

**FOUNDATION COURSE EXAMINATION**

June 2019

**P-3(FLE)  
Syllabus 2016**

**Fundamentals of Laws and Ethics**

Time Allowed: 3 Hours

Full Marks: 100

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

*The question paper has two sections.*

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

**Section-A**

1. Answer *all* the questions:

Choose the correct answer from the given four alternatives:

1×25=25

(i) A foreigner

- (A) is competent to enter into contract if he fulfills 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.

(ii) An agreement to sell is

- (A) an executory contract.
- (B) an executed contract.
- (C) Neither (A) or (B)
- (D) Sometime (A) or (B)

(iii) Cross offer does not constitute a contract because

- (A) there is no acceptance.
- (B) there is implied acceptance.
- (C) crossing implies cancellation.
- (D) it amounts to counter offer.



- (iv) 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.
- (v) The communication of an acceptance is complete as against the acceptor
- (A) when it is posted by him.
  - (B) when it is put in the course of transmission.
  - (C) when it comes to the knowledge of the proposer.
  - (D) None of the above
- (vi) A contractor had to supply the army charpoys in certain quantities by instalments. He failed to supply the requisite number and even after that breach the instalment of charpoys was received by army authorities. Meanwhile, the work orders were however cancelled. The orders cancelling the work order were
- (A) valid
  - (B) void
  - (C) without authority
  - (D) contractor could claim damages
- (vii) In a Book depot a catalogue of book enlisting the price of each book and specifying the place where the particular book is available is
- (A) an invitation to offer.
  - (B) an offer.
  - (C) an invitation to visit the book shop.
  - (D) None of the above

- (viii) Voluntary transfer of possession from one person to another is called as
- (A) Ownership
  - (B) Delivery
  - (C) Gift
  - (D) License
- (ix) A valid consideration includes,
- (A) executed or executory consideration.
  - (B) past consideration.
  - (C) inadequate consideration.
  - (D) All of the above
- (x) 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.
- (xi) In India, a person who is stranger to the consideration
- (A) can sue on the contract, if he is a party.
  - (B) cannot sue the contract.
  - (C) depends on the parties.
  - (D) depends on the circumstances.

(xii) S sells certain goods to B of Bombay. The goods are handed over to the railways for transmission to B. In the meantime, 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

(xiii) M is minor, B, the borrower, approaches M for a loan on the basis of a mortgage of the house owned by B. Hence, M advances the money and B executed a mortgage in favour of M, a minor. In these circumstances

- (A) the mortgage is not enforceable by M, because he is a minor.
- (B) the mortgage is enforceable but only when he attains majority.
- (C) the mortgage is enforceable by M even though he is minor.
- (D) None of the above

(xiv) “Threatening to commit certain acts forbidden by Indian Penal Code” is associated with which one of the following?

- (A) Misrepresentation
- (B) Fraud
- (C) Coercion
- (D) Unenforceable

(xv) A contract to trade with an enemy is

- (A) an immoral agreement.
- (B) a valid agreement.
- (C) an agreement opposed to public policy.
- (D) an enforceable agreement.



- (xvi) \_\_\_\_\_ 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
- (xvii) A, while filling up the insurance application form, states his age as 25 believing it to be true. His actual age was 27. The Life Insurance Corporation issued a policy in his favour charging a lower premium than what it should have charged if the actual age had been given. This is a case of
- (A) Fraud
  - (B) Misrepresentation
  - (C) Undue influence
  - (D) Mistake of fact
- (xviii) In a promissory note, the amount of money payable
- (A) must be certain.
  - (B) may be certain or uncertain.
  - (C) is usually uncertain.
  - (D) None of the above
- (xix) R entered into a contract with L to marry her on a fixed date. However, before the marriage date, R went mad. With reference to the Indian Contract Act which is the valid response?
- (A) L can't marry till R dies.
  - (B) The executors of R can enforce the contract against L.
  - (C) The contract becomes void.
  - (D) All the statements are correct

- (xx) 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
- (xxi) A makes a contract with B to buy his house for ₹ 50,000 if he is able to secure to bank loan for that amount. The contract is
- (A) void for vagueness.
  - (B) wagering contract.
  - (C) contingent contract.
  - (D) voidable contract.
- (xxii) Ordinary damages will be awarded in cases where
- (A) the loss naturally flows from the breach of contract.
  - (B) the loss is remotely connected with the breach of contract.
  - (C) the loss is unusual and arises out of special circumstances peculiar to the contract.
  - (D) None of the above
- (xxiii) Which of the following statement is true in connection with Quasi-contract?
- (A) It is imposed by law.
  - (B) A Quasi-contract is a revoking contract.
  - (C) Damages cannot be claimed for breach of Quasi-contractual right.
  - (D) It arises out of an agreement.



(xxiv) A cheque is always payable on

(A) the date mentioned therein.

(B) demand.

(C) 3 days after presentation.

(D) within 24 hrs. of presentation.

(xxv) Each party to a contract is bound to perform his part of the obligation. After the parties have made due performance, the contract comes to an end. In such a case the contract is said to be discharged

(A) by breach of contract.

(B) by impossibility of performance.

(C) by agreement and novation.

(D) by performance of contract.

2. Match the following:

1×5=5

	Column 'A'		Column 'B'
(I)	Void Contract	(P)	Threat or Force
(II)	Condition as to Merchantability	(Q)	Obligation is imposed by law
(III)	Coercion	(R)	Acceptability in the market
(IV)	Bill of Exchange	(S)	Which ceases to be enforceable by law
(V)	Quasi Contracts	(T)	Endorsement and Delivery

3. State whether the following statements are True or False:

1×12=12

(i) According to Indian Law, 'Consideration' may be past, present or future which the promisor is already bound to deliver.

(ii) Under Indian Law, 'acceptance' is revocable.

Please Turn Over

- (iii) In case of a 'Void Contract' there is no legal remedy for the parties to the contract. Even the court will not permit performance of the contract, even if the parties desire.
- (iv) Remaining silent with respect to the known defect is fraudulent.
- (v) A threatens to shoot B, if B does not agree to sell his property to A at a stated price. If B gives his consent on A's threat, it could be said that his consent has been obtained by 'Undue Influence'.
- (vi) An agreement with insufficiency of consideration is void *ab initio*.
- (vii) In case of 'agreement of sell', the loss will be borne by the seller even though the goods may be in possession of the buyer.
- (viii) In an Auction sale, the auctioneer warrants that he has no knowledge of any defect in his principal's title.
- (ix) A finder of lost goods can sell the goods when the goods are perishable in nature or when the lawful charges of the finder of lost goods amount to 1/3rd of its value.
- (x) A contract of sale can also be made by the implied conduct of the parties.
- (xi) If a promissory note or bill of exchange bears the expression 'at sight' and 'on presentation', it means on demand.
- (xii) A cheque crossed as 'Not Negotiable' can also be transferred like any other cheque.

4. Answer *any four* of the following questions: 7×4=28

- (i) Mention five ways of 'Discharging a Contract by Agreement' with a brief description of each. 7
- (ii) Define Consideration. What are the legal rules regarding a valid consideration? 2+5=7
- (iii) Discuss the nature of minor's agreement and its legal effects. 7
- (iv) What is 'Constructive Delivery' and 'Symbolic Delivery'? Explain them with brief examples. 4+3=7
- (v) What is meant by Doctrine of Caveat Emptor? State the exceptions to it. 2+5=7
- (vi) What is meant by Not Negotiable Crossing? Explain its object and effects. 2+5=7



## Section-B

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

1×12=12

(i) The relevance of ethics is in its

- (A) Context
- (B) Principles
- (C) Application
- (D) Understanding

(ii) Business malpractice does not include

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

(iii) Ethics refers to a \_\_\_\_\_ that guides an individual while dealing with others.

- (A) code
- (B) conduct
- (C) code of conduct
- (D) rules of conduct

(iv) Ethics in compliance means

- (A) it is about obeying and adhering 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

Please Turn Over

- (v) \_\_\_\_\_ made it important for businesses 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) Compliance is about obeying and adhering to \_\_\_\_\_.
- (A) rules an authority
  - (B) discipline
  - (C) laws
  - (D) All of the above
- (vii) An expert who is confidentially available to solve the ethical dilemmas is known as \_\_\_\_\_.
- (A) Ethic coach
  - (B) Ethics trainer
  - (C) Ethics guide
  - (D) None of the above
- (viii) Which of the following statements about business ethics is true?
- (A) It concerns the impact of a business activities on society.
  - (B) It refers to 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.



- (ix) Top managers demonstrate commitment to ethical business practices with
- (A) the adoption of written codes of ethics.
  - (B) employee empowerment.
  - (C) decentralized decision making practices.
  - (D) collusion with other companies.
- (x) 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.
- (xi) 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.
- (xii) Following is not a professional characteristic:
- (A) Competition (Undercutting)
  - (B) Competency
  - (C) Character
  - (D) Compensation

6. State whether the following statement is True or False: 1×6=6

- (i) A Monopoly is not harmful to the customer.
- (ii) The Consumer is the King of the market.
- (iii) Our roles may change from time to time and from place to place but the integrity of our character should not be maintained.
- (iv) Business Ethics can be said to begin where law ends.
- (v) 'It is difficult but not impossible to conduct strictly honest business. What is true is that honesty is incompatible with amassing of large fortune' said by Adam Smith.
- (vi) Ethics and Morals are used as synonyms.

7. Answer *any two* of the following questions: 6×2=12

- (i) State briefly Ethics as a principle. 6
- (ii) Business Ethics are mandatory for the survival of business and safeguarding consumers' rights. Comment. 6
- (iii) Explain 2×3=6
  - (a) Objectivity
  - (b) Openness
  - (c) Leadership