

# M.K.G CA EDUCATION

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## TEST-4

### CA INTERMEDIATE

### CORPORATE AND OTHER LAWS

#### Topics Covered:

#### **THE INDIAN CONTRACT ACT,1872**

**QUESTION PAPER BOOKLET NO. 4012023**

**(01-01-2023 3:00 P.M. TO 6:00 P.M)**

Roll No .....487512.....

Time allowed: 3 hours

Total No. of Printed Pages: 10

Maximum Marks: 100

#### GENERAL INSTRUCTIONS TO CANDIDATES

1. The Question Paper comprises two parts, Part I & Part II
2. Part I comprises Multiple choice Questions
3. Part II comprises questions which require descriptive type answers
4. Working notes should form part of the answer.

## **PART I**

**(30 marks)**

### **MCQ (Multiple Choice Questions)**

**Each question consists of 1 mark**

**Q.1** If the bailee does any act inconsistent with the terms and conditions of the contract of bailment, the bailment becomes \_\_\_\_\_.

- (a) Void
- (b) Voidable at the option of the bailor
- (c) Voidable at the option of any of the parties
- (d) None of these

**Q.2** Statement (1): If the bailee makes any inconsistent use of goods, the bailment become void.

Statement (2): If the bailee makes any inconsistent use of goods, the bailee shall be liable for any loss or damage except such loss as is caused due to an act of God or other unavoidable reasons.

- (a) Only Statement (1) is correct
- (b) Only Statement (2) is correct
- (c) Both the Statements are correct
- (d) None of the Statements is correct

**Q.3** If the bailment is \_\_\_\_\_ and \_\_\_\_\_, the bailor may compel the bailee to return the goods before expiry of the period of bailment but the bailor shall indemnify the bailee for any loss incurred by the bailee.

- (a) Gratuitous; for a specific period
- (b) Non-gratuitous; for a specific period
- (c) Gratuitous; for the benefit of bailor
- (d) Non-gratuitous; for the benefit of bailor

**Q.4** In case there are 2 or more joint owners of the goods, the bailee has to deliver them back to \_\_\_\_\_, in the absence of any agreement to the contrary.

- (a) Any of the joint owners
- (b) Such joint owner for which all the joint owners have consented
- (c) All the joint owners acting collectively
- (d) None of these

**Q.5** If the true owner does not pay to the finder of goods the expenses incurred by the finder of goods for finding the true owner and preserving the goods, the finder of goods has the right to \_\_\_\_\_.

- (a) Sue the true owner  
(b) Exercise particular lien  
(c) Both (a) and (b)  
(d) None of these

**Q.6** If the true owner does not pay to the finder of goods the reward declared by the true owner for finding the goods, the finder of goods has the right to \_\_\_\_\_.

- (a) Sue the true owner  
(b) Exercise particular lien  
(c) Both (a) and (b)  
(d) None of these

**Q.7** If the true owner refuses to pay the lawful expense incurred by the finder of goods, the finder of goods has the right to sell the goods if the goods are in danger of perishing or losing a greater part of its value \_\_\_\_\_ the lawful charges of the finder, in respect of the goods found, amount to \_\_\_\_\_ of value of goods.

- (a) Or;  $\frac{2}{3}$ <sup>rd</sup>  
(b) Or;  $\frac{3}{4}$ <sup>th</sup>  
(c) And;  $\frac{2}{3}$ <sup>rd</sup>  
(d) And;  $\frac{3}{4}$ <sup>th</sup>

**Q.8** The bailment of goods as security for \_\_\_\_\_ is called 'pledge'.

- (a) Payment of a debt  
(b) Performance of a promise  
(c) Either (a) or (b)  
(d) None of these

**Q.9** In case of default by the pawnor to pay the debt or perform his promise, the pawnee has the right to sell the goods, after giving \_\_\_\_\_ to the pawnor.

- (a) A notice of not less than 7 days  
(b) A notice of not less than 15 days  
(c) A notice of not less than 1 month  
(d) A reasonable notice

**Q.10** Where a person pledges the goods in which he has only a limited interest, the pledge is \_\_\_\_\_.

- (a) valid  
(b) Voidable  
(c) Valid to the extent of that interest  
(d) None of these

**Q.11** A minor or a person of unsound mind \_\_\_\_\_.

- (a) Can become an agent or principal  
(b) Cannot become an agent or principal  
(c) Can become an agent but cannot become a principal  
(d) Can become a principal but cannot become an agent

**Q.12** An agent is not liable to the principal if \_\_\_\_\_.

- (a) He is a minor
- (b) He is of unsound mind
- (c) Either (a) or (b) or both
- (d) None of these

**Q.13** In a contract of agency, \_\_\_\_\_.

- (a) No consideration is required
- (b) Consideration received by the principal is sufficient for the agent
- (c) Consideration must be present
- (d) None of these

**Q.14** \_\_\_\_\_ is a person employed by, and acting under the control of, the original agent in the business of the agency.

- (a) A substituted agent
- (b) A sub agent
- (c) Mercantile agent
- (d) Universal agent

**Q.15** A substituted agents acts on behalf of the \_\_\_\_\_.

- (a) Principal
- (b) Sub-agent
- (c) Agent
- (d) None of these

**Q.16** A substituted agent is appointed by \_\_\_\_\_ to act on behalf of \_\_\_\_\_.

- (a) The agent; principal
- (b) The agent; agent
- (c) The principal; agent
- (d) The sub-agent; agent

**Q.17** Where a part of a transaction is ratified, \_\_\_\_\_.

- (a) It has no effect
- (b) It operates as ratification of whole transaction
- (c) Either (a) or (b)
- (d) None of these

**Q.18** Agency coupled with interest \_\_\_\_\_.

- (a) Cannot be terminated
- (b) Cannot be terminated to the prejudice of such interest
- (c) Can be terminated
- (d) Can be terminated, if the Central Government so directs

**Q.19** When agency is created for securing some benefit to the agent \_\_\_\_\_ his remuneration as an agent, it is called as agency coupled with interest.

- (a) In the form of (b) Over and above  
(c) Either (a) or (b) (d) None of these

**Q.20** Agency coupled with interest does not terminate by reason of \_\_\_\_\_.

- (a) Death of the principal (b) Insanity of the principal  
(c) Both (a) and (b) (d) None of these

**Q.21** The surety is not discharged if a contract to give time to the principal debtor is made by the creditor with \_\_\_\_\_.

- (a) The principal debtor (b) Any person other than the principal debtor  
(c) Either (a) or (b) (d) None of these

**Q.22** Statement (1): In case of co-sureties, a release by the creditor of one of them does not discharge the others.

Statement (2): In case of co-sureties, a release by the creditor of one of them results in discharge of the surety so released from his liability towards other co-sureties.

- (a) Only Statement (1) is correct (b) Only Statement (2) is correct  
(c) Both the Statements are correct (d) None of the Statements is correct

**Q.23** If the creditor does any act which is \_\_\_\_\_ with the right of the surety and the eventual remedy of the surety against \_\_\_\_\_ is thereby impaired, the surety is discharged.

- (a) Not inconsistent (b) Inconsistent; the principal debtor  
(c) Non inconsistent; the creditor (d) Inconsistent; the creditor

**Q.24** A surety has the right of indemnity and right of subrogation against \_\_\_\_\_.

- (a) The principal debtor (b) The creditor  
(c) The co-sureties (d) All of these

**Q.25** A surety has the right to claim securities and right to set off against \_\_\_\_\_.

- (a) The principal debtor (b) The creditor  
(c) The co-sureties (d) All of these

**Q.26** Statement (1): A surety is entitled to the benefit of every security which the creditor has against the principal debtor at the time when the contract of suretyship was entered into.

Statement (2): A surety is entitled to the benefit of every security which the creditor has against the principal debtor, whether or not the surety knows of the existence of such security.

- (a) Only Statement (1) is correct  
 (b) Only Statement (2) is correct  
 (c) Both the Statements are correct  
 (d) None of the Statements is correct

**Q.27** Any guarantee which the creditor has obtained by means of \_\_\_\_\_, is invalid.

- (a) Keeping silence as to material circumstances  
 (b) Misrepresentation made by the creditor  
 (c) Either (a) or (b)  
 (d) None of these

**Q.28** Where a person gives a guarantee upon a contract that the creditor shall not act upon it until another person has joined in it as co-surety, the guarantee is \_\_\_\_\_, \_\_\_\_\_.

- (a) Not valid; whether or not that other person joins  
 (b) Not valid; if that other person does not join  
 (c) Valid; whether or not that other person joins  
 (d) Valid; even if that other person does not join

**Q.29** The surety is entitled to claim from the principal debtor all the sums \_\_\_\_\_.

- (a) Paid by him  
 (b) Rightfully paid by him  
 (c) Paid by him, with the consent of other co-sureties  
 (d) None of these

**Q.30** A surety has the right to contribution and right to share benefit of securities against \_\_\_\_\_.

- (a) The principal debtor  
 (b) The creditor  
 (c) The co-sureties  
 (d) All of these

**Part – II****(70 marks)****Descriptive Questions**


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*Note: Question no. 1 is compulsory. Answer any three questions from the rest.*

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**Q.1 (a)** Vishal bailed 50 kg of high quality sugar to Naresh, who owned a kirana shop, promising to give ₹200 at the time of taking back the bailed goods. When Naresh was not at shop, his employee, unaware of bailed sugar of Vishal, mixed the 50 kg of sugar belonging to Vishal with the sugar in the shop and packaged it for sale. This came to light only when Vishal came asking for the sugar he had bailed with Naresh, as the price of the specific quality of sugar had trebled. What is the remedy available to Vishal as per the provisions of the Indian Contract Act, 1872? **(5 Marks)**

**Q.1 (b)** 'Surendra' guarantees 'Virendra' for the transactions to be done between 'Virendra' & 'Jitendra' during the month of March, 2021. 'Virendra' supplied goods of ₹ 30,000 on 01.03.2021 and of ₹ 20,000 on 03.03.2021 to 'Jitendra'. On 05.03.2021, 'Surendra' died in a road accident. On 10.03.2021, being ignorant of the death of 'Surendra', 'Virendra' further supplied goods of ₹ 40,000. On default in payment by 'Jitendra' on due date, 'Virendra' sued on legal heir of 'Surendra' for recovery of ₹ 90,000. Describe, whether legal heirs of 'Surendra' are liable to pay ₹ 90,000 under the provisions of Indian Contract Act, 1872.

What would be your answer, if the estate of 'Surendra' is worth of ₹ 45,000 only? **(5 Marks)**

**Q.1 (c)** 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 for The Indian Contract Act, 1872, do you acknowledge or decline the act of Salvor, as an agent of necessity, for Mr. Yadav. Explain? **(5 Marks)**

**Q.1 (d)** State the essential elements of a contract of bailment. **(4 Marks)**

**Q.2 (a)** 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. **(6 Marks)**

**Q.2 (b)** Give differences between Bailment and Pledge.

**(6 Marks)**

**Q.2 (c)** Shweta and Mira are very good friends. Shweta bailed her jewellery with Mira on the condition to safeguard it in a bank's safe locker. However, Mira kept it in safe locker at her residence, where she usually keeps her own jewellery. After a month all jewellery was lost in a religious riot. Shweta filed a suit against Mira for recovery. Referring to provisions of the Indian Contract Act, 1872, state whether Shweta will succeed.

**(5 Marks)**

**Q.3 (a)** As per the provisions of the Indian Contract Act, 1872, what is the meaning of;

(1) Continuing guaranteed

(2) Gratuitous Bailment

**(5 Marks)**

**Q.3 (b)** Ricky is the owner of electronics shop. Prisha reached the shop to purchase an air conditioner whose compressor should be copper. As Prisha wanted to purchase the air conditioner on credit, Ricky demand a guarantor for such transaction. Mr. Shiv (a friend of Prisha) came forward and gave the guarantee for payment of air conditioner. Ricky sold the air conditioner of a particular brand, misrepresenting that it is made of copper while it is made of aluminium. Neither Prisha nor Mr. Shiv had the knowledge of fact that it is made of aluminium. On being aware of the facts, Prisha denied for payment of price. Ricky filed the suit against Mr. Shiv. Explain with reference to the Indian Contract Act, 1872, whether Mr. Shiv is liable to pay the price of air conditioner?

**(5 Marks)**

**Q.3 (c)** Explain whether the agency shall be terminated in the following cases under the provisions of the Indian Contract Act, 1872:

(i) A gives authority to B to sell A's land, and to pay himself, out of the proceeds, the debts due to him from A. Afterwards, A becomes insane.

(ii) A appoints B as A's agent to sell A's land. B, under the authority of A, appoints C as agent of B. Afterwards, A revokes the authority of B but not of C. What is the status of agency of C?

**(4 Marks)**

**Q.3 (d)** Distinguish between a contract of indemnity and a contract of Guarantee as per the Indian Contract Act, 1872.

**(3 Marks)**

**Q.4 (a)** Explain the legal position in respect to the Co-Sureties in the given situations:

(a) X, Y and Z are Sureties to D for the sum of ₹ 3,000 lent to R. What if, R makes a default in payment?

(b) X, Y and Z, as Sureties for D, enters into a bond, each in different penalty, X in the penalty of ₹ 10,000, Y of ₹ 20,000 and Z of ₹ 40,000, conditioned for D's duly accounting to R. What if, D makes a default to the extent of ₹ 40,000?

**(5 Marks)**



**Q.4 (b)** Analyse the following issues and identify whether there is a Valid Contract of Bailment—

(a) V parks his car at a Parking Lot, locks it, and keeps the keys with himself.

(b) Seizure of goods by Customs Authorities.

**(4 Marks)**

**Q.4 (c)** State with reasons whether there can be an Agency by Ratification in the following cases –

(a) M, without authority, buys goods for N, afterwards N sells them to X, on his own account.

(b) X, buys 20 bags of rice for himself and 20 bags for his friends Y. X informs Y of his act. The trader delivers the bags at Y's house. Y consumes the rice.

(c) X, without Y's authority, lends Y's money to Z, afterwards, Y accepts interest on the money from Z.

(d) A newly formed Company adopts an act done in its name before its incorporation.

(e) X holds a lease from Y, terminable on three months' notice. Z, an unauthorized person, gives a notice of termination to X subsequently, Y ratifies the notice given by Z.

**(5 Marks)**

**Q.4 (d)** Ravi sent a consignment of goods worth ₹ 60,000 by Railway and got Railway Receipt. He obtained an advance of ₹ 30,000 from the Bank and endorsed and delivered the Railway Receipt in favour of the Bank by way of security. The Railway failed to deliver the goods at the destination. The Bank filed a suit against the Railway for ₹ 60,000. Decide whether the Bank would succeed in the said suit?

**(3 Marks)**

**Q.5 (a)** D engaged E, and auctioneer, to sell some property for a commission of ₹ 15,000. E however received secretly ₹ 1,500 also as commission from Purchaser. Discuss the rights of D and E.

**(5 Marks)**

**Q.5 (b)** A takes a Mobile Phone by fraud from owner. Before owner avoids the contract, A pledges the Mobile Phone with C, who takes it in good faith. Can owner recover the Mobile Phone from C?

**(5 Marks)**

**Q.5 (c)** P says to Q in the presence of and within the hearing of R that he (P) is R's Agent. Q supplied goods of ₹ 20,000 to P considering him as R's agent. State the position of R in reference to the Indian Contract Act, 1872.

**(4 Marks)**

**Q. 5 (d)** Certain Shares in a Limited Company were pledged by the Debtor with a Bank as a security for loan advanced by the Bank to him. Subsequently, the Company declared dividend on the Shares and also issued Bonus shares. The Bank claimed that it was entitled to retain the amount of Dividend as also Bonus Shares issued by the Company. Discuss the claim of the Bank.

**(3 Marks)**

**SPACE FOR ROUGH WORK**