



MODEL PAPER-2 SUGGESTED ANSWERS

CMA FOUNDATION

PAPER-01 BUSINESS LAW AND COMMUNICATION [SET-2]

TIME: 1 HOURS

MARKS:100

1. Customs are considered as----- of law.
 - a) Rules
 - b) Source
 - c) Principle
 - d) Decision

Explanation: Custom is one of the oldest and most fundamental sources of law, arising from long-established practices and traditions that are uniformly observed and accepted as legally binding by a community. These traditional practices were the primary way human societies regulated behavior before formal legal systems developed through legislation and judicial precedents.

2. Money Bill is introduced in which house of the Parliament?
 - a) Council of People-LokSabha
 - b) Council of States-RajyaSabha
 - c) Both the Houses
 - d) None of the Houses

3. Under which Article can we amend the provisions of the Constitution of India?
 - a) Article 356
 - b) Article 368
 - c) Article 254
 - d) Article 245

Explanation: This article gives the Parliament the "constituent power" to amend the Constitution by adding, varying, or repealing any of its provisions.

4. Mention the number of Judges in the Supreme Court of Including Chief Justice of India currently
 - a) 32
 - b) 23
 - c) 34
 - d) 48

Explanation: The Supreme Court of India currently has a sanctioned and working strength of 34 judges, including the Chief Justice of India.

5. The essence of Sub-Ordinate legislation can be found in which Article of the Constitution of India, 1950?
 - a) Article 12



- b) Article 32
- c) Article 13
- d) Article 14

Explanation: Article 13(3) of the Indian Constitution defines "law" to include various forms of subordinate legislation like orders, rules, regulations, and notifications, thereby establishing the foundation for the concept of subordinate legislation.

6. A voidable contract is one which:

- a) Can be enforced at option of aggrieved party
- b) Can be enforced at option of both parties
- c) Cannot be enforced in a Court/ Tribunal of law
- d) Courts prohibit

Explanation: A voidable contract is valid until the party who was wronged chooses to void it, meaning they can choose to enforce the contract or cancel it.

7. The Indian Contract Act, 1872:

- a) Contains the basic principles of contract
- b) Is not a complete code on contract?
- c) Does not cover all types of contract
- d) All of the above

Explanation:

Key points about the Indian Contract Act, 1872:

- Basic principles:

It establishes the core requirements for a valid contract, including offer, acceptance, consideration, and capacity.

- Not a complete code:

While it provides a comprehensive framework for contracts, there are still areas of contract law that are not explicitly covered by the Act and may rely on judicial interpretations.

- Types of contracts:

The Act doesn't cover all types of contracts. For example, specific contracts like those related to indemnity, guarantee, bailment, pledge, and agency have their own rules within the Act.

8. Express offers and acceptances may be proved by the agreement between the parties but implied offers can be proved only by:

- a) The words
- b) The conduct
- c) Circumstantial expenses
- d) Implied offer



9. Agreements between a husband and wife living in friendly environment are:

- a) Valid contracts
- b) A void contracts
- c) **Domestic arrangements**
- d) Voidable contracts

Explanation: Domestic arrangements between a husband and wife are generally considered informal agreements not intended to be legally binding. They are part of the everyday life of a couple and are not enforceable in court unless they involve specific financial agreements or other matters with legal implications.

10. Various mode of revocation of offer have been described in:

- a) Section 4
- b) Section 5
- c) **Section 6**
- d) Section 2

Explanation: Section 5 addresses the timeline for revoking a proposal or acceptance, Section 6 focuses on the specific ways revocation can occur



11. The terms of agreement:

- a) Must be certain
- b) Must be capable of being made certain
- c) Unambiguous and clear
- d) **All of the above**

Explanation: INDIA'S NO. 1 COMMERCE COACHING CLASS
For a contract to be valid, the terms of agreement must be certain, capable of being made certain, and unambiguous and clear.

- **Certainty:**

The terms should not be vague or open to interpretation. They should clearly define the rights and obligations of each party.

- **Capable of being made certain:**

If some terms are initially unclear, they should be able to be clarified through further discussions or legal interpretations, so that the agreement becomes definite.

- **Unambiguous and clear:**

The language used should be easily understood and not leave room for different interpretations.

12. A enters into an agreement with B who has robbed A of Rs.10,000 to -drop prosecution against him (B) in consideration of B's returning 8,000, Afterwards B refused to pay A can get from B.

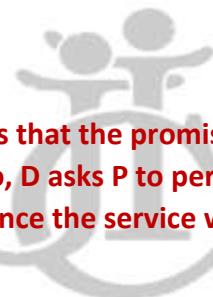


- a) ₹8,000
- b) ₹100
- c) **Nothing**
- d) ₹10,000

Explanation: A can get nothing from B because the agreement is illegal and therefore void, meaning it is not enforceable in a court of law. The agreement is based on a promise to not prosecute a criminal offense (theft), which is against public policy and makes the contract invalid.

13. P renders some service to D at D's desire. After a month D promises to compensate P for the service rendered to him, it is a

- a) Present consideration
- b) Past consideration**
- c) Future consideration
- d) None of these



Explanation: Past consideration: means that the promise is made after the service has already been rendered. In this scenario, D asks P to perform a service, and then a month later promises to compensate them. Since the service was completed before the promise, it's considered past consideration.

14. "Active concealment of fact" is associated with which one of the Following?

- a) Misrepresentation
- b) Undue influence
- c) Fraud**
- d) Mistake

Explanation: "Active concealment of fact" means deliberately hiding important information with the intent to deceive someone, which is the definition of fraud.

15. Sonia contracts with Anshul to buy a necklace; believing it is made of pearls whereas in fact it is made of imitation pearls and is of no value. Anshul knows that Sonia is mistaken and takes no steps to correct the error. Now Sonia wants to cancel the contract on the basis of fraud. Which of the following statement is correct?

- a) Sonia can claim damages
- b) Sonia cannot cancel the contract**
- c) Sonia can cancel the contract alleging undue influence
- d) Sonia can cancel the contract alleging fraud

16. When a person incurred expenses of ₹ 5,000 for the necessaries supplied to the minor, he can recover the said amount from the:

- a) Minor personally



- b) **Property of the minor**
- c) Property of his guardian
- d) None of these

Explanation: According to Section 68 of the Indian Contract Act, 1872, when someone supplies necessities (basic needs like food, clothing, shelter, and education) to a minor, they can recover the amount from the minor's property, not the minor themselves. This means the minor is not personally liable for the debt, but their property can be used to pay the supplier.

17. Under Section 70 of the Indian Contract Act, 1872 if a person who enjoys the benefit of any other person's work, the beneficiary must pay to the benefactor for the service rendered, provided the intention of the benefactor was:

- a) **Gratuitous**
- b) **Non-gratuitous**
- c) To create legal relations
- d) None of these



Explanation: Section 70 of the Indian Contract Act, 1872 states that if a person lawfully does anything for another person, or delivers anything to him, not intending to do so gratuitously, and the other person enjoys the benefit thereof, the latter is bound to make compensation to the former in respect of, or to restore, the thing so done or delivered.

18. Each party to a contract is bound to perform his part of the obligation. After the parties have made due performance, the contract comes to an end. In such a case the contract is said to be discharged

- a) By breach of contract
- b) By impossibility of performance
- c) By agreement and novation
- d) **By performance of contract**

Explanation: This is the most common way to discharge a contract. It occurs when all parties complete their duties according to the terms of the agreement, and the contract is brought to an end.

19. How many contracts are there in a contract of guarantee?

- a) Two contracts
- b) **Three contracts**
- c) Four contracts
- d) None of these

Explanation:

Principal debtor: The person who owes the money or is obligated to fulfill the promise.

Creditor: The party owed money.



Surety: The person who guarantees to pay the creditor if the principal debtor defaults.

20. A, B and C jointly promise to pay D 3,000, D may compel:

- a) A, B and C jointly to pay him 3,000
- b) A or B or C to pay him 3,000
- c) A to him 3,000
- d) **A, B and C jointly and separately to pay 3,000**

Explanation: because when multiple parties are jointly liable, the promisee can compel any one of them to perform the entire promise. The other joint promisors are then liable to the one who paid, and the promisor who paid can sue the others for their share, as stated in Section 43 of the Indian Contract Act

21. The doctrine of "CAVEAT EMP- TOR" is not applicable:

- a) When the goods are of mass consumption
- b) In case of perishable goods
- c) When the seller is a well-established and known person
- d) **When the buyer has relied upon the skill & judgment of the seller**

Explanation: this is a major exception to the rule under the Sale of Goods Act (e.g., Section 16(1) in Indian law), where an implied condition arises that the goods must be fit for the buyer's specific purpose if:

1. The buyer makes known to the seller the particular purpose for which the goods are required.
2. The buyer relies on the seller's skill or judgment.
3. The goods are of a description that the seller in the course of their business ordinarily supplies.

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22. The term "goods" in the sale of goods means:

- a) **Movable goods other than money and actionable claims**
- b) All movable goods only
- c) Tangible consumable goods
- d) Tangible goods

Explanation: The definition of "goods" in the Sale of Goods Act is broad and encompasses any movable property that can be transferred from one person to another, excluding money and actionable claims (like debts or legal rights to sue). This definition includes items like stocks, shares, growing crops, and things attached to land that are agreed to be severed before sale.

23. Which of these is a Document of title of goods?

- a) Promissory Notes
- b) International Bills of Exchange



- c) Bill of lading
- d) Account Payee crossed cheque

Explanation: A document of title of goods is a document that, in the ordinary course of business, is treated as evidencing that the person in possession of it is entitled to receive, hold, and dispose of the document and the goods it covers.

24. An 'agreement to sell' becomes 'sale' when:

- a) The conditions are satisfied
- b) The parties agree to change the terms of agreement
- c) The court orders
- d) The agreement is in writing

Explanation: According to the Sale of Goods Act, 1930 (or similar legislation in other jurisdictions), an agreement to sell is a contract where the transfer of ownership of goods is to take place at a future time or subject to certain conditions later to be fulfilled [1]. When these specified conditions are met, or the time elapses, the agreement to sell matures into an executed contract of sale, and ownership (property in the goods) passes from the seller to the buyer

25. In case of carriage of goods by sea, where the seller has to deliver the goods to the buyer at the port of destination, the contract is known as

- a) F.O.B. Contract
- b) CLE Contract
- c) Ex-ship Contract
- d) None of the above

Explanation: An "Ex-ship" contract (or the now discontinued Incoterm Delivered Ex Ship (DES)) specifically requires the seller to deliver the goods to the buyer at the named port of destination, on board the vessel. The seller bears all risks and costs associated with transporting the goods from the point of origin until they are available to the buyer at the destination port, before unloading and import clearance

26. Conditions are stipulations

- a) Essential to the main purpose of the contract
- b) Collateral to the main purpose of the contract
- c) Either (a) or (b)
- d) Neither (a) or (b)

Explanation: A condition in a contract is a stipulation that is crucial to the main purpose of the agreement. If a condition is breached, the other party can usually terminate the contract.

27. In breach of conditions in a contract of sale, the buyer can

- a) Not refuse to accept the goods



- b) Pay the price
- c) Claim only damages
- d) **Refuse to accept the goods**

Explanation: When a condition in a contract of sale is breached, the buyer has the right to refuse to accept the goods if the breach is substantial and affects the essential purpose of the contract. This is because a condition is considered a fundamental term of the agreement, and its breach allows the buyer to terminate the contract by rejecting the goods delivered.

28. Right of Stoppage in transit may be exercised by the Unpaid Seller by

- a) Taking actual possession of goods
- b) Giving notice of his claim to the Carrier/Bailee who holds the
- c) Either (a) or (b)
- d) **Both (a) and (b)**

Explanation: The right of stoppage in transit allows an unpaid seller to reclaim goods that are currently being transported to the buyer if the buyer becomes insolvent. They can exercise this right by:

29. Reserved price is also known as-----

- a) Reset price
- b) Subset price
- c) **Upset price**
- d) None of the above

Explanation: Reserved price is also known as the upset price. Both terms refer to the minimum price a seller is willing to accept for an item or property at auction.

30. Unpaid seller can exercise his right of withholding delivery of goods

- a) **Even when property in goods has passed to the buyer**
- b) Only when property in goods has not passed to the buyer
- c) Either (a) or (b)
- d) Neither (a) nor (b)

Explanation:

An unpaid seller can withhold delivery of goods even if ownership (property) has transferred to the buyer because they still have the right to retain possession of the goods until payment is received. This right is known as a "lien".

31. Which of the following is not presumption in case of negotiable instrument?

- a) Consideration
- b) Date
- c) Sign
- d) **Phone number**



Explanation: Presumptions in cases of negotiable instruments typically include consideration, date, and signature, among others (such as the holder being a holder in due course, the order of endorsements, and proper delivery) [1, 2]. A phone number is not a legal requirement or standard presumption for the validity of a negotiable instrument.

32. A corporation can be party to a Negotiable Instrument if:

- a) **Authorized by its article of association**
- b) A special permission of Board of Directors is taken
- c) A special resolution by shareholders is passed
- d) Yes, absolutely without any restriction

Explanation: Section 26 of the Negotiable Instruments Act, 1881 states that "Nothing herein contained shall be deemed to empower a corporation to make, indorse or accept such instruments except in cases in which, under the law for the time being in force, they are so empowered". This implies that a corporation's capacity to enter into negotiable instruments is not automatic or unrestricted; it is governed by its governing documents and the relevant law (such as the Companies Act).

33. Which are not an essential to cheque?

- a) A cheque can be drawn on bank where the drawer has an account
- b) Cheques may be payable to the drawer himself
- c) **The banker is liable only to the drawer**
- d) None of these

Explanation: The banker is liable only to the drawer is a correct statement in banking law and a feature of a cheque. A holder or payee has no remedy against the banker if a cheque is dishonored, their recourse is against the drawer. This statement describes an essential legal characteristic, so it is an essential part of the law surrounding cheques, not something that is "not an essential"

34. ----- in an instrument in writing containing an unconditional undertaking signed by the maker to pay a certain sum of money only to or to the order of a certain person, or to the bearer.

- a) **Promissory note**
- b) Bill of Exchange
- c) Inchoate instrument
- d) None of the above

Explanation: A promissory note is a written instrument where the maker (signer) promises to pay a specific amount of money to a named payee (or bearer) on demand or at a fixed future date. The key characteristic is the unconditional undertaking to pay, making it distinct from other instruments like a bill of exchange.



35. A cheque is always payable on:

- a) The date mentioned there, in
- b) On demand**
- c) 3 days after presentation
- d) Within 24 hours of presentation

Explanation: According to the Negotiable Instruments Act, a cheque is defined as a bill of exchange drawn on a specified banker and payable on demand. This means the bank must pay the amount stated on the cheque immediately when presented by the payee

36. A bill of exchange does not require

- a) Crossing**
- b) Acceptance
- c) Both (a) and (b)
- d) None of the above

Explanation: A bill of exchange does not require crossing, but it does require acceptance by the drawee to become valid.



37. There are how many types of crossing?

- a) 1
- b) 2**
- c) 3
- d) 4

Explanation: There are 2 main types of crossing in a negotiable instrument (specifically, a cheque) recognized by the Negotiable Instruments Act, 1881: General Crossing and Special Crossing. Other forms like "Account Payee" or "Not Negotiable" are considered additions or types of restrictive crossings built upon the main two forms

38. What can be written in between the lines of crossing?

- a) Not negotiable
- b) A/c payee only
- c) A/c payee
- d) All of the above**

Explanation: Between the lines of a crossed check, you can write "Not Negotiable", "A/C Payee", or "A/C Payee Only" to indicate that the cheque is restricted and can only be deposited into the payee's account.

39. Double crossing can be done by-----

- a) Drawer



- b) Drawee
- c) Acceptor
- d) Bank

Explanation: Specifically, the banker in whose favour a cheque has been specially crossed can cross it again in favour of another banker (as their agent) for the purpose of collection. This is the only legitimate form of "double crossing".

40. The crossing is made on top -----corner of the cheque.

- a) Left
- b) Right
- c) Centre
- d) Back

Explanation: The crossing on a cheque is made on the top left corner of the cheque. This marking indicates that the cheque's payment must be made through a bank account and not over the counter at a bank branch.

41. Which of the following should be avoided in group discussions?

- a) Positive body language
- b) Leadership initiative
- c) False statements
- d) Confidence

Explanation: False statements or irrelevant information should be avoided in a group discussion. A group discussion is meant to advance truth and facts, not personal prejudices or fabrications. Sharing incorrect information can mislead the group and distract from the topic.

42. Effective communication has become essential due to:

- a) Increase in size of organisation
- b) Growing specialisation
- c) Growing need of co-ordination
- d) All the stated options are correct

Explanation: Effective communication has become increasingly essential in modern business environments due to a combination of factors related to organizational complexity and dynamics:

43. Which of the following, falls into the group of seven C's of effective communication?

- a) Customer newsletter
- b) Customised reports
- c) Courtesy towards recipient



d) Customers feedback

Explanation: "Courtesy" is one of the essential seven C's of effective communication, which are a set of principles that ensure messages are understood as intended. Courtesy means communicating with politeness, empathy, and respect for the receiver's viewpoint and feelings, which helps build goodwill and strong relationships.

44. What is the meaning of miscommunication?

- a) Using the wrong medium to communicate
- b) Using the wrong language
- c) Disturbance in the channel of communication
- d) **The receiver not perceiving the intended meaning of the message**

Explanation:

- Miscommunication occurs when the receiver interprets a message in a way that differs from the sender's intended meaning, or when the message is not conveyed accurately due to some barrier in the communication process.
- It is fundamentally about a failure to establish "common understanding" between the sender and receiver.

45. Who initially determines the mode of communication?

- a) The sender
- b) The receiver
- c) The person who
- d) The person receiving the feedback

Explanation: The sender initiates the communication process and has the idea or message they want to convey.

As part of initiating the process, the sender is responsible for encoding the message into a format (words, symbols, gestures, etc.) and then selecting the most appropriate channel or medium (email, phone call, face-to-face conversation, etc.) through which to send it to the receiver. The selection of the mode or channel is a key part of this initial process.

46. Which of the following is not an advantage of oral communication?

- a) **It depends on the listening of the receiver**
- b) It is economical
- c) It provides the opportunity for immediate feedback
- d) It helps to convey the message with suitable tone.



Explanation: The fact that oral communication *depends* heavily on the receiver's listening skills is a disadvantage or a limitation, not an advantage. Poor listening can lead to misunderstandings, information loss, and a breakdown in communication.

47. ----- is made in order to voice a grievance and to secure a relief.

- a) Business Communication
- b) Invoice
- c) Public Notices
- d) Representations

Explanation: A representation is a formal statement or document made to an authority in order to express a grievance and to secure a desired relief or remedy. This is different from general business communication, which has broader purposes. An invoice is a bill for goods/services, and public notices are for general information dissemination.

48. Which of the following statement is incorrect?

- a) An enquiry letter should be compact, straight forward and courteous
- b) **An enquiry letter can be lengthy with repetitions**
- c) A properly drafted enquiry letter can originate big business deals
- d) An enquiry letter should be drafted clearly

Explanation: An effective business letter, including a letter of enquiry, should be concise, straightforward, clear, and courteous to create the right impression and be effective in its purpose. Lengthy and repetitive letters are generally considered poor professional communication as they can repel the reader and make the task of finding necessary information difficult. The sender's goal should be to make their task as easy as the subject allows.

49. Which of the following pattern should confirm to the writing strategy of a newsletter in an organisation?

- a) No pattern exists
- b) **The news, the explanation, a positive close and a contact number**
- c) A buffer, an explanation, the news, the positive close
- d) A buffer, the news, the reasons, a neutral close

Explanation: Newsletters within an organization primarily serve to inform and update employees. For such neutral or good-news messages in a business context, the direct approach is recommended.

The direct pattern of communication starts immediately with the main idea or the news. This approach is efficient and respects the reader's time by presenting the most important information first.



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The news should be followed by a brief explanation or details, a positive or goodwill close to maintain good relations, and a point of contact for further inquiries.

50. Choose the incorrect statement related to invoice:

- a) An invoice helps the regular customer to pay at the end of the credit period
- b) An invoice helps a customer to enter the amount in his account book
- c) **It does not transfer the ownership**
- d) An invoice states the total amount payable

Explanation: An invoice is a formal, itemized bill issued by a seller to a buyer after the delivery of goods or services. It is a source document that records a transaction.

The actual transfer of ownership of goods typically happens upon delivery or payment, depending on the terms of the sale, but the invoice itself is only a request for payment and a record of the transaction



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