Mock Test Paper - Series II: December, 2025

Date of Paper: 31st December, 2025

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

FOUNDATION COURSE

PAPER – 2: BUSINESS LAWS

*Question No. **1** is compulsory.*

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

(Time allowed: 3 Hours) **(100 Marks)**

1. (a) Examine the validity of the following agreements under the provisions of the Indian Contract Act, 1872 and justify your answer:

(i) Mrs. Palak pays a sum of ₹ 10,000 to a marriage bureau to provide information about the prospective grooms for her daughter's marriage.

(ii) Bharat agrees with John to sell his white bull. Unknown to both the parties, the bull was dead at the time of agreement.

(iii) Rishabh sells the goodwill of his shop to Omkar for ₹ 10,00,000 and promises not to carry on such similar business within the local limits so long as Omkar carries on like business.

(iv) A property worth ₹ 2,00,000 was agreed to be sold for just ₹ 25,000 by a person of unsound mind. **(7 Marks)**

(b) (i) State with reasons whether the following companies can be treated as Small Companies with reference to the provisions of the Companies Act, 2013:

1. STS Pvt. Ltd., having a turnover of ₹ 10 crores and the paid-up capital of ₹ 1 crore (1,00,000 equity shares of ₹ 100 each). Out of these 60,000 equity shares are held by UV Infratech Pvt. Ltd.

2. ZX Ltd., having a paid-up capital of ₹ 3 crores and turnover of ₹ 35 crores. **(4 Marks)**

(ii) Justice Private Limited has 9 directors on its Board of Directors. The company's Articles of Association currently state that the quorum for board meetings shall be 1/3rd of the total strength or 2 directors, whichever is higher. The company now intends to amend this article to specify that the quorum for board meetings shall be 1/3rd of the total strength or 4 directors, whichever is higher. Advise the company on the procedure for including this entrenchment provision in its Articles in accordance with the provisions of the Companies Act, 2013. Would your advice differ if the company was a public company? **(3 Marks)**

(c) (i) Explain the following terms under the Indian Partnership Act, 1932:

(1) Partner by holding out

(2) Nominal Partner **(4 Marks)**

(ii) When the continuing guarantee can be revoked under the Indian Partnership Act, 1932? **(2 Marks)**

2. (a) (i) M/s RK Traders (Buyer) made a contract with M/s CK Traders (Seller) for purchase of 2000 kg of basmati rice specifically grown in Chhattisgarh State should be packed in pink colour bags of 25 kg each to identify the place of origin by specifying the mode of packing of basmati rice. The seller agreed for specific packing of rice grown in Chhattisgarh State. However, by misunderstanding, staff of seller packed the quantity of 1800 kg of basmati rice grown in the State of Maharashtra in white colour bags of 30 kg each and the remaining quantity of 200 kg, grown in Chhattisgarh State, in pink colour bags of 25 kg each. Referring to the provisions of the Sale of Goods Act, 1930 analyse, whether the buyer has the right to reject the entire quantity of basmati rice supplied by the seller. **(4 Marks)**

(ii) Kartik agreed to sell his laptop to Vasant for a price to be fixed by Kusum a hardware engineer. However, before the delivery of the laptop, Kartik changed his mind and did not share any particulars and configuration of the laptop with Kusum, which made her unable to do the valuation. Kusum refused to do valuation.

Vasant needed laptop for his project, so he promised Kartik that, if the laptop is delivered to him, he would pay a reasonable price for it. However, Kartik decided not to sell his laptop to Vasant. Now, Vasant wants to know from you, being a legal expert, whether Kartik is bound by his promise as he agreed earlier to deliver his laptop to him at a reasonable price. If he does not agree to deliver what is the other remedy available to Vasant? Advise, referring to the provisions of the Sale of Goods Act, 1930.

(3 Marks)

(b) Referring to the provisions of the Companies Act, 2013, answer the following:

(i) "Corporate veil sometimes fails to protect the members of the company from the liability connected to the company's actions." Explain any three instances. **(5 Marks)**

(ii) What is the effect of Memorandum and Articles when registered?

(2 Marks)

(c) Referring to the provisions of the Limited Liability Partnership Act, 2008, answer the following:

(i) Under what circumstances a Limited Liability Partnership is compulsorily required to change its name? Also, explain the compliance requirement following the change of name and the consequences, if any, in case of default therein. **(4 Marks)**

(ii) What do you mean by a Small Limited Liability Partnership? **(2 Marks)**

3. (a) ABC & Co. is a renowned partnership firm doing business in textile industry from last twenty years. But due to technical up-gradation, firm incurred heavy debts of ₹ 50 lakhs. To maintain the integrity of the firm they introduced Mr. D as a new partner. Before admission of D, other partners A, B and C decided on their own and made an agreement with the creditors that the new partner will be liable for existing debt through novation. When D joins, he came to know about the debt of ₹ 50 lakhs. With reference to the provisions of the Indian Partnership Act, 1932, give your opinion:

(i) Whether D would be liable for the debts of the firm incurred prior to his admission by virtue of the agreement between A, B, C and the creditors?

(ii) Whether your answer will be different if D was minor at the time of admission?

(iii) Whether D would be liable to pay the debt upon becoming major?

(7 Marks)

(b) (i) The Object clause of Memorandum of Association of ABC Pvt. Ltd. authorized the company to carry on the business of trading in property in Gurgaon. Since the company was not doing well, the Directors of the company in a recent board meeting planned to diversify the business and enter into Construction business. For this purpose, they borrowed a sum of ₹ 5 crores from Magnum Finance Ltd. But the members of the company did not approve the decision of the board hence, company refused to repay the loan. According to provisions of the Companies Act, 2013 what is the recourse available to Magnum Finance Ltd. for recovery of the loan?

(4 Marks)

(ii) SNM Ltd. was registered in 2021 with a share capital of ₹ 50 Lakh divided into 5 lakhs equity share of ₹ 10 each under Section 8 of the Companies Act, 2013 for promotion of art in Jaipur. Company earned huge profits during the financial year ending on 31st March 2025 due to boom in the market. On 10th May 2025, 75% members of the company demanded to distribute 10% dividend to the equity shareholders. For this purpose, they passed special resolution in EGM.

With reference to provisions of the Companies Act, 2013 decide whether SNM Ltd. can declare dividend @ 10% to equity shareholders for the year ending 31st March 2025. **(3 Marks)**

(c) According to provisions of the Indian Contract Act, 1872, define the following terms with reference to contract of guarantee:

(i) Nature and extent of Surety's Liability

(ii) Discharge of a Contract of Surety by Invalidation of the Contract of Guarantee. **(6 Marks)**

4. (a) A, B and C jointly promised to pay D a sum of ₹ 6,000. Examine, considering the provisions of the Indian Contract Act, 1872 -

(i) Can D compel any of three parties A, B and C to pay him ₹ 6,000?

(ii) C is compelled to pay the whole of the amount to D. Can he recover anything from A and B, when -

(1) Both A and B were solvents.

(2) A is not in a position to pay anything. **(7 Marks)**

(b) What are the rules governing the compensation payable in the event of dishonour of a negotiable instrument under the provisions of the Negotiable Instruments Act, 1881? **(7 Marks)**

(c) Explain in brief the important functions played by the Ministry of Finance, the Ministry of Corporate Affairs and the Ministry of Law and Justice in enforcing the law in India. **(6 Marks)**

5. (a) (i) Ashok, a trader, delivered a camera to Mangesh on 'sale or return' basis. Mangesh delivers the camera to Rahul on the terms of 'sale for cash only

or return'. Afterward, Rahul delivered it to Vishal on a 'sale or return' basis without paying cash to Mangesh. The camera, which was in the possession of Vishal was lost by theft though he exercised due care for its safety. Referring to the provisions of the Sale of Goods Act, 1930, analyse the situation and advise, whether Mangesh, Rahul or Vishal are, jointly or severally, liable to pay the price of the camera to Ashok. **(4 Marks)**

(ii) Ansari of Jaipur sold 100 smart TV set @ ₹ 50,000/- per set to Baburam of Delhi. He delivered the TV sets to Chetan, a transport carrier for transmission to Baburam. Baburam further sold these 100 TV sets to Shayamlal @ ₹ 60,000/- per set. On reaching the goods at the destination, Baburam demanded the delivery but Chetan, wrongfully refused to deliver the goods to Baburam. That is why; he failed to deliver TV sets to Shayamlal and suffered a huge loss on account of non-delivery. Ansari came to know about this. He directed Chetan to stop the delivery to Baburam and re-deliver the goods to him at Jaipur.

Answer the following questions under the provisions of the Sale of Goods Act, 1930:

(A) Whether Ansari has right to stop the goods in transit?

(B) Whether Baburam can claim loss suffered due to non-delivery from Ansari? **(3 Marks)**

(b) State the circumstances, in which a Court may, at the suit of the partner, dissolve a partnership firm under the provisions of the Indian Partnership Act, 1932.

(7 Marks)

(c) In accordance with the provisions of the Indian Contract Act, 1872, answer the following:

(i) Rights of Bailor against any wrong doer (Third Party)

(ii) Duties of the Pawnee **(6 Marks)**

6. (a) Ram purchased a second-hand car from his friend Rohan for ₹ 5 lakhs on 10th November, 2022. He paid ₹ 4 lakh immediately and promised to pay ₹ 1 lakh within a year. But, he could not pay the remaining amount till December-2023. On 5thJanuary, 2024 Ram received an invitation for Rohan's wedding which he could not attend but sent a cheque of ₹ 51,000 as gift by post.

When Rohan deposited the cheque, it was returned unpaid due to insufficient balance in the account of Ram. Rohan considered it as an offence under Section 138 of the Negotiable Instruments Act, 1881.

Advise

(i) Whether Ram would be held liable for dishonour of cheque?

(ii) Whether Rohan was justified in considering this as an offence under Section 138 of the Negotiable Instruments Act, 1881. **(7 Marks)**

(b) With reference to provisions of the Indian Contract Act, 1872 define the following terms:

(i) Quasi-contracts and its salient features

(ii) Responsibility of finder of goods **(6 Marks)**

OR

(b) Explain the following terms with reference to the Indian Contract Act, 1872:

(i) Pledge by mercantile agent

(ii) Pledge by person in possession under voidable contract **(6 Marks)**

(c) With reference to provisions of the Sale of Goods Act, 1930, answer the following:

(i) What are the consequences of the destruction of specified goods, before making of contract and after the agreement to sell under the Sale of Goods Act, 1930.

(ii) Sometime breach of condition will be treated as breach of warranty as a result of which buyer losses his right to rescind. State the circumstance where a contract cannot be avoided even on account of breach of condition. **(7 Marks)**