount under the Indian Contract Act, 1872?

By - CA Shantam Gupta

Question 20

X, Y and Z jointly borrowed ₹90,000 from L. Decide each of the following in the light of the Indian Contract Act, 1872:

- (i) Whether L can compel only Y to pay the entire loan of ₹90,000?
- (ii) Whether L can compel only the legal representatives of Y to pay the loan of ₹90,000, if X, Y and Z died?
- (iii) Whether Y and Z are released from their liability to L and X is released from his liability to Y and Z for contribution, if L releases X from his liability and sues Y and Z for payment?

(6 Marks)

By - CA Shantam Gupta

Question 21

landlord

Mr. L let out his residential house to Mr. M for ₹50,000 p.m. for 3 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 ?

By - CA Shantam Gupta

Q.1

Law

According to Section 69 of the Indian Contract Act 1872. A quasi contract is not exactly a contract but resembles a contract, where payment of a debt owed to a particular person is discharged by an interested party, such interested person is eligible to recover such amount from the other party to the contract.

Fact

Mr. L has denied payment to Mr. M for the electricity bill discharged by Mr. M, stating that it was on his own motion

that he decided to pay off the electricity liability.

Conclusion

Mr. M has a lawful right to be reimbursed by Mr. L as it is Mr. L's quasi-obligation to return such amount to Mr. M.

9674362447

20

— Chapters One Shot — Complete

— Direct Questions — Complete

Yes ← — Exam day → 100% Marathon

— Case Studies → Everyday Upto 5th

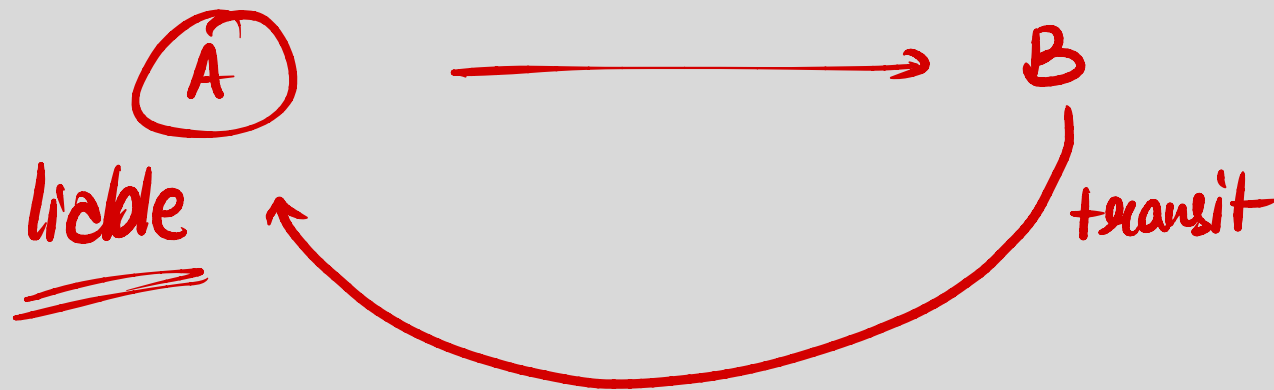
Separate Group
1st Jan
Test →

5th Full day Marathon Case Study

7th Jan → Free + Evaluated

Question 22

Mr. A offered to sell 25 chairs to Mr. B @ Rs. 1,500 per chair on 12.02.2024. A promised B that he would keep the offer open till 15.02.2024. However, on 13.02.2024, he sold those chairs to Mr. C @ Rs. 1,700 per chair without the knowledge of B. Mr. B communicated the acceptance of the above offer on 14.02.2024. Advise, with reference to provisions of The Indian Contract Act, 1872 whether Mr. B can claim damages from Mr. A ?



By - CA Shantam Gupta

Qad

ca-shaen-gupta insta follow Bio

law

Ha Divya Jain

According to section 5 of Indian Contract act 1872 states an offer can be revoked at any time prior to acceptance of an offer and acceptance is complete for the offeror when the letter of acceptance is put into transit.

fact

Mr. B has communicated the acceptance on 14.2.2024 prior to which chairs have been sold by Mr. A on 13.2.2024 and B is demanding damages.

Conclusion

In this case B cannot claim damages from A because the offer made by A was revoked on 13th after which it was accepted by Mr-B on 14th.

Question 23

2 3 (~~4~~)

4+ → fact

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

Yes a kar sakte hai

By - CA Shantam Gupta

Q23

Law

According to Section 25, any agreement without consideration is void however there are agreements where even without consideration agreement are valid, any agreement promising payment of a charitable amount is enforceable in court as a valid agreement.

Case law

As held in the case of *Grover Mohammed vs Kedarnath*

fact

Mr. S had refused to pay 1.5 lakh as promised by him after Mr. A has already incurred such amount on treatment.

Conclusion

Mr. A can claim 1.5 lakhs already incurred from Mr. S. Since the agreement is valid and enforceable by law.

Question 24

- (b) (i) Kamal, a Chartered Accountant started his e-commerce business by incorporating a One Person Company (the OPC) on 1st October, 2023. He, being a sole member of the OPC named his brother Sudhakar, with his consent, as his nominee in the Memorandum of Association of the OPC. Now, Kamal intends to replace Sudhakar and to nominate any one of the following short-listed friends as a nominee with effect from 1st January, 2024.
- (1) Robert, an Indian citizen, and a resident in India shifted his residence to the USA on 31st May, 2022 and has not returned to India till 1st January, 2024.
 - (2) Dinkar, an Indian citizen, and non-resident in India came for employment in India on 1st April, 2023 and have been continuously staying in India since then.

Referring to the provisions of the Companies Act, 2013, advise Kamal regarding eligibility of his short-listed friends to be appointed nominee and the procedure to be followed for changing the name of the nominee as per the provisions of The Companies Act, 2013.

By - CA Shantam Gupta

Q24

Law

According to Section 2(62) of the Companies Act 2013, an One Person Company (OPC) can be incorporated by an Indian Citizen, whether or not resident in India, but should stay in India for 120 days in the previous year. Similarly the member shall appoint a nominee who is also an Indian Citizen, whether or not resident, but should be in India for one hundred and twenty days in the previous year.

Conclusion

- (1) Robert is ineligible to be appointed as a Nominee since in the previous year 22-23 he has been in India for only 61 days i.e. (1st April to 31st May).

(2) Dinkar is ineligible to be appointed as a nominee since he has not stayed for even single day in India during the previous year 22-23.

Q1. What are the privilege of a section 8 company.

Q2 Aman and Priya entered into a contract wherein Aman agreed to sell his car to Priya for ₹5,00,000. The contract was signed by both parties, and the car was to be delivered to Priya on the 1st of December. Priya paid an advance of ₹50,000 on 1st November. On the 15th of November, Aman informed Priya that he was no longer willing to sell the car because he had found a better offer. Priya immediately sent a notice to Aman, demanding the car or the return of the advance. Aman refused to return the advance and insisted that the contract was not valid anymore because of the changed circumstances.

- Has Aman breached the contract under the Sales of Goods Act, 1930? Explain with reference to the conditions and warranties under the Act.

- What rights does Priya have under the Sales of Goods Act,

#shantamgupta #cafoundation #csg #icai
#30dayschallenge

View all comments

__gursimar__ 🔥

4 hours ago



Extra Question

Law

According to Section 57, 59 subject to section 14(a) of the Sales of Goods Act 1930, where the seller has failed to deliver the goods on the due date, the buyer can sue the seller for damages, the damages are in relation to breach of warranty and Anticipatory breach of contract with respect to the sale contract. The condition as to title prevents a non-owner or a person not having rights to transfer title from transferring valid ownership to another buyer.

Conclusion

- Aman has committed breach of the sale contract, which is prior to date of delivery this is anticipatory breach of contract.

as he has violated condition as to title under the sale of goods act

- Priya has the right to repudiate the contract as it is voidable at her option and can also ask for refund of advance. Priya can however also ask for specific performance but the same will be awarded at discretion of the court.

Indian Citizen

Resident

Stay

Yes

NO

120 days

In PY (Yes)

NO

(i)

NO

(ii)

~~IDC~~

22-23

61 X

IDC

22-23

0'

Indian Citizen AND 120 days Stay

Question 25

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 Rs. 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?

By - CA Shantam Gupta

Q25

Law

According to section 455 of the Companies Act 2013, a company can claim the status of a dormant company where it is an inactive company doing no significant accounting transaction, in the Companies Act the following are not considered as significant accounting transaction

Maintenance and Office Expenses

Allotment of Securities

Requirements of the Act.

- Fees paid to Registrar

Conclusion

Since, the transaction here is a order for plant and machinery which does not fall in the heading of exempted transactions and hence the company, XYZ Ltd is not an inactive company and therefore cannot claim the status of dormant company.

Question 26

M/s RK Traders (Buyer) made a contract with M/s CK Traders (Seller) for purchase of 2000 kg of basmati rice specifically grown in Chhattisgarh State should be packed in pink colour bags of 25 kg each to identify the place of origin by specifying the mode of packing of basmati rice. The seller agreed for specific packing of rice grown in Chhattisgarh State. However, by misunderstanding staff of seller packed the quantity of 1800 kg of basmati rice grown in the State of Maharashtra in white colour bags of 30 kg each and the remaining quantity of 200 kg, grown in Chhattisgarh State, in pink colour bags of 25 kg each. Referring to the provisions of the Sale of Goods Act, 1930 analyse, whether the buyer has the right to reject the entire quantity of basmati rice supplied by the seller. On the other hand what is the remedy available to buyer if he has to accept the entire quantity to fulfil his other contracts with other parties?

quality X
packing X
Mixed

(3)
(15) (18)

$$\frac{2000}{25} = 80 \text{ bag} \rightarrow \text{pink colour}$$

By - CA Shantam Gupta

Q26

Law

According to section 15 of the Sales of Goods Act 1930, where the goods are sold by description, there is an implied condition that all the goods shall comply description, where description is not complied with, the contract can be repudiated by the buyer.

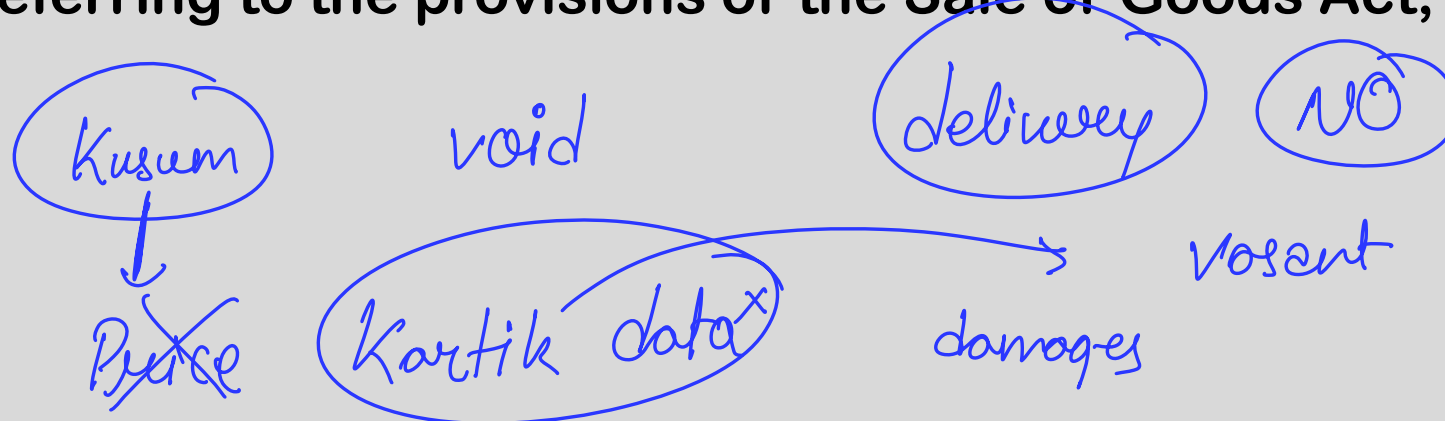
Section 13 of the Sales of Goods Act 1930 contains provisions that specify cases in which condition maybe treated as warranty, where the buyer elects to accept breach of condition as breach of warranty, and claim damages for the difference.

Conclusion

- The buyer has the right to reject the entire lot of goods as they did not comply with description.
- If the buyer accepts the entire quantity of goods he has the right to claim any damages in form of difference in price or quality from the seller.

Question 27

Kartik agreed to sell his laptop to Vasant for a price to be fixed by Kusum a hardware engineer. However, before the delivery of the laptop, Kartik changed his mind and did not share any particulars and configuration of the laptop with Kusum, which made her unable to do the valuation. Kusum refused to do valuation. Vasant needed laptop for his project, so he promised Kartik that, if the laptop is delivered to him, he would pay a reasonable price for it. However, Kartik decided not to sell his laptop to Vasant. Now, Vasant wants to know from you, being a legal expert, whether Kartik is bound by his promise as he agreed earlier to deliver his laptop to him at a reasonable price. If he does not agree to deliver what is the other remedy available to Vasant? Advise, referring to the provisions of the Sale of Goods Act, 1930.



By - CA Shantam Gupta

Q27

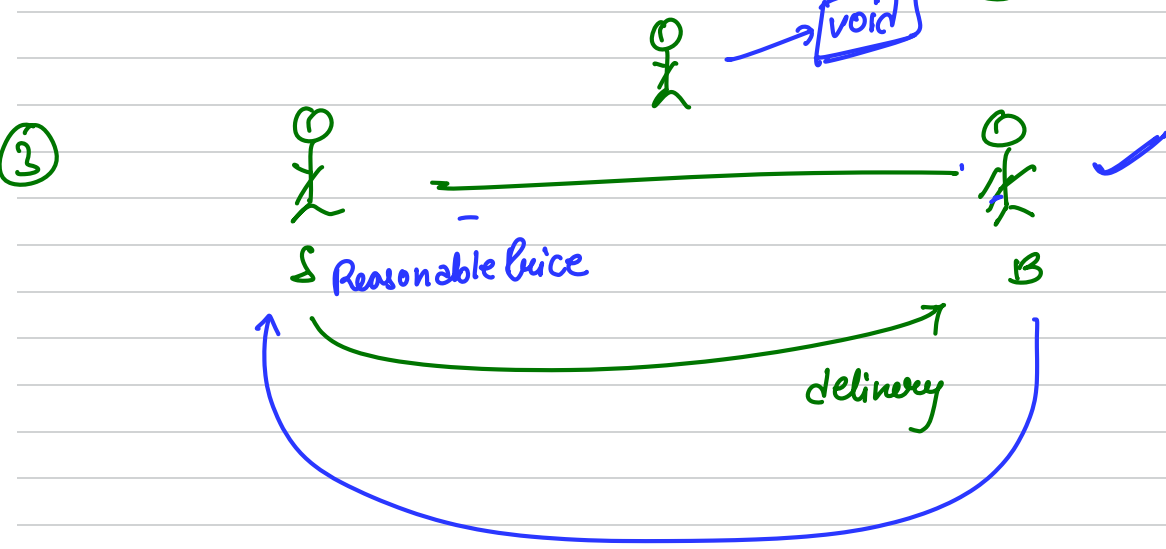
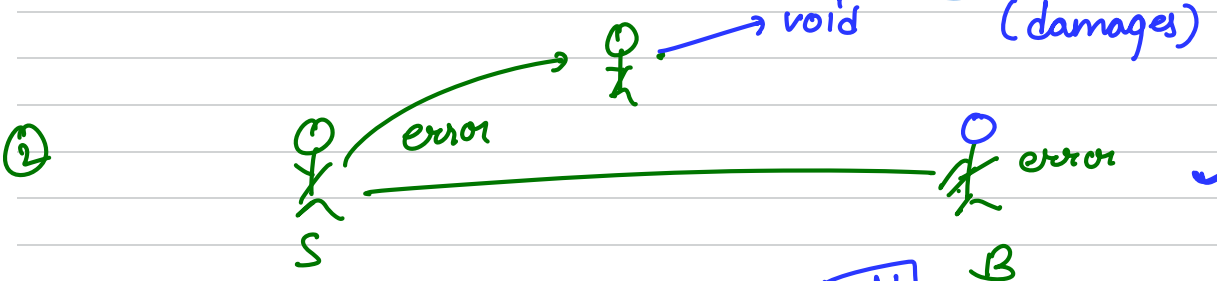
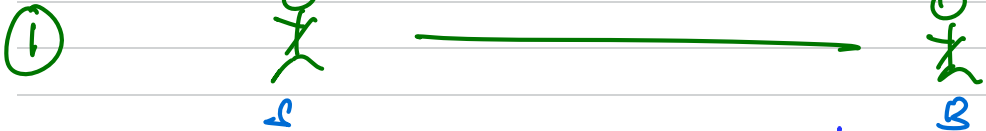
Provision

According to Section 10 of the Sales of Goods Act 1930, where in an agreement price is to be decided by a third party and such party is prevented from deciding the price either by the buyer or the seller the agreement is void.

Conclusion

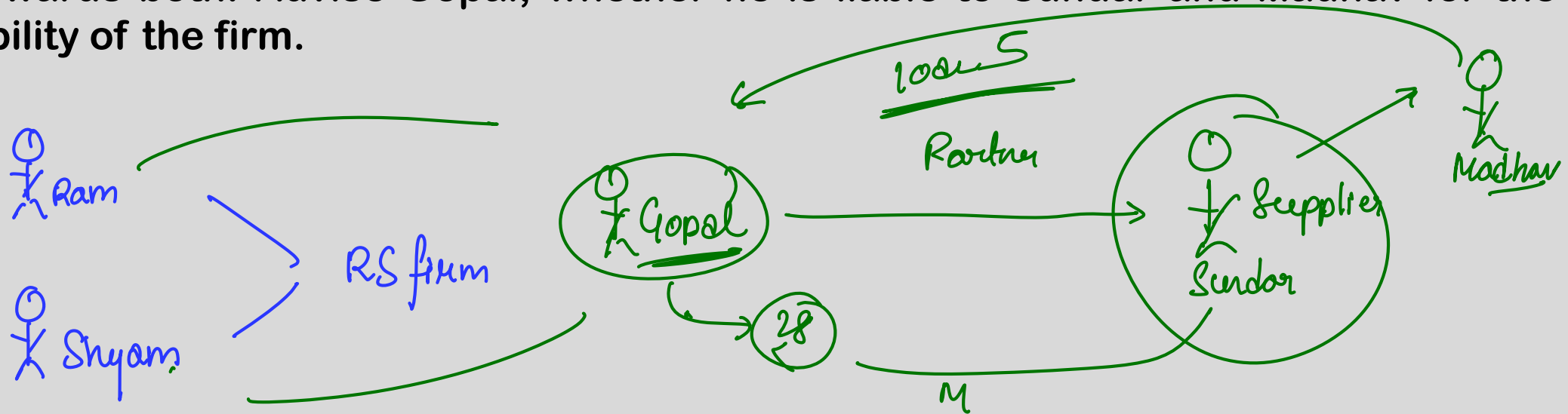
Since Agreement is void, then Vasant cannot compel Kartik to delivery the goods, however since Kartik has failed to provide necessary details to Kusum in order to decide the price Vasant can recover damages from Kartik.

Stick figure → void (Independent)
~~damages~~



Question 28

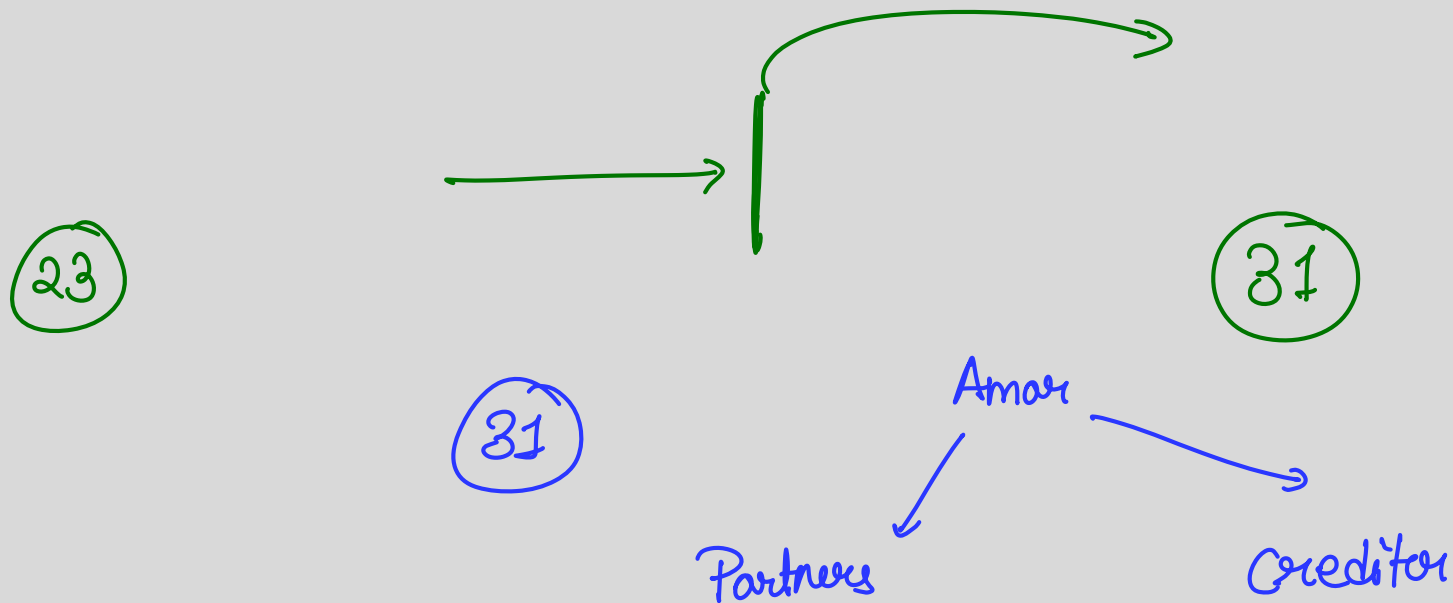
Referring to the provisions of the Indian Partnership Act, 1932, answer the following : Ram and Shyam are partners in a partnership firm styled as RS & Co. (the firm). Gopal, a renowned businessman, is their common friend. Ram introduced Gopal to Sundar, a supplier to the firm, as his newly joined partner, Gopal knowing that he is not a partner preferred to keep quiet on such an introduction. This information about Gopal, being a partner of the firm, was shared by Sundar with another businessman Madhav. Next day, Sundar supplied the raw material on credit and Madhav lent Rs. 5 lakhs to the firm for a short period on the understanding that Gopal is a partner of the firm. On due dates, the firm failed to discharge its liability towards both. Advise Gopal, whether he is liable to Sundar and Madhav for the aforesaid liability of the firm.



By - CA Shantam Gupta

Question 29

On admission as a new partner, Amar agreed to be liable for the existing debts (referred to as the old debts) of the firm by an agreement signed by the all partners including Amar. Examine, whether Amar will be liable in a suit filed by the creditor against the firm and all existing partners for recovery of the old debt of the firm.



By - CA Shantam Gupta

Q29

Law

According to section 23 subject to section 31 of the India Partnership Act 1932, a partner can enter in a partnership with the consent of all partners however the liability arises after the date of admission but partners can mutually agree that the incoming partner can accept liability for acts done prior to his admission in firm.

Conclusion ①

Since Amar has agreed to accept all liabilities even prior to his admission in the firm he shall be liable for all debts due to the creditors

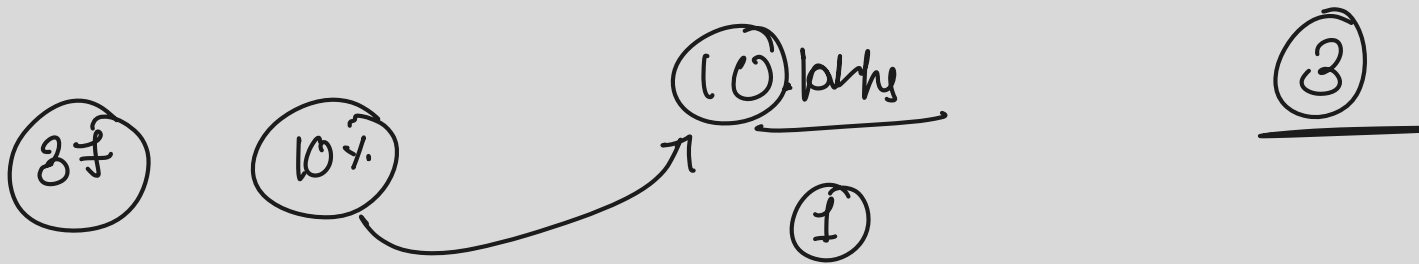
Alternative

Since the question stated above did not provide clarity as to whether creditors have been informed about the acceptance of liability by Amar. Amar is eligible to deny such liability, since creditors approval is not consented

Question 30

20

Suman, having 10% share in the property of Rs. 200 lakh of a firm retires from the firm on 31st March, 2023. The firm continues with the business thereafter without final settlement of accounts between the existing and retired partners and earned profits of Rs. 10 lakh during the financial year ending 31st March, 2024. Suman, in her own interest and in the absence of any provision in the partnership firm on this point, claimed Rs. 3 lakh from the firm toward the use of her share in the property and profit of the firm which was rejected by the partners. There is no contract between the partners contrary to the provisions of the Act in this regard. Examine the validity of the amount claimed by Suman under the provisions of The Indian Partnership Act, 1932.



By - CA Shantam Gupta

Q.30

Law

According to relevant provisions of the Indian Partnership Act 1932,

On retirement if the partners are not able to pay off the retiring partner, the retiring partner has the right to share in future profits of the firm until full settlement of claims **or** the partner can treat the entire amount due as a loan to the firm chargeable at six percent per annum.

Conclusion

Suman has demanded 3 lakhs from the firm which is not a justified amount as she is only eligible for 10% of the entire amount of profit which is rupees 1 lakh (10 lakhs $\times 10\%$).

Note! If in the exam you are able to remember only one section

then only write that one section

"As per section _____ of _____ Act"

Note: If you do not remember the section

According to relevant provisions of _____ Act

Question 31

HW

JV Limited borrowed a secured loan of Rs. 5 crore from Star Bank Limited (the bank) to meet its working capital requirement. However, the borrowing powers of the company, under its Memorandum of Association, were restricted to Rs. 1 crore. The bank released the loan amount in two instalments of Rs. 1 crore and Rs. 4 crore. On the due date for repayment of the loan, the company refused to accept the liability of Rs. 5 crore on the ground that the borrowing was ultra vires the company. The company's books of account show that the company has utilised the loan amount of Rs. 3 crore for repayment of its lawful debts. The utilisation of the remaining Rs. 2 crore cannot be traced. Referring to the doctrine of ultra vires under the Companies Act, 2013, examine the validity of the decision of the company denying the repayment of the loan and explore the remedy, if any, available to the bank for recovery of the loan.

CA Shantam Gupta
Bio
3

New Creditors JV Limited (OV) Void
MOA 1 Cr

Injunctive

By - CA Shantam Gupta