

Mock Test Paper - Series II: August-2026

Date of Paper: 22nd August, 2026

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

FOUNDATION COURSE

Paper 2: Business Laws

Question No. 1 is compulsory.

Attempt any four questions from the remaining five questions.

Time Allowed: 3 Hours

Maximum Marks: 100

1. (a) Mr. Y aged 21 years, lost his mental balance after the death of his parents in an accident. He was left with his grandmother aged 85 years, incapable of walking and dependent upon him. Mr. M, their neighbour, out of pity, started supplying food and other necessities to both of them. Mr. Y and his grandmother used to live in the house built by his parents. Mr. M also provided grandmother with some financial assistance for her emergency medical treatment. After supplying necessities to Mr. Y for four years, Mr. M approached the former asking him to payback ₹ 15 Lakhs inclusive of ₹ 7 Lakhs incurred for the medical treatment of the lady (grandmother). Mr. Y pleaded that he has got his parents' jewellery to sell to a maximum value of ₹ 4 Lakhs, which may be adjusted against the dues. Mr. M refused and threatened Mr. Y with a legal suit to be brought against for recovering the money.

Now, you are to decide upon based on the provisions of the Indian Contract Act, 1872:

- (i) Will Mr. M succeed in filing the suit to recover money?
- (ii) What is the maximum amount of money that can be recovered by Mr. M?
- (ii) Shall the provisions of the above Act also apply to the medical treatment given to the grandmother? **(7 Marks)**

- (b) Jagannath Oils Limited is a public company and having 220 members. Of which 25 members were employed in the company during the period 1st April 2015 to 28th June 2025. They were allotted shares in Jagannath Oils Limited first time on 1st July 2016 which were sold by them on 1st August 2025. After some time, on 1st December 2025, each of those 25 members acquired shares in Jagannath

Oils Limited which they are holding till date. Now the company wants to convert itself into a private company. State with reasons:

- (i) Whether Jagannath Oils Limited is required to reduce the number of members.
 - (ii) Would your answer be different, if above 25 members were the employee in Jagannath Oils Limited for the period from 1st April 2015 to 28th June 2026?
(7 Marks)
 - (c) State the grounds on which a firm may be dissolved by the Court under the Indian Partnership Act, 1932?
(6 Marks)
2. (a) (i) A agrees to sell certain goods to B on a certain date on 10 days credit. The period of 10 days expired and goods were still in the possession of A. B has also not paid the price of the goods. B becomes insolvent. A refuses to deliver the goods to exercise his right of lien on the goods. Can he do so under the Sale of Goods Act, 1930?
- (ii) AB sold 500 bags of wheat to CD. Each bag contains 50 Kilograms of wheat. AB sent 450 bags by road transport and CD himself took remaining 50 bags. Before CD receives delivery of 450 bags sent by road transport, he becomes bankrupt. AB being still unpaid, stops the bags in transit. The official receiver, on CD's insolvency claims the bags. Decide the case with reference to the provisions of the Sale of Goods Act, 1930.
(7 Marks)
- (b) Do you agree that a company is an artificial person? Elucidate. Also explain how the authorization by M/s Beeta Limited, a company incorporated under the Companies Act, 2013 can be made in case it does not have a common seal.
(7 Marks)
- (c) "A LLP (Limited Liability Partnership) is a type of partnership which provides the benefits of limited liability but allows its members the flexibility of organizing their internal structure as a partnership based on a mutually arrived agreement."
- In line with the above statement clearly elaborate the difference between LLP and Limited Liability Company (LLC)
(6 Marks)
3. (a) (i) Mr. Ram and Mr. Raheem are working as teachers in Ishwarchand Vidhyasagar Higher Secondary School and also are very good friends. They jointly purchased a flat which was given on rent to Mr. John. It was decided between landlords and tenant that the rent would be ₹ 10,000 per month

inclusive of electricity bill. It means electricity bill will be paid by landlords. The landlords, by mistake, did not pay the electricity bill for the month of March 2023. Due to this, the electricity department cut the connection. Mr. John has to pay the electricity bill of ₹ 2800 and ₹ 200 as penalty to resume the electricity connection. Mr. John claimed ₹ 3000 from Mr. Ram but Mr. Ram replied that he is liable only for ₹ 1500.

Mr. John said that Mr. Ram and Mr. Raheem are partners therefore he can claim the full amount from any of the partners. Explain, whether under the provision of Indian Partnership Act, 1932, Mr. Ram is liable to pay whole amount of ₹ 3000 to Mr. John? **(4 Marks)**

- (ii) Manak was working as a construction contractor from several years. He engaged Roop Singh a labour and material contractor for procurement of raw material and labour for construction site. All the expenses pertaining to raw material, Labour wages will be borne by Manak. Manak agreed to give Roop Singh 5% of the contract amount for procurement. Whether this arrangement will be termed as partnership? Explain according to provisions of the Indian Partnership Act, 1932? **(3 Marks)**

- (b) (i) Tycoon Private Limited is the holding company of Glassware Private Limited. As per the last profit and loss account for the year ending 31st March, 2023 of Glassware Private Limited, its turnover was ₹ 80 crore and paid up share capital was ₹ 8 crore. The Board of Directors wants to avail the status of a small company. The Company Secretary of the company advised the directors that Glassware Private Limited cannot be categorized as a small company. In the light of the above facts and in accordance with the provisions of the Companies Act, 2013, you are required to examine whether the contention of Company Secretary is correct, explaining the relevant provisions of the Act. **(4 Marks)**

- (ii) In the Flower Fans Private Limited, there are only 5 members. All of them go in a boat on a pleasure trip into an open sea. The boat capsizes and all of them died being drowned. Is Flower Fans Private Limited no longer in existence under the provisions of Companies Act, 2013? **(3 Marks)**

- (c) "An anticipatory breach of contract is a breach of contract occurring before the time fixed for performance has arrived". Discuss stating also the effect of anticipatory breach on contracts. **(6 Marks)**

4. (a) (i) Mr. A, the employer induced his employee Mr. B to sell his one room flat to him at less than the market value to secure promotion. Mr. B sold the flat to

Mr. A. Later on, Mr. B changed his mind and decided to sue Mr. A. Examine the validity of the contract as per the provisions of the Indian Contract Act, 1872. **(3 Marks)**

- (ii) Mr. S promises Mr. M to paint a family picture for ₹ 20,000 and assures to complete his assignment by 15th March, 2025. Unfortunately, Mr. S died in a road accident on 1st March, 2025 and his assignment remains undone. Can Mr. M bind the legal representative of Mr. S for the promise made by Mr. S? Suppose Mr. S had promised to deliver some photographs to Mr. M on 15th March, 2025 against a payment of ₹ 10,000 but he dies before that day. Will his representative be bound to deliver the photographs in this situation? Decide as per the provisions of the Indian Contract Act, 1872. **(4 Marks)**

- (b) Explain the Rules as to compensation payable in case of dishonour of promissory note, bill of exchange or cheque, by any party liable to the holder or any endorsee covered under the Negotiable Instruments Act, 1881. **(7 Marks)**

- (c) What is the significance of the Supreme Court and High Court in the Indian judiciary? **(6 Marks)**

5. (a) (i) Ms. S visits an electronic store and asks for a laptop suitable for high-end graphic design work. The salesman recommends a specific model, assuring her that it will meet her needs. Relying on this advice, Ms. S purchases the laptop. However, after using it, she realises that the laptop lacks the necessary processing power and graphics capability for her work.

Can Ms. S take legal action against the seller under the Sale of Goods Act, 1930? Justify your answer. **(3 Marks)**

- (ii) Certain goods were sold by sample by J to K, who in turn sold the same goods by sample to L and L by sample sold the same goods to M. M found that the goods were not according to the sample and rejected the goods and gave a notice to L. L sued K and K sued J. Can M reject the goods? Also advise K and L as per the provisions of the Sale of Goods Act, 1930. **(4 Marks)**

- (b) "Partner indeed virtually embraces the character of both a principal and an agent". Describe the said statement keeping in view of the provisions of the Indian Partnership Act, 1932. **(7 Marks)**

- (c) State with reference to the provisions of the Indian Contract Act, 1872 whether the following are True or False with justification:

- (i) The pledge of documents of title to goods by a mercantile agent with the consent of an owner is invalid pledge.
- (ii) A appoints B as his agent to sell A's land. Subsequently, under the authority of A, B appoints C as his agent. Later on, A revokes the authority of B, but not that of C. Consequently, the authority of C cannot be terminated.
- (iii) The contract of life insurance is not fully covered under the contract of indemnity. **(6 Marks)**

6. (a) Ram purchased a second-hand car from his friend Rohan for ₹ 5 lakhs on 10th November, 2023. He paid ₹ 4 lakh immediately and promised to pay ₹ 1 lakh within a year. But, he could not pay the remaining amount till December 2024. On 5th January, 2025 Ram received an invitation for Rohan's wedding which he could not attend but sent a cheque of ₹ 51,000 as gift by post.

When Rohan deposited the cheque, it was returned unpaid due to insufficient balance in the account of Ram. Rohan considered it as an offence under Section 138 of the Negotiable Instruments Act, 1881.

Advise

- (i) Whether Ram would be held liable for dishonour of cheque?
- (ii) Whether Rohan was justified in considering this as an offence under Section 138 of the Negotiable Instruments Act, 1881. **(7 Marks)**
- (b) Who is considered as an agent under the Indian Contract Act, 1872, and what are the duties and obligations associated with this role? **(6 Marks)**
- (c) Contract of sale resembles with contracts of hire-purchase. However, sale is distinguished from hire-purchase. Explain hire-purchase agreement and state any five points of distinction between Sale and Hire-purchase. **(7 Marks)**