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TEST-5

CA INTERMEDIATE

CORPORATE AND OTHER LAWS

Topics Covered:

Special Contracts of ICA & Negotiable Instrument Act, 1881

QUESTION PAPER BOOKLET NO. 5072022

(31-07-2022 3:00 P.M. TO 6:00 P.M)

Roll No654213.....

Time allowed: 3 hours

Total No. of Printed Pages: 8

Maximum Marks: 100

GENERAL INSTRUCTIONS TO CANDIDATES

1. The Question Paper comprises two parts, Division A & Division B
2. Division A comprises Multiple choice Questions
3. Division B comprises questions which require descriptive type answers
4. TIME ALLOWED 180 MINUTES
5. MAXIMUM MARKS 100

DIVISION A

Question 1 Multiple Choice Question (1 mark each)

1. A contracts to save B against the consequences of any proceedings, which C may take against B in respect of a certain sum of 500 rupees. This is a:
 - (a) Contract of guarantee
 - (b) Quasi contract
 - (c) Contract of indemnity
 - (d) Void contract

2. S and P go into a shop. S says to the shopkeeper, C, "Let P have the goods, and if he does not pay you, I will." This is a
 - (a) Contract of Guarantee
 - (b) Contract of Indemnity
 - (c) Wagering agreement
 - (d) Quasi-contract

3. A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself or by the conduct of any other person is called a :
 - (a) Surety contract
 - (b) Simple contract
 - (c) Contract of indemnity
 - (d) Contract of guarantee

4. Any guarantee obtained by means of misrepresentation made by the creditor or with his knowledge and assent concerning a material part of the transaction is
 - (a) Valid
 - (b) Invalid
 - (c) voidable at the option of the surety
 - (d) void

5. Mr. Sharad has recently shifted from Delhi to Noida. During the shifting some of the furniture was damaged. Mr. Sharad gave the items to Asian Arts, Greater Noida for repair, refabrication, and painting, etc. Asian Arts deals in the sale of furniture and repair thereof. It was decided that the whole work will be done on a lumpsum amount of ₹ 50,000. In between this period, the workshop at Asian Arts caught fire and there was no fault of the proprietors. Goods bailed by Mr. Sharad along with another furniture destroyed in this fire incident. Mr. Sharad has lost furniture due to fire at workshop of Asian Arts. What is the correct statement considering there was no specific contract?
 - (a) Asian Arts is liable, because fire took place at his place
 - (b) Asian Arts is liable, because bailment is on going
 - (c) Asian Arts is not liable because risk of any loss during bailment is to be borne by bailor.
 - (d) Asian Arts is not liable because fire is not due to any negligence of their part.

6. Atul contracts to indemnify Neha against the consequences of any proceedings which Chirag may take against Neha in respect of a sum of ₹ 15000/- advanced by Chirag to Neha. Neha who is called upon to pay the sum of money due to Chirag fails to do so. Advise Chirag on the course of action to be taken as per the provisions of the Indian Contract Act, 1872.
 - (a) Chirag can file a suit only against Neha
 - (b) Chirag can file a suit only against Atul
 - (c) Chirag can file a suit against both Neha and Atul

- (d) Chirag can file a suit only against Atul but not against Neha
7. The position of a finder of lost goods is that of a
- Bailor
 - Bailee
 - Surety
 - Principal debtor
8. The delivery of goods by one person to another for some specific purpose is known as:
- Mortgage
 - Pledge
 - Bailment
 - Charge
9. With respect to Contract of Bailment, which of the following statements is incorrect:
- No consideration is necessary to create a valid contract of bailment.
 - It involves the delivery of goods from one person to another for a specific purpose.
 - Bailment is only for immovable goods and never for moveable goods
 - Change of possession in bailment does not lead to change of ownership.
10. Vishal parks his car at a parking lot, locks it, and keeps the keys with himself. Which of the following statements is correct in this regard?
- This is a case of bailment
 - The operator of the parking lot has possession of Vishal's car
 - The operator of the parking lot has custody of Vishal's car
 - This is a case of mortgage
11. The Pawnee doesn't have the right to retain the goods pledged for
- Performance of the promise
 - Extraordinary expenses incurred by him for preservation of goods pledged
 - Payment of debt
 - Necessary expenses incurred by him in respect of possession of goods pledged
12. A hires a carriage from B. The carriage is unsafe though B is not aware of it and A is injured. Choose the correct answer as per the provisions of the Indian Contract Act, 1872.
- B is responsible to A for the injury
 - B is not responsible to A for the injury
 - Neither is responsible to the other
 - A himself is responsible for his injury
13. is one who represents to be an agent of another when in reality he has no such authority from the other agent at all.
- Substituted agent
 - Subordinate agent
 - Pretended agent
 - Both (a) & (b)
14. L made an offer to the Managing Director of a company. The Managing Director accepted the offer though he had no authority to do so. Subsequently L withdrew the offer but the company had already ratified the Managing Director's acceptance. State which of the statements given below is correct:
- L is bound by the offer due to ratification

- (b) An offer once accepted cannot be withdrawn
 (c) Both option (a) & (b) is correct
 (d) L is not bound by the offer.
15. A is residing in Delhi and has a house in Mumbai. A appoints B by a power of attorney to take care of his house. State the nature of agency created between A and B:
 (a) Implied agency
 (b) Agency by ratification
 (c) Agency by necessity
 (d) Express agency
16. Vinod, a transporter was transporting tomatoes of Avinash from his (Avinash's) farm to the market. However, due to heavy rains, Vinod was stuck for three days and thus he sold the tomatoes below the market rate in the nearby market where he was stranded fearing that the tomatoes may perish. Choose the correct option in the light of the provisions of the Indian Contract Act, 1872.
 (a) Avinash will succeed in recovering losses of tomatoes from Vinod
 (b) Avinash will not succeed in recovering losses of tomatoes from Vinod
 (c) Vinod can sell the tomatoes only at a price higher than the market rate
 (d) Avinash is liable to compensate Vinod as his truck was stuck for three days and hence, he (Vinod) could not complete the deliveries of other clients and thus he (Vinod) suffered loss
17. Jane has appointed Vinita as his agent to sell the garments manufactured by Jane. Vinita due to her personal issues could not work effectively. Hence, she appointed Kanth to sell on her behalf. Can Jane be bound by the acts of Kanth?
 (a) No, an agent without authority cannot lawfully appoint a sub-agent.
 (b) Yes, Vinita is liable for the acts of Kanth and in turn Jane is liable for the transaction.
 (c) No, Kanth will be liable on his own account for any sales made.
 (d) Yes, Kanth now becomes direct agent of Jane as Kanth has sold garments manufactured by Jane.
18. Days of grace provided to the Instruments at maturity is—
 (a) 1 day
 (b) 2 days
 (c) 3 days
 (d) 5 days
19. Parties to a negotiable instrument can be discharged from liability by—
 (a) Cancellation
 (b) Payment
 (c) Release
 (d) All of the above
20. Validity period for the presentment of cheque in bank is—
 (a) 3 months
 (b) 6 months
 (c) 1 year
 (d) 2 years
21. A negotiable instrument that is payable to order can be transferred by:
 (a) Simple delivery
 (b) Indorsement and delivery
 (c) Indorsement
 (d) Registered post

22. A negotiable instrument drawn in favour of a minor is
 (a) Void ab initio
 (b) Void but enforceable
 (c) Valid
 (d) Quasi contract
23. As per the Negotiable Instruments Act, 1881, when the day on which a promissory note or bill of exchange is at maturity is a public holiday, the instrument shall be deemed to be due on the..... .
 (a) Said public holiday
 (b) 5 days succeeding public holiday
 (c) Next succeeding business day
 (d) Next preceding business day
24. Which of the following is an essential characteristic of a promissorynote:
 (a) There must be an order to pay certain sum
 (b) It must be payable to bearer
 (c) It must be signed by the Payee
 (d) It must contain an unconditional undertaking
25. Mr. Aylam issued a cheque amounting to ₹ 25,000 dated 2nd February 2020 to Mr. Gandhi which was deposited by Mr. Gandhi on 16th March 2020 in his bank account. The said cheque was returned unpaid on 17th March 2020 by the bank of Mr. Aylam citing insufficient funds in the account of Mr. Aylam. Mr. Gandhi demanded the payment from Mr.Aylam by issuing the notice on 31st March 2020 which was received by Mr. Aylam on 2nd April 2020. Assuming that Mr. Aylam failed to makethe payment within stipulated time, what is the last date by which Mr. Gandhi should have made a complaint in the court?
 (a) 17th May 2020
 (b) 2nd May 2020
 (c) 17th April 2020
 (d) 30th April 2020

DIVISION B

SUBJECTIVE QUESTIONS

Question 2 Mr. Madhavan drew a cheque payable to Mr. Vikas or order. Mr. Vikas lost the cheque and was not aware of the loss of the cheque. The person who found the cheque forged the signature of Mr. Vyas and endorsed it to Mr. Pawan as the consideration for goods bought by him from Mr. Pawan. Mr. Pawan encashed the cheque, on the very same day from the drawee bank. Mr. Vikas intimated the drawee bank about the theft of the cheque after three days. Examine the liability of the drawee bank. Give your answer in reference to the Provisions of Negotiable Instruments Act, 1881. **(6 Marks)**

Question 3 Mr. Chintu was appointed as Site Manager of ABC Constructions Company on a two years contract at a monthly salary of ₹ 50,000. Mr. Ganesh gave a surety in respect of Mr. Chintu's conduct. After six months the company was not in position to pay ₹ 50,000 to Mr. Chintu because of financial constraints. Chintu agreed for a lower salary of ₹ 30,000 from the company. This was not communicated to Mr. Ganesh. Three months afterwards it was discovered that Chintu had been doing fraud since the time of his appointment. What is the liability of Mr. Ganesh during the whole duration of Chintu's Appointment. **(6 Marks)**

Question 4 : Pankaj appoints Shruti as his agent to sell his estate. Shruti, on looking over the estate before selling it, finds the existence of a good quality Granite-Mine on the estate, which is unknown to Pankaj. Shruti buys the estate herself after informing Pankaj that she (Shruti) wishes to buy the estate for herself but conceals

the existence of Granite-Mine. Pankaj allows Shruti to buy the estate, in ignorance of the existence of Mine. State giving reasons in brief the rights of Pankaj, the principal, against Shruti, the agent. Give your answer as per the provisions of the Contract Act, 1872.

What would be your answer if Shruti had informed Pankaj about the existence of Mine before she purchased the estate, but after two months, she sold the estate at a profit of ₹ 10 lac? **(6 marks)**

Question 5 – Discuss with reasons, whether the following persons can be called as a ‘holder’ under the Negotiable Instruments Act, 1881: **(1 marks each)**

- (i) X who obtains a cheque drawn by Y by way of gift.
- (ii) A, the payee of the cheque, who is prohibited by a court order from receiving the amount of the cheque.
- (iii) M, who finds a cheque payable to bearer, on the road and retains it.
- (iv) B, the agent of C, is entrusted with an instrument without endorsement by C, who is the payee.
- (v) B, who steals a blank cheque of A and forges A’s signature.

Question 6- Rahul drew a cheque in favour of Aman. After having issued the cheque; Rahul requested Aman not to present the cheque for payment and gave a stop payment request to the bank in respect of the cheque issued to Aman. Decide, under the provisions of the Negotiable Instruments Act, 1881 whether the said acts of Rahul constitute an offence? **(8 Marks)**

Question 7- Sandeep guarantees for Gaurav, a retail textile merchant, for an amount of ₹ 1,00,000, for which Sharma, the supplier may from time to time supply goods on credit basis to Gaurav during the next 3 months. After 1 month, Sandeep revokes the guarantee, when Sharma had supplied goods on credit for ₹ 40,000. Referring to the provisions of the Indian Contract Act, 1872, decide whether Sandeep is discharged from all the liabilities to Sharma for any subsequent credit supply. What would be your answer in case Gaurav makes default in paying back Sharma for the goods already supplied on credit i.e. ₹ 40,000? **(5 Marks)**

Question 8- Raj gives his umbrella to Manoj during raining season to be used for two days during Examinations. Manoj keeps the umbrella for a week. While going to Raj’s house to return the umbrella, Manoj accidentally slips and the umbrella is badly damaged. Taking into account the provisions of the Indian Contract Act, 1872, who will bear the loss and why? **(5 Marks)**

Question 9 (i) Calculate the date of maturity of bill of exchange drawn on 16.2.2019, payable 120 days after considering the relevant provisions of the Negotiable Instruments Act, 1881. **(2 Marks)**

(ii) Chandra issues a cheque for ₹ 50,000/- in favour of Daye. Chandra has sufficient amount in his account with the Bank. The cheque was not presented within reasonable time to the Bank for payment and the Bank, in the meantime, became bankrupt. Decide under the provisions of the Negotiable Instruments Act, 1881, whether Daye can recover the money from Chandra? **(4 Marks)**

Question 10 Akash is a famous manufacturer of leather goods. He appoints Prashant as his agent. Prashant is entrusted with the work of recovering money from various traders to whom Akash sells leather goods. Prashant is paid a monthly remuneration of ₹ 15,000. Prashant during a particular month recovers ₹ 40,000 from traders on account of Akash. Prashant gives back ₹ 25,000 to Akash, after deducting his salary.

Examine with reference to relevant provisions of the Indian Contract Act, 1872, whether act of Prashant is valid. **(4 Marks)**

Question 11 ‘Akhil’ made a promissory note for ₹4,500 payable to ‘Bhuvan’, and delivered the same to ‘Bhuvan’ on the condition that he (‘Bhuvan’) will demand payment only on the death of ‘Chaman’. Before

the death of 'Chaman', 'Bhuvan' indorsed and delivered the promissory note to 'Deepak', who receive the promissory note in good faith. On the date of maturity, 'Deepak' presented the promissory note for payment but 'Akhil' denied for payment by stating that he issued this promissory note on the condition that it can be paid only on the death of 'Chaman'. Can 'Deepak' recover the amount due on the promissory note from 'Akhil' under the provisions of the Negotiable Instrument Act 1881? **(6 Marks)**

Question 12: Mr. Yadav, a cargo owner, chartered a vessel to carry a cargo of wheat from a foreign port to Chennai. The vessel got stranded on a reef in the sea 300 miles from the destination. The ship's managing agents signed a salvage agreement for Mr. Yadav. The goods (wheat) being perishable, the salvors stored it at their own expense. Salvors intimated the whole incident to the cargo owner. Mr. Yadav refuse to reimburse the Salvor, as it is the Ship- owner, being the bailee of the cargo, who was liable to reimburse the salvor until the contract remained untermiated. Referring to the provision of The Indian Contract Act 1872, do you acknowledge or decline the act of Salvor, as an agent of necessity, for Mr. Yadav. Explain? **(4 Marks)**

Question 13: Rahul is the owner of electronics shop. Priyanka reached the shop to purchase an air conditioner whose compressor should be of copper. As Priyanka wanted to purchase the air conditioner on credit, Rahul demand a guarantor for such transaction. Mr. Arvind (a friend of Priyanka) came forward and gave the guarantee for payment of air conditioner. Rahul sold the air conditioner of a particular brand, misrepresenting that it is made of copper while it is made of aluminium. Neither Priyanka nor Mr. Arvind had the knowledge of fact that it is made of aluminium. On being aware of the facts, Priyanka denied for payment of price. Rahul filed the suit against Mr. Arvind. Explain with reference to the Indian Contract Act 1872, whether Mr. Arvind is liable to pay the price of air conditioner? **(6 Marks)**

Question 14 : Differences between:

(2 Marks each)

- a) Holder & Holder In Due Course
- b) Bill and Cheque
- c) Sub-Agent & Substituted Agent
- d) Bailment & Pledge

SPACE FOR ROUGH WORK