MOCK TEST PAPER
FOUNDATION COURSE
PAPER 2: SECTION A: BUSINESS LAWS

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

Total Marks: 60

QUESTIONS

1. (a) Krish, Kamya and Ketan are partners in a firm. They jointly promised to pay Rs. 6,00,000 to Dia. Kamya become insolvent and her private assets are sufficient to pay 1/5 of her share of debts. Krish is compelled to pay the whole amount to Dia. Examining the provisions of the Indian Contract Act, 1872, decide the extent to which Krish can recover the amount from Ketan. (4 Marks)

(b) Akbar, 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 Akbar as a pretended loan. This way, Akbar 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. (4 Marks)

(c) Explain the difference between Sale and Agreement to sell under the Sale of Goods Act, 1930. (4 Marks)

2. (a) State the grounds upon which a contract may be discharged under the provisions of the Indian Contract Act, 1872. (7 Marks)

(b) State the meaning of Limited Liability Partnership (LLP). What are the relevant steps to incorporate LLP? (5 Marks)

3. (a) State the modes by which a partner may transfer his interest in the firm in favour of another person under the Indian Partnership Act, 1932. What are the rights of such a transferee? (6 Marks)

(b) ‘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 Consequently, ‘X’ could not procure any water bottle and ‘Y’ rescinded the contract.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. (6 Marks)
4. (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 operatives under the said Act.  

(b) X, Y and Z are partners in a Partnership Firm. They were carrying their business successfully for the past several years. Spouses of X and Y fought in ladies club on their personal issue and X's wife was hurt badly. X got angry on the incident and he convinced Z to expel Y from their partnership firm. Y was expelled from partnership without any notice from X 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?  

5. (a) Mr. D sold some goods to Mr. E for Rs. 5,00,000 on 15 days credit. Mr. D delivered the goods. On due date Mr. E refused to pay for it. State the position and rights of Mr. D as per the Sale of Goods Act, 1930.  

(b) Explain the meaning of Guarantee Company? State the similarities and dissimilarities between a 'Guarantee Company' and 'Company Limited by Shares'.  

6. (a) “No consideration, no contract”. Discuss.  

Or  

“Mere silence does not amount to fraud”. Discuss.  

(b) What is Partnership Deed and state the information contained therein?  

(c) Examine with reasons whether the following statement is correct or incorrect:  

(i) A private limited company must have a minimum of two members, while a public limited company must have at least seven members.  

(ii) Affixing of Common seal on company's documents is compulsory.
A sanctuary may be defined as a place where Man is passive and the rest of Nature active. Till quite recently Nature had her own sanctuaries, where man either did not go at all or went only as a tool-using animal in comparatively small numbers. But now, in this machine age, there is no place left where man cannot go with overwhelming forces at his command. He can strangle to death all the nobler wild life in the world to-day. Tomorrow he certainly will have done so, unless he exercises due foresight and self-control in the mean time.

There is not the slightest doubt that birds and mammals are now being killed off much faster than they can breed. And it is always the largest and noblest forms of life that suffer most. The whales and elephants, lions and eagles, go. The rats and flies, and all mean parasites, remain. This is inevitable in certain cases. But it is wanton killing off that is of concern. Civilized man begins by destroying the very forms of wild life he learns to appreciate most when he becomes still more civilized. The obvious remedy is to begin conservation at an earlier stage, when it is easier and better in every way, by enforcing laws for close seasons, game preserves, the selective protection of certain species, and sanctuaries.

I have just defined a sanctuary as a place where man is passive and the rest of Nature active. But this general definition is too absolute for any special case. The mere fact that man has to protect a sanctuary does away with his purely passive attitude. Then, he can be beneficially active by destroying pests and parasites, like bot-flies or mosquitoes, and by finding antidotes for diseases like the epidemic which periodically kills off the rabbits and thus starves many of the carnivores to death. But, except in cases where experiment has proved his intervention to be beneficial, the less he upsets the balance of Nature the better, even when he tries to be an earthly Providence.

1. What can man do to avoid killing all wild life in the future?
   (a) Experiment more
   (b) Have a foresight
   (c) Maintain self control
   (d) Both a and b (1 Mark)

2. What according to the author is a sanctuary?
   (a) A place where Man is active and so is Nature
   (b) A place where Man is passive and so is Nature
   (c) A place where Man is passive but Nature is active
   (d) A place where Man and Nature do not co exist. (1 Mark)

3. What according to the author can lead to the death of carnivores?
   (a) Finding antidotes for epidemics, which might kill animal that are food for carnivores
   (b) Conservation at a later stage
   (c) Carnivores can die anytime.
   (d) Man is egoistic and wants to be powerful than carnivores. (1 Mark)
4. Find the word in the passage that means ‘unprovoked’ or ‘deliberate’
   (a) Beneficially
   (b) Wanton
   (c) Inevitable
   (d) Providence
   (1 Mark)

5. What does the author mean by the phrase ‘earthly Providence’ in the last line of the passage?
   (a) The Earth is God.
   (b) Man is inferior to God.
   (c) God will not take care of the Earth
   (d) Man wants to be like God on Earth.
   (1 Mark)

(b) Read the passage given below.
   (i) Make notes, using headings, sub-headings, and abbreviations wherever necessary.
   (3 Marks)

   (ii) Write summary.
   (2 Marks)

   The small village of Somnathpur contains an extraordinary temple, built around 1268 A.D. by the Hoyasalas of Karnataka – one of the most prolific temple builders. Belur and Helebid are among their better-known works. While these suffered during the invasion of the 14th century, the Somnathpur temple stands more or less intact in near-original condition. The small temple captivates with the beauty and vitality of its detailed sculpture, covering almost every inch of the walls, pillars and even ceilings. It has three shikaras and stands on a star-shaped raised platform with 24 edges. The outer walls have a profusion of detailed carvings: the entire surface run over by carved plaques of stone. There were vertical panels covered by exquisite figures of God and Goddesses, with many incarnations being depicted. There were nymphs too, some carrying an ear of maize, a symbol of plenty and prosperity. The elaborate ornamentation, very characteristic of Hoyasala sculptures was a remarkable feature. On closer look – and it is worth it – the series of friezes on the outer walls revealed intricately carved caparisoned elephants, charging horsemen, stylized flowers, warriors, musicians, crocodiles and swans.

   The temple was actually commissioned by Soma Dandanayaka or Somnath (he named the village after himself), the minister of the Hoyasala king, Narasimha the Third. The temple was built to house three versions of Krishna – Venugopala, Janardana and Prasanna Keshava, though only two remain in their original form. In the darkness of the sanctum sanctorum, it is interesting to discern the different images. The temple’s sculptural perfection is amazing and includes the doors of the temple and the three elegantly carved towers.

2. (a) What is visual communication? (1 Mark)

   (b) (i) Choose the word which best expresses the meaning of the given word.
   Contingency
   (a) Existence (b) Evidence (c) Rebel (d) Emergency
   (1 Mark)

   (ii) Select a suitable antonym for the word given in question.
   Proximity
   (a) Approximation (b) Assumingly (c) Remoteness (d) Cure
   (1 Mark)

   (iii) Change the following sentences into passive voice.
   Who wrote this essay? 
   (1 Mark)
(iv) Change the following sentences to indirect speech.
Sheila said, ‘How smart Seema is’

(c) Write a précis and give appropriate title to the passage given below.
Digital payments in India took off in a massive way right after demonetization, with the likes of Paytm, Google pay leveraging the government move to become a household name. However, a new study now reveals that more than half of the shops in Indian cities want to stay away from digital payments. Awareness is not enough to get Indians to use digital payments as only 48% of merchants accept digital payments, according to a report done by CUTS international. Expensive and unreliable infrastructure, unaware customers, lack of interoperability, transaction failures and charges are reasons why merchants don’t prefer digital payments in India.

Cash is still king in India and digital payments today hold a mere 10% of all transactions in the country. Recognising that, the Payments Council of India recently submitted recommendations to the newly-formed panel by the government for digital payments. The PCI suggested seamless access to payments infrastructure and formation of a KYC bureau among multiple other things. While right after demonetization going cashless meant digital payments saw a huge spike in numbers, in 2018 the conversation rate actually fell. According to data from the Reserve Bank of India, there was a one percent fall in digital payments in November 2018 when compared to November 2017. Regulations, too, form a major role in the adoption of digital payments in India. While the current government has been encouraging of India’s shift to digitization and has been promoting a cashless India, mandates like compulsory KYC had halted the operations of many payment wallets.

3. (a) What is network in communication. (1 Mark)

(b) (i) Choose the word which best expresses the meaning of the given word.
   Inherent
   (a) Intrinsic (b) Inevitable (c) Innovation (d) Intent (1 Mark)

(ii) Choose the appropriate antonym (opposite) for the word
   Serene
   (a) Valley (b) Young (c) Unrest (d) Harmless (1 Mark)

(iii) Change the following sentences into passive voice
   Rajesh uses a pen to sketch figures. (1 Mark)

(iv) Change the following sentence to indirect speech.
   Elders always say, ‘If you work hard, you will succeed.’ (1 Mark)

(c) Draft a Circular informing the staff about the dismissal of the Sales Head on being proved guilty of charges of misappropriation of funds/accounts. (5 Marks)

4. (a) Explain briefly the characteristics of effective communication. (2 Marks)

(b) (i) Select the suitable antonym for the given word:
   Vigilant
   (a) Careful (b) Curious (c) Concerned (d) Inattentive (1 Mark)

(ii) Rewrite the following sentences in active voice
   Work could be done by us only by next week. (1 Mark)
(iii) Change the following sentence into Indirect speech.

Teacher said, ‘Please use a blue pen for your homework’  

(1 Mark)

(c) Write an Article of about 250-300 words on the topic “What is more important—Physical fitness or Mental fitness?”  

(5 Marks)

5. (a) What/Which according to you is/are the most significant communication barrier/s that should be eliminated for a seamless communication in a diverse/multi-cultural work environment?  

(2 Marks)

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

(i) Acid test

(a) Difficult job

(b) Useless task

(c) Decisive test

(d) Unknown work  

(1 Mark)

(ii) Sell like hotcakes

(a) A difficult campaign

(b) Controversial marketing

(c) Good baker

(d) Fast selling / in huge numbers  

(1 Mark)

(iii) Change the following sentence into Indirect speech.

The Principal said, ‘You are a bright child’.  

(1 Mark)

(c) Draft your resume for the position of articled trainee in a firm.  

(5 Marks)