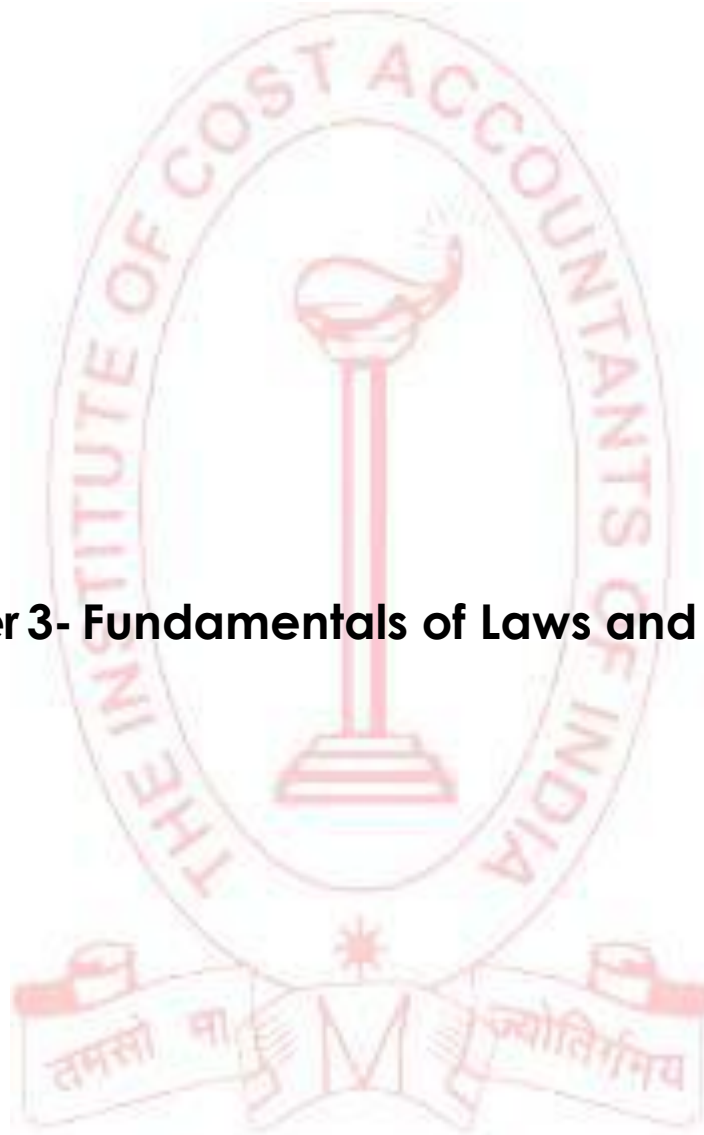


Paper 3- Fundamentals of Laws and Ethics



Paper-3: Fundamentals of Laws and Ethics

Full Marks: 100

Time allowed: 3 hours

Section-A Part-A

1. Answer the following questions:

(a) Choose the correct answer from the given four alternatives:

[25 × 1 = 25]

- (i) Acceptance in ignorance of the offer is
(A) Valid
(B) **Invalid**
(C) Void
(D) Voidable
- (ii) Which of the following statement is incorrect
(A) Consideration must be real
(B) Performance of existing obligation is no consideration
(C) Forbearance to sue is good a consideration
(D) **Agreements without consideration are always void**
- (iii) Transfer of documents of title to the goods sold to the buyer, amounts to
(A) actual delivery
(B) **symbolic delivery**
(C) constructive delivery
(D) none of these
- (iv) A bill of exchange contains a/an
(A) unconditional undertaking
(B) **unconditional order**
(C) conditional undertaking
(D) conditional order
- (v) Obligation between parties that form contract
(A) Are all kinds of obligations
(B) Are legal obligation which spring from agreements
(C) **Are not voluntary in nature**
(D) None of the above
- (vi) If a minor draws, endorses, delivers or negotiates an instrument, such instrument binds
(A) all parties to the instrument including the minor
(B) only the minor and not other parties to the instrument
(C) **all parties to the instrument except the minor**
(D) none of the above
- (vii) The doctrine of Caveat emptor is not applicable
(A) in case of sale under a patent name

- (B) in case of sale under a trade name
- (C) **where the seller is guilty of fraud**
- (D) where the buyer relies on the skill and judgment of the seller

(viii) Acceptance is to offer what a lighted match is to a train of gun powder. This statement indicates

- (A) **Once an offer is accepted it results in binding contract**
- (B) Communication of acceptance is necessary
- (C) Acceptance must be absolute & unqualified
- (D) All the above

(ix) The grace period for payment of a negotiable instrument other than payable on demand is----- days/months

- (A) 7 Days
- (B) **3 days**
- (C) 1 month
- (D) 15 days

(x) In case of appropriation of goods, which are the essential requirements:

- (A) The goods should conform to the description and quality stated in the contract.
- (B) The goods must be in a deliverable state.
- (C) The appropriation must be by the seller with the assent of the buyer.
- (D) **All the above**

(xi) The term "Unpaid Seller" includes —

- (A) Buyer's agent to whom the Bill of Lading is endorsed
- (B) Buyer's agent to whom the goods have been delivered
- (C) **Seller's agent to whom the Bill of Lading is endorsed**
- (D) Seller's agent to whom the goods have been delivered

(xii) The term consensus ad-idem means

- (A) Formation of the contract
- (B) Reaching of agreement
- (C) **Meeting of minds**
- (D) General consensus

(xiii) _____ parties are involved in a Cheque.

- (A) 2
- (B) **3**
- (C) 4
- (D) 1

(xiv) Communication of acceptance is not necessary

- (A) By performance of conditions of the offer by offeree
- (B) By acceptance of consideration by the offeree
- (C) By acceptance of benefit/service by the offeree
- (D) **All the above**

(xv) A valid contract of sale

- (A) **includes 'an agreement to sell'**
- (B) does not include 'an agreement to sell'
- (C) includes hire purchase contract

(D) includes contract a work and labour

(xvi) When a cheque is payable across the counter of a bank it is called—

- (A) OTC Cheque
- (B) **Open cheque**
- (C) Crossed cheque
- (D) Restricted cheque

(xvii) The difference between an advertisement for sale and a proposal is

- (A) No difference at all
- (B) **That a proposal becomes a promise as soon as the party to whom it is made accepts it but an advertisement does not**
- (C) Every case will be viewed according to the circumstances
- (D) None of these

(xviii) A contracts to sing for B for a consideration of Rs. 5,000 which amount is paid in advance. A becomes unwell and is not able to perform. B suffers a loss of Rs 10,000. A is liable to pay B

- (A) Rs. 15,000
- (B) **Rs. 10,000**
- (C) Rs. 5,000
- (D) Nothing

(xix) Merchantable quality of goods means

- (A) that the goods are commercially saleable
- (B) they are fit for the purpose for which they are generally used
- (C) **both 'a' and 'b'**
- (D) The quality should be of high standard

(xx) A promise to pay a time-barred debt must be

- (A) Oral
- (B) **Written and signed**
- (C) Registered
- (D) Written and registered

(xxi) When both the parties to an agreement are under a mistake as to a matter of fact essential to an agreement, the agreement is:

- (A) Void
- (B) Valid
- (C) **Voidable**
- (D) Illegal

(xxii) In case of contractual obligations where the promisor dies before performance:

- (A) The legal representatives of the promisor must perform the promise irrespective of the promise
- (B) The legal representatives of the promisor must perform the promise provided it is not one dependent on the personal qualifications of the promisor
- (C) The legal representatives need not perform the promise
- (D) **The legal representative is not liable to pay damages for non-performance of the promise**

(xxiii) Where the sale is not notified to be subject to a right to bid on behalf of seller, it shall not be lawful for the seller-

Answer_MTP_Foundation_Syl2016_June,2020_Set 2

- (A) to bid for himself
- (B) to employ any person to bid at such sale
- (C) **either (a) or (b)**
- (D) neither (a) nor (b)

(xxiv) The term Negotiable instrument is defined in section---of the Negotiable Instrument Act, 1881

- (A) 2
- (B) **13**
- (C) 12
- (D) 10

(xxv) Section 19 of the Sale of Goods Act, deals with passing of property of.....goods.

- (A) Unascertained Goods
- (B) Future Goods
- (C) **Specific or Ascertained Goods**
- (D) Contingent Goods

(b) Match the following:

[5 X1=5]

	Column A		Column B
(i)	Right to lien	(A)	Offers made to an individual group
(ii)	Cross Offer	(B)	Stock and Shares
(iii)	Goods	(C)	Always payable on demand
(iv)	Specific Offer	(D)	Sec 47 of Sale of Goods Act
(v)	Bearer Instrument	(E)	Identical offers made in ignorance of each other.

Answer:

(i) D	(ii) E	(iii) B	(iv) A	(v) C
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(c) State whether the following statement is True or False:

[12 X 1=12]

- (i) Seller can sue for price only when property in goods has passed on to the buyer.
- (ii) All kinds of obligations between the parties form part of the contract.
- (iii) In the absence of any express or implied directions from the offeror to the contrary, can an offer be accepted by a letter?
- (iv) Negotiable instrument we mean a written document by which a right is given to a person and which is transferable in accordance with provisions of Negotiable Instrument Act, 1881.
- (v) Quiet possession, freedom from encumbrance, disclosing dangerous nature of goods etc are implied conditions.
- (vi) Conditions and warranties can be implied or expressed.
- (vii) If the agreement is made by obtaining consent by doing an act forbidden by the Indian Penal Code, the agreement would be caused by fraud.
- (viii) Negotiable Instruments can be transferred ad infinitum.
- (ix) Is telegraphing lowest price on request a mere invitation for an offer?
- (x) A buys an article thinking that it is worth Rs. 100 when in fact it is worth only Rs. 50. There has been no misrepresentation on the part of the seller. The contract is unenforceable.

Answer_MTP_Foundation_Syl2016_June,2020_Set 2

- (xi) When goods are physically handed over by the seller to the buyer it is called symbolic delivery.
- (xii) P renders some service to D at D's desire. After a month D promises to compensate P for the service rendered to him, it is a future consideration.

Answer-

(i) True	(ii) False	(iii) True	(iv) True	(v) False	(vi) True
(vii) False	(viii) True	(ix) True	(x) False	(xi) False	(xii) False

Part-B

Answer any four of the following questions:

[4X7=28]

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

Ans: Even in the absence of a contract, certain social relationships give rise to certain specific obligations to be performed by certain persons. These are known as –quasi contracts as they create some obligations as in the case of regular contracts. Quasi-contracts are based on the principles of equity, justice and good conscience. The salient features of quasi-contracts are: Firstly, such a right is always a right to money and generally, though not always, to a liquidated sum of money; Secondly, it does not arise from any agreement between the parties concerned but the obligation is imposed by law and; Thirdly, the rights available are not against all the world but against a particular person or persons only, so in this respect it resembles to a contractual right.

Circumstances identified as quasi-contracts:

1. Sec-68--Claim for necessities supplied to persons incapable of contracting:

Any person supplying necessities of life to persons who are incapable of contracting is entitled to claim the price from the other person's property. Similarly, where money is paid to such persons for purchase of necessities, reimbursement can be claimed.

2. Sec-69-Right to recover money paid for another person:

A person who has paid a sum of money which another person is obliged to pay, is entitled to be reimbursed by that other person provided that the payment has been made by him to protect his own interest.

3. Sec-70-Obligation of person enjoying benefits of non-gratuitous act:

Where a person lawfully does anything for another person, or delivers anything to him not intending to do so gratuitously and such other person enjoys the benefit thereof, the latter is bound to pay compensation to the former in respect of, or to restore, the thing so done or delivered.

4. Sec-71-Responsibility of finder of goods:

A person who finds goods belonging to another person and takes them into his custody is subject to same responsibility as if he were a bailee.

5. Sec-72-Liability for money paid or thing delivered by mistake or by coercion: A person to whom money has been paid or anything delivered by mistake or under coercion, must repay or return it. In all the above cases contractual liability arises without any agreement between the parties.

3.What are 'reciprocal promises? State the law relating to them.

Ans: There are contracts which consist of a reciprocal promise or promises which are to be

performed simultaneously. In such cases, there is no obligation on the promisor to perform his promise unless the promisee is willing to perform his reciprocal promise. The Indian Contract Act, 1872, provides the following laws on reciprocal promises under Sections 51-58 –

a) Promisor not bound to perform unless reciprocal promisee ready and willing to perform (Section 51)-

When a contract consists of reciprocal promises to be simultaneously performed, no promisor need perform his promise unless the promisee is ready and willing to perform his reciprocal promise.

Example: A and B contract that A shall deliver goods to B to be paid for by B on delivery. A need not deliver the goods, unless B is ready and willing to pay for the goods on delivery. B need not pay for the goods, unless A is ready and willing to deliver them on payment.

b) Order of Performance of Reciprocal Promises (Section 52)-

Where the order in which reciprocal promises are to be performed is expressly fixed by the contract, they shall be performed in that order; and, where the order is not expressly fixed by the contract, they shall be performed in that order which the nature of the transaction requires.

Example: A and B contract that A shall build a house for B at a fixed price. A's promise to build the house must be performed before B's promise to pay for it.

c) Liability of party preventing event on which the contract is to take effect (Section 53)-

When a contract contains reciprocal promises, and one party to the contract prevents the other from performing his promise, the contract becomes voidable at the option of the party so prevented; and he is entitled to compensation from the other party for any loss which he may sustain in consequence of the non-performance of the contract.

Example: A and B contract that B shall execute certain work for A for a thousand rupees. B is ready and willing to execute the work accordingly, but A prevents him from doing so. The contract is voidable at the option of B; and, if he elects to rescind it, he is entitled to recover from A compensation for any loss which he has incurred by its non-performance.

d) Effect of default as to that promise which should be first performed, in contract consisting of Reciprocal Promises (Section 54)-

When a contract consists of reciprocal promises, such that one of them cannot be performed, or that its performance cannot be claimed till the other has been performed, and the promisor of the promise last mentioned fails to perform it, such promisor cannot claim the performance of the reciprocal promise, and must make compensation to the other party to the contract for any loss which such other party may sustain by the non-performance of the contract.

Example: A contracts with B to execute certain builder's work for a fixed price, B supplying the scaffolding and timber necessary for the work. B refuses to furnish scaffolding or timber, and the work cannot be executed. A need not execute the work, and B is bound to make compensation to A for any loss caused to him by the non-performance of the contract.

e) Reciprocal Promises to do things legal, and also other things illegal (Section 57)-

Where persons reciprocally promise, firstly, to do certain things which are legal, and, secondly, underspecified circumstances, to do certain other things which are illegal, the first set of promises is a contract, but the second is a void agreement.

4.What is Bilateral mistake? State the conditions and various types of bilateral mistake.

Ans:Bilateral mistake- Where both the parties to an agreement are under a mistake as to a matter of fact essential to the agreement, the agreement is void.

In order to render a contract void due to bilateral mistake the following two conditions must be

met-

(a) Mistake must be mutual: Both the parties must misunderstand each other and should be at cross purpose.

(b) Mistake must relate to a matter of fact essential to the agreement: What is essential fact of an agreement depends upon the nature of promise in each case.

The various types of mistakes falling under bilateral mistakes are as under:

(1) Mistake as to subject matter covers following cases:

(a) Mistake as to existence of subject matter: If both the parties are at mutual mistake as to existence of the subject matter the agreement is void.

(b) Mistake as to identity of subject matter: It usually happens when both the parties have different subject matter of contract in their mind. The contract is void due to mistake of identify of subject matter.

(c) Mistake as to the quality of the subject matter: If the subject matter is something essentially different from what the parties thought to be, the agreement is void.

(d) Mistake as to quantity of subject matter: Bilateral mistake as to quantity of subject matter would render the contract void.

(e) Mistake as to title of subject matter: The agreement is void due to bilateral mistake as to title of the subject matter.

(f) Mistake as to price of the subject matter: Mutual mistake as to price of the subject matter would render the agreement void.

(2) Mistake as to possibility of performance of Contract. Impossibility may be:

(a) Physical impossibility: A contract is void if it is identified to be non-feasible due to physical factors, like time, distance, height, etc.

(b) Legal impossibility: A contract is void if it provides that something shall be done which as a matter of law cannot be done.

5. Define Goods. Explain the classification of goods under the Sale of Goods Act, 1930.

Ans: Goods- According to Section 2(7), "Goods means every kind of moveable property other than actionable claims and money; and includes stock and shares; growing crops, grass, trees and things attached to or forming part of the land which are agreed to be severed it before sale or under contract of sale".

Example: Where the trees were sold so that they were to be cut out and separated from land and taken away by the buyer. The contract was for sale of trees as moveable goods.

Types of Goods-Goods which form the subject-matter of a contract of sale may be divided into three type:

1. Existing goods: Goods owned and possessed by the seller at the time of the making of the contract of sale are called existing goods. Sometimes the seller may be in possession but may not be the owner of the goods. Example: Mercantile Agent.

The existing goods can be further classified as under:

(a) Specific goods: "Specific goods" are those goods which are identified and agreed upon at the time of contract of sale is made. It is essential that the goods are identified and separated from the other goods.

Example: In the case of sale of one table out of 25 tables, goods shall be specific if the table is selected before the contract of sale is made.

(b) Ascertained goods: Ascertained goods are identified after the contract of sale as per the terms decided. Ascertained goods may be further classified as apportioned goods and unapportioned goods. Even the goods are same, the identity of goods in packets, lots or otherwise has to be allotted to a specific buyer. Goods are normally apportioned by the seller

and the buyer agrees. Buyer can himself apportioned goods with consent of the seller. However, all goods has to ascertained and apportioned before transfer of possession.

(c) Unascertained goods: When the goods are not separately identified or ascertained at the time of making a contract of sale, are known as unascertained goods. When the buyer does not select the goods for him from a lot of goods, but are defined or indicated only by description, we call them unascertained goods.

Example: Sale of 25 chairs for an office out of a lot of 200 such chairs of the same design and quality, the goods are unascertained till 25 particular chairs are selected. When the required 25 chairs are selected out of the lot, the goods are said to be ascertained goods for the contract of sale.

2. Future Goods: It means goods to be manufactured or produced or acquired by the seller after making of the contract of sale. A contract to sell oil not yet pressed from seeds in his possession is a contract for the sale of future goods. Example: X agrees to sell to Y all the apples which will be produced in his garden next year. This is an agreement for the sale of future goods.

3. Contingent Goods: These are a type of future goods, the acquisition of which by the seller depends upon a contingency which may or may not happen. Goods which might be expected to come into existence, as

- (a) goods to arrive
- (b) future crops
- (c) the eggs.

Such contracts give no right of action if the contingency does not happen. However, all goods has to ascertained and apportioned before transfer of possession.

6. Define Condition and Warranty. State the differences between Condition and Warranty

Ans;Condition- A condition is a stipulation essential to the main purpose of the contract, the breach of which gives rise to right to treat the contract as repudiated. [Sec 12(2)]

Warranty- A warranty is a stipulation collateral to the main purpose of the contract, the breach of which gives rise to a claim for damages but not to a right to reject the goods and treat the contract as repudiated. [Sec 12(3)]

Distinction between a condition and a warranty:

Sl. No.	Basis of Distinction	Condition	Warranty
1	Value	A Condition is a stipulation which is essential to the main purpose of the contract.	A Warranty is a stipulation which is collateral to the main purpose of the contract.
2	Rights	The aggrieved party can repudiate the contract of sale in case there is a breach of a condition.	The aggrieved party can claim damages only in case of breach of a warranty.
3	Treatment	A breach of condition may be treated as a breach of a warranty. This would happen where the aggrieved party is contented with damages only.	A breach of a warranty cannot be treated as a breach of a condition.

7. Define Promissory Note. Explain the requisites of a Promissory Note.

Ans:Section 4 of the Negotiable Instruments act, 1881 defines "Promissory Note" as "A Promissory note is an instrument in writing (not being a bank note or a currency note) containing an unconditional undertaking, signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument".

Requisites of a Promissory Note:

1. The promissory note must be in writing.
2. It must contain an undertaking to pay. There must be an express promise to pay.
3. The promise to pay should be unconditional.
4. The promissory note must be signed by the maker.
5. The sum payable must be certain.
6. The instrument must contain a promise to pay money and money only.
7. The maker and payee must be certain.
8. Stamping of Promissory Note is essential under The Indian Stamp Act, 1899. An unstamped promissory note is not admissible in evidence and no suit can be maintained.
9. It must contain date.
10. The limitation period for a promissory note to file a suit is three years from the date of execution or from the date of acknowledgement.

Section B Part-A

8. Answer all question

(a) Choose the correct answer from the given four alternatives:

[12X1=12]

(i) This is not of the 7 principles of Public Life

- (A) Integrity
- (B) Honesty
- (C) **Content**
- (D) Accountability

(ii) Business malpractice does not include:

- (A) Black marketing
- (B) Adulteration
- (C) **Advertising**
- (D) Duplication

(iii) is a set of principles and expectations that are considered binding on any person who is member of a particular group.

- (A) **Code of conduct**
- (B) Code of ethics
- (C) Code of practice
- (D) Any of the above

(iv) Business Ethics is a code of conduct which businessmen should follow while conducting their

- (A) **Normal activities**
- (B) Special activities
- (C) Specific activities
- (D) None of the above

(v) Administrative corruption includes "gifts" to the

- (A) Factory inspector
- (B) Boiler inspector
- (C) Pollution control board inspectors
- (D) **All of the above**

(vi) Business Ethics is in nature

- (A) Absolute
- (B) **Not Absolute**
- (C) Permanent
- (D) None of the above

(vii) Business ethics has a application

- (A) **Universal**
- (B) Natural
- (C) Practical
- (D) None of the above

(viii) are beliefs about what is right and wrong or good or bad.

- (A) Mores
- (B) Motivators
- (C) Cultures
- (D) **Ethics**

(ix) Compliance is about obeying and adhering to

- (A) **Rules an authority**
- (B) Discipline
- (C) Law
- (D) All of the above

(x) is about obeying and adhering to rule and authority.

- (A) Ethics
- (B) Code
- (C) Conduct
- (D) **Compliance**

(xi) The term 'business ethics' came into common use in year.....

- (A) 1680
- (B) 1780
- (C) 1980



(D) 1970

- (xii) The idea of business ethics caught the attention of academics, media and business firms by the end of the.....
- (A) First world war
 - (B) Second world war
 - (C) **Cold War**
 - (D) None of the above

(b) State whether the following statement is True or False:

[6 X 1= 6]

- (i) Ethics refers to the study and development of one's ethical standards.
- (ii) Ethics is a requirement for human life.
- (iii) Holders of public office are not accountable for their decisions and actions to the public.
- (iv) The term 'ethics' derived from French word 'ethos' which means character.
- (v) Business malpractices are harmful to the consumers.
- (vi) Compensation, Competency and Character are the Three C's of Business Ethics.

Answer-

(i) True	(ii) True	(iii) False	(iv) False	(iv) True	(vi) True
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Answer any two of the following question:

[2 X 6=12]

9.Can ethics be treated as a principle? Comment

Ans: Ethics as a Principle-

We have established that social evolution has developed definite principles of civic behavior, which have attained the status of principles. By principle, we understand that something proceeds and depends on it for its cause. For instance, when one kicks a football, force is the principle that propels it into motion and the ball remains in motion till the force lasts. In other words, the physical world functions strictly according to the laws of physics. It is expected that people also submit their behavior, both in thoughts and in actions, to these principles. An action is valid as long as it reflects the principle, just as the speed of the moving ball depends on the force it receives.

All moral actions are directed towards their object, the good, which is the principle of all happiness. This is not only the sole purpose of our existence but our co-existence with others as well. We cannot be happy alone; we can only be happy together. The universal idea of the good is applied to individual instances. Individuals are good in their own particular way, and are good in so far as they share the essence of goodness. The universal good is a pure or general idea. It is formed through a process of abstraction of the essence from individuals or particulars.

10. Explain the difference between ethics and morals.

Ans:

Difference between Ethics and Morals

Sl No.	Ethics	Morals
1.	Root word in Greek is 'ethikos' which means character.	Root word in Greek is 'mos' which means 'custom'.
2.	Deals with right and wrong conduct.	Deals with principles of right and wrong.
3.	Deals with individual character.	Deals with customs set by groups.
4.	Character is personal attribute.	Customs are determined by groups or some authority like religion or culture.
5.	Ethics is the response of an individual to a	Morals are general principles.

	specific situation.	
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11.State the needs of Business Ethics.

Ans.Business ethics is currently a very prominent business topic, and the debates and dilemmas surrounding business ethics have attracted enormous amount of attention from different quarters of organizations and society. Hence, it has emerged as an increasingly important area of study. Some of the major reasons why a good understanding of business ethics is important can be stated as follows:

- 1.Stop Business Malpractices
- 2.Improve customers confidence
- 3.Survival of business
- 4.Safe guarding consumer's rights
- 5.Protecting employees and shareholders
- 6.Develops good relations
- 7.Creates good image
- 8.Smooth functioning
- 9.Consumer movement
- 10.Consumer satisfaction
- 11.Importance of labour
- 12.Healthy competition

