

# **Paper 3 – Fundamentals of Laws and Ethics**

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**Full Marks: 100**

**Time allowed: 3 hours**

**Section – A**

**1. Answer all questions.**

**(a) Choose the correct answer out of the given four alternatives:**

**[1×25 = 25]**

1. Mercantile Law
  - (a) Is applicable to businessmen only
  - (b) Is applicable to everybody
  - (c) Is applicable to non-businessman only
  - (d) Is applicable to Indians only
  
2. An agreement in restraint of marriage is:
  - (a) Voidable
  - (b) Void
  - (c) Valid
  - (d) Illegal
  
3. A agrees to sell to B a 'hundred tons of oil'. There is nothing whatever to show what kind of oil was intended. The agreement is
  - (a) Valid
  - (b) Void for uncertainty
  - (c) Voidable
  - (d) Illegal
  
4. An insurance contract is
  - (a) Contingent contract
  - (b) Wagering agreement
  - (c) Unenforceable contract
  - (d) Void contract
  
5. Which of the following statements regarding Quasi-contracts is incorrect
  - (a) It resembles a contract
  - (b) It is imposed by law
  - (c) It is based on the doctrine of unjust enrichment
  - (d) It is voluntarily created
  
6. Advertisement for tender is merely an invitation to offer.
  - (a) True
  - (b) False
  - (c) Cannot say
  - (d) Insufficient information

7. A change of nature of obligation of a contract is known as:
  - (a) Novation
  - (b) Rescission
  - (c) Alteration
  - (d) Repudiation
  
8. 'A' promises to paint a picture for 'B' by a certain day at a certain price. 'A' dies before that day. In this situation, the contract
  - (a) Cannot be enforced as it becomes void due to personal incapacity
  - (b) Will be performed by the legal representative of 'A', who is bound by law to perform it
  - (c) Can be performed by an agent of 'A'
  - (d) Can be performed by a third person on behalf 'A'
  
9. A party who does not suffer any loss in case of breach of contract, is entitled to
  - (a) Statutory damages
  - (b) Liquidated damages
  - (c) Exemplary damages
  - (d) Nominal damages
  
10. The Sale of Goods Act, 1930 governs the transfer of property in
  - (a) movable property
  - (b) immovable property
  - (c) both movable and immovable property
  - (d) all type of properties
  
11. An essential element of a contract of sale is
  - (a) transfer of ownership in goods
  - (b) delivery of goods
  - (c) both 'a' and 'b'
  - (d) either 'a' or 'b'
  
12. The subject matter of a valid sale are such goods which are
  - (a) transferred by seller to the buyer for a price
  - (b) transferred by succession
  - (c) transferred by a will
  - (d) transferred by a buyer to the seller
  
13. The Sale of Goods Act, 1930 extends to the whole of India, except the state of \_\_\_\_\_
  - (a) Maharashtra
  - (b) Jammu and Kashmir
  - (c) Tamilnadu
  - (d) Uttar Pradesh
  
14. "If you contract to sell peas, you cannot oblige a party to have beans": this statement

applies to

- (a) a implied condition as to be description of goods
- (b) the implied condition as to fitness of goods for a particular purpose
- (c) implied condition as to sample
- (d) implied condition as to title

15. For passing of property in goods, the goods must be in
- (a) deliverable state
  - (b) manufacturing stage
  - (c) consumable state
  - (d) marketing state
16. "Nemo dat quad non habet", means:
- (a) no one is greater than god
  - (b) none can give what he does not possess
  - (c) everyone can give everything he has
  - (d) everyone is bound by is habit
17. 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
18. A Bill of Lading is a \_\_\_\_\_.
- (a) Bill of Exchange
  - (b) Promissory Note
  - (c) Cheque
  - (d) Document of Title to Goods
19. Performance of conditions of a proposal is an acceptance to the proposal
- (a) True
  - (b) False
  - (c) Depends on the facts of the case
  - (d) Partially true and partially false
20. 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
21. The undertaking contained in a promissory note, to pay a certain sum of money is
- (a) Conditional
  - (b) Unconditional
  - (c) may be conditional or unconditional depending upon the circumstances

- (d) none of the above
22. Cheque is a
- (a) promissory note
  - (b) bill of exchange
  - (c) both (a) and (b) above
  - (d) None of the above
23. The Negotiable Instruments Act, 1881 came into force on
- (a) 9th December, 1881
  - (b) 19th December, 1881
  - (c) 1st March, 1882
  - (d) none of the above
24. A contract is formed when the acceptor
- (a) has done something to signify his intention
  - (b) makes his mind to do so
  - (c) reads the offer
  - (d) all the above
25. An offer stands revoked
- (a) If the fact of the death or insanity is known to offeree
  - (b) By counter offer
  - (c) By rejection of offer
  - (d) All the above

**(b) Match the following:**

**[1×5 = 5]**

	Column 'A'		Column 'B'
1.	Grace days	A	Express Offer
2.	Condition	B	Three days
3.	Legal Rules Regarding Offer	C	a person to whom an offer to enter into a contract has been made
4.	Offeree	D	The person who makes the proposal
5.	Offeror	E	Essential to the main purpose of the contract

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

**[12×1 = 12]**

1. A contract is said to be executed when it has been performed wholly on two sides.
2. Performance of conditions of a proposal is an acceptance to the proposal.
3. Silence is fraud when silence is, in itself equivalent to speech.

4. A person is competent to contract if he is a graduate.
5. If consent is not free due to coercion, undue influence, fraud, and misrepresentation then the agreement is void.
6. Quiet possession, freedom from encumbrance, disclosing dangerous nature of goods etc are implied conditions.
7. Right of stoppage of goods in transit can be exercised subject to fulfillment of some conditions.
8. Negotiable Instruments can be transferred ad infinitum.
9. An instrument incomplete in some respect is known as inchoate instrument.
10. When goods are physically handed over by the seller to the buyer it is called symbolic delivery.
11. A master asks his servant to sell his cycle to him at less than the market price. This contract can be avoided by the servant.
12. For an acceptance to be valid, it must be absolute and unqualified.

**2. Answer any four of the following questions:**

**[7×4 = 28]**

- (i) "No Consideration No Contract" – State the exceptions to it.
- (ii) Write a note on 'discharge of contract by agreement'.
- (iii) State the legal rules regarding consideration.
- (iv) Explain the classification of goods under the Sale of Goods Act, 1930.
- (v) Discuss about the Doctrine of 'Caveat Emptor'.
- (vi) Explain the different types of Negotiable Instruments.

**Section B**

**1. Answer all questions.**

**(a) Choose the correct answer out of the given four alternatives:**

**[1×12 = 12]**

1. If something is to be improved they have to be improved at
  - (a) Organizational level
  - (b) Government level
  - (c) Society level
  - (d) All of the above

2. The issue of fraudulent asset valuation is included in
  - (a) Ethics in compliance
  - (b) Ethics in finance
  - (c) Ethics in marketing
  - (d) Ethics in production
  
3. Business Ethics is \_\_\_\_\_ in nature
  - (a) Absolute
  - (b) Not absolute
  - (c) Permanent
  - (d) None of the above
  
4. Ethics has become important because of
  - (a) Globalization
  - (b) Communication explosion
  - (c) Both a & b
  - (d) None of the above
  
5. In setting ethical standards, perhaps the most effective step that a company can take is to
  - (a) Adopt a code of ethics
  - (b) Demonstrate top management support of ethical standards
  - (c) Engage employees in ethics training
  - (d) Take an accommodative stance
  
6. \_\_\_\_\_ are beliefs about what is right and wrong or good or bad.
  - (a) Mental strength
  - (b) Motivators
  - (c) Cultures
  - (d) Ethics
  
7. Effective ethics management within an organization can:
  - (a) Minimize errors, losses and fraud
  - (b) Eliminate general e-mail abuses
  - (c) Eliminate all errors, fraud and losses
  - (d) None of the choices are correct
  
8. Corporate codes of ethics:
  - (a) Are always externally audited
  - (b) Create guidelines for employees to work by
  - (c) Are always compliance based
  - (d) Are always integrity based
  
9. It is not UNCOMMON for a business to behave ethically because
  - (a) It has to protect its own interest

- (b) It has to keep its commitment
  - (c) It has to protect the interest of employees
  - (d) All of the above
10. If a company has ethics than it gets back from the employees
- (a) Time
  - (b) Skill & energy
  - (c) Return out of money
  - (d) Both (a) & (b)
11. Feature that is NOT present in business ethics are
- (a) It has universal application
  - (b) It is Absolute in nature
  - (c) It Depends from business to business
  - (d) It Cannot be enforced by law
12. Which of the following is NOT necessary to assess ethical behavior?
- (a) Gather Facts
  - (b) Make a judgment based on the rightness or wrongness of the activity or policy
  - (c) Consider appropriate moral values
  - (d) Listen to what is the being said in the rumor

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

**[1×6 = 6]**

- (i) Business Ethics has no universal applications.
- (ii) Ethics is about obeying and adhering to Rules and Authority.
- (iii) Ethics refers to the study of one's ethical standard.
- (iv) Holder of Public Office is not accountable to the Public.
- (v) Compliance is about obeying and adhering to Rules and Authority.
- (vi) The relevance of Ethics is in its application.

**2. Answer any two of the following questions:**

**[6×2 = 12]**

- (i) What is the relationship between Ethics and Law?
- (ii) What is Professional Ethics?
- (iii) How Business Ethics can prevent 'business malpractices' and improve customers' confidence?