Mock Test Paper - Series I: August 2026

Date of Paper: 12th August 2026

Time of Paper: 2 P.M. to 5 P.M.

FOUNDATION COURSE

Paper 2: Business Laws

Time: 3 Hours **Marks: 100**

1. (a) With reference to provisions of the Indian Contract Act, 1872, analyse the given situations and answer each of the following questions:

(i) Mr. AT completed his M. Tech. qualification in April 2022. He got married with Ms. Priya in November 2022. He got an appointment as Technical Consultant in a very renowned company in USA on 2nd February 2023. He promised his wife that he will send ₹ 30,000/- per month for her daily routine expenses. Mr. AT went to USA on 25th October 2023. He never sent any money to his wife. Mrs. Priya was not in a position to meet her daily expenses. She was facing severe financial issues regarding rent and other maintenance expenses. On 20th March 2024 during her telephonic discussion with Mr. AT, she came to know that he would never send her money. Due to her financial hardships, she decided to file a suit against him for ₹ 7,50,000/-. Whether Mrs. Priya would be able to recover the above amount according to provisions of the Indian Contract Act, 1872?

(3 Marks)

(ii) Mr. X visited a Cosmo Mega Mall at Nagpur, which has a variety of items for day-to-day use. The mall has a self-service system. Mr. X took a basket, picked up ten different items of his choice, and reached the cashier for payments. The cashier accepted the price of nine items but did not accept the price of remaining one item which was at the highest price of ₹ 10,050/- among the ten items.

Decide as per the provisions of the Indian Contract Act, 1872 whether the Cosmo Mega Mall be compelled to sell the said article to Mr. X. **(4 Marks)**

(b) (i) The paid-up capital and turnover of Aaradhya Cosmetics Private Ltd. (ACPL) for FY 2024-25 is ₹ 4 crores and ₹ 45 crores respectively. Directors of ACPL decided not to follow some provisions as it is a small company according to section 2(85) of the Companies Act, 2013. Company secretary of Pooja Fashions Private Limited (PFPL) contended that ACPL is not a small company as ACPL is a holding company of (PFPL). Decide whether ACPL Cosmetics Private Ltd. can avail status of small company according to provisions of the Companies Act, 2013. **(4 Marks)**

(ii) The paid-up share capital of Abhinav Natural Gases Ltd. (ANGL) is ₹ 140 crores. The holdings of Central Government and Maharashtra Government are ₹ 40.10 crores and ₹ 30.20 crores respectively. In one tender relating to natural gas, directors of ANGL quoted it as Government Company. Decide According to provisions of the Companies Act, 2013 whether ANGL can be tagged as Government Company? **(3 Marks)**

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

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

2. (a) Mr. G sold some goods to Mr. H for a certain price by issue of an invoice, but payment in respect of the same was not received on that day. The goods were packed and lying in the godown of Mr. G. The goods were inspected by H's agent and were found to be in order. Later on, the dues of the goods were settled in cash. Just after receiving cash, Mr. G asked Mr. H that goods should be taken away from his godown to enable him to store other goods purchased by him. After one day, since Mr. H did not take delivery of the goods, Mr. G kept the goods out of the godown in an open space. Due to rain, some goods were damaged.

Referring to the provisions of the Sale of Goods Act, 1930, analyse the above situation and decide who will be held responsible for the above damage. Will your answer be different if the dues were not settled in cash and are still pending? **(7 Marks)**

(b) (i) What do you mean by 'Common Seal'? Is it necessary for a company to have Common Seal? Discuss as per provisions of the Companies Act, 2013. **(3 Marks)**

(ii) Whether the phrases "Company Limited by Shares" and "Company Limited by Guarantee" are same? If not, explain any four differences between these two according to provisions of the Companies Act, 2013. **(4 Marks)**

(c) Five close friends decided to form a Limited Liability Partnership firm 'EDUDED LLP' for educating poor children as non-profit organization. They were Mr. A (Non-resident), Mr. B (Non-Resident), Ms. C (resident), Ms. D (resident) and Ms. E (resident). It was decided that Mr. A and Mr. B will be appointed as designated partners.

With reference to provisions of the Limited Liability Partnership Act 2008, answer each of the following:

(i) Whether EDUDED LLP can be formed for above purpose?

(ii) Whether Mr. A and Mr. B can be appointed as designated partners in EDUDED LLP? **(6 Marks)**

3. (a) ABC & Co. is a renowned partnership firm doing business in textile industry from last twenty years. But due to technical up-gradation, firm incurred heavy debts of ₹ 50 lakhs. To maintain the integrity of the firm they introduced Mr. D, as a new partner. Before admission of D, other partners A, B, and C decided on their own and made an agreement with the creditors that the new partner will be liable for existing debt through novation. When D joins, he came to know about the debt of ₹ 50 lakhs. With reference to the provisions of the Indian Partnership Act, 1932, give your opinion:

(i) Whether D would be liable for the debts of the firm incurred prior to his admission by virtue of the agreement between A, B, C and the creditors?

(ii) Whether your answer will be different if D was minor at the time of admission?

(iii) Whether D would be liable to pay the debt upon becoming major?

(7 Marks)

(b) State Power Corp Private Limited was incorporated under the Companies Act, 2013 with 51% shares held by the Central Government to promote infrastructure for a future Information Technology project. The Board of the Company had the appropriate representation of the nominees of the Central Government. The Company performed extremely well in the initial years after incorporation. However, use of Artificial Intelligence in the field of Information Technology broke the backbone of the Company and its scale of performance nosedived during the last three years. State Power Corp Private Limited has neither conducted any business nor filed the required returns with the Registrar for the last two financial years. The Board now wishes to apply for 'Dormant' status. Some directors of the Company opined that having 51% stake of the Central Government, the Company should be considered as a Public Financial Institution in terms of the provisions of the Companies. Act, 2013. In the contrary, some other directors also opposed that being a Private Company State Power Corp Private Limited even cannot be considered as a Government Company. The directors decided to procure your advice regarding the following matters:

(i) Having 51% stake of the Central Government whether State Power Corp Private Limited could be considered as a Government Company since it was incorporated as a private company.

(ii) Whether State Power Corp Private Limited could be considered as a Public Financial Institution in terms of the provisions of the Companies Act, 2013.

(iii) Whether the Company is eligible to apply for availing the status of a Dormant Company.

Analyzing the applicable provisions of the Companies Act, 2013 advise the directors supported by justification. **(7 Marks)**

(c) What is the effect of an unlawful object or unlawful consideration on the validity of an agreement under the Indian Contract Act, 1872. **(6 Marks)**

4. (a) X was running a business of Car on lease. One fine day, Y came to hire a car for 10 days for his business tour from Delhi to Amritsar. X offered him a Honda city for ₹ 50,000/- for 10 days on a condition that petrol and toll expenses will be borne by him. During the journey, engine of car was choked. Y has to spend ₹ 10,000/- for repair of engine. When he was coming back from Amritsar, brakes of car were not working and a major accident of Y happened due to this. Y was admitted to hospital and paid a bill of ₹ 50,000 on recovery. Y asked X to compensate him charges for car repair and hospital expenses amounting ₹ 60,000/-. X denied for compensation by saying that he was not aware about the engine and brakes fault. Y filed a suit against X for recovery of damages. Give your opinion with reference to provisions of the Indian Contract Act, 1872:

(i) Whether Y can withheld the amount of hire charges ₹ 50,000/- on account of non-payment of damages?

(ii) Whether Mr. X was liable to pay Damage as he was not aware of the fact of faults in car? **(7 Marks)**

(b) State the Difference between promissory note and bill of exchange." **(7 Marks)**

(c) What do you understand by Law? Also, elaborate the procedure for making a law. **(6 Marks)**

5. (a) Rishi is having a farmhouse in the outskirts of Ambala. The clay of his farmhouse is very heavy and strong. In order to cultivate some seasonal vegetables, he approached a multi-brand dealer to buy a tractor and six automatic seed planter machines. He

categorically specified the condition of the clay of his farmhouse to the dealer and also informed the dealer that he is relying upon the expertise of the dealer for this purpose. The dealer in turn suggested the tractor and automatic seed planter machines (which are independent of each other) of a particular leading brand. Rishi relying upon the expertise of the dealer purchased the above items through a single bill with separately itemized pricing that breaks down the individual costs for the tractor and each of the six seed planter machines with item serial number. While they were being used for digging the land and sowing seeds, the tractor broke down just after 16 days of use as it was found to be unsuitable for the purpose. In contrast, only one out of the six seed planter machines broke down on the same day as it was also unsuitable for the particular field. By this time all the other five seed planter machines were also used in the specified field by Rishi and found to be suitable. Consequently, Rishi wanted to repudiate the entire contract and return the tractor and all the seed planting machines.

Analyzing the relevant provisions of the Sale of Goods Act, 1930, advise Rishi on the following based on the facts given above.

(i) Can Rishi return the tractor of the leading brand?

(ii) Can Rishi return all six seed planting machines? **(7 Marks)**

(b) ABC & Co. a partnership firm is going to be dissolved. The partners seek your advice on the following points referring to the relevant provisions of the Indian Partnership Act, 1932 in this regard.

(i) Right of partners to have business wound up after dissolution.

(ii) Continuing authority of partners for purposes of winding up.

(iii) Mode of Settlement of partnership accounts. **(7 Marks)**

(c) Explain the different types of damages that may be awarded for breach of contract under the Indian Contract Act, 1872. **(6 Marks)**

6. (a) (i) Advik purchased a mobile from Bhanu. He issued a promissory note to Bhanu which was payable on demand but no specific place for payment was mentioned on it. On maturity, Bhanu did not present the promissory note for payment. As the promissory note was not duly presented for payment, whether Advik would be discharged from liability under the provisions of the Negotiable Instruments Act, 1881? **(4 Marks)**

(ii) Shiva gave a gift of ₹ 21,000 to his sister through a cheque issued in her favour on the occasion of Raksha Bandhan. Afterwards, Shiva informed his sister not to present the cheque for payment and also informed the bank to stop the payment. Examining the provisions of the Negotiable Instruments Act, 1881, decide whether Shiva's acts constitute an offence under section 138 of the Act? **(3 Marks)**

(b) Briefly discuss the exceptions to the rule "Doctrine of privity of contract" as laid down under the provisions of the Indian Contract Act, 1872. **(6 Marks)**

(c) (i) State the various essential elements involved in the sale of unascertained goods and their appropriation as per the Sale of Goods Act, 1930.

(4 Marks)

(ii) What are the consequences of the destruction of specified goods, before making of contract and after the agreement to sell under the Sale of Goods Act, 1930. **(3 Marks)**