

2412081102 – Business Law

1. (a) State the reasons whether the following statements are true or false:

- **(i) All the contracts are agreements but all agreements are not contracts.**
 - **True.** A contract is a legally enforceable agreement. All contracts are agreements, but only agreements fulfilling all essentials of a valid contract (e.g., lawful consideration, free consent, capacity) become contracts.
- **(ii) Mere mental acceptance is no acceptance in the eyes of law.**
 - **True.** Legal acceptance requires communication to the offeror; an unexpressed thought of acceptance is not valid.
- **(iii) Fraud is a crime and not a civil wrong.**
 - **False.** Fraud is both a civil wrong (rendering a contract voidable and allowing for damages) and a criminal offense under the Indian Penal Code.

1. (b) Explain the doctrine of "no consideration, no contract." Also, explain the exceptions to this rule.

- **Doctrine:** Generally, an agreement is void if it lacks "consideration," which is something of value exchanged between parties, serving as the "price" for the promise.
- **Exceptions (Valid without Consideration):**
 - Agreements based on natural love and affection (in writing, registered, between near relations).
 - Promises to compensate for past voluntary service.
 - Promises to pay a time-barred debt (in writing, signed).
 - Completed gifts.
 - Contracts of agency.
 - Gratuitous bailment.

OR

1. (c) A minor is liable to pay for the necessities of life supplied to him. Discuss the liability of a minor in this context by referring to the relevant provisions of law and decided case laws.

- While a minor's agreements are generally *void ab initio* (e.g., *Mohori Bibee v. Dharmodas Ghose*), Section 68 of the Indian Contract Act makes an exception. If "necessaries of life" (items suitable to the minor's condition) are supplied, the minor's property can be used for reimbursement, but the minor is **not personally liable**.

1. (d) "The status of a finder of goods is that of a bailee." Explain the rights and duties of the finder of goods.

- **Status:** A finder of goods is treated as a bailee (Section 71, Indian Contract Act), obligated to take reasonable care of the goods and make efforts to find the true owner.
 - **Rights:**
 - Retain goods until lawful charges/expenses are reimbursed.
 - Sue for a reward if offered by the owner.
 - Sell the goods under specific circumstances (e.g., perishable, owner not found, charges amount to two-thirds of value).
 - **Duties:** Take reasonable care, make reasonable efforts to find the owner, not use the goods for personal benefit, and return to the true owner.
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2. (a) Discuss the meaning of fraud and its effect on the validity of a contract. Distinguish between fraud and misrepresentation with suitable illustrations.

- **Fraud:** A false representation of fact made with the deliberate intention to deceive, inducing another to enter a contract. A contract induced by fraud is **voidable**; the aggrieved party can rescind and claim damages.
- **Misrepresentation:** An innocent, false statement made without intent to deceive, but which induces a contract. A contract induced by misrepresentation is also **voidable**, but typically does not allow for damages.
- **Distinction:** The key difference lies in the **intention to deceive** and **knowledge of falsity** (present in fraud, absent in misrepresentation).

2. (b) What is meant by the legality of object and consideration? What are the types of agreements that are considered unlawful and void?

- **Legality:** For a contract to be valid, both its purpose (object) and the exchange (consideration) must be lawful.
- **Unlawful and Void Agreements (Examples):** Agreements forbidden by law, those that defeat legal provisions, are fraudulent, involve injury to person/property, or are deemed immoral or against public policy (e.g., an agreement for divorce for money).

OR

2. (c) "An agreement in restraint of marriage is void." Discuss the types of agreements that are considered void agreements under the Indian Contract Act, 1872.

- **Restraint of Marriage:** Agreements restraining the marriage of any person (other than a minor) are void (Section 26), as law promotes marriage.
- **Other Void Agreements:**
 - Agreements in restraint of trade (with exceptions).
 - Agreements in restraint of legal proceedings.
 - Uncertain agreements.
 - Wagering agreements.
 - Agreements to do impossible acts.
 - Agreements without consideration (unless exceptions apply).

2. (d) Differentiate between a contract of Indemnity and a contract of Guarantee.

Feature	Contract of Indemnity (Sec. 124)	Contract of Guarantee (Sec. 126)
No. of Parties	Two (Indemnifier, Indemnified)	Three (Principal Debtor, Creditor, Surety)
No. of Contracts	One	Three
Primary Liab.	Indemnifier's liability is primary.	Surety's liability is secondary (contingent).
Purpose	To protect against loss.	To assure payment/performance.
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3. (a) "The liability of the surety is co-extensive with that of the principal debtor, unless it is otherwise provided by the contract." Explain this statement and state the instances when the liability of the surety is discharged under the Indian Contract Act, 1872.

- **Co-extensive Liability (Section 128):** The surety's liability is precisely the same as the principal debtor's. The creditor can proceed directly against the surety without first suing the principal debtor, unless contractually specified otherwise.
- **Discharge of Surety's Liability (Instances):**
 - **By Revocation:** Notice by surety, or death of surety (for future transactions).
 - **By Creditor's Conduct:** Material variance in terms, release/discharge of principal debtor, compounding with debtor, or loss of security by creditor.
 - **By Invalidation of Guarantee:** Guarantee obtained by misrepresentation or concealment.

3. (b) Explain "an un-enforceable contract" and "voidable contract." Under what circumstances does an agreement become voidable at the option of one of the parties to the contract?

- **Unenforceable Contract:** A valid contract that cannot be enforced in court due to a technical defect (e.g., being time-barred, lack of required writing).
- **Voidable Contract:** Enforceable at the option of one party but not others; remains valid until rescinded (Section 2(i)).
- **Circumstances for Voidability:** Occurs when consent is not "free" (Section 14) due to:
 - **Coercion**
 - **Undue Influence**
 - **Fraud**
 - **Misrepresentation**

OR

3. (c) Explain the breach of contract and with suitable examples explain how breach of law discharges the contract.

- **Breach of Contract:** Failure by a party to perform contractual obligations without lawful excuse (can be actual or anticipatory).

- **Discharge by Operation of Law:** Contract ends due to legal events, not parties' actions:
 - **Insolvency:** Debtor's liabilities transfer.
 - **Merger:** Inferior rights merge into superior.
 - **Unauthorized Material Alteration:** Of a written contract.
 - **Death:** In contracts requiring personal skill.
 - **Lapse of Time:** Due to limitation laws.

3. (d) Mr. A bought specific goods from the seller Mr. B relying on him about the terms of the goods purchased but later found hidden structural defects in the goods purchased. Discuss the doctrine of Caveat Emptor as to whether it applies or not under the contracts for sale of specific goods in the position of Mr. A under the Sale of Goods Act, 1930.

- **Caveat Emptor (Buyer Beware):** The general rule that the buyer is responsible for inspecting goods.
- **Application to Mr. A:** The doctrine likely **does not apply** here. Mr. A's reliance on Mr. B and the "hidden structural defects" suggest exceptions under the Sale of Goods Act, 1930:
 - **Implied condition as to fitness for particular purpose (Sec 16(1)):** If Mr. A informed Mr. B of the purpose and relied on his skill/judgment.
 - **Implied condition as to merchantable quality (Sec 16(2)):** "Hidden structural defects" indicate the goods are not of standard commercial quality.
 - Fraud by the seller would also negate *Caveat Emptor*.

4. (a) Mr. X ordered 400 units of a specific crop product from a farmer Mr. Y. In light of the above example, discuss the subject matter of the contract of sale and types of goods under the Sale of Goods Act, 1930.

- **Subject Matter:** In a contract of sale, the subject matter must be "goods" (movable property, including growing crops after severance).
- **Types of Goods:**
 - **Existing Goods:** (Specific: identified; Ascertained: identified later; Unascertained: not yet identified).

- **Future Goods:** To be manufactured/produced/acquired by the seller after the contract.
- **Contingent Goods:** Acquisition depends on an uncertain event.
- **Example:** The "crop product" is goods. Its classification (specific, future, or contingent) depends on whether it was identified and ready at the time of contract or yet to be harvested/produced.

4. (b) Explain the features of the separate legal entity and perpetual existence of an LLP. Also, discuss how an LLP removes the drawbacks of traditional partnership and leverages the advantages of a company.

- **Separate Legal Entity:** An LLP is a distinct legal person from its partners, capable of owning property, suing, and being sued, providing **limited liability** to partners.
- **Perpetual Existence:** The LLP's existence is continuous and unaffected by changes in partners (death, insolvency, etc.), unlike a traditional partnership.
- **LLP Advantages:**
 - **Removes Partnership Drawbacks:** Provides limited liability (vs. unlimited), separate legal identity, and perpetual succession.
 - **Leverages Company Advantages:** Combines limited liability and perpetual succession with operational flexibility and fewer compliance burdens than a private limited company.

OR

4. (c) Explain the nature of lien. Also, explain the rights of an unpaid seller against the goods under the Sale of Goods Act, 1930.

- **Lien:** The right to retain possession of goods or property belonging to another until a demand (e.g., payment) is satisfied. It is a possessory right.
- **Unpaid Seller's Rights Against Goods:**
 - **Right of Lien:** To retain possession until the price is paid.
 - **Right of Stoppage in Transit:** To stop goods from reaching an insolvent buyer.

- **Right of Resale:** To resell the goods under specific conditions (e.g., perishable, buyer default after notice).

4. (d) What is an LLP agreement? What are the key contents of an LLP agreement? Discuss the procedure for conversion of a partnership firm into an LLP.

- **LLP Agreement:** A written agreement governing the mutual rights and duties of partners and their relationship with the LLP.
 - **Key Contents:** LLP name, partners' details, business nature, contributions, profit/loss sharing, partner admission/retirement/expulsion rules, management structure.
 - **Conversion Procedure:** Involves all partners agreeing, applying to the Registrar of Companies (ROC) with required documents (e.g., IT returns, partnership deed, creditor consents), reserving the LLP name, filing incorporation documents. Upon registration, the firm dissolves, and assets/liabilities transfer to the new LLP.
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5. Write short notes on any three of the following:

- **(a) Doctrine of Impossibility of Performance**
 - A contract is discharged if its performance becomes genuinely impossible (not just difficult) due to unforeseen events beyond the parties' control (e.g., destruction of subject matter, change in law, death in personal service contracts).
- **(b) Conclusive evidence of Certificate of Incorporation of an LLP**
 - The Certificate issued by the ROC is final proof that all legal requirements for LLP registration were complied with; its validity cannot be challenged on procedural grounds.
- **(c) Whistleblower**
 - An individual who exposes wrongdoing or illegal activities within an organization, often in the public interest. Many laws protect whistleblowers from retaliation.
- **(d) Rules related to change in the name of LLP**
 - An LLP can change its name by partner resolution, applying for name reservation with the ROC, and filing relevant forms (e.g., Form 3) for registration of the new name.

- **(e) In an LLP firm, if a partner dies or all the partners die, their liability and how profit will be allocated.**
 - Due to **perpetual succession**, the LLP continues despite the death of a partner(s). The deceased partner's estate is generally liable only up to their contribution (limited liability). Profit allocation is governed by the LLP Agreement; if silent, remaining partners continue, and the deceased's share is handled by legal succession or new agreement.
- **(f) "A minor is liable to pay for the necessities of life supplied to him." Comment.**
 - (See Q1(c) for details). While minors' contracts are void, their property can be used to reimburse those who supply them with "necessaries," but the minor is not personally liable.

Outline