

# M.K.G CA EDUCATION

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## TEST-1

### CA FOUNDATION

(29-08-2021 11:30 a.m. to 2:30 p.m.)

### Business Law based on First 15 lectures

#### Covering topic :

Nature of contract, Offer and Acceptance, Consideration & Quasi Contract

Time allowed: 3 hours

Maximum Marks: 100

#### Question :1

State with reason(s) whether the following agreement are True or false :

- (i) The law of contract is the law of those agreements which create obligations, and those obligations which have their sources in agreements.
- (ii) The communication of a revocation is complete as against the person to whom it is made, when it comes to his knowledge.
- (iii) The inadequacy of the consideration may be taken into account by the Court in determining the question whether the consent of the promisor was freely given.
- (iv) A stranger to consideration can sue.
- (v) A finder of goods is the next best owner to the real owner.

(2 Marks each)

2\*5= 10 marks

#### Question :2

#### Multiple Choice Questions:

1. A contract creates –
  - (a) Rights in personam.
  - (b) Rights in rem.
  - (c) Only rights and no obligations.
  - (d) Only obligations and no rights.
2. A contract –
  - (a) May be void as originally entered into.
  - (b) May become void subsequent to its formation.
  - (c) Cannot become void under any circumstances.
  - (d) May become void at the will of a party.
3. The transactions collateral to an illegal agreement are –
  - (a) Not affected in any manner.
  - (b) Also tainted with illegality.

- (c) Voidable at the option of the plaintiff.  
 (d) Void.
4. Flaw in capacity to contract may arise from –  
 (a) Lack of the consent.  
 (b) Lack of consideration.  
 (c) Minority.  
 (d) Absence of legal formalities.
5. Acceptance may be revoked by the acceptor –  
 (a) At any time.  
 (b) Before the letter of acceptance reaches the offeror.  
 (c) After the letter of acceptance reaches the offeror.  
 (d) Before the death of the acceptor.

**(1 Mark each)**

**1\*5= 5 marks**

### **Question :3**

**State with reason(s) whether the following agreement/contract are valid Contract / Agreement or void Contract/ Agreement or voidable Contract :**

- (i) X offers to sell his Maruti car to Y. Y believes that X has only Wagon R Car but agrees to buy it.  
 (ii) X promise to sell his scooter to Y for ₹ 1 Lac. However, the consent of X has been procured by Y at a gun point.  
 (iii) Mr. X agrees to write a book with a publisher, After few days, X dies in an accident.  
 (iv) A takes a Seat in public vehicle.  
 (v) A invites B to a Card Party. B accepts the invitation.

**(2 Marks each)**

**2\*5= 10 marks**

### **Question :4**

**All parts carry 5 marks each**

**(a)**

Mr. B makes a proposal to Mr. S by post to sell his house for ₹ 10 lakhs and posted the letter on 10th April 2020 and the letter reaches to Mr. S on 12th April 2020. He reads the letter on 13th April 2020.

Mr. S sends his letter of acceptance on 16th April 2020 and the letter reaches Mr. B on 20th April 2020. On 17th April Mr. S changed his mind and sends a telegram withdrawing his acceptance. Telegram reaches to Mr. B on 19th April 2020.

Examine with reference to the Indian Contract Act, 1872:

- (i) On which date, the offer made by Mr. B will complete?  
 (ii) Discuss the validity of acceptance.  
 (iii) What would be validity of acceptance if letter of revocation and letter of acceptance reached together?

**(b)**

The general rule is that an agreement without consideration is void. Discuss the cases where the agreement though made without consideration will be valid and enforceable as per Indian Contract Act, 1872.

**(c)**

C orally offered to pay A, an auto mechanic, ₹50 for testing a used car which C was about to purchase from D. A agreed and tested the car. C paid A ₹50 in cash for his services.

Is the agreement between C and A

- (a) express or implied,
- (b) executed or executory,
- (c) valid, void, voidable or unenforceable?

**(d)**

Explain the meaning of 'Quasi-Contracts'. State the circumstances which are identified as quasi contracts by the Indian Contract Act, 1872.

**Question :5****All parts carry 5 marks each****(a)**

A owes B ₹1,000 but the debt is barred by Limitation. A gives a letter to B agreeing to pay him ₹500 on account of the debt. Is this a valid agreement?

**(b)**

“All contracts are agreements, but all agreements are not contracts”. Comment.

**(c)**

A supplied rice and wheat to the wife and children of B who is a lunatic. B has assets worth one lakh of rupees, (a) On non-payment, can A proceed against the assets of B? (b) Would your answer be the same, if B instead of being a lunatic, were a minor?

**(d)**

Define the term acceptance under the Indian Contract Act, 1872. Explain the legal rules regarding a valid acceptance.

**Question :6****All parts carry 5 marks each****(a)**

Enumerate the rights of the finder of lost goods.

**(b)**

Define an offer. Explain the essentials of a valid offer. How an offer is different from an invitation to offer?

**(c)**

“Only a person who is party to a contract can sue on it”. Explain this statement and describe its exceptions, if any.

**Question :7****All parts carry 5 marks each****(a)**

A offers to buy B's house on certain terms; an answer to be given within six weeks. B within that time writes to A a letter purporting to accept but in fact containing a material alteration of the terms. A then withdraws his offer. B writes again still within six weeks correcting the error in his first letter and accepting the terms originally proposed by A. Is there a contract between A and B?

**(b)**

A husband executed a registered document in favour of his wife. After referring to quarrels and disagreement between them, he promised to pay for her separate maintenance and residence. On his failure to pay, the wife seeks your advice. Advise her.

**(c)**

A Left his carriage on B's Premises. B's landlord seized the carriage as distress for rent. A paid the rent to obtain the release of his carriage. Can A recover the amount from B?

**(d)**

Distinction between Voidable Contract and Void Contract.