



CA FOUNDATION

SUBJECT- BUSINESS LAW AND BUSINESS CORRESPONDENCE AND REPORTING

Test Code – JKN_LAW_03

(Date :)

(Marks -100)

PART A : BUSINESS LAWS (60 MARKS)

Question 1 is Compulsory. Attempt any 4 out of remaining 5 Questions.

Question 1(a)

(6 MARKS)

'X' entered into a contract with 'Y' to supply him 1,000 water bottles @ Rs. 5.00 per water bottle, to be delivered at a specified time. Thereafter, 'X' contracts with 'Z' for the purchase of 1,000 water bottles @ Rs. 4.50 per water bottle, and at the same time told 'Z' that he did so for the purpose of performing his contract entered into with 'Y'. 'Z' failed to perform his contract in due course and market price of each water bottle on that day was Rs. 5.25 per water bottle. Consequently, 'X' could not procure any water bottle and 'Y' rescinded the contract. Calculate the amount of damages which 'X' could claim from 'Z' in the circumstances? What would be your answer if 'Z' had not informed about the 'Y's contract? Explain with reference to the provisions of the Indian Contract Act, 1872.

Question 1(b)

(3 MARKS)

A contracts to sell to B all the oil to be produced from groundnut harvested from A's farm. The crops having been harvested and oil made there from, A fills the oil in cans supplied by B. However, A hasn't yet informed B. Does the property in oil pass to B ?

Question 1(c)

(3 MARKS)

FAREB Limited was incorporated by acquisition of FAREB & Co., a partnership firm, which was earlier involved in many illegal activities. The promoters furnished some false information and also suppressed some material facts at the time of incorporation of the company. Some members of the public (not being directors or promoters of the company) approached the National Company Law Tribunal (NCLT) against the incorporation status of FAREB Limited. NCLT is about to pass the order by directing that the liability of the members of the company shall be unlimited.

Given the above, advice on whether the above order will be legal and mention the precaution to be taken by NCLT before passing order in respect of the above as per the provisions of the Companies Act, 2013.

Question 2(a)

(5 MARKS)

Explain the meaning of 'Quasi-Contracts'. State the circumstances which are identified as quasi contracts by the Indian Contract Act, 1872.

Question 2(b)

(5 MARKS)

Sound Syndicate Ltd., a public company, its articles of association empowers the managing agents to borrow both short and long term loans on behalf of the company, Mr. Liddle, the director of the company, approached Easy Finance Ltd., a non banking finance company for a loan of Rs. 25,00,000 in name of the company.

The Lender agreed and provided the above said loan. Later on, Sound Syndicate Ltd. refused to repay the money borrowed on the pretext that no resolution authorizing such loan have been actually passed by the company and the lender should have enquired about the same prior providing such loan hence company not liable to pay such loan.

Analyse the above situation in terms of the provisions of Doctrine of Indoor Management under the Companies Act, 2013 and examine whether the contention of Sound Syndicate Ltd. is correct or not?

Question 2(c) (2 MARKS)

State the liabilities of a minor partner after attaining majority.

Question 3(a) (4 MARKS)

Distinguish between a 'Condition' and a 'Warranty' in a contract of sale. When shall a 'breach of condition' be treated as 'breach of warranty' under the provisions of the Sale of Goods Act, 1930? Explain.

Question 3(b) (4 MARKS)

In the absence of any usage or custom of trade to the contrary, the implied authority of a partner does not empower him to do certain acts. State the acts which are beyond the implied authority of a partner under the provisions of the Indian Partnership Act, 1932?

Question 3(c) (4 MARKS)

What are the consequences of Non-Registration of a Partnership Firm? Discuss.

Question 4(a) (5 MARKS)

Explain the circumstances in which LLP may be wound up by Tribunal under the LLP Act, 2008.

Question 4(b) (5 MARKS)

Mr. Balwant, an old man, by a registered deed of gift, granted certain landed property to Ms. Reema, his daughter. By the terms of the deed, it was stipulated that an annuity of Rs. 20,000 should be paid every year to Mr. Sawant, who was the brother of Mr. Balwant.

On the same day Ms. Reema made a promise to Mr. Sawant and executed in his favour an agreement to give effect to the stipulation. Ms. Reema failed to pay the stipulated sum. In an action against her by Mr. Sawant, she contended that since Mr. Sawant had not furnished any consideration, he has no right of action.

Examining the provisions of the Indian Contract Act, 1872, decide, whether the contention of Ms. Reema is valid?

Question 4(c) (2 MARKS)

Explain : Right of indemnity when Partnership is rescinded for Fraud or Misrepresentation [Sec. 52] under 'The Indian Partnership Act, 1932'.

Question 5(a) (4 MARKS)

What do you understand by "coercion", describe its effect on the validity of a contract?

Question 5(b) (4 MARKS)

Distinguish between dissolution of firm and dissolution of partnership.

Question 5(c) (4 MARKS)

Explain the rules as to the re-sale under 'The Sale of Goods Act, 1930'.

Question 6(a) (6 MARKS)

Distinction between : Contract of Insurance and Wagering Agreement

Question 6(b) (6 MARKS)

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.

PART B : BUSINESS CORRESPONDENCE AND REPORTING (40 MARKS)

Question 7 is Compulsory. Attempt any 3 out of remaining 4 Questions.

Question 7(a)

(5 MARKS)

Read the following comprehension passages and answer the following questions

In the world have we made health an end in itself? We have forgotten that health is really a means to enable a person to do his work and do it well. A lot of modern medicine are concerned with promotion of good health. Many patients as well as many physicians pay very little attention to health; but very much attention to health makes some people imagine that they are ill.

Our great concern with health is shown by the medical columns in newspapers, the health articles in popular magazines and the popularity of the television programmes and all those books on medicine. We talk about health all the time. Yet the only result of this obsession with health is the rise in the number of people with imaginary illnesses.

The healthy man should not be wasting any time talking about health; he should be using health for work, the work he does and the work that good health makes possible.

- 1) A healthy person should be primarily concerned with
 - a) Looking after only his health
 - b) The health of his near and dear ones
 - c) His work which good health makes possible
 - d) All of the above

(1 Mark)
- 2) Talking about health always makes people
 - a) Suffer from imaginary diseases
 - b) Smart and pro active
 - c) Suffer at workplace only
 - d) Promote good health

(1 Mark)
- 3) A suggestion we learn from the passage is:
 - a) Health is the most important aspect of one's life
 - b) Work cannot be compromised
 - c) Health is only a means to an end
 - d) Health is a God given gift

(1 Mark)
- 4) According to the passage, which is true:
 - a) Health must not be talked about always, but used at work
 - b) Modern medicine is concerned with promotion of good health
 - c) People talking of health can never develop imaginary diseases
 - d) A and B

(1 Mark)
- 5) Select a suitable antonym for the word 'promotion'
 - a) Condemnation
 - b) Contribution
 - c) Conjugation
 - d) Confederation

(1 Mark)

Question 7(b)

Read the passage given below.

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

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

Warming caused by greenhouse gas emissions is not linear: it appears to have lapsed in the early 21st century, a phenomenon known as a global warming hiatus. A new method for predicting mean temperatures, however, suggests that the next few years will likely be hotter than expected.

The system, developed by researchers at CNRS, the University of Southampton and the Royal Netherlands Meteorological Institute, does not use traditional simulation techniques. Instead, it applies a statistical method to search 20th and 21st century climate simulations made using several reference models to find 'analogues' of current climate conditions and deduce future possibilities. The precision and reliability of this probabilistic system proved to be at least equivalent to current methods, particularly for the purpose of simulating the global warming hiatus of the beginning of this century.

The new method predicts that mean air temperature may be abnormally high in 2018 -2022 higher than figures inferred from anthropogenic global warming alone. In particular, this is due to a low probability of intense cold events. The phenomenon is even more salient with respect to sea surface temperatures, due to a high probability of heat events, which, in the presence of certain conditions, can cause an increase in tropical storm activity. Once the algorithm is 'learned' (a process which takes a few minutes), predictions are obtained in a few hundredths of a second on a laptop. In comparison, supercomputers require a week using traditional simulation methods.

Question 8(a) **(2 MARKS)**

Define the term 'communication'. How is it relevant in daily life?

Question 8(b) **(1*3 = 3 MARKS)**

(i) Select the suitable antonym for the given word:

Flamboyant

(a) Colourful (b) Modest (c) Sporty (d) Actor

(ii) Rewrite the following sentences in active voice:

Let it be done now.

(iii) Change the following sentence into Indirect speech.

"Will the administrator release me? he asked.

Question 8(c) **(5 MARKS)**

Write a precis and give appropriate title to the 'passage given below:

Trees give shade for the benefit of others, and while they themselves stand in the sun and endure the scorching heat, they produce the fruit of which others profit. The character of good men is like that of trees. What is the use of this perishable body if no use is made of it for the benefit of mankind? Sandalwood, the more it is rubbed, the more scent dyes it yields.

Sugarcane, the more it is peeled and cut up into pieces, the more juice dyes it produce. The men who are noble at heart do not lose their qualities even in losing their lives. How does it matter if others praise them or not? What difference does it make whether they die at this moment or live prolonged? Happen what may, those who tread in the right path will not set foot in any other. Life itself is unprofitable to a man who does not live for others. To live for the mere sake of living one's life is to live the life of dogs and crows. Those who lay down their lives for the sake of others will assuredly dwell forever in a world of bliss.

Question 9(a)

(2 MARKS)

Based on communication channels, what are the different kinds of communication methods? Explain.

Question 9(b)

(1*3 = 3 MARKS)

- (i) Choose the word which best expresses the meaning of the given word.

Prototype

- (a) Norm (b) Character (c) Tired (d) Resourceful

- (ii) Choose the appropriate antonym(opposite) for the word Serene

- (a) Valley (b) Young (c) Unrest (d) Harmless

- (iii) Change the following sentence into passive voice

People watch football matches late night

Question 9(c)

(5 MARKS)

As the School Captain, write a report of about 250-300 words for your school magazine, about Career Fair held in your school last week. Mention the institutions that participated, seminars held and interactive sessions conducted by them.

Question 10(a)

(2 MARKS)

Differentiate between the Vertical Network and the Wheel and spoke method of communication.

Question 10(b)

(1*3 = 3 MARKS)

- (i) Select the correct meaning of the idioms/phrases given below.

It's piece of cake

- (a) Something too sweet (b) Easy job
(c) A small bite (d) Little to eat

- (ii) Choose the word which best expresses the meaning of the given word:

Despot

- (a) Tyrant
(b) Storage
(c) Hot meal
(d) Against

- (iii.) Fill up the blank with the most suitable preposition or adverb given in the brackets.

He apologized ____ his teacher for his misbehaviour. (to /from / with / against)

Question 10(c)**(5 MARKS)**

Write an article of about 250 words on the topic "The Fearless Indian Army"

Question 11(a)**(1 MARK)**

Define the importance of Para language in Non Verbal Communication.

Question 11(b)**(1* 4 = 4 MARKS)**

- (i) Rewrite the following sentence in Active Voice.
The case should carefully be handled by you since it is critical in nature.

- (ii) Select the correct meaning of idioms / phrases given below:

To grease the palm

- (a) Treat suffer
- (b) To offer bribe
- (c) To swim in deep sea
- (d) To be in deep thought.

- (iii) Choose the word which best expresses the meaning of the given word.

Quixotic

- (a) Pragmatic (b) Mundane (c) Utopian (d) Sane

- (iv.) Select a suitable antonym for the word given in question.

Nebulous

- (a) Sullen (b) Dismal (c) Definite (d) Gist

Question 11(c)**(5 MARKS)**

You are Prashant Kumar/Laxmi Ahuja, a resident of Juinagar, Mumbai. You have recently come across an advertisement in Hindustan Times (News Paper) for Trainee Article in Finance at S.R. Pvt Ltd. Draft a cover letter in response to the advertisement and enclose your Curriculum Vitae.