

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

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**Full Marks :100**

**Time allowed: 3 hours**

**The figures in the margin on the right side indicate full marks.**

**This question paper has two sections.**

**Both the sections are to be answered subject to instructions given against each.**

**Section A**

**I. Choose the correct answer from the given four alternatives: [25 ×1 = 25]**

1. 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
  
2. 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
  
3. An auction sale is complete on the -
  - (a) delivery of goods
  - (b) payment of price
  - (c) fall of hammer
  - (d) all of the above
  
4. Where the sale is not notified to be subject to a right to bid on behalf of seller, and the Auctioneer knowingly takes any bid from the Seller or any such person, the sale shall be treated as \_\_\_\_\_ by the buyer.
  - (a) unlawful
  - (b) illegal
  - (c) immoral
  - (d) fraudulent
  
5. A bill of exchange contains a/an
  - (a) unconditional undertaking
  - (b) unconditional order
  - (c) conditional undertaking
  - (d) conditional order
  
6. A foreigner

- (a) is competent to enter into contract if he fulfils the conditions of section 11.  
(b) is not competent to enter into contract  
(c) can enter into contract with permission of Central Govt.  
(d) can enter into contract with the permission of court
7. A promised to marry none else than Miss B and in default to pay her a sum of ₹ 1,000. Subsequently A married Miss C and Miss B sued for recovery of ₹ 1,000. The contract is  
(a) Valid  
(b) Void  
(c) Voidable  
(d) Enforceable
7. Conditions are stipulations  
(a) essential to the main purpose of the contract  
(b) collateral to the main purpose of the contract  
(c) either 'a' or 'b'  
(d) neither 'a' nor 'b'
8. A promissory note contains a/an  
(a) unconditional undertaking  
(b) unconditional order  
(c) conditional undertaking  
(d) conditional order
10. A contract is a contract  
(a) from the time it is made  
(b) from the time its performance is due  
(c) at the time from its performance  
(d) none of the above
11. Which of the following contracts are not recognized by Indian Contract Act, 1872?  
(a) Recognizance  
(b) Court Judgment  
(c) Contract under seal  
(d) All the above
12. 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
13. Which section, of Indian Contract Act defines "performance of the conditions of a proposal is an acceptance of the proposal"?  
(a) Section 6  
(b) Section 7

- (c) Section 8
  - (d) Section 9
14. 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
15. In a sale by sample and description, there is an implied condition
- (a) that bulk of the goods correspond with the sample
  - (b) that bulk of goods must correspond to the description as well as the sample thereof
  - (c) the bulk of goods must correspond either to the description or to the sample
  - (d) the bulk of goods must correspond to the description only
16. Property in the goods in the Sale of Goods Act means
- (a) ownership of goods
  - (b) possession of goods
  - (c) asset in the goods
  - (d) custody of goods
17. Who among the following cannot cross a cheque?
- (a) Drawer
  - (b) Holder
  - (c) Banker
  - (d) Foreigner
18. The term Negotiable instrument is defined in section \_\_\_\_\_ of the Negotiable Instrument Act, 1881
- (a) 2
  - (b) 13
  - (c) 12
  - (d) 10
19. 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
20. The maturity of a promissory note or bill of exchange is the date –
- (a) at which it falls due
  - (b) of its presentation
  - (c) of its acceptance

- (d) none of these
21. A Promissory note must be \_\_\_\_\_
- (a) in writing
  - (b) unconditional
  - (c) signed by the maker
  - (d) all the three
22. 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
23. Appropriation of goods means
- (a) separating the goods sold from other goods
  - (b) putting the quantity of goods sold in suitable receptacles
  - (c) delivering the goods to the carrier or other bailee for the purpose of transmission to the buyer with reserving the right of disposal
  - (d) all the above
24. 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
25. \_\_\_\_\_ is not a negotiable instrument as per customs and usage
- (a) Delivery note
  - (b) Railway Receipt
  - (c) Cheque
  - (d) Government promissory note

**II. Match the following**

**[5 × 1 = 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

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

**[12 × 1 = 12]**

1. An agreement not enforceable by law is said to be voidable.
2. An offer must be expressed.
3. An offer need not be made to a ascertained person.
4. A mere mental resolve can be a valid acceptance.
5. All contracts are agreements
6. Symbolic delivery occurs by doing some act, which has the effect of putting the goods in the possession of the buyer.
7. Delivery of goods can be actual and constructive.
8. Negotiable Instruments Act, 1881 provides that a negotiable Instrument include promissory note, bill of exchange and cheque, only payable to bearer.
9. The 'price' in a contract of sale means the money consideration for sale of goods.
10. A, intending to deceive B, falsely represents that five hundred mounds of Indigo are made annually at A's factory and, thereby, induces B to buy the factory. The contract is voidable.
11. 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
12. Caveat Emptor means buyer be aware.

**IV. Answer any four of the following questions.**

**[4 × 7 = 28]**

1. "No Consideration No Contract" – State the exceptions to it. 7
2. Write a note on 'discharge of contract by agreement'. 7
3. State the legal rules regarding consideration. 7
4. Explain the classification of goods under the Sale of Goods Act, 1930. 7
5. Discuss about the Doctrine of 'Caveat Emptor'. 7
6. Explain the different types of Negotiable Instruments. 7

## **Section B**

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

**[12 × 1 = 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) Ethic 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

**II. State whether the following statement is True (or) False. [6 × 1 = 6]**

1. In business ethics, 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.
2. Business ethics is losing importance because of consumer movement.
3. Business ethics create a good image for the business and businessmen
4. Business can survive so long it enjoys the patronage of consumer.
5. Business ethics is not mandatory for the survival of business
6. There is a difference between normative and practical ethics

**III. Answer any two of the following questions. [2 × 6 = 12]**

1. Discuss the concept of value free ethics. 6
2. Differentiate between ethics and morals 6
3. Write a note on 'Character of Business' 6