

**Paper 3 - Fundamentals of Laws and Ethics**

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**Full Marks :100**

**Time allowed: 3 hours**

**ANSWER**

**I. Choose the correct answer from the given four alternatives:**

**[10 × 1 = 10]**

1. : (b)
2. : (a)
3. : (d)
4. : (a)
5. : (a)
6. : (a)
7. : (a)
8. : (b)
9. : (a)
10. : (c)

**II. Fill in the blanks:**

**[10 × 2 = 20]**

1. Sec. 2(d)
2. Transfer of Property Act, 1882
3. Vernacular
4. 1<sup>st</sup> Oct, 1932
5. 36
6. Kind
7. 18 years
8. 3 months
9. Central Government
10. 4

**III. Match the following**

**[5 × 1 = 5]**

1. C
2. E
3. A
4. B
5. D

**IV. State whether the following statement is True (or) False.**

**[10 × 1 = 10]**

1. False
2. True

3. False
4. False
5. True
6. False
7. True
8. True
9. False
10. False

**V. Define any Five of the following:**

**[5 × 3 = 15]**

**1. Valid Contract.**

An agreement enforceable by law is a valid contract. In other words it satisfies all the requirements of a valid contract as laid down in section 10.

**2. 'Price' under Sale of Goods Act, 1930.**

The 'price' in a contract of sale means the money consideration for sale of goods. [Sec. 2(10)]. Unless goods are sold for some price there cannot be sale. In a contract of sale 'price' is the consideration for sale of goods and is expressed in terms of money.

**3. Cheque**

A cheque is a bill of exchange drawn on a specified banker payable on demand [Sec. 6]. Future the expression includes the electronic image of a truncated cheque or a cheque in electronic form. All cheques are bills of exchange but all bills of exchange are not cheques. A cheque is required to possess all essential features of a bill of exchange.

**4. Adult**

"Adult" means a persons who has complied his eighteenth year of age. - Sec 2(a) of Factories Act, 1948.

**5. Free Consent**

Free consent [Sec.14]

Consent is said to be free when it is not caused by:

- (a) Coercion – Sec. 15
- (b) Under Influence – Sec.16
- (c) Fraud – Sec.17
- (d) Misrepresentation – Sec. 18
- (e) Mistake – Sec. 20, 21 and 22

### **6. 'Week' under Child Labor (Prohibition and Regulation) Act, 1986.**

"Week" means a period of seven days beginning at midnight on Saturday night or such other night as may be approved in writing for a particular area by the inspector. - Sec. 2(ix) of Child Labour (Prohibition and Regulation) Act, 1986

### **7. Morals**

The word moral (s) is derived from the latin root moralis which implies custom. In other words, it refers to a behavior that is accepted or rejected due to an accepted social custom.

### **8. Sleeping Partner.**

A sleeping or dormant partner does not take any active part in the management of the business. He contributes capital and shares the profits which are usually less than that of the active partners. He is liable for all the deals of the firm but his relationship with the firm is not disclosed to the general public.

## **VI. Answer any four of the following questions.**

**[4 × 10 = 40]**

### **1. Define Quasi Contract. Explain the different types of Quasi Contracts.**

**10**

A quasi contract is a fictitious contract created under legal obligations, similar to a valid contract. These contracts are also known as implied-in-law contracts. What makes this different is that the parties involved do not intend to create a contract. A quasi contract is created by the court. For the same reason, there is no actual offer or acceptance or an agreement between the parties.

Types of Quasi contracts: -

Section 68 to 72 deal with five kinds of Quasi contractual obligations. They are:

(i) Supply of necessaries to an incompetent person: -

Under Sec. 68 to the Indian Contract Act, 1872, a person, who supplies another person, who is incompetent to enter into a contract, with necessaries of life is entitled to get a share from the property of the later.

(ii) Payment by an Interested person: -

Under section 69 of the Act, a person, who is interested in payment of money which was supposed to be paid by another but pays it, is entitled for reimbursement from the said person.

(iii) Performance of Non – Gratuitous Act: -

Section 70 provides that if a person has received lawful services from another person, which the former had not asked for but needed at that moment, the other person is entitled to be compensated for the services that were rendered.

(iv) Become finder of Lost Goods: -

Under section 71 of the Act, a person who finds goods belonging to another person and takes the custody of the goods is subjected to the responsibilities of having possession of the property under bailment and cannot use it for his own good. By implication, the finder has to safeguard it.

(v) Payment of money by mistake: -

Under section 72 of the Act, a person who receives money or goods by mistake or under compulsion is liable to return it.

### **2. Who is an Unpaid Seller? Explain the rights of an unpaid seller.**

**10**

Unpaid Seller: -

Sec. 49 of the sale of goods Act, 1930 has defined an unpaid seller as, the seller of goods is deemed to be an 'unpaid seller' within the meaning of this Act:

- (a) When the whole of the price has not been paid or unpaid seller as follows:
- (b) When a bill of exchange or other negotiable instrument has been received as conditional payment and the conditions on which it was received has not been fulfilled by reason of the dishonor of the instrument or otherwise.

Right of an unpaid seller:

The right of an unpaid seller can be broadly discussed under two heads.

#### **(i) Right against the Goods:**

An unpaid seller has some rights against the goods sold when the property in the goods has passed to the buyer. They are as follows:

(a) Right of Lien: [Sec. 47]

Lien is a right to retain possession of goods until payment of price. According to sec.47 (1) an unpaid seller can exercise the right of lien in the following cases: -

- Where goods are sold without any stipulation as to credit.
- Where goods are sold on credit, but the period of credit has expired.
- Where the buyer becomes insolvent.

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(b) Right of stoppage of goods in transit: - [Sec. 50]

When the buyer of goods becomes insolvent, the unpaid seller who has parted with the possession of the goods has the right of stopping them in transit that is to say, he may resume possession of the goods as long as they are in the course of transit, and may retain them until payment or tender of the price.

(c) Right of resale: Sec. 54

An unpaid seller can exercise the right of resale in the following cases: -

- Where the goods are perishable in nature.
- Where the seller expressly reserves the right of resale in case the buyer makes a default in the payment of price.
- Where the seller has exercised his right of lien or stoppage in transit, and gives notice to the buyer of his intention to resell the goods.

**(ii) Right against buyer :**

(a) Suit for price: [Sec. 55]

Where the property in goods has passed to the buyer and the buyer wrongfully neglects or refuses to pay the price, the seller can sue the buyer for price.

(b) Suit for damages for non-acceptance: [Sec. 56]

Where the buyer wrongfully regulates or refuses to accept and pay for the goods, the seller can sue him for damages for non-acceptance of the goods.

(c) Suit for interest: - [Sec. 61]

Where there is specific agreement between the seller and the buyer regarding interest on the price of goods, the seller can claim it from the date when payment becomes due. If there is no specific agreement, the interest is payable from the date notified by the seller to the buyer.

**3. (a) What is meant by Crossing of Cheque? Explain the different types of crossing. 7**  
**(b) Who cannot enter into partnership contract? 3**

(a) Cheques are of two types  
(i) Open Cheque  
(ii) Crossed Cheque

When a cheque is payable in cash across the counter of a bank, it is said to be open. A crossed cheque is one on which two parallel transverse lines with or without the words & co is drawn.

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Crossing a cheque implies directing the drawee banker to pay the amount only to a banker or a particular banker so that the party getting payment can be easily traced. The payment of such crossed cheques can be made only through a banker and not over the counter. A cheque may be crossed by the drawer, holder or banker.

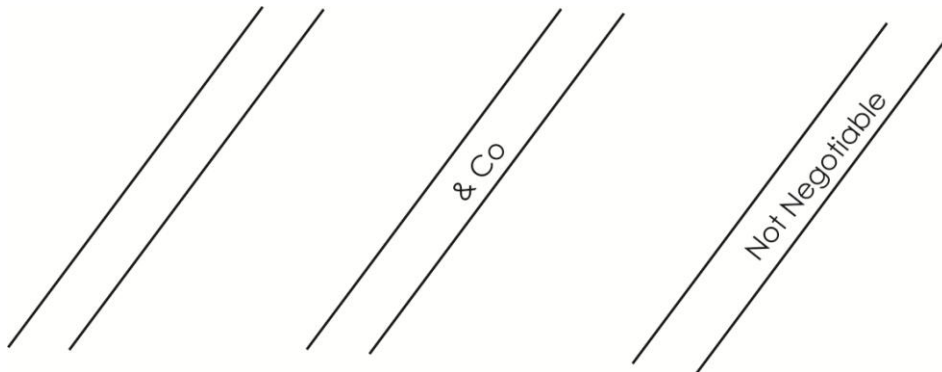
Types of crossing: -

Crossing may be of two types: -

- (i) General Crossing
- (ii) Special Crossing

(i) General Crossing: -

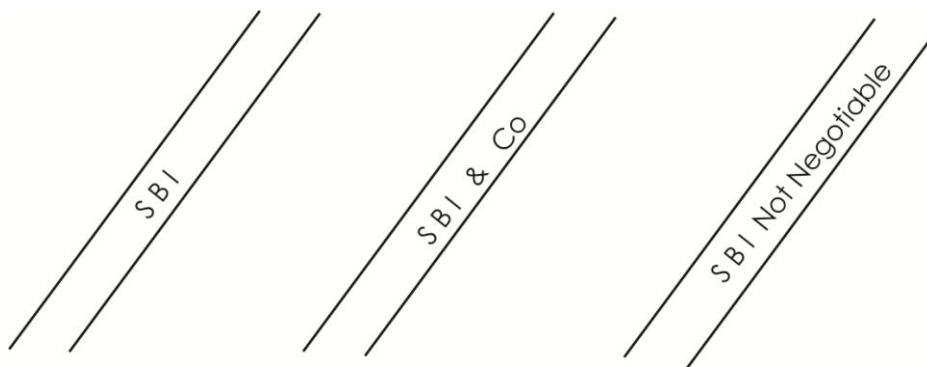
When two transverse parallel lines are drawn across the face of the cheque with or without the words '& co' and "Not negotiable" then such type of crossing is called General Crossing. It is an indication to the paying banker not to pay the proceeds across the counter.



General Crossing

(ii) Special Crossing: -

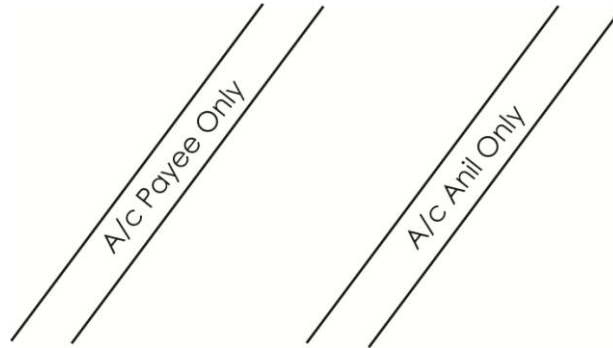
When the name of the banker is also indicated in the general crossing in addition to the words '& co' and 'Not Negotiable' then such type of crossing is called as special crossing.



Special Crossing

### Restrictive Crossing:-

In addition to above two crossing prescribed in the Act, there is another type of crossing known as restrictive crossing developed out of business usages. In this type of crossing the word a/c payee are added to general or special crossing. The effect of making the cheque a/c payee is to give direction to the bank to credit the amount to the account of the payee.



Restrictive Crossing

### Not Negotiable Crossing: -

At times the cheques are marked "Not Negotiable". The effect of such marking is that transferee does not get better title than that of the transferor. Anyone who takes a cheque marked "Not Negotiable" takes it on his own risk and cost.

(b) The answer is who is not competent to enter into a contract under Section 11 of the Indian Contract Act, is not competent to become a partner. The following persons for want of capacity cannot enter into contract and accordingly cannot be a partner in a firm.

(i) Minor: -

A minor cannot become a partner in a firm, but with the consent of all the partners, a minor can be admitted to the benefits of partnership.

(ii) Alien Enemy: -

An Alien enemy cannot enter into a partnership with an Indian subject. However, a native of Alien friend country can enter into partnership with Indian citizen.

(iii) Person of unsound mind: -

A person of unsound mind is not competent to enter into a contract of partnership.



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(iv) Corporation: -

A registered company can enter into a contract of partnership as a single individual but not as a group of Individuals comprising it. It may be noted that a company can be a partner in a firm only if so authorized by its Memorandum of Association.

- 4. (a) Who is an Occupier under the Factories Act, 1948. 4**  
**(b) Explain the permissible deductions under the Payment of Wages Act? 6**

(a) Occupier: - [Sec. 2(n)]

Occupier of a factory means the person who has ultimate control over the affairs of the factory.

Provided that: -

- (i) In the case of a firm or other association of individuals, any one of the individual partners or members thereof shall be deemed to be the occupier.
- (ii) In the case of a company, any one of the directors shall be deemed to be the occupier.
- (iii) In the case of a factory owned or controlled by the Central Government or any State Government, or any local authority, the person or persons appointed to manage the affairs of the factory by the Central Government the State Government or the local authority, as the case may be, shall be deemed to be the occupier.

(a) Deductions which may be made from wages: [Sec. 7]

- (i) Fines
- (ii) Deductions for absence from duty.
- (iii) Deductions for damage to or loss of goods expressly entrusted to the employed person for custody or for loss of money for which he is required to account where such damage or loss is directly attributable to his neglect or default.
- (iv) Deductions for house – accommodation supplied by the employer or by Government or any housing board set up under any law.
- (v) Deductions for such amenities, services supplied by the employer as the Appropriate Government or any officer specified by it.
- (vi) Deductions for recovery of advances of whatever nature and the interest due in respect thereof or for adjustment of over – payment of wages.
- (vii) Deductions for recovery of loans made from any fund constituted for the welfare of labour.
- (viii) Deductions for recovery of loans granted for house – building.
- (ix) Deductions of income –tax payable by the employed person.
- (x) Deductions required to be made by order of a court or other authority competent to make such order.
- (xi) Deductions for subscriptions to and for repayment of advances from any provident fund.
- (xii) Deductions for payments to Co- operative societies approved by the Approved by the Appropriate Government or any officer.

**5. (a) What is the punishment for false statement under the Employees State Insurance Act.**

**5**

**(b) State the penalties for contravention of provisions under Child Labor (Prohibition and Regulation) Act, 1986.**

**5**

(a) Punishment for false statement: [Sec. 84]

This section deals with penalties for making wrong/ false statements made by the insured persons with a view to take any benefit which is not admissible to him under the Act. Such Act is an offence punishable under Act with imprisonment for a term which may extent to six months or with fine which may extend to two thousand rupees or with both.

It is also provided under this section that if an insured person is convicted by the court for an offence committed by him under this section, he shall not be entitled to any cash benefits available under the Act for such a period as may be prescribed by the Central Government.

(b) Penalties: [Sec.14]

- (i) Whoever employs any child or permits any child to work in contravention of the provisions of Sec. 3 shall be punishable with imprisonment for a term which shall not be less than, three months but which may extend to one year or with fine which shall not be less than ten thousand and rupees but which may extend to twenty thousand rupees or with both.
- (ii) Whoever, having been convicted of an offence under Sec. 3, commits a like offence afterwards, he shall be punishable with imprisonment for a term which shall not be less than six months but which may extend to two years.
- (iii) Whoever –
  - a) Fails to give notice as required by Sec. 9 or
  - b) Fails to maintain a register as required by Sec. 11 or makes any false entry in any such register, or
  - c) Fails to display a notice containing an abstract of Sec. 3 and this section as required by Sec. 12; or
  - d) Fails to comply with or contravenes any other provisions of this Act or the rules made thereunder shall be punishable with simple imprisonment which may extend to one month or with fine which may extend to ten thousand rupees or with both.

In order to prosecute an employer under Section 14 of the act, the age of the child must be proved to be less than 14 years of age and the ones live upon the prosecution.

**6. Explain the need for business ethics.**

**10**

Need for Business Ethics: -

- (i) Business malpractices have the potential to inflict enormous harm on individuals, communities and the environment. Thus, through helping us to understand more about the consequences of such malpractices, business ethics seeks to improve the human conduct and condition.
- (ii) Secondly, the demands placed on business to be ethical by its various stakeholders are constantly becoming more complex and challenging. Business ethics provides the means to appreciate and understand these challenges more clearly, so that firms can meet such ethical expectations more effectively
- (iii) Thirdly, ethical infractions are a common occurrence in business. Business ethics provides us with the ability to assess the benefits and problems associated with different ways of managing ethics in organizations.
- (iv) Fourthly, knowledge of business ethics can provide managers with the necessary tools to improve their ethical decision- making ability and allowing them to correctly indentify, diagnose, analyze and provide solutions to the ethical problems and dilemmas, they are confronted with.
- (v) Fifthly, business ethics equips managers to identify preferred values associated with total quality management, strategic planning etc. and ensuring that behavior in organizations are aligned with such values.
- (vi) Finally, business ethics can also be extremely rewarding to study, since it helps in promoting a strong and positive image to the public that helps in building a strong brand equity, goodwill and reputation for the organizations practicing it.