



CA FOUNDATION N'18
SUBJECT- BUSINESS LAW AND B.C AND
REPORTING

Test Code – CFP 4008

(Date :)

(100 Marks)

PART –A

BUSINESS LAW

QUESTION NO. 1 is compulsory and attempt any four out of remaining five questions.

QUESTION NO. 1

(4 MARKS X 3 =12 MARKS)

- A. Explain the term "Delivery and its form" under the Sale of Goods Act, 1930.
- B. Ajay, Vijay and Sanjay are partners of software business and jointly promises to pay Rs. 6,00, 000 to Kartik. Over a period of time Vijay became insolvent, but his assets are sufficient to pay one-fourth of his debts. Sanjay is compelled to pay the whole. Decide whether Sanjay is required to pay whole amount himself to Kartik in discharging joint promise under the Indian Contract Act, 1872.
- C. F, an assessee, was a wealthy man earning huge income by way of dividend and interest. He formed three Private Companies and agreed with each to hold a bloc of investment as an agent for them. The dividend and interest income received by the companies was handed back to F as a pretended loan. This way, F divided his income into three parts in a bid to reduce his tax liability.

Decide, for what purpose the three companies were established ? Whether the legal personality of all the three companies may be disregarded ?

QUESTION NO. 2

(4 MARKS X 3 =12 MARKS)

- A. Explain the meaning of Sub – Partnership & Partnership at will.
- B. State the necessities required for incorporation of the LLP.
- C. Mr. Ramaswamy of Chennai placed an order with Mr. Shah of Ahmedabad for supply of Urid Dhall on 10.11.2006 at a contracted price of Rs. 40 per kg. The order was for the supply of 10 tonnes within a month's time viz. before 09.12.2006. On 04.12.2006 Mr. Shah wrote a letter to Mr. Ramaswamy stating that the price of Urid Dhall was sky rocketing to Rs. 50 Per. Kg. And he would not be able to supply as per original contract. The price of Urid Dhall rose to Rs. 53 on 09.12.06 Advise Mr. Ramaswamy citing the legal position.

QUESTION NO. 3**(6 MARKS X 2 =12 MARKS)**

- A. Describe the term "unpaid seller" under the Sale of Goods Act, 1930? When can an unpaid seller exercise the right of stoppage of goods in transit?
- B. Explain the concept of "Dormant Company" as envisaged in the Companies Act, 2013.

QUESTION NO. 4**(6 MARKS X 2 =12 MARKS)**

- A. What are the implied conditions in a contract of 'Sale by sample' under the Sale of Goods Act, 1930? State also the implied warranties operative under the said Act.
- B. When does dissolution of a partnership firm take place under the provisions of the Indian Partnership Act, 1932? Explain.

QUESTION NO. 5**(6 MARKS X 2 =12 MARKS)**

- A. What are the exceptions to the Doctrine of privity of Contract.
- B. ABC Pvt. Ltd., is a Private Company having five members only. All the members of the company were going by car to Mumbai in relation to some business. An accident took place and all of them died. Answer with reasons, under the Companies Act, 2013 whether existence of the company has also come to the end?

QUESTION NO. 6**(4 MARKS X 3 =12 MARKS)**

- A. Explain the Doctrine of Constructive Notice.
- B. Explain the – term 'Quasi Contracts' and state their characteristics.
- C. What are the Liabilities of a minor in Partnership firm.

PART B**Business Correspondence and Reporting**

Question 1 is compulsory and attempt any three questions out of remaining four questions

QUESTION NO. 1

- (a) Read the passage carefully and answer the questions that follow :**

Automation and Artificial Intelligence

Automation and artificial intelligence are the buzz words which have created excitement and commotion in the industry and economy. AI is the simulation of human intelligence processes by machines, especially computer systems. These processes include learning (the machines acquire knowledge of rules for using the information), reasoning (using the rules to reach approximate or definite conclusions), and self – correction.

Scientific and technological advancements have led to the invention of sophisticated machines, robots and software which surpass humans in physical and cognitive functions. This means that there is increased profitability which leads to economic growth. However, the downside is loss of traditional jobs and increasing unemployment in varied sectors of the industry which has a ripple effect on, and serious implications for the society.

As governments, organizations and workforce all over the world grapple with this phenomenon, one recalls the words of the U.S. president, Lyndon B. Johnson in 1964. He had said at that time, "If we understand it, if we plan for it, if we apply it well, automation will not be a job destroyer or have a family displaced. Instead, it can remove dullness from the work of man and provide him with more than man has ever had before." It also brings to fore the words of Isaac Asimov, who had said that, 'there is no way but onwards,' in relation to scientific inventions impacting human lives.

The McKinsey Global Institute has published a report on automation and its potential effects on productivity. According to them, activities that involve data collection, data processing, and physical work in factories in sectors such as manufacturing, food services, transportation and warehousing, and retail will be the most affected.

On one hand, AI and automation will open new avenues for individuals, certain sections of the industry and the economy, but on the other hand, they will also lead to loss of jobs of millions across the world, creating an unhappy, dissatisfied and disgruntled population. It will also mean more money allocation by the state for social welfare. Thus, the need of the hour is to have strategies and policies that could increase the benefits of AI and diminish its negative impact.

Oscar Salazar, who built the app for a startup idea that we now call Uber, says he thought very little about how the application would impact society, and the large number of drivers who would lose a source of income. "We are all responsible," he said at the Milken Global Conference in Los Angeles. "We are adding technology to a society without thinking about the consequences. I think government, industry and society need to work more together, because it is going to get crazier and crazier." According to him, the technology companies who create AI, must not only participate in the discussions on the effects of the automation, but also take responsibility for them.

It is certain that AI – driven automation will influence and change the economy over the coming years and decades. The challenge for all stake holders and policymakers will be to update, strengthen, and adapt policies to respond to the economic effects of AI. The solution, it seems, lies in identifying skills required in the job market in the future; re – skilling and retooling workers for the new job scenario; revamping education for jobs of the future ; and also support and develop AI for its many benefits.

Though no one can be certain how much and how far the human race will benefit from AI, or what drawbacks and disruptions people across the globe will face because of it, the need to be prepared for its impact on an individual, community, national and international level is vital and necessary in the future.

- Q.1 What is 'artificial intelligence ? **(1 Mark)**
- (a) Intelligence feigned by some humans.
 - (b) Intelligence exhibited by machines and software.
 - (c) Intelligence which is based on falsehood.
 - (d) Inappropriate intelligence.
- Q.2 Oscar Salazer says, 'We are all responsible.' For what does he hold us responsible ? **(1 Mark)**
- (a) For creating new jobs in the industry.
 - (b) For developing new software for industry.
 - (c) For creating technology leading to loss of jobs.
 - (d) For creating new start ups.
- Q.3 The way forward for the tech community is **(1 Mark)**
- (a) To develop more software.
 - (b) To create an environment in which employees feel comfortable.
 - (c) To participate in discussions.
 - (d) To train the existing workforce for tech jobs of the future.
- Q.4 Which is the closest meaning of a 'startup' in the context ? **(1 Mark)**
- (a) To start something new.
 - (b) An insolvent person.
 - (c) A young company that is just beginning to develop.
 - (d) Fresh and modern.
- Q.5 Isaac Asimov says, 'There is no way but onwards.' He means that **(1 Mark)**
- (a) We have to move forward quickly.
 - (b) Science and technology are bringing rapid changes in our lives.
 - (c) Further development in science and technology will find solutions to problems created by new inventions.
 - (d) Moving on with life is the only option available to us in the current scenario.

(b) Read the passage given below.

(i) Make notes, using headings, sub – headings, and abbreviations wherever necessary. **(3 Marks)**

(ii) Write summary. **(2 Marks)**

Research has shown that the human mind can process words at the rate of about 500 per minute, whereas a speaker speaks at the rate of about 150 words a minute. The difference between the two at 350 is quite large. So a speaker must make every effort to retain the attention of the audience and the listener should also be careful not to let his mind wander. Good communication calls for good listening skills. A good speaker must necessarily be a good listener. Listening starts with hearing but goes beyond. Hearing, in other words is necessary, but is not a sufficient condition for listening, Listening involves hearing with attention. Listening is a process that calls for concentration. While listening, one should also be observant. In other words, listening has to do with the ears, as well as with the eyes and the mind. Listening is to be understood as the total process that involves hearing with attention, being observant and making interpretations. Good communication is essentially an interactive process. It calls for participation and involvement. It is quite often a dialogue rather than a monologue. It is necessary to make it abundantly clear that one is interested in knowing what the other person has to say. Good listening is an art that can be cultivated. It relates to skills that can be developed. A good listener knows the art of getting much more than what the speaker is trying to convey. He knows how to prompt, persuade but not to cut off or interrupt what the other person has to say. At times the speaker may or may not be coherent, articulate and well – organized in his thoughts and expressions. He may have it in his mind and yet he may fail to marshal the right words while communicating his thought. Nevertheless a good listener puts him at ease, helps him articulate and facilitates him to get across the message that he wants to convey. For listening to be effective, it is also necessary that barriers to listening are removed. Such barriers can be both physical and psychological. Physical barriers generally relate to hindrance to proper hearing whereas psychological barriers are more fundamental and relate to the interpretation and evaluation of the speaker and the message.

QUESTION : 2.

(a) What are the disadvantages of the wheel network ? **(1 Mark)**

(b) (i) Choose the word which best expresses the meaning of the given word. **(1 Mark)**

Fissure

a) Opening b) Big c) To fetch d) Excite

(ii) Select a suitable antonym for the word given in question. **(1Mark)**

Candid

a) Frank b) Crafty c) Simple d) Ambiguous

(iii) Change the following sentences into passive voice. **(1 Mark)**

They may have noticed him before the invoice arrived.

(iv) Change the following sentences to indirect speech. **(1 Mark)**

She said, "Will you tell me what it means, David ?"

(c) Write a précis and give appropriate title to the passage given below. (5 Marks)

Mr. M. K. Sinha was appointed as Office Assistant in V.K. Institute of Technology. The appointment letter stated that his appointment was on a temporary basis and his services could be terminated at any time with one month notice or one month salary in lieu of notice period. Assistant Registrar of his department observed that the performance of Mr. Sinha was not at all satisfactory. He was found to be different, irresponsible and indisciplined. Therefore, he was orally warned for a number of times by his Assistant Registrar to improve his work performance. But he was never issued with any written memos or notice and nothing was kept in record by way of adverse remarks against him.

As per the Institute's rule, the temporary employees became permanent automatically after two years of service. So at the end of one year and eleven months, the Assistant Registrar gave in writing to the Director that Mr. Sinha should be removed from his job, as he had not shown any improvement at the work place and he may be given one month salary in lieu of one month notice period.

Mr. Sinha went to the Court of Law stating that natural justice was not given to him as there was no adverse record against him in writing. He remarked that if he could be tolerated for one year and eleventh months, he could not be regarded as totally incompetent. Mr. Sinha further argued that the Institute did not offer enough guidance and support to him, as a result of which he could not perform very well and committed several mistakes at his work. The Lower Court and subsequently the High Court and the Supreme Court upheld his case and asked the Institute to reinstate the Office Assistant. The Institute had to do it.

The Chairperson of the Institute soon after this incident issued a Confidential Circular to all the Directors that in future every Director must keep detailed records of omissions and commissions made by every temporary employee and even a small error committed must be carefully recorded.

QUESTION : 3

(a) What do you mean by communication network ? (1 Mark)

(b) (i) Choose the word which best expresses the meaning of the given word. (1 Mark)

Meddle

a) Intercede b) Impose c) Cross d) Interfere

(ii) Choose the appropriate word to fill the blank : (1 Mark)

We will take this issue when we meet next week.

a) up b) on c) over d) None of the above

(iii) Change the following sentences into Active Voice (1 Mark)

The place where he lived had been converted into a hotel by the trustees.

(iv) Change the following sentence to indirect speech. (1 Mark)

The clerk asked his manager "Shall I email this letter again, Sir ?"

- (c) You are Amar Singh, a team lead in project implementations department of Cellular Telecommunications. Write a mail to all members of you team asking them to attend a meeting after two days, seeking their suggestions on ways and means to speed up the implementation of the project of improving connectivity in X, Y, Z areas. In the city. (word limit : 150 – 200 words) **(5 Marks)**

QUESTION : 4

- (a) List at least 5 barriers of communication. Explain any two of them in your own words. **(2 Marks)**
- (b) (i) Select the suitable substitute for the word in italics in the sentences given below.
His parents were *adamant* about not sending their son for a two day trip. **(1 Mark)**
(a) poor (b) inflexible (c) willing (d) unfavourable
- (ii) Form collocations for the given word : **(1 Mark)**
_____ a debt
- (iii) Select the correct meaning of the idioms / phrases given below **(1 Mark)**
Storm in a teachup
(a) Crave for something (b) Drink tea often
(c) Get in to quarrels (d) Make a big issue out of a small thing
- (c) Write an Article of about 250 – 300 words on the topic **“Unemployment : an obstacle in the country’s economic growth”**. **(5 Marks)**

QUESTION : 5

- (a) Based on communication channels, what are the different kinds of communication methods ? Explain. **(2 Marks)**
- (b) (i) **Select the correct meaning of the idioms / phrases given below.**
1. Pen a ink **(1 Mark)**
(a) Modern day technology (b) Extensively
(c) Wastage (d) In writing
2. To grease the palm **(1 Mark)**
(a) To eat butter (b) To offer bride
(c) To swim in deep (d) To be in deep thought
- (ii) Change the following sentence into Indirect speech. **(1Mark)**
Children said, ‘No homework today please’
- (c) The Marketing Head of Aptex Products, a Consumer Goods Company, plans to conduct a meeting to review the effectiveness of marketing policies of the previous year and plan strategies for the next year to increase the profit margin of the Company. (Attendees should be from Marketing, Advertising and Media, and Research and Development department) **(5 Marks)**
1. Set an Agenda for the meeting (suggestions for discussion – products that garnered high sales and those that failed to make the mark, reasons for poor sales, new research and development input, novel advertising means)

2. Designate your Secretary to write the minutes of the meeting.
3. Ask the Junior Marketing Analyst to submit an "Action Taken Report" to him within 7 days.

(Each section should be written in about 200 words)