

CA FOUNDATION

PAPER -2 BUSINESS LAWS CORRESPONDENCE AND REPORTING

Total No. of Questions: 11

Maximum Marks 100

Time Allowed: 3 Hours

Section A – 60 Marks

Questions No. 1 is compulsory

Answer any four questions from the remaining five questions.

1. (a) State whether the following statement is correct or incorrect:

(2x2 = 4)

- i. 'All contracts are agreements, but all agreements may not be contracts'.
- ii. A collateral agreement to the void agreement is also void.

(b) For the purpose of making uniform for the employees, Amit bought dark value coloured clothes from Bhagat, but did not disclose to the seller the purpose of said purchase. When uniform were prepared and used by the employees, the cloth was found unfit. However, there was evidence that the cloth was fit for caps, boots and carriage lining. Advise Amit whether he is entitled to have any remedy under the Sales of Goods Act, 1930? (4 Marks)

(c) What are the circumstances in which Limited Liability Partnership may be wound up by Tribunal? (4 Marks)

- 2. (a)** Z rent out his house situated at Mumbai to W for a rent of ₹10,000 per month. A sum of ₹ 5 lac, the house tax payable by Z to the Municipal Corporation being in arrears, his house is advertised for sale by the corporation. W pay the corporation, the sum due from Z to avoid legal consequences. Referring to the provisions of the Indian Contract Act, 1872 decide whether W is entitled to get the reimbursement of said amount from Z. **(4 Marks)**
- (b)** Briefly explain the doctrine of —ultravires under the Companies Act, 2013. What are the consequences of ultravires acts of the company? **(5 Marks)**
- (c)** Explain who is a partner by “Holding out” or “Estoppels”? **(3 Marks)**
- 3. (a)** 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?
- i.** If P says nothing about the unsoundness of the horse to Q.
 - ii.** If P says nothing about it to Q who is P’s daughter who has just come of age.
 - iii.** If Q says to P “If you do not deny it, I shall assume that the horse is sound.” P says nothing. **(6 Marks)**

(b) What do you understand by the term “unpaid seller” under the sales of goods Act 1930? When can an unpaid seller exercise the right of stoppage of goods in transit? **(6 Marks)**

4. (a) The Secretary of a Company issued a share certificate to A ‘under the Company’s seal with his own signature and the signature of a Director forged by him. A ‘borrowed money from B‘on the strength of this certificate. B ‘wanted to realise the security and requested the company to register him as a holder of the shares. Explain whether B‘will succeed in getting the share registered in his name. **(4 Marks)**

(b) Explain the requirement by a LLP relating to maintenance and preparation of – (i) Proper Books of Account (ii) Statement of Account and Insolvency. **(4 Marks)**

(c) Under what circumstances breach of condition is treated as breach of warranty under the provisions of The Sale of Goods Act, 1930? **(4 Marks)**

5. (a) PM Ltd., contracts with Gupta Traders to make and deliver certain machinery to them by 30th June 2017 for ` 21.50 Lakhs. Due to labour strike, PM Ltd. could not manufacture and deliver the machinery to Gupta Traders. Later Gupta Traders procured the machinery from another manufacturer for ` 22.75 lakhs. Gupta Traders was also prevented from performing a contract which it had made with Zenith Traders at the time of their contract with PM Ltd. and were compelled to pay a compensation of Rs.2 Lakhs for breach of

contract. PM Ltd. had no information about this contract with Zenith Traders. Calculate the amount of compensation which Gupta Traders can claim from PM Ltd., referring to the legal provisions of the Indian Contract Act, 1872. (4 Marks)

(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 Marks)

(c) A company registered under section 8 of the Companies Act, 2013, earned huge profit during the financial year ended on 31st March, 2018 due to some favorable policies declared by the Government of India and implemented by the company. Considering the development, some members of the company wanted the company to distribute dividends to the members of the company. They approached you to advise them about the maximum amount of dividend that can be declared by the company as per the provisions of the Companies Act, 2013. Examine the relevant provisions of the Companies Act, 2013 and advise the members accordingly (4 Marks)

6. (a) Referring to the provisions of the Sale of Goods Act, 1930, state the circumstances under which when goods are delivered to the buyer “on approval” or “on sale or return” or other similar terms, the property therein passes to the buyer. Ms. Preeti owned a motor car which she handed over to Mr. Joshi on sale or return basis. After a week, Mr. Joshi pledged the motor car to Mr. Ganesh. Ms. Preeti now claims back the motor car from Mr. Ganesh. Will she succeed? Referring to the provisions of the Sale of Goods Act, 1930, decide and examine what recourse is available to Ms. Preeti. **(6 Marks)**

(b) State the grounds on which a firm may be dissolved by the Court under the Indian Partnership Act, 1932? **(6 Marks)**

PAPER – 2:
BUSINESS LAW & BUSINESS CORRESPONDENCE AND
REPORTING
SECTION-B

Question No.7 is compulsory.

Answer any three questions from the remaining four questions.

**All candidates (including those who have opted for Hindi Medium) are
required to answer the questions in Section B, in English only.**

Question 7

(a) Read the passage given below and answer the questions that follow:

Despite all the research every one of us catches cold and most of us catch it frequently. Our failure to control one of the commonest of all ailments sometimes seems ridiculous. Medical science regularly practises transplant surgery and has rid whole countries of such killing diseases as Typhus and the Plague. But the problem of common cold is unusually difficult and much has yet to be done to solve it. It is known that a cold is caused by one of a number of viral infections that affect the lining of the nose and other passages leading to the lungs but the confusing variety of viruses makes study and remedy very difficult. It was shown in 1960 that many typical colds in adults are caused by one or the other of a family of viruses known as rhinoviruses, yet there still remain many colds for which no virus has as yet been isolated.

There is also the difficulty that because they are so much smaller than the bacteria which cause many other infections, viruses cannot be seen with ordinary microscopes. Nor can they be cultivated easily in the bacteriologist's laboratory,

since they only grow within the living cells of animals or plants. An important recent step forward, however, is the development of the technique of tissue culture, in which bits of animal tissue are enabled to go on living and to multiply independently of the body. This has greatly aided virus research and has led to the discovery of a large number of viruses. Their existence had previously been not only unknown but even unsuspected.

The fact that we can catch a cold repeatedly creates another difficulty. Usually, a virus strikes only once and leaves the victim immune to further attacks. Still, we do not gain immunity from colds. Why? It may possibly be due to the fact that while other viruses get into the bloodstream where anti-bodies can oppose them, the viruses causing cold attack cells only on the surface. Or it may be that immunity from one of the many different viruses does not guarantee protection from all the others. It seems, therefore, that we are likely to have to suffer colds for some time yet.

On the basis of your reading of the above passage, make notes on it in points only, using abbreviations, wherever necessary. Also, suggest a suitable title. (5 marks)

Write a summary of the passage in not more than 80 words using the notes made. (2 marks)

(b) What are the disadvantages of wheel network? (3 marks)

Question 8

(a) Describe the term 'paralanguage', a mode of communication. (2 Marks)

(b) (i) Choose the word which best expresses the meaning of the given word:

Proficient

(1) Regular

(2) Expert

(3) Weak

(4) Reserve

(1 Mark)

(ii) Select a suitable antonym for the following word: Support

(1) Disturb

(2) Attend

(3) Oppose

(4) Attack

(1 Mark)

(iii) Change the following sentence into indirect speech:

Suchi asked Sunil, "Are you interested to visit the temple?" (1 Mark)

(c) One of the defects of our civilization is that it does not know what to do with its knowledge. Science, as we have seen, has given us powers fit for the gods, yet we use them like small children. For example, we do not know how to manage our machines. Machines were made to be man's servants, yet he has grown so dependent on them that they are in a fair way to become his masters. Most men spend most of their lives looking after and waiting upon machines. And the machines are very stern masters. They must be fed with coal, and given petrol to drink, and oil to wash with, and they must be kept at the right temperature. And if they do not get their meals when they expect them, they grow sulky and refuse to work, burst with rage and blow up and spread ruin and

destruction all round them. So we have to wait upon them very attentively and do all that we can to keep them in good temper.

Already we find it difficult either to work or play without the machines and a time may come when they will rule us altogether, just as we rule the animals.

(5 Marks)

Question 9

(a) (i) Discuss “Cultural barrier in communication. **(2 Marks)**

OR

(ii) What do you mean by (A) Vertical and (B) Horizontal formal communication? **(2 Marks)**

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

(i) Fiction

(1) Fantasy

(2) Story

(3) Fact

(4) Reality

(1 Mark)

(ii) Demote

(1) Rise

(2) Upgrade

(3) Decline

(4) Downgrade

(1 Mark)

(iii) Change the following sentence into indirect speech:

Shalini gave order to her younger sister, "Go home immediately." **(1 Mark)**

(c) Write a circular addressing to the employees regarding re-organization of

manpower and their responsibility in finance department of the company. (5

Marks)

Question 10

(a) How do Technology barriers effects communication? Explain. (2 Marks)

(b) (i) 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) (1 Mark)

(ii) Rewrite the following sentence in Passive Voice. Sunita said, "Please give me a glass of water." (1 Mark)

(iii) Rewrite the following sentence in Active Voice. The case should be handled by you carefully since it is critical in nature. (1 Mark)

(c) Write a Newspaper Report in 250 words on the topic: "Daughter of Gardener Tops Board Exams." (5 Marks)

Question 11

(a) Non-verbal is also one of the Broad Categories of Communication? Explain. (2 Marks)

(b) Select the correct meaning of the following idioms/phrases among the alternatives given below

(i) Out of the blue

(1) Something happens that was unexpected.

(2) Something happens that was very much expected.

(3) From the sky

(4) From the Ocean

(1 Mark)

(ii) Day in and day out

(1) Coming and returning in day time

(2) The day of importance.

(3) Continuously

(4) Within a day

(1 Mark)

(iii) Rewrite the following sentence in the Active Voice:

The deer was trapped by the cunning fox.

(1 Mark)

(c) Mr. Mohit Agarwal, a resident of Meerut, have recently come across an advertisement, for a job vacancy in a leading TV Channel for the post of journalist, in The Times of India dated August 1, 2018.

Draft a Resume along with a cover letter in response to the advertisement. (5 Marks)