

**FOUNDATION COURSE EXAMINATION**

December 2018

*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.*

*This 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) Right in rem implies:
- (A) A right available against the whole world
  - (B) A right available against a particular individual
  - (C) A right available against the Government
  - (D) None of the above
- (ii) 'Goods' as defined in Sale of Goods Act will include
- (A) rare coins, goodwill and money.
  - (B) growing crops agreed to be severed before sale, old coins and copyrights.
  - (C) goodwill, copyright, patent and foreign currency.
  - (D) Both (B) and (C)
- (iii) Communication of acceptance is not necessary
- (A) by performance of conditions of the offer by offeree.
  - (B) by acceptance of consideration by the offeree.
  - (C) by acceptance of benefit/service by the offeree.
  - (D) All of the above

**Please Turn Over**



- (iv) 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.
- (v) According to Indian Contract Act, a promise is
- (A) a communication of intention to do something.
  - (B) a proposal which has been accepted.
  - (C) a gentleman's word to do something.
  - (D) a statement on oath.
- (vi) Contracts contingent upon the non-happening of the future uncertain event becomes void when such event:
- (A) Happen
  - (B) Does not happen
  - (C) The event becomes impossible
  - (D) None of the above
- (vii) A telephonic acceptance is complete when the offer is
- (A) spoken into the telephone.
  - (B) heard but not understood by the offeror.
  - (C) heard and understood by the offeror.
  - (D) received, heard and understood by some person in the offeror's house.



- (viii) If a minor draws, endorses, delivers or negotiates an instrument, such instrument binds
- (A) all parties to the instrument including the minor.
  - (B) only the minor and not other parties to the instrument.
  - (C) all parties to the instrument except the minor.
  - (D) None of the above
- (ix) What can a catalogue of books, listing price of each book and specifying the place where the listed books are available be termed as?
- (A) An offer
  - (B) An obligation to sell book
  - (C) An invitation to offer
  - (D) A promise to make available the books at the listed
- (x) Which of the statement is incorrect in connection with duties of seller and buyer?
- (A) It is the duty of the seller to deliver the goods.
  - (B) It is the duty of the buyer to accept and pay for them.
  - (C) It is not the duty of the seller to deliver the goods.
  - (D) It is the duty of the buyer to take delivery of goods.
- (xi) The inadequacy of consideration may be taken into account by the court
- (A) in determining the question whether the consent of the promisor was freely given.
  - (B) always in all cases.
  - (C) when the parties complain.
  - (D) when the promisor has not performed his promise.
- (xii) A finder of goods can sell the goods if
- (A) the goods are ascertained.
  - (B) the goods are un-ascertained.
  - (C) the goods are valuable.
  - (D) the goods are perishable.

- (xiii) 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
- (xiv) There are \_\_\_\_\_ modes of delivery.
- (A) three
  - (B) two
  - (C) four
  - (D) five
- (xv) The principle of Estoppel cannot be applied against a minor since
- (A) he has no sound mind.
  - (B) he has no privilege to cheat persons by making any representation.
  - (C) he may be induced by dishonest traders to declare in writing that he is a major at the time of entering into a contract.
  - (D) he has not attained the age of maturity.
- (xvi) The term "a cheque in the electronic form" is defined in the Negotiable Instruments Act, 1881-under
- (A) Section 6(a)
  - (B) Section 6(1)(a)
  - (C) Explanation 1(a) of Section 6
  - (D) Section 6A
- (xvii) Lending money to a borrower, at high rate of interest, when the money market is tight renders the agreement of loan:
- (A) Void
  - (B) Valid
  - (C) Voidable
  - (D) Illegal

- (xviii) Where by the contract, a promisor is to perform his promise without application by the promisee and no time for performance is specified, the engagement must be performed within a reasonable time. The question "What is a reasonable time" is in each particular case is
- (A) a question of fact
  - (B) a question of law
  - (C) a question of general custom
  - (D) All of the above
- (xix) Unlawful agreements comprise
- (A) Illegal agreements
  - (B) Immoral agreements only
  - (C) Agreements opposed to public policy only
  - (D) All the agreements mentioned above
- (xx) In an auction sale, the property shall be sold to be
- (A) Lowest bidder
  - (B) Highest bidder
  - (C) Any bidder
  - (D) All bidders
- (xxi) A and B agree that A shall pay ₹ 1000 for which B shall afterwards deliver to either rice or smuggled opium. In this case
- (A) the first agreement is void and the second voidable.
  - (B) the first is voidable and the second is void.
  - (C) the first is valid and the second is void.
  - (D) the first is void and the second is valid.

- (xxii) When an Instrument is drawn conditionally or for a special purpose as a collateral security and not for the purpose of transferring property therein, it is called an
- (A) Escrow Instrument
  - (B) Inchoate Instrument
  - (C) Ambiguous Instrument
  - (D) None of the above
- (xxiii) A purchases B's business of selling neckties in Delhi. A can restrain B from
- (A) doing the business of selling neckties again in his life.
  - (B) doing any business in Delhi.
  - (C) doing the business of selling neckties in Delhi for a limited period.
  - (D) None of the above
- (xxiv) In case of contractual obligations where the promisor dies before performance,
- (A) the legal representatives of the promisor must perform the promise irrespective of the promise.
  - (B) the legal representatives of the promisor must perform the promise provided it is not one dependent on the personal qualifications of the promisor.
  - (C) the legal representatives need not perform the promise.
  - (D) the legal representative is not liable to pay damages for non-performance of the promise.
- (xxv) A borrows from B ₹ 500 to bet with C. Can B recover the amount of his loan?
- (A) Yes, the agreement between them is collateral to a wagering agreement and hence enforceable.
  - (B) No, the agreement is opposed to public policy.
  - (C) No, the agreement is a voidable agreement and can be avoided by A.
  - (D) No, the agreement falls under section 23 and hence illegal.

2. Match the following:

	Column A		Column B
(i)	Special Offer	(P)	Essential to the main purpose of the contract
(ii)	Wagering agreement	(Q)	Cannot be crossed
(iii)	Condition	(R)	Offer made to an individual or group
(iv)	Condition as to quality or fitness	(S)	Void
(v)	Promissory note	(T)	Let the buyer be aware

3. State whether the following statement is *True* or *False*:

1×12=12

- (i) Risk is associated with possession of goods.
- (ii) All kinds of obligations between the parties form part of the contract.
- (iii) A master asks his servant to sell his cycle to him at less than the market price. This contract can be avoided by the servant on grounds of mistake.
- (iv) An offer need not be made to an ascertained person.
- (v) Delivery of goods can be actual and constructive.
- (vi) A price list hanging outside the shop is meant for an offer by the owner of the shop.
- (vii) A person is competent to contract if he is a graduate.
- (viii) In the absence of any express or implied directions from the offeror to the contrary, can an offer be accepted by a letter?
- (ix) A pawnee may under certain circumstances sell the goods pledged to him on giving the pawnor reasonable notice of the sale.
- (x) 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.
- (xi) When a bill is drawn, accepted or endorsed for consideration it is a fictitious bill.
- (xii) A buys an article thinking that it is worth ₹ 100 when in fact it is worth only ₹ 50. There has been no misrepresentation on the part of the seller. The contract is unenforceable.

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

7×4=28

- (i) What is an Escrow Instrument? 7
- (ii) Define a Contract. List the essential constituents of a valid Contract. 2+5=7
- (iii) What is an invitation to offer? 7
- (iv) State whether Void Agreement and Void Contract are same. 7
- (v) What are the essential elements of contract of sale? 7
- (vi) Explain pretended bidding. 7

**Section - B**

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

1×12=12

- (i) Ethics has become important because of
  - (A) Globalization
  - (B) Communication explosion
  - (C) Both (A) and (B)
  - (D) None of the above
- (ii) 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.
- (iii) Ethical and unethical behaviours are determined by \_\_\_\_\_
  - (A) the individual.
  - (B) the culture.
  - (C) both the individual and the culture.
  - (D) neither the individual nor the culture.



- (iv) The crucial step in understanding business ethics is
- (A) Establishing codes of ethics.
  - (B) Learning to recognize ethical issues.
  - (C) Having efficient operations.
  - (D) Implementing a strategic plan.
- (v) A set of principles and expectations that are considered binding on any person who is member of a particular group is known as
- (A) Code of ethics
  - (B) Values
  - (C) Ethics
  - (D) None of the above
- (vi) The idea of business ethics caught the attention of academics, media and business firms by the end of the \_\_\_\_\_.
- (A) First World War
  - (B) Second World War
  - (C) Cold War
  - (D) None of the above
- (vii) Which of the following is not a 'Code of conduct'?
- (A) Code of ethics
  - (B) Code of practices
  - (C) Code of behaviour
  - (D) Code of management
- (viii) Ethical executives abide by \_\_\_\_\_ relating to their business activities.
- (A) laws
  - (B) rules
  - (C) laws, rules and regulations
  - (D) None of the above

- (ix) \_\_\_\_\_ is a set of principles and expectations that are considered binding on any person who is member of a particular group.
- (A) Code of conduct
  - (B) Code of ethics
  - (C) Code of practice
  - (D) Any of the above
- (x) Law is \_\_\_\_\_ of ethics.
- (A) No connection
  - (B) Decodification
  - (C) Codification
  - (D) Visualisation
- (xi) Business ethics calls for avoidance of
- (A) Competition
  - (B) Publicity
  - (C) Monopoly
  - (D) Self Interest
- (xii) Ethics has evolved with evolution of
- (A) Culture
  - (B) Value
  - (C) Moral
  - (D) Society

6. State whether the following statement is *True* or *False*:

1×6=6

- (i) Ethics fundamentally comprises of three elements.
- (ii) The laws of a country are not based on the customs or moral codes of its society.
- (iii) The only value business is concerned with is the monetary value.
- (iv) 'There are two fools in every market: one asks too little, one asks too much,' is a French proverb.



- (v) Business malpractices are harmful to the consumers.
- (vi) Business ethics are not required to protect the interest of shareholders.

7. Answer *any two* of the following questions:

6×2=12

- (i) Differentiate between Ethics and Morals. 6
  - (ii) State briefly concept for value free ethics. 6
  - (iii) Explain: 2×3=6
    - (a) Accountability
    - (b) Integrity
    - (c) Honesty
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