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FOR CA FOUNDATION EXAM PREPARATION

CA Foundation 2019 Question Paper · Paper 2 Business Laws and Business Correspondence and Reporting

EXAM	YEAR	TYPE
CA Foundation	2019	Question Paper

SUBJECT

Paper 2 Business Laws and Business Correspondence and Reporting

DATE

May 2019

Foundation (New Syllabus)
Paper - 2
Business Law & Business Correspondence and Reporting

MAY 2019

MAP2

Roll No. .....

Total No. of Printed Pages : 16

Total No. of Questions : 11

Maximum Marks : 100

Time allowed : 3 Hours

IMPORTANT INSTRUCTIONS TO CANDIDATES

1. Questions in Section A are to be answered in the medium opted by the candidate. If a candidate has not opted for Hindi medium, his/her answers in Hindi will not be evaluated.
2. Questions in Section B, are to be answered in English only by all the candidates, including those who have opted for Hindi medium.
3. Answers to both the Sections are to be written in the same answer book.

SEAL

SECTION A — (60 Marks)

Question **No. 1** is compulsory.

Answer any **FOUR** questions from the remaining **FIVE** questions.

1. (a) Mr. Sohanlal sold 10 acres of his agricultural land to Mr. Mohanlal on 25th September 2018 for ₹ 25 Lakhs. The Property papers mentioned a condition, amongst other details, that whosoever purchases the land is free to use 9 acres as per his choice but the remaining 1 acre has to be allowed to be used by Mr. Chotelal, son of the seller for carrying out farming or other activity of his choice. On 12th Oct 2018, Mr. Sohanlal died leaving behind his son and wife. On 15th Oct 2018 purchaser started construction of an auditorium on the whole 10 acres of land and denied any land to the son.

Now Mr. Chotelal wants to file a case against the purchaser and get a suitable redressed. Discuss the above in light of provisions of Indian Contract Act, 1872 and decide upon Mr. Chotelal's plan of action? (4 Marks)

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(b) Sound Syndicate ltd. a public company, its articles of association empowers the managing agents to borrow both short and long term loans on behalf of the company. Mr. Liddle, the director of the company, approached Easy finance Ltd. a nonbanking finance company for a loan of Rs. 25,00,000 in name of the company.

The Lender agreed and provided the above said loan. Later on Sound Syndicate Ltd. refused to repay the money borrowed on the pretext that no resolution authorizing such loan have been actually passed by the company and the lender should have enquired about the same prior providing such loan hence company not liable to pay such loan.

Analyse the above situation in terms of the provisions of Doctrine of Indoor Management under the Companies Act, 2013 and examine whether the contention of Sound Syndicate Ltd. is correct or not? (4 Marks)

(c) Discuss the various types of implied warranties as per the Sales of Goods Act 1930? (4 Marks)

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2. (a) "Mere silence is not fraud" but there are some circumstances where the "silence is fraud". Explain the circumstances as per the provision of Indian Contract Act 1872? (7 Marks)

(b) "LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership". Explain. (5 Marks)

3. (a) (i) What is the provision related to the effect of notice to an acting partner of the firm as per Indian Partnership Act 1932? (2 Marks)

OR

(ii) Discuss the provisions regarding personal profits earned by a partner under the Indian Partnership Act 1932? (2 Marks)

(b) "Whether a group of persons is or is not a firm, or whether a person is or not a partner in a firm." Explain the mode of determining existence of partnership as per The Indian Partnership Act 1932? (4 Marks)

(c) Mr. Rich aspired to get a self- portrait made by an artist. He went to the workshop of Mr. C an artist and asked whether he could sketch the former's portrait on oil painting canvass. Mr. C agreed to the offer and asked for ₹ 50,000 as full advance payment for the above creative work. Mr. C clarified that the painting shall be completed in 10 sittings and shall take 3 months.

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On reaching to the workshop for the 6th sitting, Mr. Rich was informed that Mr. C became paralyzed and would not be able to paint for near future. Mr. C had a son Mr. K who was still pursuing his studies and had not taken up his father's profession yet?

Discuss in light of Indian Contract Act 1872?

(i) Can Mr. Rich ask Mr. K to complete the artistic work in lieu of his father?

(ii) Could Mr. Rich ask Mr. K for refund of money paid in advance to his father? (6 Marks)

4. (a) "A non-owner can convey better title to the bonafide purchaser of goods for value." Discuss the cases when a person other than the owner can transfer title in goods as per the provisions of Sales of Goods Act 1930? (6 Marks)

(b) M/S XYZ & Associates, a partnership firm with X, Y, Z as senior partners were engaged in the business of carpet manufacturing and exporting to foreign countries. On 25th Aug 2016 they inducted Mr. G an expert in the field of carpet manufacturing as their partner. On 10th Jan 2018, Mr. G was blamed for unauthorized activities and thus expelled from the partnership by united approval of rest of the partners.

(i) Examine whether action by the partners was justified or not?

(ii) What should have the factors to be kept in mind prior expelling a partner from the firm by other partners according to the provisions of the Indian Partnership Act, 1932? (6 Marks)

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5. (a) M/S Woodworth & Associates, a firm dealing with the wholesale and retail buying and selling of various kinds of wooden logs, customized as per the requirement of the customers. They dealt with Rose wood; Mango wood; Teak wood; Burma wood etc.

Mr. Das a customer came to the shop and asked for wooden logs measuring 4 inches broad and 8 feet long as required by the carpenter. Mr. Das specifically mentioned that he required the wood which would be best suited for the purpose of making wooden doors and window frames. The Shop owner agreed and arranged the wooden pieces cut into as per the buyers requirements.

The carpenter visited Mr. Das's house next day, and he found that the seller has supplied Mango Tree wood which would most unsuitable for the purpose. The carpenter asked Mr. Das to return the wooden logs as it would not meet his requirements.

The Shop owner refused to return the wooden logs on the plea that logs were cut to specific requirements of Mr. Das and hence could not be resold.

(i) Explain the duty of the buyer as well as the seller according to the doctrine of "Caveat Emptor'.

(ii) Whether Mr. Das would be able to get the money back or the right kind of wood as required serving his purpose? (6 Marks)

(b) What do you mean by "Companies with charitable purpose" (section 8) under the Companies Act 2013? Mention the conditions of the issue and revocation of the licence of such company by the government. (6 Marks)

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6. (a) Discuss the essentials of Undue Influence as per the Indian Contract Act, 1872. (5 Marks)

(b) "Indian Partnership Act does not make the registration of firms compulsory nor does it impose any penalty for non-registration." Explain. Discuss the various disabilities or disadvantages that a non- registered partnership firm can face in brief? (4 Marks)

(c) Popular Products Ltd. is company incorporated in India, having a total Share Capital of ₹ 20 Crores. The Share capital comprises of 12 Lakh equity shares of ₹ 100 each and 8 Lakhs Preference Shares of ₹ 100 each. Delight Products Ltd. And Happy products Ltd. hold 2,50,000 and 3,50,000 shares respectively in Popular Products ltd. Another company Cheerful products ltd. holds 2,50,000 shares in Popular Products Ltd. Jovial Ltd. is the holding company for all above three companies namely Delight Products Ltd; Happy products ltd; Cheerful products ltd. Can Jovial Ltd., be termed as subsidiary company of Popular Products Ltd., if it Controls composition of directors of Popular Products Ltd. State the related provision in the favour of your answer. (3 Marks)

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SECTION B — (40 Marks)

Question **No.7** is compulsory.

Answer any **THREE** questions from the remaining FOUR questions.

7. (a) Read the passage carefully and answer the questions given below :

Coral reefs are one of the most fragile, biologically complex, and diverse marine ecosystems on Earth. This ecosystem is one of the fascinating paradoxes of the biosphere. Found along the sea coasts they are formed in various shapes and sizes. They constitute as one of the beautiful creations of nature. Symbiotic cells of algae known as zooxanthellae carry out photosynthesis using the metabolic wastes of the coral thereby producing food for themselves, for their corals, hosts, and even for other members of the reef community. This symbiotic process allows organisms in the reef community to use sparse nutrient resources efficiently.

Unfortunately for coral reefs, however, a variety of human activities are causing worldwide degradation of shallow marine habitats by adding nutrients to the water. Agriculture, slash-and-burn land clearing, sewage disposal and manufacturing that create waste by-products all increase nutrient loads in these waters. Typical symptoms of reef decline are destabilized herbivore populations and an increasing abundance of algae and filter-feeding animals. Declines in reef communities are consistent with observations that nutrient input is increasing in direct proportion to growing human populations, thereby threatening reef communities sensitive to subtle changes in nutrient input to their waters.

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(i) What are the indicators of reef decay? (1 Mark)

(ii) How does Algae carry out the process of photosynthesis? (1 Mark)

(iii) How is man responsible for destruction of Natural Reef? (1 Mark)

(iv) Write a Summary of the above Passage. (2 Marks)

(b) Read the passage :

(i) Make Notes, using Headings, Sub headings and abbreviations whenever necessary. (3 Marks)

(ii) Write Summary. (2 Marks)

In most sectors of the economy, it is the seller who attempts to attract a potential buyer with various inducements of price, quality and utility and it is the buyer who makes the decision. Where circumstances permit the buyer no choice because there is effectively only one seller and the product is relatively essential, government usually asserts monopoly and places the industry under price and other regulations. Neither of these conditions prevails in most of the health-care industry.

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In the health-care industry, the doctor-patient relationship is the mirror image of the ordinary relationship between producer and consumer. Once an individual has chosen to see a physician–and even then there may be no real choice–it is the physician who usually makes all significant purchasing decisions: whether the patient should return "next Wednesday," whether X-rays are needed, whether drugs should be prescribed, etc. It is a rare and sophisticated patient who will challenge such professional decisions or raise in advance questions about price, especially when the ailment is regarded as serious.

This is particularly significant in relation to hospital care. The physician must certify the need for hospitalization, determine what procedures will be performed and announce when the patient may be discharged. The patient may be consulted about some of these decisions, but in the main it is the doctor's judgments that are final. Little wonder then that in the eyes of the hospital it is the physician who is the real "consumer." As a consequence, the medical staff represents the "power centre" in hospital policy and decision-making, not the administration.

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Although usually there are in this situation four identifiable participants—the physician, the hospital, the patient, and the payer — the physician makes the essential decisions for all of them. The hospital becomes an extension of the physician; the payer generally meets most of the bonafide, a bill generated by the physician/hospital; and for the most part the patient plays a passive role. In routine or minor illnesses, or just plain worries, the patient's options are, of course, much greater with respect to use and price. In illnesses that are of some significance, however, such choices tend to evaporate or away: DISAPPEAR "my despair evaporated J. F. Wharton", and it is for these illnesses that the bulk of the health-care dollar is spent. We estimate that about 75-80 percent of health-care expenditures are determined by physicians, not patients. For this reason, economy measures directed at patients or the general publics are relatively ineffective.

8. (a) Define Vertical & Chain Network under network in communication?

(2 Marks)

(b) (i) Choose the word which best expresses the meaning of the given word :

(1 Mark)

Crooked

(1) Straight

(2) Tapering

(3) Twisted

(4) Circle

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(ii) Select a suitable antonym for the word given under : (1 Mark)

Predicament

(1) Injury (2) Ease

(3) Accident (4) Horrifying

(iii) Change the following sentence to indirect speech : (1 Mark)

Pari said to me "I have been living in London since last December"

(c) Write a précis and give appropriate title to the passage given below :

India has witnessed great expansion of educational opportunities since the attainment of independence. However, the disabled children have not yet benefited in any substantial manner from the growth in educational facilities. Education of handicapped children, ultimately become more dependent and non productive. It is therefore believed that scarce national resources should not be wasted on them. Further, it has been our misconceived notion that the education of handicapped children requires highly specialized people and as such, it must essentially be very costly. Maybe, precisely for these wrong notions we have not been able to involve clinical and educational specialization programmers of training and education exclusively meant for handicapped children. It is encouraging to note that the new National Policy

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on Education has recommended the placement of such children in regular schools so as to provide them integrated education along with normal students. The integrated education will take care of the different needs of various categories and types of disabled children. The objective is to place the disabled children in ordinary schools for imparting education with the help of special teachers, aids and other resources. For fulfilling this objective an array of the necessary infrastructure by way of training of teachers, provision of equipment and book etc. are some of the basic pre-requisition. Hopefully, the parents and their handicapped children will be greatly relieved when the latter are transferred to regular schools. (5 Marks)

9. (a) (i) Discuss the "Gender Barrier" in communication. (2 Marks)

Or

(ii) What do you mean by Informal Communication? (2 Marks)

(b) Choose the word which best expresses the meaning of the given word :

(i) **Reckless** (1 Mark)

(1) Cautious (2) Clear

(3) Careless (4) Fearless

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(ii) **Humongous** (1 Mark)

(1) Minute (2) Huge

(3) Hungry (4) Hassel

(iii) Change the following sentence into indirect speech : (1 Mark)

She said "I am watching a television show"

(c) Draft Newspaper Report on "Six Lane highway connecting two states inaugurated" to be published in a national newspaper. (5 Marks)

10. (a) "The listener has to be objective, practical and control his emotions" Explain with reference to importance of listening in communication? (2 Marks)

(b) (i) Change the sentence from Active to Passive Voice. (1 Mark)

The teacher always answers the students' questions.

(ii) Change the sentence from Passive to Active Voice. (1 Mark)

Every night, the office is vacuumed and dusted by the cleaning crew.

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(iii) Change the following sentence to indirect speech. (1 Mark)

She said "My Father came yesterday".

(c) Write an article of about 250 words on the topic "The Fearless Indian Army". (5 Marks)

11. (a) Define the importance of Para language in Non Verbal Communication. (2 Marks)

(b) Select the correct meaning of idioms / phrases given below :

(i) Cry over spilled milk (1 Mark)

(1) Drain milk

(2) Complain about something that cannot be rectified

(3) Get into altercation with someone

(4) Misbehave with someone

(ii) Judge a book by its cover. (1 Mark)

(1) Reading a book

(2) To detect a fraud

(3) Rely on outward appearances

(4) To be intimated by appearances

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(iii) Change the sentence into Active Voice : (1 Mark)

The Grand Canyon is visited by thousands of tourists every year.

(iv) Choose the word which best expresses the meaning of the given word : (1 Mark)

Mesmerized

(1) Enthrall (2) Gruesome

(3) Scary (4) Harmony

(c) Write a Formal E Mail: Mail is written by the Manager to the employees about the changed dress code for Republic day function including time and venue of function. (4 Marks)

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