

Mock Test Paper - Series II: August, 2025

Date of Paper: 26<sup>th</sup> August, 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) Tanishka purchased two flats in Ansal VVIP Homes at Greater Noida, one at Block A and another at Block D. She also entered in contract with Sakshi to letout the flat at Block D. At the time of entering into contract, both Tanishka and Sakshi were unaware that Block D is completely destroyed due to earthquake. Afterwards knowing the facts Sakshi requested to transfer the contract in favour of flat at Block A. In the light of provisions of the Indian Contract Act, 1872, whether Tanishka is liable to handover the possession of flat at Block A in place of Block D? **(4 Marks)**
- (ii) Mr. A, the employer induced his employee Mr. B to sell his one room flat to him at less than the market value to secure promotion. Mr. B sold the flat to Mr. A. Later on, Mr. B changed his mind and decided to sue Mr. A. Examine the validity of the contract as per the provisions of the Indian Contract Act, 1872. **(3 Marks)**
- (b) The paid-up capital of Darshan Photographs Private Limited is ₹ 1 Crores in the form of 50,000 Equity Shares of ₹ 100 each and 50,000 Preference Shares of ₹ 100 each (Preference shares are not having any voting rights). Shadow Evening Private Limited is holding 25,000 Equity Shares in Darshan Photographs Private Limited. State with reason,
  - (a) Whether Darshan Photographs Private Limited is subsidiary of Shadow Evening Private Limited?
  - (b) Whether your answer would be different in case Shadow Evening Private Limited is holding 25,000 Equity Shares and 5,000 Preference Shares in Darshan Photographs Private Limited? **(7 Marks)**
- (c) Explain the five essential elements of partnership under the Indian Partnership Act, 1932. **(6 Marks)**

2. (a) (i) Rajnikant agrees to sell some specific goods coming on a ship name "Titanic" to Chiranjivi which will be delivered on arrival of "Titanic". The ship arrived at the port but goods were not found on the ship. Chiranjivi had to procure the goods from open market at higher price. Afterwards, Chiranjivi sued Rajnikant for recovery of extra payment he made for goods. State with reasons, whether Rajnikant is liable to compensate Chiranjivi under the provisions of the Sale of Goods Act, 1930? **(4 Marks)**
- (ii) Saurabh purchased electric scooter of Vivek for ₹ 5000 only on the gun point. Vivek decided to file the complaint and to avoid the contract on the basis of coercion applied against him by Saurabh. But before he could do that, Saurabh sold the scooter to Vinay who had no idea about the situation on which the scooter was purchased by Saurabh. Vivek sued Saurabh and Vinay for recovery of scooter. Referring to the provisions of the Sale of Goods Act, 1930, whether Vivek was correct in his decision? **(3 Marks)**
- (b) Briefly explain the nature of shares under the Companies Act, 2013 with reference to legal position of shareholders, treatment as movable property, and requirement of numbering. **(7 Marks)**
- (c) Discuss the provisions of the LLP Act, 2008 relating to partners in a Limited Liability Partnership. In your answer, explain:
- (a) The eligibility and disqualifications of a person to become a partner,
- (b) The minimum number of partners required and the consequences of reduction below the statutory limit, and
- (c) The concept of designated partners, including the requirement of having a resident designated partner. **(6 Marks)**
3. (a) X, Y and Z are partners in a firm named M/s XYZ & Co. Timber is used in the business of firm in the ordinary course of business. Y with intention to deceive W, a timber dealer, purchased timber on behalf of M/s XYZ & Co. Y uses the timber for construction of his own building. W has no idea that Y purchased the timber for his own use and claims the payment from M/s XYZ & Co. M/s XYZ & Co. refuses the payment as the timber was never received by it. State:
- (i) Whether firm is liable to pay the price of Timber?
- (ii) Whether the answer be different in case part of timber so purchased was delivered to firm and rest was used by Y for his personal use which was not in the knowledge of firm and W. **(7 Marks)**
- (b) (i) Nolimit Private Company is incorporated as unlimited company having share capital of ₹ 10,00,000. One of its creditors, Mr. Samuel filed a suit

against a shareholder Mr. Innocent for recovery of his debt against Nolimit Private Company. Mr. Innocent has given his plea in the Court that he is not liable as he is just a shareholder. Explain whether Mr. Samuel will be successful in recovering his dues from Mr. Innocent? **(4 Marks)**

- (ii) A Company registered under Section 8 of the Companies Act, 2013, has been consistently making profits for the past 5 years after a major change in the management structure. Few members contented that they are entitled to receive dividends. Can the company distribute dividend? If yes, what is the maximum percentage of dividend that can be distributed as per provisions of the Companies Act, 2013? Also, to discuss this along with other regular matters, the company held a general meeting by giving only 14 days' notice. Is this valid? **(3 Marks)**

- (c) On the basis of the mode of formation, contracts can be classified into different types. Explain the various kinds of contracts, namely:

1. Express Contracts
2. Implied Contracts (including Tacit Contracts)
3. Quasi-Contracts
4. E-Contracts **(6 Marks)**

4. (a) (i) Rahul is manufacturer of jute bags. He contracted with Sonia to purchase raw jute for the purpose of making bags. Rahul informed Sonia that production process of jute bags would start from 27.06.2025 but Sonia must supply raw jute till 25.06.2025 so that quality verifications can be done in next two days. Sonia supplied the jute on 27.06.2025 and informed Rahul that she couldn't supply on 25.06.2025 due to some unavoidable reasons and she also assured that quality measures were not anyway compromised in supplies. But Rahul wanted to avoid the contract as he was not given opportunity to examine the goods. In light of provisions of the Indian Contract Act 1872, whether Rahul can avoid the contract? **(4 Marks)**

- (ii) Kajal, wife of Ajay, is lunatic. She purchased a Diamond set of ₹ 15 Lakhs from a famous Jewellers on credit. The Jewellers demanded the payment from her husband, Ajay. The Jewellers filed suit against Ajay for recovery of price of Diamond set. Referring to the provisions of the Indian Contract Act, 1872, decide whether the Jewellers is entitled to claim the price from Ajay? **(3 Marks)**

- (b) Under what circumstances is presentment for payment of a negotiable instrument not necessary under the Negotiable Instruments Act, 1881? **(7 Marks)**

- (c) What is the significance of the Supreme Court and High Court in the Indian judiciary? **(6 Marks)**

5. (a) Anant needs an air conditioner for his room. For this purpose, he approaches M/s Frontline Electronics. The sales manager of M/s Frontline Electronics said that its technician will visit the room of Anant and there after they will suggest the air conditioner suitable for his room. After visiting the room, the technician suggests that a split AC of 1 tonne capacity will be sufficient for his room. On this advice, he purchases the suggested AC but after sometimes Anant found that AC is insufficient to cool the room area. Now, Anant wants to avoid the contract, but M/s Frontline Electronics denies returning or changing the AC as AC is installed and returning or changing will result a heavy loss to it. Referring to the provisions of the Sale of Goods Act, 1930, whether Anant can avoid the contract after installation? **(7 Marks)**
- (b) On the dissolution of a firm, what are the rights and obligations of partners under the Indian Partnership Act, 1932 with respect to:
- (i) The right to have the business wound up and surplus distributed,
  - (ii) The continuing authority of partners for the purpose of winding up and completing unfinished transactions, and
  - (iii) The application of firm debts and separate debts of partners. **(7 Marks)**
- (c) Define a Contract of Guarantee under the Indian Contract Act, 1872. Also explain the essential features of a valid contract of guarantee. **(6 Marks)**
6. (a) 'Nakul' made promissory note in favour of 'Sahdev' of ₹ 10,000 and delivered to him. 'Sahdev' indorsed the promissory note in favour of 'Arjun' but delivered to Arjun's agent. Subsequently, Arjun's agent died, and promissory note was found by 'Arjun' in his agent's table drawer. 'Arjun' sued 'Nakul' for the recovery of promissory note. Whether 'Arjun' can recover amount under the provisions of the Negotiable Instruments Act, 1881? **(7 Marks)**
- (b) Define the term Ratification under the Indian Contract Act, 1872. Explain the rights of a person as to acts done for him without his authority. What is the effect of ratification? **(6 Marks)**
- (c) (i) When is the contract of sale in an auction complete?
- (ii) What is the effect of pretended bidding by the seller in an auction?
- (iii) Can the seller reserve a right to bid at his own auction? If yes, how? **(7 Marks)**