

18
5/9/2026

05 SEP 2026

ZKA(H)



Roll No.

Total No. of Questions : 6

Total No. of Printed Pages : 40

Time allowed : 3 Hours

Maximum Marks : 100

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Answer to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

Question No. 1 is compulsory.

Answer any **four** questions from the remaining **five** questions.

Working notes should form part of the answers.

Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

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1. (a) Green Wave Solutions is a new entrant in software development owned by Mr. Arjun. The business had bagged a software development contract. Its employees were struggling to overcome a complex coding bug while developing the software. To resolve this, Mr. Arjun sent an e-mail to all employees on 1st May 2026 stating: "My father has agreed to pay ₹ 50,000 as bonus out of his personal savings to any employee who successfully fixes the bug."

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Meera, a junior developer, saw the e-mail and immediately began working on the bug after her regular shifts. She did not inform Mr. Arjun that she had started the task. Meera spent ₹ 10,000 to pay a consultant out of her own pocket to guide her. On 5th May 2026, Mr. Arjun sent a follow-up e-mail at 10.00 AM stating, "Please disregard the previous offer. We have decided to hire an external consultant to fix the bug instead". However, due to a sudden server crash, this e-mail leaves Mr. Arjun's mail box but lands in Meera's inbox only on May 7th at 9.00 AM when the server is restored.

Unaware of the crash or revocation, on May 6th at 4.00 PM, Meera successfully fixed the bug and submitted the solution to Mr. Arjun's office. Mr. Arjun refused to pay the bonus amount of ₹ 50,000, claiming that:

1. He had already revoked the offer before she submitted the solution;
2. Meera never formally communicated her acceptance of the offer;
3. Fixing the bug fell under her ordinary duties, and since the money was promised by his father (a third party), there was no valid legal consideration.

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Determine the following under the provisions of the Indian Contract Act, 1872:

- (i) Whether Meera was required to communicate her acceptance of the offer to Mr. Arjun.
- (ii) Whether the revocation of offer by Mr. Arjun is legally valid and binding on Meera.
- (iii) Whether the consideration of ₹ 50,000 provided by a third party (the father) is lawful and enforceable.

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- (b) The Articles of Association (AOA) of High-Tech Innovations Limited authorized the Board of Directors to borrow money on behalf of the Company (upto a certain limit), provided that a Board Resolution was passed to approve the loan amount.

The Company's directors approached Global Bank for a loan of ₹ 50 Lakh (which was within the above limit) for business expansion. The Bank's Manager requested for a copy of the AOA and the MOA. Upon review, the Bank confirmed the directors had the power to borrow since it was within the limit specified in the Articles of the Company. The directors then submitted a formal confirmation letter stating that the required board resolution had been passed, though in reality, no such board meeting was ever held for this purpose.

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Global Bank, relying on this representation, disbursed the loan. When the Company later defaulted, the directors contended that the loan transaction was unauthorised and void because the internal requirement of a board resolution was never passed for the purpose.

Answer the following, referring to the legal doctrine behind the relevant provisions of the Companies Act, 2013.

- (i) Does Global Bank have a legal right to recover the loan amount from the Company despite the absence of a board resolution?
- (ii) If the Company proves that the Bank Manager had attended a private lunch (before the loan was sanctioned) where the Directors admitted that they skipped the board meeting due to lack of the required number of directors to pass the resolution on the day when it was required, would the Bank be protected?
- (iii) If the formal letter confirming that the required board resolution was passed (which was submitted to the bank) was found to have been forged with the wrong signature of the Company Secretary, can the Bank recover the loan from the Company by suing against it?

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(c) Referring to the applicable provisions of The Indian Partnership Act, 1932 answer the following:

- (i) "The sharing of profits or gross returns arising from property by persons holding a joint or common interest in that property does not of itself make such person partners."

Discuss the correctness of the statement and state any four types of sharing of receipts which would not make a person partner?

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- (ii) " 'Joint stock', 'common stock' or 'joint estate', denotes all property, rights and interests to which the firm, that is, all partners collectively, may be entitled." Discuss the validity of the statement emphasizing on items which can be termed as a partnership property and discuss how to determine whether a particular property is or is not 'property' of the firm.

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(a) Mohan and Bibhuti are friends. Mohan owns an electronic consumer durable products showroom selling all kinds of electronic consumer durable goods. Bibhuti's daughter was getting married in July and since the weather was still hot and humid, Bibhuti was planning to have a portable air conditioner; but since his finance condition were very tight because of the wedding expenses, he was hesitating to spend on the portable air conditioner. Mohan told him that there was an option available

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with Bibhuti to avail the air conditioner on sale or return basis by which he can avail the portable air conditioner now, use it for the occasion and in case he does not like it he can return it within 10 days of receiving the same. Bibhuti also liked the idea and brought the portable AC on sale or return basis from Mohan.

Bibhuti used the portable air conditioner during the wedding occasion, but since the stipulated period of 10 days had not elapsed, he did not confirm whether to purchase the same or return it. In the meanwhile, before elapse of the stipulated 10 days, Bibhuti's daughter took the portable air conditioner with her to her in-law's house without intending to return the same, of which Bibhuti was aware, but remained silent.

Referring to and explaining the applicable provisions of the Sale of Goods Act, 1930 regarding the circumstances under which goods are delivered to the buyer "on approval" or "on sale or return" or other similar terms, the property therein passes to the buyer, decide whether Mohan can treat the transaction as approved by Bibhuti in this situation, when the stipulated period of 10 days has not elapsed, since Bibhuti's daughter has taken it away with her.

Also decide whether Mohan can recover the price of the portable air conditioner from Bibhuti's daughter under the circumstances since she has taken away the portable air conditioner.

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- (b) "The company is treated as a legal entity distinct and separate from its shareholders or members".

Discuss the situations where the above principle of the corporate personality is disregarded by law. Your answer should be based on the Companies Act, 2013.

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- (c) Referring to the provisions of The Limited Liability Partnership Act, 2008 answer the following:

- (i) The concept of a Small Limited Liability Partnership (Small LLP), introduced by the Limited Liability Partnership (Amendment) Act, 2021, is a special category LLP aimed at reducing compliance burdens for smaller businesses. Enumerate the conditions to be fulfilled by a Limited Liability Partnership to be qualified as a Small LLP.

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- (ii) Incorporation Document is the most important document needed for registration of a Limited Liability Partnership. Discuss the details to be stated in such Incorporation Document.

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3. (a) Neel, Dhruv and Alex were partners in M/s Fabrics Textile Agency, sharing profits and losses in the ratio of 4:3:3. They had contributed to the capital of the firm also in the same ratio. M/s Fabrics Textile Agency acted as agents between the manufacturers and buyers of some industrial machines,

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by providing guarantee to the manufacturers on behalf of the buyers for which they were earning commission. They had provided continuing guarantee to a manufacturer on behalf of Asif since 1st April 2022 for a period of 5 years.

On 31st October 2024 Alex sought retirement from the partnership due to his weakening health and the other partners agreed with him in terms of the partnership agreement and thereby the Firm was reconstituted and the existing partners Neel and Dhruv continued with profit sharing ratio of 4:3. The value of total partnership property including the profits earned by the Firm till Alex's retirement stood at ₹ 30 crores as on the date of retirement of Alex. No final settlement was made with Alex on the date of his retirement and the partnership deed was also silent with regard to distribution and payment of the dues of a retiring partner.

Neel and Dhruv continued the business after Alex's retirement. In the meantime, Alex passed away due to ill health on 30th November 2024. The next day, his son, Tom who was the only legal heir of Alex, asked for settlement of Alex's accounts in M/s Fabric Textile Agency. After Alex's retirement the firm made a profit of ₹ 2 crores until Alex passed away, i.e. 30th November 2024.

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Referring to and explaining the applicable provisions of the Indian Partnership Act, 1932:

Calculate the maximum amount of share that Tom is entitled to as the only legal heir of Alex.

What will be your answer (maximum amount of claim by Tom) in case Tom approached for settlement of the dues of his father on 31st December, 2024, i.e. after one month his father passed away, if the Firm had earned an additional profit of ₹ 50 Lakh from 1st December 2024 to 31st December 2024 (i.e. after retirement of Alex till his death ₹ 2 crore and from his death till the date of claim ₹ 50 lakh) and he had not made any claim earlier?

In order to avoid future complications, Neel and Dhruv decided to revoke the continuing guarantee provided by the Firm on behalf of Asif with effect from 1st November 2024. However, Asif contended that since the firm was not dissolved, the continuing guarantee will continue and it can be revoked only upon mutual understanding between the Firm and Asif since neither the guarantee agreement did cover such a situation, nor the partnership deed. In terms of the provisions of the applicable provisions of the Indian Partnership Act, 1932, decide whether contention of Asif is tenable.

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- (b) Smooth Panels Private Limited is a private limited company engaged in the business of manufacturing of plastic panels used to cover walls against seepage and moisture. The Company was incorporated in 2023 in Bhubaneswar, Odisha (not a SEZ zone) with share capital of ₹ 50 Crores comprising of equity shares of ₹ 100 each.

The Company is planning to alter its Articles of Association by passing a special resolution so as to include an entrenchment clause with regard to power of directors to invest the funds of the Company in the securities of other bodies corporate in excess of sixty per cent of its paid-up capital, free reserves and security premium account or one hundred per cent of its free reserves and securities premium account whichever is more only after passing a prior unanimous resolution of all the members of the Company in this regard.

[Note: This entrenchment clause was provided to curb the power of the Board of Directors to invest money of the Company only with the approval of all the members, since restriction has been provided under Section 186 of the Companies Act 2013 that when the investment exceeds sixty per cent of its paid-up capital, free reserves and security premium account or one hundred per cent of its free reserves and securities premium account whichever is more, a prior special resolution is required to be passed.]

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One Director of the Company Mr. Yogesh objected to the proposed move of the Company contending that only an ordinary resolution will be enough to include the above entrenchment clause; whereas another director Mr. Zitesh in contrast contended that only if it is agreed to by all the members of the Company, then only the Company can include the above entrenchment clause in the Articles of Association of the Company.

Decide the following with reference to the applicable provisions of the Companies Act, 2013:

- (i) Whether the Company can include the above entrenchment clause in the Articles of Association of the Company at all.
- (ii) Whether the above entrenchment clause can be included in the Articles by passing a special resolution as planned by the Company and whether the contention of Mr. Yogesh or Mr. Zitesh is tenable in this regard.
- (c) "Where a debtor owes several distinct debts to one person (including time-barred and disputed debts) and makes a payment which is insufficient to satisfy the whole amount, the question arises as to which debt the payment should be applied". In light of this statement, explain the rules regarding appropriation of payments under the provisions of the Indian Contract Act, 1872, when:

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- (i) The debtor expressly intimates or implies which debt should be discharged.
- (ii) The debtor fails to indicate any preference at the time of payment.
- (iii) Neither the debtor nor the creditor makes any specific appropriation.

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4. (a) Mr. Samrat, a garment manufacturer of Surat, entered into a contract with Vogue Fabrics Limited on 1st September 2025. The contract stated that Vogue Fabrics Limited would supply 1,000 meters of premium silk at ₹ 2,000 per meter, with the delivery scheduled for 1st December 2025. Mr. Samrat required this silk to fulfill an export order worth ₹ 30 Lakhs, and he explicitly informed Vogue Fabrics Limited of this requirement including the export pricing details at the time of signing the contract.

On 15th October 2025, Vogue Fabrics Limited sent an email to Mr. Samrat stating, "Due to a sudden surge in global silk prices and a strike in our factory, we will be unable to supply the silk as agreed."

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Mr. Samrat, fearing a loss, immediately looked for other alternative suppliers. On 20th October 2025, the market price of silk was ₹ 2,500 per meter. He chose not to wait until 1st December and sued Vogue Fabrics Limited on 25th October 2025 when the price was stable at ₹ 2,500 per meter. By 1st December 2025, the market price had risen to ₹ 3,000 per meter. Mr. Samrat could not fulfill his order, and he had to pay ₹ 30 lakhs to the foreign buyer as damages.

Answer the following, referring to the provisions of the Indian Contract Act, 1872:

- (i) Identify the type of breach that occurred on 15th October 2025. Does Mr. Samrat have the legal right to sue before the stipulated delivery date of 1st December 2025?
- (ii) Analyze the remedies available to Mr. Samrat in terms of the damages which he can recover from Vogue Fabrics Limited as per the provisions of the Indian Contract Act, 1872, considering the fact that he sued against Vogue Fabrics Limited on 25th October 2025. You are required to provide the calculation for the same.

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(b) Referring to the provisions of the Negotiable Instruments Act, 1881, answer the following:

(i) State the meaning of an 'inchoate' instrument'. Also elaborate the provisions regarding liability of drawing such an instrument on the holder as well as the holder in due course.

(ii) "All cheques are bills, while not all bills are cheques." Discuss under the Negotiable Instruments Act, 1881.

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(c) The Ministry of Home Affairs (Gṛha Mantrālaya) is a premier ministry of the Government of India. State the major responsibilities of the Ministry and enlist various departments which are covered under this Ministry.

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5. (a) M/S Kashmir Apples and Juice Limited are engaged in the sale of raw apple as well as processed apple juice in and around India. The Raw apples and the juice are safely packed and transported to cold storages situated in almost every state in India. The Company has a storage facility at Faridabad from where it supplies items to North Indian states. Fresh Tropical Limited is a retail unit situated in Faridabad near Delhi dealing in products of M/S Kashmir Apples and Juice Limited.

On 1.4.2025 the retailer ordered 1400 Kg of garden-fresh apples at ₹ 200 per Kg and 10,000 cans of apple juice at ₹ 100 per can on credit. A contract was executed between the above parties

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with specific clause regarding right of lien in goods as well as possession which would remain with the seller until full payment is made. Payment condition is fixed that it can be made till 31.07.2025. The contract did not contain any clause with regard to notice to buyer in the event of exercise of the above right of lien and possession by the seller.

Till 01.06.2025 no payment for the order was made by the buyer. On 05.06.2025 Mr. Gulfam, a representative from M/S Kashmir Apples and Juice Limited visited and inspected the cold storage in Faridabad and assessed that the stored apples (already sold to Fresh Tropical Limited through the above contract) will soon start to rot and hence decided to sell the same in the local market with immediate effect without notice to Fresh Tropical Limited.

On 21.07.2025 Fresh Tropical Limited paid for only 7000 cans of juice and took them to their own possession. On 28.07.2025 the seller gave a notice to the buyer stating that the remaining 3000 cans in their (seller's) possession will be sold by M/S Kashmir Apples and Juice Limited to other parties if payment is not made by 31.07.2025. The buyer failed to pay for the rest of cans till 31.07.2025.

M/S Kashmir Apples and Juice Limited sold 1200 of the remaining cans at a discounted price of ₹ 75 per can to another party M/S New Fruit Private Limited and the rest of 1800 cans at ₹ 105 per can in the open market.

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M/S Kashmir Apples and Juice Limited urged Fresh Tropical Limited to compensate them for loss on the sale at discounted price (₹ 75 per can) which the latter refused to pay.

M/S Kashmir Apples and Juice Limited filed a suit against Fresh Tropical Limited to recover the above loss.

Referring to and explaining the relevant provisions of the Sales of goods Act, 1930, answer the following:

- (i) Whether the act of selling raw apples by M/S Kashmir Apples and Juice Limited without any notice to the buyer was valid.
 - (ii) Also decide whether M/S Kashmir Apples and Juice Limited can recover the sustained loss of ₹ 25 per can from Fresh Tropical Limited and how would the profit of ₹ 5 per can earned from sale of the rest of 1800 cans be treated in this case.
 - (iii) In case no notice of resell was given by the seller, what would be the outcome of the suit filed for recovery of loss on sale of 1200 cans and the profit earned on sale of 1800 cans?
- (b) P and Q are running a partnership firm of manufacturing and trading of industrial chemicals. They invited R to join the firm as a partner.

R has sought your opinion as to what would be the limits of his implied authority as a partner and since the business is prone to hazards, he wants to know his authority in the case of an emergency.

Explain R, in this regard by referring to the applicable provisions of the Indian Partnership Act, 1932.

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- (c) What is a Wagering agreement? State the transactions resembling with wagering transaction, but are not void.

Your answer should be based on the applicable provisions of the Indian Contract Act, 1872.

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- (a) Mr. Shah, a diamond merchant in Mumbai, draws a Bill of Exchange on May 1, 2026, for 50,000 British Pounds upon Mr. Smith, a resident of London. The bill is payable in London "60 days after sight." Mr. Shah endorses the bill to Mr. Binod in Mumbai for the value received.

Due to a sudden and unforeseen grounding of all international courier flights caused by a volcanic eruption, Mr. Binod is unable to send the bill to London for presentment until May 19, 2026. Mr. Binod dispatches the bill on 20th May 2026 once the above bottleneck was removed. It is presented to Mr. Smith on May 24th 2026, who accepts the bill on May 25, 2026, but dishonours it at maturity.

Mr. Binod incurs additional expenses for noting the bill and suffers a loss due to fluctuations in the exchange rate between London and Mumbai. Mr. Binod demands, and Mr. Shah refuses to pay the same, claiming that the delay by Mr. Binod discharged him and that he is only liable for the face value of the bill, not the extra costs. Referring to the applicable provisions of the Negotiable Instruments Act, 1881, and based on the above facts, answer the following with reasons:

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- (i) Whether the instrument as discussed above will be treated as inland bill or foreign bill.
- (ii) Whether the delay in presentment for acceptance in this case is excusable under the Act.
- (iii) Determine what components of compensation Mr. Binod can claim from Mr. Shah. 7
- (b) As per the Indian Contract Act, 1872, a general rule is, "Stranger to a contract cannot file a suit in case of breach of contract". Provide the exceptions to the above rule. 6
- OR
- Describe *any six* legal rules regarding 'consideration' in terms of the provisions of the The Indian Contract Act, 1872. 6
- (c) Answer the following in terms of the provisions of the Sale of Goods Act, 1930.
- Who is an unpaid seller?
- State the remedies available to an unpaid seller against the buyer. 7

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