

**MOCK TEST PAPER - 2**

**FOUNDATION COURSE**

**PAPER 2: BUSINESS LAWS AND BUSINESS CORRESPONDENCE AND REPORTING**

**SECTION A: BUSINESS LAWS**

*Question No. 1 is compulsory.*

*Answer any **four** questions from the remaining **five** questions.*

1. (a) Mr. Nikhil has decided to get interior work for his new office. For this purpose, he entered into a contract with M/s Sherry Fine Interiors. It was agreed that M/s Sherry Fine Interiors will complete the interior work latest by 31<sup>st</sup> January, 2023. On 31<sup>st</sup> January, 2023, Mr. Nikhil observed that only 20% to 30% work has been completed. He decided to cancel the contract with M/s Sherry Fine Interiors. On cancellation of the contract, M/s Sherry Fine Interiors filed a suit against Mr. Nikhil for recovery of the cost which it has incurred on the interior work. Mr. Nikhil argued that M/s Sherry Fine Interiors did not complete the work within the time as per contract and further the work done till 31<sup>st</sup> January, 2023 by M/s Sherry Fine Interiors was of no use for him as he has to appoint a new interior designer. Explain, whether Mr. Nikhil is liable to pay the cost of work done by M/s Sherry Fine Interiors under the provisions of Indian Contract Act, 1872? **(4 Marks)**
- (b) ABC Private Limited is a registered company under the Companies Act, 2013 with paid up capital of ₹ 35 lakhs and turnover of ₹ 2.5 crores. Whether the ABC Private Limited can avail the status of a Small Company in accordance with the provisions of the Companies Act, 2013? Also discuss the meaning of a Small Company. **(4 Marks)**
- (c) Discuss the essential elements regarding the sale of unascertained goods and its appropriation as per the Sale of Goods Act, 1930. **(4 Marks)**
2. (a) As per the general rule, "Stranger to a contract cannot file a suit in case of breach of contract". Comment and explain the exceptions to this rule as per the provisions of the Indian Contract Act, 1872. **(7 Marks)**
- (b) Discuss the liabilities of Limited Liability Partnership (LLP) and its partners in case of fraud as per the provisions of the Limited Liability Partnership Act, 2008. **(5 Marks)**
3. (a) (i) What do you mean by 'Partnership for a fixed period' as per the Indian Partnership Act, 1932? **(2 Marks)**
- (ii) Can a minor become a partner in a partnership firm? Justify your answer and also explain the rights of a minor in a partnership firm. **(4 Marks)**
- (b) Ayush, who is a minor, purchased 10 fancy coats for the wedding ceremony of his sister on credit from M/s Surjewala & sons. The cost of all coats was ₹ 80,000. Not even a single coat was a necessity. Ayush has assets of worth of ₹ 1,00,000. M/s Surjewala & sons file a suit against Ayush for recovery of ₹ 80,000 out of his assets. Following the provisions of Indian Contract Act, 1872, whether Ayush is liable to pay ₹ 80,000 to M/s Surjewala & sons? **(6 Marks)**
4. (a) Describe in brief the rights of the buyer against the seller in case of breach of contract of Sale under Sale of Goods Act, 1930. **(6 Marks)**

- (b) P, Q and R are partners in a partnership firm. R retires from the firm without giving public notice. P approached S, an electronic appliances trader, for purchase of 25 fans for his firm. P introduced E, an employee of the firm, as his partner to S. S believing E and R as partners supplied 25 fans to the firm on credit. S did not receive the payment for the fans even after the expiry of the credit period. Advise S, from whom he can recover the payment as per the provisions of the Indian Partnership Act, 1932. **(6 Marks)**
5. (a) Samar was in search of a second-hand car. For this purpose, he approached "Car Wala 007", a dealer in pre-owned cars. The sales manager of "Car Wala 007" showed him three cars which were standing in the parking lane just outside the office. Samar finalised red Wagon R car. After completing the documenting formalities and receiving the price of car, sales manager of "Car Wala 007" handed over the key of car to Samar. But when Samar was coming to parking area for picking the car, the electric poll fell on the car which badly damaged the car. Samar claimed that repair expenses of the car should be borne by "Car Wala 007" as car was not delivered to him. Referring to the provisions of the Sales of Goods Act 1930, state who will be liable to get the car repaired? **(6 Marks)**
- (b) Explain the concept of 'Corporate Veil'. Briefly state the circumstances when the corporate veil can be lifted as per the provisions of the Companies Act, 2013. **(6 Marks)**
6. (a) "Liquidated damage is a genuine pre-estimate of compensation of damages for certain anticipated breach of contract whereas Penalty on the other hand is an extravagant amount stipulated and is clearly unconscionable and has no comparison to the loss suffered by the parties". Explain the statement by differentiating between liquidated damages and penalty with reference to provisions of the Indian Contract Act, 1872. **(5 Marks)**
- (b) What is the difference between partnership and co-ownership as per the Indian Partnership Act, 1932? **(4 Marks)**
- (c) Mr. R, a manufacturer of toys approached MNO Private Limited for supply of raw material worth ₹ 1,50,000/-. Mr. R was offered a credit period of one month. Mr. R went to the company prior to the due date and met Mr. C, an employee at the billing counter, who convinced the former that the payment can be made to him as the billing-cashier is on leave.
- Mr. R paid the money and was issued a signed and sealed receipt by Mr. C. After the lapse of due date, Mr. R received a recovery notice from the company for the payment of ₹ 1,50,000/-.
- Mr. R informed the company that he has already paid the above amount and being an outsider had genuine reasons to trust Mr. C who claimed to be an employee and had issued him a receipt.
- The Company filed a suit against Mr. R for non-payment of dues. Discuss the fate of the suit and the liability of Mr. R towards company as on current date in consonance with the provision of the Companies Act 2013? Would your answer be different if a receipt under the company seal was not issued by Mr. C after receiving payment? **(3 Marks)**

**SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING**

**Max Marks: 40 Marks**

**Instructions**

***The Question paper comprises of 5 questions of 10 Marks each. Question 1 is compulsory. Out of 2 to 5, attempt any three.***

1. (a) Read the passage and answer the questions that follow:

Wealth management is an extremely personal industry, with the client dictating the face and personality of the management strategies being pursued. An in-depth analysis of the wealth management space indicates that, over the years, there has been a significant evolution in client segmentation. There has been a gradual yet decided shift in the ownership of the person or client that wealth managers deal with, and these are the people who have the decision-making power when it comes to decoding portfolio tactics. While a male member of the family, usually a patriarch in the 60 to 70-year age group, would have been the client and deciding force behind wealth management portfolios a few decades earlier, managers today are meeting with individuals in their 30s and 40s. Further, wealth management is no longer the bastion of men – today, clients are both male and female and they have equal decision-making power, indicating strong equality in the ecosystem. One of the biggest changes in wealth management revolves around the average age of the decision-makers. Wealth managers are witnessing a major shift in this area, with millennials taking over from their predecessors and injecting a much-needed dose of vitality and innovation into the environment. This generational shift in wealth is also visible from the results of the IIFL Wealth Hurun India Rich List 2022, which indicates that the youngest on the list today is a teenager, as against a 37-year-year-old a decade ago. The decreasing age of the wealthy also adds an element of risk-taking to the wealth management space because, being in their prime, these individuals are willing to take on greater risk in the pursuit of higher returns, something which wasn't the case just a decade or so earlier.

The next major trend that wealth managers have witnessed is the increasing number of female clients coming to the forefront of the ecosystem. With equal deciding power as their male counterparts, women are taking the reins of finance into their own hands and making decisions that attest to their individual personalities and requirements. Gone is the era when a woman's financial well-being was dependent on her father, brother or husband. Today, women are charting their own path, be it on their education and career fronts or in their financial lives. There is greater awareness and understanding of the nuances of finance and wealth management is slowly transitioning into a sector wherein women now play an active role.

As the average age of the decision-maker trends downward, there is one segment of the clientele which is playing a bigger part in making this a reality and that is Gen Z.

Wealth managers are now noticing youngsters, who belong to the late millennial and early Gen Z tribe, coming in and playing a leading role in managing at least a part of the portfolio themselves. Retail investments in India have grown steadily, as indicated by the sustained rise in demat accounts, and a number of the younger individuals today are extremely well-versed with money matters and proactively manage their investment portfolios. In this scenario, while they invite advice from wealth managers, these individuals are running the last mile of the race themselves, building up a portfolio, which reflects their unique personas and focus sectors.

(1) What adds an element of risk today to wealth management? **(1 Mark)**

(2) What factors indicate that retail investments in India have grown steadily?

**(1 Mark)**

(3) 'Women are taking the reins of finance into their own hands'. What does the word 'rein' mean as used in this line? **(1 Mark)**

(a) Responsibility

(b) Wish

(c) Fear

(d) Command

(4) Select a suitable title for the passage: **(1 Mark)**

(a) Wealth an management

(b) Wealth management

(c) Wealth management and its changing trends

(d) Rise of wealth in management

(5) 'Wealth management is no longer the bastion of men'. Choose a suitable synonym for bastion: **(1 Mark)**

(a) Stronghold

(b) Control

(c) Dedication

(d) Duty

(b) Read the following passage

El Niño refers to the change in climate across the Pacific Ocean. Although it normally occurs every two to seven years, the El Niño phenomenon has taken place more often in the past three decades. El Niños have an effect on climate and weather around the

globe. A single phase can last for about one and a half years and is often followed by an opposite climate pattern called, La Niña.

The term El Niño means “Christ child” and was first used by Peruvian fishermen. They discovered that in some years there were fewer fish around Christmas time.

In normal years, cold water comes from the Antarctic region and flows along the eastern coast of South America. A high-pressure area develops, warms the water on the surface and pushes it in a westward direction. In the western Pacific, the air becomes warmer. A low-pressure area forms and leads to tropical rainfall in Indonesia and northern Australia.

Because of this climate cycle cold water rises from deeper regions of the South American coast to replace the warmer water on the surface. This part of the ocean belongs to the richest fishing regions of the world because fish can find more than enough food.

During a typical El Niño phase, the air pressure is higher than normal in the western Pacific and lower than normal on the South American coast. Ocean temperatures along Peru and Chile become higher and the water does not have the nutrients that fish need to survive. They stay in the colder regions near the Antarctic. Other animals that feed on fish also suffer so that the whole food chain is affected. In addition, more rainfall comes to a normally dry area and occasional flooding also occurs. On the other side, eastern Australia and Indonesia are hit by unusual periods of dry weather. Climate experts have seen more tropical storms in the central Pacific during an El Niño year.

El Niño does not only affect the climate of the Pacific regions but has an impact on global climate. Climatologists claim that frequent occurrences of El Niño are another sign of global warming.

- (i) Make notes, sub-heading, abbreviations, wherever necessary giving a suitable title **(3 Marks)**
- (ii) Write a summary **(2 Marks)**
- 2. (a) Write a short note on ‘Oral Communication’ and its nuances. **(2 Marks)**
- (b) (i) Choose the suitable synonym for the word: **(1 Mark)**  
Exorbitant
  - a. Inflated
  - b. Reasonable
  - c. Initiate
  - d. Encouraging

(ii) Choose the suitable antonym for the word: **(1 Mark)**

Innumerable

- a. Resistive
- b. Limited
- c. Probable
- d. Uncountable

(iii) Change the following sentence into direct speech

Rhea said that she had gone to the market the previous day. **(1 Mark)**

(c) Write a Précis and also give a suitable title to the passage given below: **(5 Marks)**

Knowledge Management is the management of the accumulated expertise and abilities within the organization by the collaboration of right people and right information. Knowledge management is the framework within which the organization views all its processes as knowledge processes. In this respect, all business processes involve creation, dissemination, renewal and application of information towards organizational sustenance and survival. Knowledge management is becoming increasingly important because of a paradigm shift in the world from one, which was predictable to one of rapid discontinuous change.

The words Intellectual Capital and Knowledge Management are sometimes used synonymously, however there is a slight difference. Intellectual Capital is all about measuring and quantifying the intellectual assets of a firm, whereas Knowledge Management includes the development, creation, and management of knowledge assets. In other words, it is an active and dynamic procedure. At this point, there are two schools of thought. The first believes in the management of information entirely whereas the second focuses on people.

3. (a) Why is vertical communication a two-way process? **(2 Marks)**

(b) (i) Choose the option which best expresses the meaning of the word **(1 Mark)**

Abstract

- (1) Trustworthy
- (2) Powerful
- (3) Hypothetical
- (4) Empower

- (ii) Choose the option which best expresses the opposite meaning of the word  
Inevitable **(1 Mark)**
- (1) Recognizable
  - (2) Unruly
  - (3) Threatened
  - (4) Avoidable
- (iii) Change the following into indirect speech **(1 Mark)**  
John said to his teacher, 'Please help me!'
- (c) You are Ms. Lakshmi Ranganathan, Administration Head at Broadridge Communications, Hyderabad, Telangana. Write a letter of enquiry to Woodland Furniture Pvt Ltd Hyderabad, enquiring about the prices for office furniture (desks, chairs, bookshelves etc.). You may ask about product details, delivery time, and warranty. **(5 Marks)**
4. (a) Why may the chain network take a longer time? Explain briefly. **(2 Marks)**
- (b) (i) Change the following sentence into indirect speech **(3 Marks)**  
Shireen said "I want to go to the local market".
- (ii) Change the following sentence into active voice  
The question paper was made by me.
- (iii) Change the following sentence into passive voice  
We cleared the trash yesterday.
- (c) Write a 250 word article on the topic 'Each one teach one'
- OR
- Write a 250 word article on the topic 'United we stand, divided we fall' **(5 Marks)**
5. (a) 'Emotional awareness is a necessary element for good communication'. Comment. **(2 Marks)**
- (b) Select the correct meaning of the following idiom/phrase **(3 Marks)**
- (i) A penny saved is a penny earned
    - (1) To spend all your money
    - (2) To get robbed
    - (3) Not spending money, saves it
    - (4) Spending your money, saves it

- (ii) A piece of cake
- (1) Something very sweet
  - (2) A bakery item
  - (3) To have fun
  - (4) Something very easy
- (iii) Change the sentence into passive voice  
Farida switched on the fan.
- (c) Choose the word that best expresses the meaning of the given word **(1 Mark)**  
Forbidden
- (1) Not allowed
  - (2) Permissible
  - (3) Dangerous
  - (4) Famous
- (d) You are a senior member of the Sales team explaining the need to improve the sales for FY 2024, to handle the growing competition in the field of FMCG. Write a report using the official report format proposing to conduct monthly sales meets to understand, explain, present and discuss the sales figures on a monthly basis.

OR

The Chairman of Arvind Agro industries has decided to stop operations and manufacturing at one of their plants based in Solan, Himachal Pradesh. Prepare an agenda of the meeting to discuss the need for the closure, causes and effects, consequences and other related discussions. The meeting will be attended by the heads of the sales and marketing division, Solan plant manager, Solan plant chairman and vice chairman of the organization, admin heads and few members of the workers Union. **(4 Marks)**