

Mock Test Paper - Series I: April, 2025

Date of Paper: 23rd April, 2025

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS

Question No. 1 is compulsory.

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

(Time allowed: 3 Hours)

(100 Marks)

1. (a) (i) Kashish was running a business of artificial jewellery since long. He sold his business to Naman. Naman made an agreement with Kashish not to carry on the business of artificial jewellery and real diamond jewellery in that area and for a period of next one year. After two months, Kashish opened a show room for real diamond jewellery. Naman filed suit against Kashish for closing the business of real diamond business as it was against the agreement. Whether Kashish is liable to close his business of real diamond jewellery following the provisions of the Indian Contract Act, 1872? **(4 Marks)**
- (ii) Albert obtained 2 loans of ₹ 3,00,000 and ₹ 4,00,000 respectively from a reputed Bank. Out of these 2 loans, loan of ₹ 3,00,000 was guaranteed by Robert. Albert sent ₹ 2,00,000 to bank but did not intimate as to how it is to be appropriated towards the loans. The Bank appropriated the whole of ₹ 2,00,000 to the loan of ₹ 4,00,000 (the loan not guaranteed). Robert objected on the decision of the Bank. He argued with bank that repayment amount should be first adjusted to the guaranteed loan. State with reasons, whether the Bank was correct in its decision under the Indian Contract Act, 1872? **(3 Marks)**
- (b) Parasnath Infraheight Limited is a public company and having 215 members of which 20 members were employees in the company during the period 1st June, 2022 to 30th June, 2024. They were allotted shares in Parasnath Infraheight Limited on 1st April, 2018 which are held by them till today i.e. 31st August 2024. Now, the company wants to convert itself into a private company. State with reasons, whether Parasnath Infraheight Limited is required to reduce the number of members under the provisions of the Companies Act, 2013? **(7 Marks)**

- (c) "Indian Partnership Act does not make the registration of firms compulsory, nor does it impose any penalty for non-registration." In light of the given statement, discuss the consequences of non-registration of the partnership firms in India?

(6 Marks)

2. (a) Priyansh ordered 600 tins of apple juice from an American Company Amjuice Ltd. The company informed that tins would be packed in the boxes each containing 50 tins. On delivery, it was found that a substantial part was in boxes containing only 30 tins. Priyansh rejected the whole order as the tins were not packed according to the description given in the contract as the packing of tins was an essential part of the contract. Amjuice Ltd. sued Priyansh for the recovery of price. State with reason whether Priyansh can avoid the contract under the Sale of Goods Act, 1930?

(7 Marks)

- (b) "What documents and information are required to be filed with the Registrar for the registration of a company under the Companies Act, 2013?"

(7 Marks)

- (c) "Both Limited Liability Partnerships and Limited Liability Companies offer limited liability protection, yet they differ significantly in structure and governance. Discuss these differences in detail."

(6 Marks)

3. (a) Rahul and Kapil are partners in the firm M/s Saxena Marble House. Rahul purchased 100 shares of a reputed company in his name, but he made the payment from firm's account. Rahul did not consent to Kapil before acquiring of shares. Referring to the provisions of the Indian Partnership Act 1932:

(a) Whether the shares purchased by Rahul constitute the property of firm?

(b) What would be your answer if Rahul debits himself in the accounts books of firm and became a debtor to the firm?

(7 Marks)

- (b) (i) Sooraj Pharma 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. Smith, the director of the company, approached Easy Finance Ltd., a non banking finance company for a loan of ₹ 25,00,000 in name of the company.

The Lender agreed and provided the above said loan. Later on, Sooraj Pharma 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 Sooraj Pharma Ltd. is correct or not? **(4 Marks)**

- (ii) 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?

(3 Marks)

- (c) "What is meant by a void contract and a voidable contract? Explain the differences between the two." **(6 Marks)**

4. (a) Nitin appointed Shiv as his agent to transport apples from Shimla to Delhi. Due to heavy rain in near Shimla, Shiv was stranded for more than seven days. Shiv was not in position to contact with Nitin. To save Nitin from loss, Shiv sold all the apples in the nearby market below the market rate where he was stranded. Explain with reference to the Indian Contract Act 1872, can Nitin recover the loss from Shiv as Shiv had acted beyond his authority? **(7 Marks)**

- (b) "Explain the concept of 'presentment for payment' under Section 64 of the Negotiable Instruments Act, 1881. What are the consequences of non-presentment?" **(7 Marks)**

- (c) What do you understand by Law? Also explain, how is Law enforced in a legal system? **(6 Marks)**

5. (a) Mr. Shankar sold 1000 Kgs wheat to Mr. Ganesh on credit of 3 months. Wheat was to be delivered after 10 days of contract. After 5 days of contract, a friend of Mr. Shankar secretly informed him that Mr. Ganesh may default in payment. On the information of friend, Mr. Shankar applied the lien and withheld the delivery. With referring to the provisions of the Sale of Goods Act, 1930:

(i) State, whether Mr. Shankar was right in his decision?

(ii) What would be your answer if Mr. Ganesh became insolvent within five days of contract? **(7 Marks)**

- (b) "Partners in a firm may be classified into various types based on the extent of their liability." Describe the following:

(i) Dormant Partner

- (ii) Nominal Partner
 - (iii) Partner in profits only
 - (iv) Partner by holding out **(7 Marks)**
- (c) "What do you understand by a quasi-contract? Under what circumstances does it arise according to the Indian Contract Act, 1872?" **(6 Marks)**
6. (a) Sachin bought 1000 Kgs sugar from Saurabh for ₹ 40,000 on three months credit. For this purpose, Sachin issued a promissory note to Saurabh on the same date payable after 3 months. On the date of maturity, the promissory note was dishonoured by Sachin. Saurabh filed suit for the recovery of the amount plus fees of advocate paid by him for defending the suit. Referring the provisions of the Negotiable Instruments Act, 1881, what amount could be recovered by Saurabh from Sachin? **(7 Marks)**
- (b) "Explain the circumstances under which a surety may be discharged by revocation of the contract of guarantee under the Indian Contract Act, 1872." **(6 Marks)**
- (c) "Explain the rules relating to the delivery of goods under the Sale of Goods Act, 1930" with reference to the following:
- (i) Effect of part delivery
 - (ii) Place of delivery
 - (iii) Delivery of wrong quantity." **(7 Marks)**