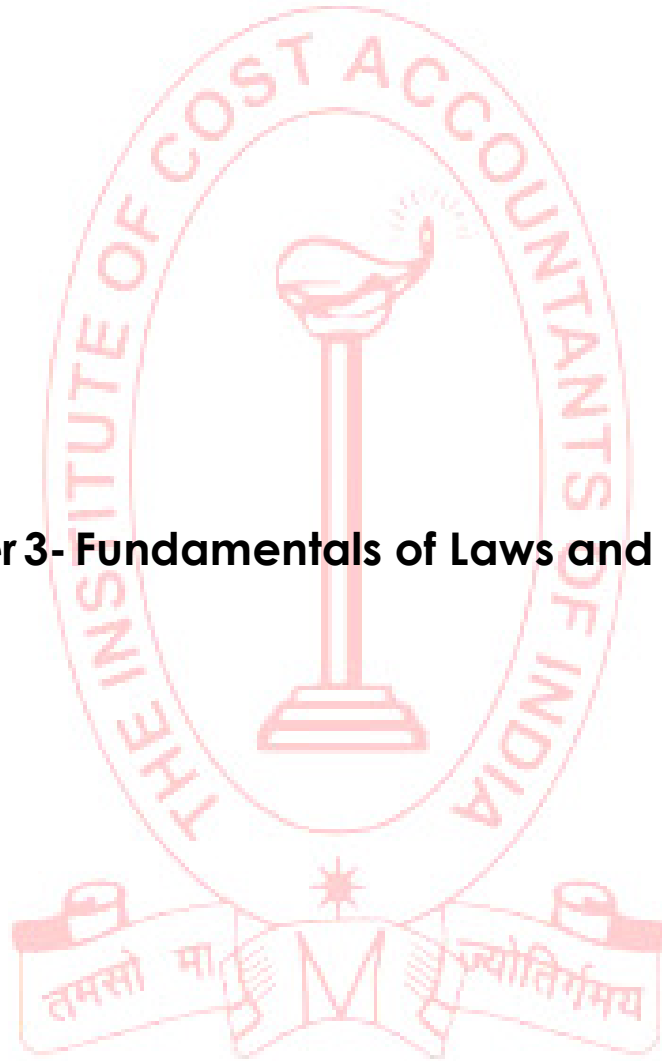


**Paper 3- Fundamentals of Laws and Ethics**



## Paper-3: Fundamentals of Laws and Ethics

Full Marks: 100

Time allowed:3 hours

### Section A

1. Answer the following questions:

Choose the correct answer from the given four alternatives:

[1 × 25 = 25]

- (i) Social agreements are  
(A) Enforceable in the courts  
(B) **Not enforceable in the courts**  
(C) Subject to legal obligations  
(D) Made by social workers
- (ii) Cross offer do 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
- (iii) When parties enter into a contract on telephone the contract becomes complete at the place where acceptance is heard by the proposer. This has been provided  
(A) **In no section of Indian Contract Act but so decided by the Supreme Court**  
(B) In section – 2  
(C) In section – 3  
(D) In section – 4
- (iv) The difference between an advertisement for sale and a proposal is  
(A) No difference at all  
(B) **Every case will be viewed according to the circumstances crossing implies cancellation**  
(C) Every case will be viewed according to the circumstances  
(D) None of these
- (v) A Share Certificate is a —  
(A) Document of Title to Goods  
(B) Bill of Exchange  
(C) **Document Showing Title to Goods**  
(D) Instrument of Transfer
- (vi) Unpaid Seller can exercise his right of re-sale of goods—  
(A) **even when property in goods has passed to the Buyer**  
(B) only when property in goods has not passed to the Buyer  
(C) either (a) or (b)  
(D) neither (a) nor (b)
- (vii) 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**

(viii) A Contract of personal nature can be performed by

- (A) **The promisor**  
(B) The agent  
(C) The legal representative  
(D) None of the above.

(ix) On auctioneer will be liable for damages:

- (A) If the auctioneer had no authority to sell the goods  
(B) If there is a defect in principal's title  
(C) If the buyer's possession is distributed by auctioneer principal or auctioneer himself  
(D) **All of the above.**

(x) "Nemo dat quad non habet", means:

- (A) no one is greater than god  
(B) **None can give who does not himself possess**  
(C) everyone can give everything he has  
(D) everyone is bound by habit

(xi) Voluntary transfer of possession from one person to another is called as

- (A) Ownership  
(B) **Delivery**  
(C) Gift  
(D) License

(xii) "Future goods"

- (A) **can be the subject matter of sale**  
(B) cannot be subject matter of sale  
(C) sometimes may be subject matter of sale  
(D) depends on circumstances

(xiii) ----- parties are involved in a Bill of exchange.

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

(xiv) The term Negotiable instrument is defined in section   of the Negotiable Instrument Act, 1881

- (A) 2  
(B) **13**  
(C) 12  
(D) 10

(xv) A borrows Rs 5,000 from B to purchase a revolver to shoot C. Can B recover his loan of Rs 5,000.

- (A) Yes, the agreement between them is valid and enforceable.  
(B) Yes, the agreement is not opposed to public policy

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- (C) no, the agreement is a voidable agreement and can be avoided by A.  
(D) **no the agreement fails under section 23 and hence void.**
- (xvi) Two persons have the capacity to contract  
(A) If both are not of unsound mind  
(B) If none is disqualified from contracting by any law to which he is subject  
(C) If both have attained the age of maturity  
(D) **All of the above**
- (xvii) For a valid contract  
(A) Both the parties should have given their consent  
(B) The consent should be free  
(C) **Both (A) & (B)**  
(D) Either (A) & (B)
- (xviii) 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
- (xix) A Borrowed Rs 1,000 from B. A die before paying  
(A) Both the parties should have given their consent  
(B) The consent should be free  
(C) **Both (A) & (B)**  
(D) Either (A) & (B)
- (xx) When time is not the essence of contract  
(A) It is expected that the promisor would perform the contract within the time  
(B) **It must be performed within a reasonable time**  
(C) The promisor would perform the contract within stipulated time  
(D) None of these
- (xxi) When a minor has been supplied with necessaries in credit  
(A) The minor is liable  
(B) **The minor's property is liable**  
(C) The minor is personally liable  
(D) The minor is liable at his option
- (xxii) General offers open for world at large can be accepted by  
(A) Any person in the world  
(B) Any person within the country  
(C) **Any person who complies with the conditions of the offer**  
(D) Any person who reads the advertisement
- (xxiii) A counter offer proposing different terms and conditions  
(A) Amount to acceptance of the offer  
(B) **Amount to rejection of the offer**  
(C) Result in making of the provisional contract

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(D) Both (b) & (c)

**(xxiv)** A Contracts with B to construct a building for a fixed price,B supplying the necessary timber. This reciprocal promise is

- (A) Mutual and Independent
- (B) Mutual and Dependent
- (C) Mutual and Concurrent
- (D) None of the above

**(xxv)** Who among the following cannot cross a cheque

- (A) Drawer
- (B) Holder
- (C) Banker
- (D) **Foreigner**

**2. Match the following:**

**[1 X5=5]**

	Column A		Column B
(i)	Cross Offer	(A)	Sec.56
(ii)	Contingent Contracts	(B)	Acceptability in the market
(iii)	Rule of Impossibility	(C)	Identical offer made in ignorance of each other.
(iv)	Condition as to Merchantability	(D)	Sec.32 to 36
(v)	Existing Goods	(E)	Sec.6 Of the Sale Of Goods Act,1930

(i) C	(ii) D	(iii) A	(iv) B	(v) E
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**3. State whether the following statement is True or False:**

- (i)** Can there be an acceptance of an offer which has not come to the knowledge of the offeree.
- (ii)** Silence is fraud when silence is, in itself equivalent to speech
- (iii)** All contracts are agreements.
- (iv)** Restitution of benefit is allowed in case of a minor.
- (v)** Seller can sue for price only when property in goods has passed on the buyer.
- (vi)** If a finder of lost goods could not trace the owner or the owner refuses to pay the lawful charges of the finder, the finder can resell the goods when the thing is perishable or when his lawful charges for finding the owner amount to 1/3rd of value of goods
- (vii)** caveat emptor means buyer be aware.
- (viii)** A cheque is a bill of exchange drawn on a specified banker payable on demand.
- (ix)** If the agreement is made by obtaining consent by doing an act forbidden by the Indian Penal Code, the agreement would be caused by fraud.
- (x)** Unpaid seller has right of lien, stoppage of goods in transit, resale, sue for price, sue for specific damages, sue for interest etc
- (xi)** Symbolic delivery occurs by doing some act, which has the effect of putting the goods in the possession of the buyer. Delivery of the keys to a godown or warehouse is symbolic delivery
- (xii)** A Negotiable Instrument may be transferred by delivery.

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(i) False	(ii) True	(iii) True	(iv) False	(v) True	(vi) False
(vii) True	(viii) True	(ix) False	(x) True	(xi) True	(xii) False

#### 4. Answer any four of the following questions:

[7X4=28]

- (i) Essentials of a valid acceptance
- (ii) Under what condition promise to compensate for voluntary services
- (iii) What are the features of Quasi Contract
- (iv) Definition of Beach of Contract and there types
- (v) Rules regarding an auction.
- (vi) Differences between Sale and Agreement to Sell
- (vii) Types of Negotiable Instrument

**Answer:**

#### 4(i) Essentials of a valid acceptance

The following are the essentials of a valid acceptance.

1. Acceptance must be absolute and unqualified[Sec.7(1)]
2. Acceptance must be communicated
3. Acceptance must be in prescribed of reasonable mode[Sec.7(2)]
4. Acceptance must be given within a reasonable time and before the offer lapses:
5. Acceptance cannot preceded an offer
6. Acceptance must be given only by the person to whom the offer is made
7. Rejected offer can be accepted only on renewal
8. Revocation of acceptance

**4(ii)** Voluntary service means service done without any request. An agreement made without consideration is valid if it is a promise to compensate a person who has already voluntarily done something for the promisor. To apply this rule the following essentials must exist.

- a. The service should have been done voluntarily.
- b. The service should have been done for the promisor.
- c. The promisor must have been in existence at the time when the service was done.
- d. The intention of promisor must have been to compensate the promisee.
- e. The service rendered must also be legal.

#### 4(iii) Features of a Quasi Contract:

The salient features of a quasi contract are as under:

1. It is imposed by law and does not arise by agreement.
2. The duty of a party and not the promise of any party is the basis of such contract.
3. The right under it is always a right to money and though not always to a liquidated sum of money.
4. The right is available against specific persons and not the whole world.
5. A suit for breach may be filed in the same way as in case of a complete contract.

**4(iv)** Parties to a contract are bound to perform their respective obligations. If any party fails to perform the obligation imposed upon him, he is said to have committed breach

of contract. Thus breach means "failure or refusal of a party to perform his obligation under a contract without any lawful excuse". The breach of contract may be:

- a) Actual breach of Contract
- b) Anticipatory breach of Contract.

### **Actual Breach of Contract:**

It is also called "Present breach". Actual breach of contract occurs:

- (a) when during the performance of the contract, or
- (b) at the time of performance is due, one party fails or refuses or neglects to perform his obligation under the contract. Actual breach discharges the contract. It gives right to the aggrieved party to sue the party at fault for damages for breach of contract.

### **Anticipatory breach of contract:**

It is also called "constructive breach". Anticipatory breach of contract occurs:

- (a) When a party repudiates his liability under the contract before the time for performance is due, or
- (b) When a party by his own act conduct disables himself from performing the contract.

### **4(v) Rules regarding an auction. (Sec. 64)**

In the case of sale by auction-

- (a) Where goods are put up for sale in lots, each lot is prima facie deemed to be the subject of a separate contract of sale. [Sec 64(1)]
- (b) The sale is complete when the auctioneer announces its completion by the fall of the hammer or in other customary manner, and, until such announcement is made, any bidder may retract his bid. [Sec 64(2)]
- (c) A right to bid may be reserved expressly by or on behalf of the seller and, where such rights is expressly so reserved, but not otherwise, the seller or any one person on his behalf may, subject to the provisions hereinafter contained, bid at the auction, [Sec64(3)]
- (d) Where the sale is not notified to be subject to a right to bid on behalf of the seller, it shall not be lawful for the seller to bid himself or to employ any person to bid at such sale, or for the auctioneer knowingly to take any bid from the seller or any such person, and any such person, and any sale contravening this rule may be treated as fraudulent by the buyer. [Sec 64(4)]
- (e) The sale may be notified to be subject to a reserved or upset price.
- (f) If the seller makes use of pretended bidding to raise the price, the sale is voidable at the option of the buyer.

### **4(vi) Differences between Sale and Agreement to Sell:**

Sl No	Sale	Agreement to Sell
1	In case of sale the property transfers from seller to the buyer immediately.	The ownership of the goods is transferred to the buyer at some future date.
2	It is an executed contract.	It is an executory contract.
3	It creates right in rem.	It creates right in personam.
4	The buyer is responsible for any loss or de-struction of the goods even if the goods are in the possession of the seller.	The seller is responsible for any loss or de-struction of goods even if the goods are in the possession of the buyer.

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5	The seller cannot resale the goods.	In this case, if the subsequent buyer takes in good faith and for consideration, he gets a good title. The original buyer may only sue the seller for damages
6	If goods are destroyed, the loss will be borne by the buyer even though they may be in possession of the seller	The loss will be borne by the seller even though the goods may be in possession of the buyer
7	If the buyer becomes insolvent before payment is made, the seller has to deliver the goods to the official receiver unless he has lien on them.	Seller may refuse to deliver the goods to the official receiver.
8	If the seller becomes insolvent after payment of price, the buyer can claim the goods from the official receiver.	The buyer cannot claim the goods. He can only claim rateable dividend for the amount paid by him.
9	Sale is liable for sales tax	Agreement to sell is not liable for sales tax. It is liable for sales tax when it is ripens in to sale.

#### 4(vii)Types of Negotiable Instrument

Negotiable Instruments are of two types:

(i) Negotiable by statute

– Section 13 of the Act, provides that a negotiable Instrument include promissory note, bill of exchange and cheque, whether payable to bearer or order.

(ii) Negotiable by custom or usage

– Though the Act speaks of only three types of Negotiable Instrument, but it does not consider other kinds of instruments from being treated as a negotiable instrument provided they possess the characteristics of a negotiable instruments. Accordingly certain other instruments take the character of negotiable instruments by custom or usage. Dividend warrant, circular notes, bearer debentures are some of them though they are not specifically mentioned in the Act.

#### Section B

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

[1X12=12]

(i) The study of Ethics is divided into \_\_\_\_operational areas.

- (A) 6
- (B) **4**
- (C) 5
- (D) 9

(ii)Business ethics is a code of conduct which society should follow while conducting their social activities.



- (A) **True**  
(B) False  
(C) Partly True  
(D) None of the above
- (iii) 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
- (iv) Which of the following is not a "code of conduct"  
(A) Code of ethics  
(B) Code of conduct  
(C) Code of behavior  
(D) **Code of management**
- (v) Business ethics relates to  
(A) Society's decisions  
(B) **An individual's or work group's decisions**  
(C) Customers decisions  
(D) Government decisions
- (vi) 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
- (vii) -----are beliefs about what is right and wrong or good or bad  
(A) Mores  
(B) Motivations  
(C) Cultures  
(D) **Ethics**
- (viii) Administrative corruption includes "gift" to the \_\_\_\_\_  
(A) Factory inspector  
(B) Boiler inspector  
(C) Pollution control board inspectors  
(D) **All of the above**
- (ix) A set of principles and expectation that are considered binding on any person who is member of a particular group  
(A) Code of ethics  
(B) Values  
(C) Ethics  
(D) **None of the above**  
(E)
- (x) Business ethics has a \_\_\_\_\_ application  
(A) **Factory inspector**  
(B) Boiler inspector

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- (C) Pollution control board inspectors  
(D) **All of the above**

6. State whether the following statement is True or False: [1 X 6=6]

- (i) The word ethics is derived from Greek Word.  
(ii) Ethics refers to the study and development of one's ethical standards.  
(iii) Holders of public office are not accountable to their decisions and actions to the public.  
(iv) Ethics fundamentally comprises of four elements.  
(v) Ethics & Morals are same think.  
(vi) "It is difficult but not impossible to conduct strictly honest business" is famous quote by Mahatma Gandhi

**Answer:6**

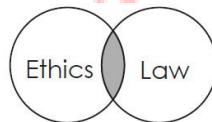
(i)True	(ii)True	(iii)False	(iv)False	(v)False	(vi)True
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7. Answer any two of the following question: [6 X 2=12]

- (i) Discuss the relationship between Ethics and Law  
(ii) Define Value free ethics & professional Ethics  
(iii) Explain: any three principles of Public Life

**Answer:7(i) Ethics and Law - The Interface**

Law is essentially an institutionalisation or codification of ethics into specific social rules, regulations and prescriptions. Perhaps the best way of visualizing ethics and law is in terms of two intersecting domains as depicted in the following figure:



Thus, in one sense, business ethics can be said to begin where law ends. Business ethics is primarily concerned with those issues not completely covered by law, or where there is no definite consensus on whether something is right or wrong. Hence, it is often remarked, that business ethics is about the "grey areas" of business where values are in conflict.

**7(ii) Value free ethics**

It would seem that business is an ethically neutral or value-free activity. In other words, the only value business is concerned with is the monetary value. It is not in the interest of business to mix ethical values. An ancient Arabic wisdom states, 'Live together like brothers and do business like strangers.' Business should be kept free from other social relationships and obligations. The only successful relationship that exists in business is that of a vendor and a customer.

**Professional Ethics**

Just as a society functions on the social codes of conduct and a country is governed by its constitution, a business is run on corporate codes. In other words, there is a professional code of conduct for any business. These codes keep evolving as other things around evolve and develop. Therefore, not only should business be defined within the confines of ethics, but it should be practised strictly under its own professional code of conduct. This distinction

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helps to orient the general principles of ethics and business to a particular activity.

## 7(iii) The Seven Principles of Public Life

1.	<b>Selflessness</b>	Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
2.	<b>Integrity</b>	Holders of public office should not place themselves under any financial or other obligation to outside individuals or organizations that might influence them in the performance or their official duties.
3.	<b>Objectivity</b>	In carrying out public business including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit. holders of public office should make choices on merit.
4.	<b>Accountability</b>	Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
5.	<b>Openness</b>	Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
6.	<b>Honesty</b>	Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
7.	<b>Leadership</b>	Holders of public office should promote and support these principles by sound leadership and prove to be an example in whatever they perform.

