

## **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. Two persons have the capacity to contract
  - (a) If both are not of unsound mind
  - (b) If none of them is barred by law
  - (c) If both has attained majority
  - (d) All of the above
  
2. Where consideration is illegal or physically impossible, uncertain or ambiguous, it shall not be
  - (a) Transferable by law
  - (b) Unenforceable by law
  - (c) Enforceable by law
  - (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. The Negotiable Instruments Act, 1881 is applicable to \_\_\_\_\_
  - (a) Whole of India
  - (b) Whole of India except state of Jammu & Kashmir
  - (c) Whole of India except city of Jammu & Kashmir
  - (d) Whole of India except state of Jammu & Kashmir and Andaman Nicobar Islands

6. How many parties are involved in a Bill of Exchange
  - (a) 1
  - (b) 2
  - (c) 3
  - (d) 4
  
7. \_\_\_\_\_ is not a negotiable instrument as per customs and usage.
  - (a) Delivery Note
  - (b) Railway Receipt
  - (c) Cheque
  - (d) Government Promissory Note
  
8. 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'
  
9. A promissory note contains a/an
  - (a) unconditional undertaking
  - (b) unconditional order
  - (c) conditional undertaking
  - (d) conditional order
  
10. M. gave a piece of suit length to Z a leading tailor of his area to be returned to him on payment of his charges after making a party dress for him. This is a case of
  - (a) Sale
  - (b) Bailment
  - (c) Barter
  - (d) Agreement of sale
  
11. A bill dated 6th Feb, 2016 is made payable 90 days after date. It's due date is
  - (a) 6th May, 2016
  - (b) 9th May, 2016
  - (c) 5th May, 2016
  - (d) 4th May, 2016
  
12. When a cheque is payable across the counter of a bank it is called
  - (a) OTC Cheque
  - (b) Open Cheque
  - (c) Crossed Cheque
  - (d) Restricted Cheque
  
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. Past consideration means \_\_\_\_\_
- (a) Consideration and promise should move together
  - (b) Executed consideration
  - (c) Consideration is provided prior to the making of the contract
  - (d) Invalid consideration
19. Which one of the following is a correct statement
- (a) Stranger to consideration contract can sue
  - (b) Stranger to consideration contract cannot file a suit
  - (c) Stranger to consideration contract would be a stranger only
  - (d) Stranger to consideration contract cannot be party to the contract
20. Right in rem implies
- (a) A right available against the whole world
  - (b) A right available against a particular person
  - (c) A right available against the Government
  - (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. In a sale by sample and description, there is an implied condition
- (a) That bulk must correspond to the sample
  - (b) That bulk must correspond to the description
  - (c) That bulk must correspond to the description and sample
  - (d) That bulk must correspond to the description or sample

**II. Match the following**

**[5 × 1 = 5]**

	<b>Column 'A'</b>		<b>Column 'B'</b>
1.	Grace days	A	Taking Back
2.	Condition	B	Three days
3.	Revocation	C	Section 71
4.	Finder of lost Goods	D	Section 2(b)
5.	Acceptance	E	Essential to the main purpose of the contract

**III. 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 from both sides.

2. An offer must be expressed.
3. Silence is fraud when silence is in itself equivalent to speech.
4. A mere mental resolve can be a valid acceptance.
5. Both offer and acceptance should be absolute, unqualified and unconditional.
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. A person is competent to contract if he is a graduate.
10. A pawnee may under certain circumstances sell the goods pledged to him on giving the pawner reasonable notice of sale.
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. Describe the term 'Fraud' and its effects.                 | 7 |
| 2. Write a note on 'various types of bilateral mistakes'.     | 7 |
| 3. What is a contingent contract and what are its essentials. | 7 |
| 4. Write a note on implied warranties.                        | 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. Business ethics calls for avoidance of \_\_\_\_\_
  - (a) Competition
  - (b) Publicity
  - (c) Monopoly
  - (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 have evolved with the evolution of \_\_\_\_\_
- (a) Globalization
  - (b) Communication explosion
  - (c) Society
  - (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. Administrative corruption includes 'gifts' to the \_\_\_\_\_
- (a) Factory Inspector
  - (b) Boiler Inspector
  - (c) Pollution Control Board Inspector
  - (d) All of the above
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. The relevance of ethics is in its \_\_\_\_\_
- (a) Context
  - (b) Principles
  - (c) Application
  - (d) Understanding
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. The society for business ethics was started in \_\_\_\_\_.
- (a) 1950
  - (b) 1960
  - (c) 1970
  - (d) 1980
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. Ethics refers to the study and development of one's ethical standards.
- 2. Business ethics is losing importance because of consumer movement.
- 3. Ethics is a branch of philosophy.
- 4. Business can survive so long it enjoys the patronage of consumer.
- 5. Morals are concerned with the principles of right or wrong behavior.
- 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. State the needs of Business Ethics. 6
- 3. Describe the principles of Selflessness and integrity. 6