

## CA FOUNDATION - BUSINESS LAW

### MOCK EXAM

**Mail your answers at: [lecmockexam@gmail.com](mailto:lecmockexam@gmail.com)**

**(write your Name, course and subject name as subject of mail)**

**IMP: ATTACH A SINGLE PDF FILE ONLY.**

*Maximum marks. 60*

### Notes:

1. There are six questions in this paper.
2. Question no. 1 is compulsory.
3. Attempt any 4 questions from question no. 2 to 6

### Question no. 1

{4 marks each}

- a) A died intestate on 12-10-2018. He filed a proposal for insurance for rupees 50000 on 12-12-2017. There was a medical examination by doctor of insurance company of deceased on 27 12 2017. Deceased had issued 2 cheques of rupees 30000 and rupees 20000 respectively in the favour of life insurance company. Cheques of rupees 30000 was encashed by insurance company and cheque of 20,000 was dishonoured 3 times but was finally in encashed on 11-1-2018. Insurance paper were put up by concerned insurance staff to divisional manager but he did not sign the insurance policy. Divisional manager was competent authority to accept the policy. No communication accepting proposal of insurance policy issued by insurance company. Widow of A wrote a letter to Insurance Company on 1-1-2019 intimating death of A and demanded payment for rupees 50000. Divisional manager denied the liability. Widow of A, file suit for recovery of money.

As a professional advise appropriate action with the help of provision of Indian Contract Act?

- b) In a private limited company, it is discovered that there are, in fact, 204 members. On an enquiry, it is ascertained that 6 of such members have been employees of the company in the recent past and that they acquired their shares while they were still employees of the company. Is it necessary to convert the company into a public limited company?

- c) Under what circumstances breach of condition would be treated as a breach of warranty?

## Question no. 2

- a) Define consideration. Discuss that consideration and objects are unlawful under the Indian Contract Act, 1872? {7 marks}
- b) What are the circumstances under which LLP may be wound up by the Tribunal? {5 marks}

## Question no. 3

- a) (i) Can a firm be liable for the wrongful acts of a partner? {2 marks}  
or  
(ii) When can a partner be expelled? {2 marks}
- b) Describe rules regarding the partnership by Holding Out or Estoppels. {4 marks}
- c) 'A' a Doctor employed another Doctor B as assistant for period of 3 years on salary of Rs. 3000/- per month. There was an agreement between A and B which provided that after termination of his employment B shall not practice as a Doctor within radius of 3 km of A's dispensary for period of 3 years and if B did so, B should pay Rs. 50,000 as liquidated damages. Immediately after the termination of his employment B started his practice as Doctor next to A's dispensary. A thereupon sued B for recovery of Rs. 50,000. Give suggestion to B under Indian Contract Act. {6 marks}

## Question no. 4

- a) What is meant by transfer title? Mention cases where transfer of title indicates 'sale by non-owners' as per Sale of Goods Act. Also explain sales by person not the owner. {6 marks}
- b) A, B and C are partners in a firm called ABC Firm. A, with the intention of deceiving D, a supplier of office stationery, buys certain stationery on behalf of the ABC Firm. The stationery is of use in the ordinary course of the firm's business. A does not give the stationery to the firm, instead brings it to his own use. The supplier D, who is unaware of the private use of stationery by A, claims the price from the firm. The firm refuses to pay for the price, on the ground that the stationery was never received by it (firm). Referring to the provisions of the Indian Partnership Act, 1932 decide:

- i. Whether the Firm's contention shall be tenable?
- ii. What would be your answer if a part of the stationery so purchased by A was delivered to the firm by him, and the rest of the stationery was used by him for private use, about which neither the firm nor the supplier D was aware? {6 marks}

### Question no. 5

- a) Mr. Samuel agreed to purchase 100 bales of cotton from Mr. Varun, out of his large stock and sent his men to take delivery of the goods. They could pack only 60 bales. Later on, there was an accidental fire and the entire stock was destroyed including 60 bales that were already packed. Referring to the provisions of the Sale of Goods Act, 1930 explain as to who will bear the loss and to what extent? {6 marks}
- b) Some of the creditors of Get Rich Quick Ltd. have complained that the company was formed by the promoters only to defraud the creditors and circumvent the compliance of legal provisions of the Companies Act, 2013. In this context they seek your advice as to the meaning of corporate veil and when the promoters can be made personally liable for the debts of the company.

### Question no. 6

- a) Write brief essay on discharge of a contract by performance? {3 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) The Object Clause of Memorandum of Association of ABC Pvt. Ltd. authorised the company to carry on the business of trading in Fruits and Vegetables. The Directors of the company in recently concluded Board Meeting decided and accordingly, the company ordered for fish for the purpose of trading. FSH Limited supplied fish to ABC Pvt. Ltd. worth Rs. 36 Lakhs. The members of the company convened an extraordinary general meeting and negated the proposal of the Board of Directors on the ground of ultra vires acts. FSH Limited being aggrieved of the said decision of ABC Pvt Ltd. seeks your advice. Advise them. {4 marks}