



**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 all the questions:**

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

**[25 × 1 = 25]**

**(i)** A contract consist of-

- (A) Mutual promises or agreement enforceable by law
- (B) Agreement not enforceable by law
- (C) Involuntary obligations
- (D) None of the above

**(ii)** "Goods" means

- (A) every kind of movable property other than actionable claims and money
- (B) some kinds of immovable property only
- (C) every kind of movable property including actionable claims and money
- (D) Both 'a' and 'b'

**(iii)** A cheque is crossed ..... when it bears across its face an addition of the name of a banker, either with or without the words "not negotiable".

- (A) General
- (B) Specially
- (C) Restrictive
- (D) None of the above

**(iv)** The term "Unpaid Seller" includes —

- (A) Agent of the Buyer
- (B) Agent of the Seller
- (C) Agent of the Carrier/Transporter
- (D) All of the above

**(v)** An advertisement for sale goods by auction

- (A) Amounts to an invitation to offer
- (B) Amounts to an offer to hold such sale
- (C) Amounts to an implied offer
- (D) Amount to a general offer

**(vi)** Right in rem implies:

- (A) a right available against the Government
- (B) a right available against a particular individual
- (C) a right available against the whole world
- (D) none of the above

**(vii)** Which one of the following statements about the doctrine of privity is correct?

- (A) Only a party to the contract can sue
- (B) Stranger to a contract cannot sue
- (C) A contract is enforceable by a stranger
- (D) Both (a)&(b)

**(viii)** Past consideration means

- (A) Money received in the past without making even a proposal
- (B) The price which is more than the promisee's expectation
- (C) A past act done before the promise is made
- (D) None of the above

**(ix)** If the words "not negotiable" are used with special crossing in a cheque, the cheque is-

- (A) Not transferable
- (B) Transferable
- (C) Negotiable under certain circumstances
- (D) None of the above.

**(x)** Select the false statement

- (A) There can be no ratification of contract entered by a minor during his minority, even after becoming major
- (B) Restitution of benefit is allowed in case of a minor
- (C) Agreement with a minor is void ab initio
- (D) The rule of estoppel cannot be applied against a minor

**(xi)** "Active concealment of fact" is associated with which one of the following?

- (A) Misrepresentation
- (B) Undue influence
- (C) Fraud
- (D) Mistake

**(xii)** 'A' threatened to commit suicide if his wife did not execute a sale deed in favour of this brother. The wife executed the sale deed. This transaction is:

- (A) Voidable due to under influence
- (B) Voidable due to coercion
- (C) Void being immoral
- (D) Void being forbidden by law

**(xiii)** Who is liable for necessaries supplied to a minor?

- (A) The guardian of the minor
- (B) The minor
- (C) His property
- (D) None of the above

**(xiv)** \_\_\_\_\_ parties are involved in a Promissory note.

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

- (xv) S sells certain goods to B of Bombay. The goods are handed over to the railways for transmission to B. In the mean time B sells the goods to a third party T for consideration without the consent of S. B. becomes insolvent. In this case —
- (A) S has the right of stoppage in transit
  - (B) S has lost his right of stoppage in transit
  - (C) Station Master has the right of stoppage in transit
  - (D) None of the above
- (xvi) If neither the debtor nor the creditor appropriates the payment, the payment will be appropriated:
- (A) As per the desire of the promisor,
  - (B) As per the desire of the promisee,
  - (C) In order of time,
  - (D) None of the above.
- (xvii) A and B agree to deal in smuggled goods and share the profits. A refuses to give B's share of profit. In this case
- (A) B can enforce the agreement in the court.
  - (B) B can only claim damages.
  - (C) B has no remedy as the contract is illegal.
  - (D) B can enforce the contract or claim damages.
- (xviii) Whether a stipulation is a condition or a warranty depends on
- (A) the construction of the contract
  - (B) the conduct of the parties
  - (C) the trade custom
  - (D) the local law
- (xix) Voluntary transfer of possession from one person to another is called as
- (A) Ownership
  - (B) Delivery
  - (C) Gift
  - (D) License
- (xx) If a minor draws, indorses, deliver 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.
- (xxi) If a party stands in a fiduciary relation to the other:
- (A) He cannot dominate
  - (B) He can dominate the will of another
  - (C) The trust should be maintained
  - (D) None of these
- (xxii) The term 'quasi-contracts' is:
- (A) Defined by section 68 of the Indian Contract Act
  - (B) Named 'implied in fact contract' by Section 69 of the Indian Contract Act

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- (C) Found as 'unjust' enrichment' is Section 70 only of the Indian Contract Act  
 (D) Conspicuous by its absence in the Indian Contract Act

**(xxiii)** \_\_\_\_\_ is a form of combination of buyers to prevent competition among themselves at an auction sale.

- (A) Knock-out agreement  
 (B) monopoly agreement  
 (C) oligopoly agreement  
 (D) puffing agreement

**(xxiv)** \_\_\_\_\_ is not a negotiable instrument as per customs and usage

- (A) Delivery note  
 (B) Railway Receipt  
 (C) Cheque  
 (D) Government promissory note

**(xxv)** Reciprocal promises include

- (A) Mutual and independent promises  
 (B) Mutual and dependent promises  
 (C) Mutual and concurrent promises  
 (D) All of these

**(b) Match the following:**

**[5 X 1=5]**

	Column A		Column B
<b>(i)</b>	Grace Days	<b>(A)</b>	Which ceases to be enforceable by law
<b>(ii)</b>	Void Contract	<b>(B)</b>	Money Consideration
<b>(iii)</b>	Price	<b>(C)</b>	Three days
<b>(iv)</b>	Void Agreement	<b>(D)</b>	Identical offers made in ignorance of each other.
<b>(v)</b>	Cross Offer	<b>(E)</b>	Section 2(g)

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

**[12 X 1=12]**

- (i)** Negotiable Instruments can be transferred ad infinitum  
**(ii)** Risk is associated with possession of goods  
**(iii)** Unpaid seller has right of lien, stoppage of goods in transit, resale, sue for price, sue for specific damages, sue for interest etc.  
**(iv)** Communication of offer is complete when the offeror writes the letter but does not post it.  
**(v)** A contract is said to be executed when it has been performed wholly on two sides.  
**(vi)** If consent is not free due to coercion, undue influence, fraud, and misrepresentation then the agreement is void.  
**(vii)** The Holder in due course of a Negotiable Instrument can sue on the instrument in his own name.  
**(viii)** An instrument incomplete in some respect is known as inchoate instrument.  
**(ix)** 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 on grounds of mistake.  
**(x)** The doctrine of Nemo dat quod habet seeks to protect the interest of buyer.

- (xi) Change in possession of goods without any change in their actual and visible custody, which has the effect of delivery, is called Constructive delivery.
- (xii) When a bill is drawn, accepted, or endorsed for consideration it is a fictitious bill.

## Part B

Answer any four of the following questions:

[4 X 7 = 28]

2. What is Capacity to contract? Define persons who are disqualified from entering into a contract.
3. "No Consideration No Contract" – State the exceptions to it
4. What is Contingent Contract? Explain the rules relating to contingent contracts.
5. What is meant by Doctrine of Caveat Emptor? State the exceptions to it.
6. Who is an Unpaid Seller? What are the rights of an unpaid seller?
7. Define Cheque. What are the requisites of a cheque?

## Section B Part A

8. Answer all the questions:

[12 X 1 = 12]

(a) Choose the correct answer

(i) Ethics in compliance means.....

- (A) It is about obeying to rules and authority
- (B) It deals with the moral principles behind the operation and regulation of marketing
- (C) It deals with the duties of a company to ensure that products and production processes do not cause harm
- (D) None of the above

(ii) The society for Business Ethics was Started in

- (A) 1950
- (B) 1960
- (C) 1970
- (D) 1980

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

- (A) Code of ethics
- (B) Values
- (C) Ethics
- (D) None of the above

(iv) Which of the following statements about business ethics is true?

- (A) It concerns the impact of a business activities on society

- (B) It refers the principles and standards that determine acceptable behavior in the world of business
- (C) It relates to an individual's values and moral standards and the resulting business decisions he or she makes
- (D) What is ethical is determined by the public, government regulators, interest groups, competitors and individual's personal moral values

(v) ..... made it important for business to have an ethics code, something in writing about what one ought to do, and what to strive for:

- (A) The Ethics & Code Conduct Act,2000
- (B) The Sarbanes-Ethics of Code Conduct Act,2001
- (C) The Sarbanes-Oxley Act,2002
- (D) None of the above

(vi) Which functional area in business ethics is about obeying and adhering to rules and authority

- (A) Ethics in compliance
- (B) Ethics in finance
- (C) Ethics in production
- (D) None of the above

(vii) Ethics has evolved with evolution of:

- (A) Culture
- (B) Value
- (C) Moral
- (D) Society

(viii) Business ethics calls for avoidance of

- (A) Competition
- (B) Publicity
- (C) Monopoly
- (D) Self Interest

(ix) Following is not a professional characteristics:

- (A) Competition (Undercutting)
- (B) Competency
- (C) Character
- (D) Compensation

(x) Business ethics is based on well accepted .....

- (A) Moral and social values
- (B) Social values only
- (C) Moral values only
- (D) None of the above

(xi) This is not of the 7 Principles of Public Life

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

(xii) The crucial step in understanding business ethics is

- (A) Establishing codes of ethics
- (B) Learning to recognize ethical issues
- (C) Having efficient operations
- (D) Implementing a strategic plan

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

[6 X 1 =6]

- (i) Holders of public office should take decisions solely in terms of the public interest.
- (ii) Ethics is known as Moral Philosophy.
- (iii) Law is decodification of ethics.
- (iv) The word ethics is derived from Greek word.
- (v) the stakeholder theory of business ethics maintains that managers have an ethical responsibility to manage a firm for the benefit of all its stockholders, and for people who have a claim on a company.
- (vi) Business Ethics is a code of conduct which society should follow while conducting their social activities.

## Part B

Answer any two of the following question:

[6 X 2=12]

9. What is Value free ethics. Explain the concept of value free ethics
10. Define Professional Ethics. What are the 3 C's of Business Ethics?
11. Explain the following-
  - (a) Application of Ethics
  - (b) Ethics as a principle