

FOUNDATION COURSE

MOCK TEST PAPER - 2

FOUNDATION COURSE

PAPER 2: BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING

SECTION 2A: 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.

Total Marks: 60

QUESTIONS

1. (a) Father promised to pay his son a sum of rupee one lakh if the son passed C.A. examination in the first attempt. The son passed the examination in the first attempt, but father failed to pay the amount as promised. Son files a suit for recovery of the amount. State along with reasons whether son can recover the amount under the Indian Contract Act, 1872. **(4 Marks)**
- (b) Krishna, 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 Krishna as a pretended loan. This way, Krishna 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 term goods and other related terms under the Sale of Goods Act, 1930. **(4 Marks)**
2. (a) Enumerate the persons by whom a contract may be performed 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) Whether a minor may be admitted in the business of a partnership firm? Explain the rights of a minor in the partnership firm. **(6 Marks)**
- (b) 'X' entered into a contract with 'Y' to supply him 1,000 water bottles @ ₹ 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 @ ₹ 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 ₹ 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 Consequently, 'X' could not procure any water bottle and 'Y' rescinded the contract.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) Explain the provisions of law relating to unpaid seller's 'right of lien' and distinguish it from the "right of stoppage the goods in transit". **(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)**
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) Briefly explain the doctrine of "ultravires" under the Companies Act, 2013. What are the consequences of ultravires acts of the company? **(6 Marks)**
6. (a) "No consideration, no contract". Discuss.

Or

What do you understand by "coercion", describe its effect on the validity of a contract? **(5 Marks)**

- (b) What is Partnership Deed and state the information contained therein? **(4 Marks)**
- (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. **(3 Marks)**

**FOUNDATION COURSE
MOCK TEST PAPER - 2**

PAPER 2: SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING

The Question Paper comprises of 5 questions of 10 marks each.

*Question No. 1 is compulsory. Out of questions 2 to 5, attempt any **three***

Max Marks: 40

1. (a) Read the passage carefully and answer the questions that follow:

In the world have we made health an end in itself? We have forgotten that health is really a means to enable a person to do his work and do it well. A lot of modern medicine is concerned with promotion of good health. Many patients as well as many physicians pay very little attention to health; but very much attention to health makes some people imagine that they are ill.

Our great concern with health is shown by the medical columns in newspapers, the health articles in popular magazines and the popularity of the television programmes and all those books on medicine. We talk about health all the time. Yet the only result of this obsession with health is the rise in the number of people with imaginary illnesses.

The healthy man should not be wasting any time talking about health; he should be using health for work, the work he does and the work that good health makes possible.

- 1) A healthy person should be primarily concerned with
- a) Looking after only his health
 - b) The health of his near and dear ones
 - c) His work which good health makes possible
 - d) All of the above **(1 Mark)**
- 2) Talking about health always makes people
- a) Suffer from imaginary diseases
 - b) Smart and pro active
 - c) Suffer at workplace only
 - d) Promote good health **(1 Mark)**
- 3) A suggestion we learn from the passage is:
- a) Health is the most important aspect of one's life
 - b) Work cannot be compromised
 - c) Health is only a means to an end
 - d) Health is a God given gift **(1 Mark)**
- 4) According to the passage, which is true:
- a) Health must not be talked about always, but used at work
 - b) Modern medicine is concerned with promotion of good health
 - c) People talking of health can never develop imaginary diseases
 - d) A and B but C **(1 Mark)**

5) Select a suitable antonym for the word 'promotion'

- a) Condemnation
- b) Contribution
- c) Conjugation
- d) Confederation

(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)

Children spend the most productive time of the day in schools. Hence, schools should be a 'happening place' for them. Unless they voluntarily come to school, enjoy and understand the teaching methods, children will not like the experience. It is tragic that after 72 years of Independence, over 10 per cent of the government primary schools are still single-class room or single teacher schools; the condition being worse in the northeast. According to a World Bank survey, children in the age group 7-14 could not read even a simple story in India. Dropout rates are high and only about 25% of the children who enroll in primary education pass fifth grade.

Mere tall buildings or modern laboratories or even AC class rooms in schools cannot substitute a teacher who inspires the generation of students both inside and class room and outside. It is the duty of the government and every school management to train, motivate and compensate teachers well. Only then will they contribute willingly for the welfare of students.

In cities and towns, educated parents go out of their way to provide quality education to their children, but this does not happen in rural India. Most of the poor parents send their children to schools so that their children would get at least one meal free. As the days go by, roughly about 60 per cent drop outs are noticed for reasons known only to parents. In some states, parents take children to work whose income they believe will supplement their daily needs. They fear that they will lose the income of their children, once they go to school. Lack of awareness on the part of parents and their apathy is the root cause for not enrolling their children in schools. As we celebrate Independence Day this month and Teachers Day next month, let us remind ourselves the words of John F. Kennedy "Ask not what the country has done to you but ask what you have done to the country." The easiest way is to adopt a primary school in our nearby area to express our solidarity to this great nation that has given us everything.

2. (a) Differentiate between the Vertical Network and the Wheel and spoke method of 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) Assumably (c) Remoteness (d) Cure **(1 Mark)**

(iii) Change the following sentences into passive voice.

Abhishek speaks a lot on politics.

(1 Mark)

(iv) Change the following sentences to indirect speech.

The Principal said, 'You are a bright child'.

(1 Mark)

- (c) Write a précis and give appropriate title to the passage given below.

The issue of war and peace has always been a focal issue in all periods of history and at all levels and relations among nations. The concern of the humankind for peace can be assessed by taking into account the fact that all religions, all religious scriptures and several religious ceremonies are committed to the cause of peace and all these advocate an elimination of war. The Shanti Path recited by the Hindus, the sermons of Pope and the commands of all the holy scriptures of the Christians, Muslims, Hindus, Sikhs and all other communities hold out a sacred commitment to peace.

Yet the international community fully realized the supreme importance of the virtue of peace against the evil of war only after having suffered the most unfortunate and highly destructive two World Wars in the first half of the 20th century. The blood soaked shreds of humanity that lay scattered in several hundred battle grounds, particularly on the soils of Hiroshima and Nagasaki, cried for peace, peace and peace on the earth. **(5 Marks)**

3. (a) Explain the Star Network in the channel of communication. **(1 Mark)**
- (b) (i) Choose the word which best expresses the meaning of the given word.
Prototype
(a) Norm (b) Character (c) Tired (d) Resourceful **(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
People watch football matches late night **(1 Mark)**
- (iv) Change the following sentence to indirect speech.
The athlete said, 'I can break old records' **(1 Mark)**
- (c) As the Administration Head of your organization, write a letter to your vendor complaining about a faulty delivery of order (computer accessories). The quality and quantity both are a matter of concern. **(5 Marks)**
4. (a) List various characteristics of effective communication. Explain any two of them in your own words. **(2 Marks)**
- (b) (i) Select the suitable antonym for the given word:
Proficient
(a) Incompetent (b) Probable (c) Skilled (d) Available **(1 Mark)**
- (ii) Rewrite the following sentences in active voice
The test must be completed by you in one hour. **(1 Mark)**
- (iii) Change the following sentence into Indirect' speech.
She said, 'My mother cooks well' **(1 Mark)**
- (c) Write an Article of about 250-300 words on the topic "GST and related reforms: what effect will it have on the Indian economy?" **(5 Marks)**

OR

As the School Captain, write a report of about 250-300 words for your school magazine, about **Career Fair** held in your school last week. Mention the institutions that participated, seminars held and interactive sessions conducted by them. **(5 Marks)**

5. (a) Based on communication channels, what are the different kinds of communication methods? Explain. **(2 Marks)**
- (b) Select the correct meaning of the idioms/phrases given below.
- (i) A wild goose chase
- a) Go hunting
 - b) Enjoy the moment
 - c) Capture the inferior
 - d) Worthless search **(1 Mark)**
- (ii) It's piece of cake
- a) Something too sweet
 - b) Easy job
 - c) A small bite
 - d) Little to eat **(1 Mark)**
- (ii) Change the following sentence into Indirect speech. **(1 Mark)**
Brother said, 'I have finished my studies'
- (c) Prepare the Minutes of a Meeting, presided by the Chairman of HKU Pvt Ltd, an FMCG company. The main agenda of the meeting was introducing a new product, fixing a cost, discussing the Sales and Marketing and the advertising strategies. Speakers involved were: the chairperson, the Product Head, the Sales Head and the Creative Director. **(5 Marks)**

OR

Prepare a chronological resume of commerce background student, having worked in a firm for 1 year, and gained experience in general management skills. **(5 Marks)**

FOUNDATION COURSE

MOCK TEST PAPER – 2

PAPER 2: BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING

SECTION: 2A: BUSINESS LAWS

ANSWERS

1. (a) Problem asked in the question is based on the provisions of the Indian Contract Act, 1872 as contained in section 10. According to the provisions there should be an intention to create legal relationship between the parties. Agreements of a social nature or domestic nature do not contemplate legal relationship and as such are not contracts, which can be enforced. This principle has been laid down in the case of *Balfour v. Balfour*. Accordingly, applying the above provisions and the case decision, in this case son cannot recover the amount of Rs. 1 lakh from father for the reasons explained above.
- (b) The House of Lords in *Salomon Vs. Salomon & Co. Ltd.* laid down that a company is a person distinct and separate from its members, and therefore, has an independent separate legal existence from its members who have constituted the company. But under certain circumstances the separate entity of the company may be ignored by the courts. When that happens, the courts ignore the corporate entity of the company and look behind the corporate façade and hold the persons in control of the management of its affairs liable for the acts of the company. Where a company is incorporated and formed by certain persons only for the purpose of evading taxes, the courts have discretion to disregard the corporate entity and tax the income in the hands of the appropriate assessee.
- (1) The problem asked in the question is based upon the aforesaid facts. The three companies were formed by the assessee purely and simply as a means of avoiding tax and the companies were nothing more than the façade of the assessee himself. Therefore, the whole idea of Mr. Krishna was simply to split his income into three parts with a view to evade tax. No other business was done by the company.
- (2) The legal personality of the three private companies may be disregarded because the companies were formed only to avoid tax liability. It carried no other business, but was created simply as a legal entity to ostensibly receive the dividend and interest and to hand them over to the assessee as pretended loans.
- (c) **"Goods"** means every kind of movable property other than actionable claims and money; and includes stock and shares, growing crops, grass, and things attached to or forming part of the land, which are agreed to be severed before sale or under the contract of sale. [Section 2(7) of the Sales of Goods Act, 1930]
- 'Actionable claims' are claims, which can be enforced only by an action or suit, e.g., debt. A debt is not a movable property or goods. Even the Fixed Deposit Receipts (FDR) are considered as goods under Section 176 of the Indian Contract Act read with Section 2(7) of the Sales of Goods Act.
2. (a) As per section 40 of the Indian Contract Act, 1872, the promise under a contract may be performed, as the circumstances may permit, by the promisor himself, or by his agent or his legal representative.
- (i) **Promisor himself:** If there is something in the contract to show that it was the intention of the parties that the promise should be performed by the promisor himself, such promise must be performed by the promisor. This means contracts which involve the exercise of personal skill or diligence, or which are founded on personal confidence between the parties must be

performed by the promisor himself.

- (ii) **Agent:** Where personal consideration is not the foundation of a contract, the promisor or his representative may employ a competent person to perform it.
 - (iii) **Legal Representatives:** A contract which involves the use of personal skill or is founded on personal consideration comes to an end on the death of the promisor. As regards any other contract the legal representatives of the deceased promisor are bound to perform it unless a contrary intention appears from the contract. But their liability under a contract is limited to the value of the property they inherit from the deceased.
 - (iv) **Third persons:** As per Section 41 of the Indian Contract Act, 1872, when a promisee accepts performance of the promise from a third person, he cannot afterwards enforce it against the promisor. That is, performance by a stranger, accepted by the promisee, produces the result of discharging the promisor, although the latter has neither authorised nor ratified the act of the third party.
 - (v) **Joint promisors:** When two or more persons have made a joint promise, then unless a contrary intention appears by the contract, all such persons must jointly fulfill the promise. If any of them dies, his legal representatives must, jointly with the surviving promisors, fulfill the promise. If all of them die, the legal representatives of all of them must fulfill the promise jointly
- (b) **Meaning:** A LLP is a new form of legal business entity with limited liability. It is an alternative corporate business vehicle that not only gives the benefits of limited liability at low compliance cost but allows its partners the flexibility of organising their internal structure as a traditional partnership. The LLP is a separate legal entity and, while the LLP itself will be liable for the full extent of its assets, the liability of the partners will be limited.

Steps to incorporate LLP:

- (i) Name reservation
 - The first step to incorporate Limited Liability Partnership (LLP) is reservation of name of LLP.
 - Applicant has to file e- Form 1, for ascertaining availability and reservation of the name of a LLP business.
 - (ii) Incorporate LLP
 - After reserving a name, user has to file e- Form 2 for incorporating a new Limited Liability Partnership (LLP).
 - e-Form 2 contains the details of LLP proposed to be incorporated, partners'/ designated partners' details and consent of the partners/ designated partners to act as partners/ designated partners.
 - (iii) LLP Agreement
 - Execution of LLP Agreement is mandatory as per Section 23 of the Act.
 - LLP Agreement is required to be filed with the registrar in e- Form 3 within 30 days of incorporation of LLP.
3. (a) A minor cannot be bound by a contract because a minor's contract is void and not merely voidable. Therefore, a minor cannot become a partner in a firm because partnership is founded on a contract. Though a minor cannot be a partner in a firm, he can nonetheless be admitted to the benefits of partnership under Section 30 of the Act. In other words, he can be validly given a share in the partnership profits. When this has been done and it can be done with the consent of all the partners then the rights and liabilities of such a partner will be governed under Section 30 as follows:

Rights:

- (i) A minor partner has a right to his agreed share of the profits and of the firm.
- (ii) He can have access to, inspect and copy the accounts of the firm.
- (iii) He can sue the partners for accounts or for payment of his share but only when severing his connection with the firm, and not otherwise.
- (iv) On attaining majority he may within 6 months elect to become a partner or not to become a partner. If he elects to become a partner, then he is entitled to the share to which he was entitled as a minor. If he does not, then his share is not liable for any acts of the firm after the date of the public notice served to that effect.

- (b) **BREACH OF CONTRACT- DAMAGES:** Section 73 of the Indian Contract Act, 1872 lays down that when a contract has been broken, the party who suffers by such breach is entitled to receive from the party who has broken the contract, compensation for any loss or damage caused to him thereby which naturally arose in the usual course of things from such breach or which the parties knew when they made the contract to be likely to result from the breach of it.

The leading case on this point is "*Hadley v. Baxendale*" in which it was decided by the Court that the special circumstances under which the contract was actually made were communicated by the plaintiff to the defendant, and thus known to both the parties to the contract, the damages resulting from the breach of such contract which they would reasonably contemplate, would be the amount of injury which would ordinarily follow from the breach of contract under these special circumstances so known and communicated.

The problem asked in this question is based on the provisions of Section 73 of the Indian Contract Act, 1872. In the instant case 'X' had intimated to 'Z' that he was purchasing water bottles from him for the purpose of performing his contract with 'Y'. Thus, 'Z' had the knowledge of the special circumstances. Therefore, 'X' is entitled to claim from 'Z' Rs. 500/- at the rate of 0.50 paise i.e. 1000 water bottles x 0.50 paise (difference between the procuring price of water bottles and contracted selling price to 'Y') being the amount of profit 'X' would have made by the performance of his contract with 'Y'.

If 'X' had not informed 'Z' of 'Y's contract, then the amount of damages would have been the difference between the contract price and the market price on the day of default. In other words, the amount of damages would be Rs. 750/- (i.e. 1000 water bottles x 0.75 paise).

4. (a) Right of lien of an unpaid seller

The legal provisions regarding the right of lien of an unpaid seller has been stated from Sections 47 to 49 of the Sale of Goods Act, 1930 which may be enumerated as follows:

- (i) According to Section 47 the unpaid seller of the goods who is in possession of them is entitled to retain possession of them until payment or tender of the price in the following cases namely:
 - (a) where the goods have been sold without any stipulation as to credit.
 - (b) where the goods have been sold on credit, but the term of credit has expired; or
 - (c) where the buyer becomes insolvent.

The seller may exercise his right of lien notwithstanding that he is in possession of the goods as agent or bailee for the buyer.

- (ii) Section 48 states that where an unpaid seller has made part delivery of the goods, he may exercise his right of lien on the remainder, unless such part delivery has been made under such circumstances as to show an agreement to waive the lien.

- (iii) According to Section 49 the unpaid seller loses his lien on goods:
 - (a) when he delivers the goods to a carrier or other bailee for the purpose of transmission to the buyer without reserving the right of disposal of the goods.
 - (b) when the buyer or his agent lawfully obtains possession of the goods;
 - (c) by waiver thereof

The unpaid seller of the goods, having a lien thereon, does not lose his lien by reason only that he has obtained a decree to the price of the goods.

Right of lien and Right to stoppage the goods in transit; distinction:

- (i) The essence of a right of lien is to retain possession whereas the right of stoppage in transit is right to regain possession.
 - (ii) Seller should be in possession of goods under lien while in stoppage in transit (1) Seller should have parted with the possession (2) possession should be with the carrier and (3) Buyer has not acquired the possession.
 - (iii) Right of lien can be exercised even when the buyer is not insolvent but it is not the case with right of stoppage in transit.
 - (iv) Right of stoppage in transit begins when the right of lien ends. Thus the end of the right of lien is starting point of the right of stoppage the goods in transit.
- (b) The problem in the question is based on the 'Implied Authority' of a partner provided in Section 19 of the Indian Partnership Act, 1932. The section provides that subject to the provisions of Section 22 of the Act, the act of a partner, which is done to carry on, in the usual way, business of the kind carried on by the firm, binds the firm. The authority of a partner to bind the firm conferred by this section is called his 'Implied Authority' [Sub-Section (1) of section 19]. Furthermore, every partner is in contemplation of law the general and accredited agent of the partnership and may consequently bind all the other partners by his acts in all matters which are within the scope and object of the partnership. Hence, if the partnership is of a general commercial nature, he may buy goods on account of the partnership.

Considering the above provisions and explanation, the questions as asked in the problem may be answered as under:

- (i) The firm's contention is not tenable, for the reason that the partner, in the usual course of the business on behalf of the firm has an implied authority to bind the firm. The firm is, therefore, liable for the price of the goods.
- (ii) In the second case also, the answer would be the same as above, i.e. the implied authority of the partner binds the firm.

In both the cases, however, the firm ABC can take action against A, the partner but it has to pay the price of stationery to the supplier D.

5. (a) Section 26 of the Sale of Goods Act, 1930 provides that unless otherwise agreed, the goods remain at the seller's risk until the property therein is transferred to the buyer, but when the property therein is transferred to the buyer, the goods are at buyer's risk whether delivery has been made or not. Further Section 18 read with Section 23 of the Act provides that in a contract for the sale of unascertained goods, no property in the goods is transferred to the buyer, unless and until the goods are ascertained and where there is contract for the sale of unascertained or future goods by description, and goods of that description and in a deliverable state are unconditionally appropriated to the contract, either by the seller with the assent of the buyer or by the buyer with the assent of the seller, the property in the goods thereupon passes to the buyer. Such assent may be express or implied. Applying the aforesaid law to the facts of the case in hand, it is clear

that Mr. Samuel has the right to select the good out of the bulk and he has sent his men for same purpose.

Hence the problem can be answered based on the following two assumptions and the answer will vary accordingly.

(a) **Where the bales have been selected with the consent of the buyer's representatives:**

In this case, the property in the 60 bales has been transferred to the buyer and goods have been appropriated to the contract. Thus, loss arising due to fire in case of 60 bales would be borne by Mr. Samuel. As regards 40 bales, the loss would be borne by Mr. Varun, since the goods have not been identified and appropriated.

(b) **Where the bales have not been selected with the consent of buyer's representatives.**

In this case, the property in the goods has not been transferred at all and hence the loss of 100 bales would be borne by Mr. Varun completely.

- (b) **Doctrine of ultra vires:** The meaning of the term *ultra vires* is simply "beyond (their) powers". The legal phrase "*ultra vires*" is applicable only to acts done in excess of the legal powers of the doers. This presupposes that the powers are in their nature limited. To an ordinary citizen, the law permits whatever does the law not expressly forbid.

It is a fundamental rule of Company Law that the objects of a company as stated in its memorandum can be departed from only to the extent permitted by the Act - thus far and no further [*Ashbury Railway Company Ltd. vs. Riche*]. In consequence, any act done or a contract made by the company which travels beyond the powers not only of the directors but also of the company is wholly void and inoperative in law and is therefore not binding on the company. On this account, a company can be restrained from employing its fund for purposes other than those sanctioned by the memorandum. Likewise, it can be restrained from carrying on a trade different from the one it is authorised to carry on.

The impact of the doctrine of *ultra vires* is that a company can neither be sued on an *ultra vires* transaction, nor can it sue on it. Since the memorandum is a "public document", it is open to public inspection. Therefore, when one deals with a company one is deemed to know about the powers of the company. If in spite of this you enter into a transaction which is *ultra vires* the company, you cannot enforce it against the company. For example, if you have supplied goods or performed service on such a contract or lent money, you cannot obtain payment or recover the money lent. But if the money advanced to the company has not been expended, the lender may stop the company from parting with it by means of an injunction; this is because the company does not become the owner of the money, which is *ultra vires* the company. As the lender remains the owner, he can take back the property *in specie*. If the *ultra vires* loan has been utilised in meeting lawful debt of the company then the lender steps into the shoes of the debtor paid off and consequently he would be entitled to recover his loan to that extent from the company.

An act which is *ultra vires* the company being void, cannot be ratified by the shareholders of the company. Sometimes, act which is *ultra vires* can be regularised by ratifying it subsequently. For instance, if the act is *ultra vires* the power of the directors, the shareholders can ratify it; if it is *ultra vires* the articles of the company, the company can alter the articles; if the act is within the power of the company but is done irregularly, shareholder can validate it.

6. (a) **No consideration, no contract:** Every agreement, to be enforceable by law must be supported by valid consideration. An agreement made without any consideration is void. No consideration, no contract is a general rule. However, Section 25 of the Indian Contract Act, 1872 provides some exceptions to this rule, where an agreement without consideration will be valid and binding. These exceptions are as follows:

- (i) **Agreement made on account of natural love and affection:** Section 25 (1) provides that if an agreement is (i) in writing (ii) registered under the law and (iii) made on account of natural love and affection (iv) between the parties standing in a near relation to each other, it will be enforceable at law even if there is no consideration.
- (ii) **Compensation for past voluntary services:** Section 25(2) provides that a promise to compensate, wholly or in part, a person who has already voluntarily done something for the promisor, is enforceable.
- (ii) **Promise to pay time-barred debts (Section 25 (3)):** Where there is an agreement, made in writing and signed by the debtor or by his agent, to pay wholly or in part a time barred debt, the agreement is valid and binding even though there is no consideration.
- (iv) **Contract of agency (Section 185):** No consideration is necessary to create an agency.
- (v) **Completed gift (Explanation 1 to Section 25):** A completed gift needs no consideration. Thus, if a person transfers some property by a duly written and registered deed as a gift he cannot claim back the property subsequently on the ground of lack of consideration.

Or

“**Coercion**” is the committing or threatening to commit any act forbidden by the Indian Penal Code 1860, or the unlawful detaining or threatening to detain any property, to the prejudice of any person whatever, with the intention of causing any person to enter into an agreement. (Section 15 of the Indian Contract Act, 1872).

It is also important to note that it is immaterial whether the Indian Penal Code, 1860 is or is not in force at the place where the coercion is employed.

Effects on validity: According to section 19 of the Act, when consent to an agreement is caused by coercion, the contract is voidable at the option of the party, whose consent was so caused. The aggrieved party, whose consent was so caused can enforce the agreement or treat it as void and rescind it. It is seen that in all these cases though the agreement amounts to a contract, it is voidable. The injured party might insist on being placed in the same position in which he might have been had the vitiating circumstances not been present.

Where a contract is voidable and the party entitled to avoid it decides to do so by rescinding it, he must restore any benefit which he might have received from the other party. He cannot avoid the contract and at the same time enjoy the benefit under the rescinded/avoided contract. (Section 64)

(b) Partnership Deed

Partnership is the result of an agreement. No particular formalities are required for an agreement of partnership. It may be in writing or formed verbally. But it is desirable to have the partnership agreement in writing to avoid future disputes. The document in writing containing the various terms and conditions as to the relationship of the partners to each other is called the ‘partnership deed’. It should be drafted with care and be stamped according to the provisions of the Stamp Act, 1899. Where the partnership comprises immovable property, the instrument of partnership must be in writing, stamped and registered under the Registration Act.

Partnership deed may contain the following information:-

1. Name of the partnership firm.
2. Names of all the partners.
3. Nature and place of the business of the firm.
4. Date of commencement of partnership.
5. Duration of the partnership firm.
6. Capital contribution of each partner.

7. Profit Sharing ratio of the partners.
8. Admission and Retirement of a partner.
9. Rates of interest on Capital, Drawings and loans.
10. Provisions for settlement of accounts in the case of dissolution of the firm.
11. Provisions for Salaries or commissions, payable to the partners, if any.
12. Provisions for expulsion of a partner in case of gross breach of duty or fraud.

A partnership firm may add or delete any provision according to the needs of the firm.

- (c) (i) **Correct:** Section 3 of the Companies Act, 2013 deals with the basic requirement with respect to the constitution of the company. In the case of a public company, any 7 or more persons can form a company for any lawful purpose by subscribing their names to memorandum and complying with the requirements of this Act in respect of registration. In exactly the same way, 2 or more persons can form a private company.
- (ii) **Incorrect:** The common seal is a seal used by a corporation as the symbol of its incorporation. The Companies (Amendment) Act, 2015 has made the common seal optional by omitting the words “and a common seal” from Section 9 so as to provide an alternative mode of authorization for companies who opt not to have a common seal. This amendment provides that the documents which need to be authenticated by a common seal will be required to be so done, only if the company opts to have a common seal. In case a company does not have a common seal, the authorization shall be made by two directors or by a director and the Company Secretary, wherever the company has appointed a Company Secretary.

FOUNDATION COURSE

MOCK TEST PAPER - 2

PAPER 2: SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING

ANSWERS

1. (a)

- 1) c
- 2) a
- 3) c
- 4) d
- 5) a

(b) (i) Plight of schools in India (Heading)

- 1) Chldrn like Schls if they
 - a) Atnd willgly
 - b) Enjoy
 - c) Able to undrstnd tchnng mthds
- 2) Facts
 - a) Apprx 10 % prmry schls have
 - (i) snl clc OR snl tchr
 - b) Chldrn b/w 7-14 not abl to read
 - c) High drpt rate after grd five
 - d) Only 25% chldrn pass grd five
- 3) Imprtnce of Tchrs
 - a) Physcl strct, ac, lab can't sbste for a tchr
 - b) Tchr mtvts stdnts
- 4) Tchrs will thnk abt stdnts wlfr if govt and schl mgmt
 - a) Trains
 - b) Mtvts
 - c) Pays them well
- 5) Facts abt Rural India
 - a) 60% drpt rate after prmry schl
 - b) Chldrn work to spmnt fmlly income
 - c) Indfrnt and unaware parents don't enrol chldrn in schls
- 6) Suggestion:
 - a) adopt a prmry schl to sprd awrns

Key Used

- Chldrn= children
- Shcls= schools

- Atn=attend
- Willgly=willingly
- Undrstnd=understand
- Tchng=teaching
- Mthds=methods
- Stdnts= students
- Apprx=approximately
- Pmry=primary
- Sngl=single
- b/w=between
- Drpt=dropout
- Grd=grade
- Imprtnce=importance
- Physcl=physical
- Strct=structure
- Sbste=substitute
- Mtvts=motivates
- Stdnts=students
- Abt=about
- Wlfr=welfare
- Govt=government
- Mgmt=management
- Spmnt=supplement
- Fmly=family
- Indfrnt=indifferent
- Sprd=spread
- Awrns=awareness

(b) (ii) Summary

Children will enjoy learning if they attend schools willingly and are able to understand the teaching methods. The poor plight of primary education in India is evident from the following facts: 10% or more primary schools have a single classroom or a single teacher. Children in the age group 7-14 are not able to read, dropout rate is high with only 25% of students able to qualify grade five. Teachers play an important role in learning as they motivate their students to learn and that they cannot be substituted by material additions like tall structure, ACs and laboratories. Teachers shall willingly work towards students' welfare if they are duly trained, motivated and well paid. In rural areas there is 60% dropout rate after primary school as parents take them to work to supplement their family income. Due to lack of awareness and apathy they do not enroll them into middle schools. It dawns upon us to change this plight by adopting the primary schools in our nearby areas to spread awareness amongst students and parents about the role of education in development of a child.

2. (a) **Vertical Network and Wheel & Spoke Network**

Vertical Network	Wheel and Spoke Network
A formal network. It is usually between a higher ranking employee and a subordinate.	A network with a single controlling authority who gives instructions and orders to all employees working under him/her.
A two way communication happens	Two way communication happens but useful only in small organizations.

- (b) (i) d
(ii) c
(iii) A lot is spoken on politics by Abhishek.
(iv) The Principal exclaimed/remarked that he was a bright child.

(c) **Peace on Earth: Message of all religions (Title)**

All religions across the globe have one common teaching, Peace on Earth. The religious scriptures and ceremonies aim towards eliminating war and spreading the cause of humanity. The realization happened little too late, only after the occurrence of major destructive events like world war and nuclear bombings.

3. (a) **Star Network:** has multiple channels of network in communication. This network allows a group communication and is useful especially where teamwork is involved. The members communicate and exchange information with each other freely, and without hindrance or hesitation. The usefulness of all networks depends on the structure and size of the company, and the manner of communication between the employees.

- (b) (i) a
(ii) c
(iii) Football matches are watched by people late night.
(iv) The athlete said that he could break all records.

(c) **Letter**

Manager

Date:

Dot Net Services.

Hyderabad

23rd Aug, 2018

Manager

Name of vendor company

Bengaluru

Dear Sir/Madam

Sub: Complaint against Order No. 34567 (computer peripherals)

With regard to the subject, the order No. 34567 was delivered to us on Aug 20, 2018. We are highly dissatisfied with the quality of computer peripherals. Many devices are chipped from the edge and few are damaged too. Moreover, the number of items delivered does not match with our list of requirements.

Please find attached the list of items for which the order was placed for your perusal. My colleague will also be sharing with you the pictures of the damaged peripherals. I request you to replace the items at the earliest. In future, please ensure that a thorough quality check is done before any dispatch to avoid mutual inconvenience.

Thanks and Regards,

Name

Manager, Dot net services.

Manager, Office and food supplies ltd.

4. (a) The Characteristics of Effective Communication:

Communication for humans is akin to breathing. From the first cry of the baby to the last breath of a person, communication is an essential part of life. However, good communication is an art that has been developed and honed. Effective communicators practice every aspect of the skill frequently.

It is a fact that our everyday communication is often marred by confusion, misunderstandings, misconceptions, partial understanding and obscurity. Thus, several aspects must be kept in mind while interacting with others for our communication to convey the intended message.

1. **Clear:** Any spoken or written communication should state the purpose of message clearly. The language should be simple. Sentences ought to be short as the core message is lost in long, convoluted sentences. Each idea or point must be explained in a separate bulleted point or paragraphs. Make it easy for the reader to grasp the intent of the communiqué.
2. **Concise:** Brevity is the essence of business communication. No one has the time to read long drawn out essays. Besides, the core content is lost in elaborate details. Avoid using too many irrelevant words or adjectives, for example, 'you see', 'I mean to say', etc. Ensure that there are no repetitions
3. **Concrete:** The content of your communiqué should be tangible. Base it on facts and figures. Abstract ideas and thoughts are liable to misinterpretation. Make sure that there is just sufficient detail to support your case/ argument and bring focus to the main message
4. **Coherent:** Coherence in writing and speech refers to the logical bridge between words, sentences, and paragraphs. Main ideas and meaning can be difficult for the reader to follow if the writer jumps from one idea to another and uses contradictory words to express himself. The key to coherence is sequentially organized and logically presented information which is easily understood. All content under the topic should be relevant, interconnected and present information in a flow.
5. **Complete:** A complete communication conveys all facts and information required by the recipient. It keeps in mind the receiver's intellect and attitude and conveys the message accordingly. A complete communication helps in building the company's reputation, aids in better decision making as all relevant and required information is available with the receiver.
6. **Courteous:** Courtesy implies that the sender is polite, considerate, respectful, open and honest with the receiver. The sender of the message takes into consideration the viewpoints and feelings of the receiver of the message. Make sure nothing offensive or with hidden negative tone is included.
7. **Listening for Understanding:** We are bombarded by noise and sound in all our waking hours. We 'hear' conversations, news, gossip and many other forms of speech all the time. However,

most of it is not listened to carefully and therefore, not understood, partially understood or misunderstood. A good listener does not only listen to the spoken words, but observes carefully the nonverbal cues to understand the complete message. He absorbs the given information, processes it, understands its context and meaning and to form an accurate, reasoned, intelligent response.

The listener has to be objective, practical and in control of his emotions. Often the understanding of a listener is coloured by his own emotions, judgments, opinions, and reactions to what is being said. While listening for understanding, we focus on the individual and his agenda. A perceptive listener is able to satisfy a customer and suggest solutions as per the needs of the client

8. **Focus and Attention: Everyday work environment** has multiple activities going on simultaneously. The ringing of the phone, an incoming email, or a number of tasks requiring your attention, anxiety related to work, emotional distress etc. can distract you. Such distractions are detrimental to the communication process with an individual or a group of people. You may overlook or completely miss important points or cues in the interaction. Thus, keeping your focus and attention during the communiqué is imperative for effective communication.
9. **Emotional Awareness and Control:** “Human behavior is not under the sole control of emotion or deliberation but results from the interaction of these two processes,” Loewenstein said.

However, emotions play a major role in our interactions with other people. They are a powerful force that affect our perception of reality regardless of how hard we try to be unbiased. In fact, intense emotions can undermine a person’s capacity for rational decision-making, even when the individual is aware of the need to make careful decisions.

Consequently, emotional awareness is a necessary element of good communication. While interacting with another person or a group, it is important to understand the emotions you and he/ she/ they are bringing to the discussion. Managing your own and others emotions and communicating keeping in mind the emotional state of others helps in smooth interaction and breakdown of the communication process.

- (b) (i) a
- (ii) You must complete the test in one hour.
- (iii) She said that her mother cooked well.

(c) Answer Hints for Article

GST and related reforms

- GST launched in July 2017, in India. It combines the multiple taxes into one, bringing in a complete goods and sales tax.
- It’s a game changing reform
- Impact on the Indian Economy : positives and negatives
 - ✓ Increase in competition
 - ✓ Calculation of taxes is simpler, as there is only one central tax
 - ✓ GST allows freedom of transportation of goods within the country. Hence, can lead to more production.
 - ✓ Greater tax revenues
 - ✓ Increase in exports.
 - Business not yet compliant with GST
 - A complicated structure; layman cannot understand
 - Lot of variables and exceptions involved in GST implementation.

- Political lobbying over GST

Answer Hints for Report

- Mention a heading: **Your Career, your responsibility**
- Venue, Date
- Participating institutions for careers in Science, Commerce and Arts streams
- Neighbouring schools participating in the event
- Orientation sessions/ seminars conducted
- Participation by students/teachers and their reaction
- Pamphlets, Brochures and digital information shared during the sessions.
- Motivational talks to encourage students to pursue their passion.
- Felicitations/Valedictory session by the Principal.

5. (a) Based on Communication channels, there are three kinds of categories:

- Verbal: Verbal communication involves the use of words and language in delivering the intended message
- Non Verbal: Nonverbal communication is the process of communicating by sending and receiving wordless messages. These messages can aid verbal communication, convey thoughts and feelings contrary to the spoken words or express ideas and emotions on their own.
- Visual: Visual communication through visual aids such as signs, typography, drawing, graphic design, illustration, colour and other electronic resources usually reinforces written communication. Visuals like graphs, pie charts and other diagrammatic presentations convey clearly and concisely a great deal of information. They are an essential part of official presentations these days.

(b) (i) d

(ii) b

(iii) Brother said that he had finished his studies.

(c) Minutes of the Meeting

Date: 3rd Oct, 2018

Meeting started at 4: 00pm.

In Attendance: Chairperson, Product Head, Sales Head and Creative Director. FMCG.

Agenda: Discussion on Sales , Marketing and the advertising strategies.

Mrs Kamla Murthy, Chairperson, gave an introduction about the product range and the need to add more to retain the market share.

Mr. Raju D, Product Head spoke about the new product its USPs and explained how it was superior to similar products in the segment available in the market

Mrs. Usha Krishnan, Sales Head gave a detailed analysis of costing, overheads and other miscellaneous expenses to market the product.

Ms. Jennie Matthew, Creative director, PR, spoke about advertising campaign. Also mentioned the cost involved.

Her team including Mr. X, Mr. Y, Mr. Z elaborated on the advertising strategies.

All the participants approved of the plan and appreciated it.

Madam Chairperson declared an open house for participants to put up their concerns, and finally gave a vote of thanks.

Conclusions stated. Proposal for more funds put forward

ATR to be submitted by 10th Oct, 2018

Resume

1) Chronological Resume

Name

Address

Phone Number

Email

OBJECTIVE: To be associated with an organisation that will offer to me tremendous opportunities for growth in career and provide a challenging environment that will utilise my accounting skills and abilities to the maximum.

SUMMARY:

- Have an years experience of working in an office
- Possess good management skills
- Can work under pressure situations
- Willingness to learn more is the driving factor.

EXPERIENCE:

2017 to present day

Junior Manager

Name the company, address

EDUCATION:

Begin from recent education moving back to college and then lastly school.

2017: CA IPCC, Group 1

2016: B. com (h), Kirori Mal College, DU

2014: class XII th, DAV Model School, Pitam Pura, New Delhi

2012: class Xth, DAV Model School, Pitam pura, New Delhi

SKILLS: Well versed with MS Office

Working knowledge of Tally

Completed compulsory 250 hrs of Computer Training as per ICAI curriculum schedule.

Updated with all the latest computer applications and softwares.

PERSONAL DETAILS:

Date of Birth: 15 July, 1982

Marital Status: Unmarried

Languages Known: English, Hindi, French

Permanent Address: 822, SFS Flats, Pitam Pura New Delhi 110034

DECLARATION: I solemnly declare that all the above information is correct to the best of my knowledge and belief.

Date:

Place:

(Name)