

M.K.G CA EDUCATION

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TEST

CA FOUNDATION

Business Law

Covering topic :

The Indian Contract Act, 1872

Time allowed: 3 hours

Maximum Marks: 100

Question :1

All parts carry 5 marks each

(a)

State with reason whether there is a valid contract in the following cases:

- (a) X invited Y for dinner and Y accepted the invitation.
- (b) X makes a promise to his wife Y to give her pocket money of ₹ 10,000 per month.
- (c) X appointed Y an agent, by an agreement which shall not be subject to legal jurisdiction in the law courts.

(b)

State with reason whether the following constitute a valid offer to sell.

- (a) An advertisement in a newspaper that a sale of office furniture by auction will be held at 2 P.M. On 9th August, 2018 at Pragati Maidan, Stall no. 420, New Delhi.
- (b) The display of articles with a price in a shop having “self service” system.

(c)

How the damages can be calculated on the breach of contract?

(d)

“When a party to a contract has refused to perform, or disabled himself from performing his promise in its entirety, the promisee may put an end to the contract”. Explain.

Question :2

All parts carry 5 marks each

(a)

D, a minor, borrowed a sum from M by executing a mortgage of his property in favour of M. Can M recover the sum advanced to D in the following cases?

Case (a) If lending of money was not for the necessities.

Case (b) If lending of money was for meeting the cost of education.

Case (c) If lending of money was for buying eleven fancy coats for minor's own use

Case (d) If D, a minor, borrowed by misrepresenting himself to be of 19 years.

(b)

X, by a registered deed gifted certain property to Y, his daughter with a direction that she should pay ₹10,000 per month to Z, her uncle (father's brother). On the same day the daughter entered into an agreement with her uncle to pay ₹ 10,000 per month. Later she refused to pay on the ground that she did not receive any consideration from her uncle. Advise her.

(c)

Explain the rules under the Indian Contract Act, 1872 as regards to time and place for the performance of the promise?

(d)

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

Question :3

All parts carry 5 marks each

(a)

'X' applies to a banker for a loan at a time where there is stringency in the money market. The banker declines to make the loan except at an unusually high rate of interest. X accepts the loan on these terms. Whether the contract is induced by undue influence? Decide.

(b)

State with reason whether the following agreements are valid or void:

- (i) X borrowed ₹ 1,00,000 from Y and agreed not to raise any objection as to the limitation and that Y may recover the amount even after the expiry of limitation of period.

- (ii) X promised to pay ₹ 10,000 to Y when he agreed to publish a libel (i.e. defamatory article against someone).

(c)

Whether a minor may be admitted in the business of a partnership firm? Explain the rights of a minor in the partnership firm.

(d)

What do you understand by “coercion” and “undue influence” under the provisions of the Indian Contract Act, 1872? What are the differences between them?

Question :4

All parts carry 5 marks each

(a)

X bought shares in a company on the faith of a prospectus which contained an untrue statement that one Z, a popular key person in the industry was a director of the company. Actually Z was not a director of the company. X had never heard of Z. Can X claim damages on ground of fraud?

(b)

State with reason whether the following agreements are valid or void:

- (i) An agreement between two or more persons to refer to arbitration any dispute which has already arisen or may arise in future.
- (ii) A clause in life insurance policy was that “no suit to recover under the policy shall be brought after one year from the date of death of assured.” X died and his legal representatives filed a suit to recover the assured sum after two and half years.

(c)

What are the circumstances under which an offer gets revoked or lapses?

(d)

Define consideration. State the characteristics of a valid consideration.

Question :5

All parts carry 5 marks each

(a)

X agrees to pay B ₹ 50,000 if Y marries Z within 1 year. State the legal position :

- (a) If Y marries Z within 1 year.
- (b) If Y marries Z after 1 year.
- (c) If Y marries W within 6 months of agreement.

(b)

W promises X, Y and Z jointly to repay a sum of ₹ 9,000. Who can demand the performance of the promise
(a) If X dies (b) If Y dies (c) If Z dies (d) If X, Y and Z die?

(c)

X entered into an agreement with Y to deliver him X 10,000 bags to be manufactured in his factory. The bags could not be manufactured because of strike by the workers and X failed to supply the said bags to Y. decide whether X can be exempted from liability under the provisions of the Indian Contract Act, 1872.

(d)

Write a short note on “Wagering Agreements”.