

Foundation Business Law & Business Correspondence and Reporting

Suggested Answers

Answer 1 (a)

This question is based on the provisions of Section 56(2) & 65, as per the provisions of section 56(2) When performance of promise become impossible or illegal by occurrence of an unexpected event or a change of circumstances beyond the contemplation of parties, the contract becomes void e.g. change in law etc. In other words, sometimes, the performance of a contract is quite possible when it is made. But subsequently, some event happens which renders the performance impossible or unlawful. Such impossibility is called the subsequent or supervening. It is also called the post- contractual impossibility. The effect of such impossibility is that it makes the contract void, and the parties are discharged from further performance of the contract.

As per the provisions of section 65 When an agreement is discovered to be void or when a contract becomes void, any person who has received any advantage under such agreement or contract is bound to restore it, or to make compensation for it to the person from whom he received it.

So based on the abovementioned two provisions Contract made between Mr. X and Mr. Y becomes void on 2nd Aug. 2018 due to severe flood or in other words subsequent impossibility and both the parties are discharged. So claim of Mr. X is not tenable and contention of Mr. Y is valid. Also as per the provisions of section 65 Mr. Y is entitled to claim Rs. 50,000 from Mr. X..

Answer 1 (b)

This question is based on the provisions of Section 8 of the Companies Act, 2013 deals with the formation of companies which are formed to

- promote the charitable objects of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment etc.
- Such company intends to apply its profit in
- promoting its objects and
- prohibiting the payment of any dividend to its members.

So based on the abovementioned provisions a company registered under Section 8 is prohibited to pay any dividend to its members even in the cases of huge profits, thus members are not entitled for any dividend.

Answer 1(c)

Ascertained Goods are those goods which are identified in accordance with the agreement after the contract of sale is made. This term is not defined in the Act but has been judicially interpreted. In actual practice the term „ascertained goods“ is used in the same sense as „specific goods.“ When from a lot or out of large quantity of unascertained goods, the number or quantity contracted for is identified, such identified goods are called ascertained goods.

Example: A wholesaler of cotton has 100 bales in his godown. He agrees to sell 50 bales and these bales were selected and set aside. On selection the goods becomes ascertained. In this case, the contract is for the sale of ascertained goods, as the cotton bales to be sold are identified and agreed after the formation of the contract. It may be noted that before the ascertainment of the goods, the contract was for the sale of unascertained goods.

Unascertained goods are the goods which are not specifically identified or ascertained at the time of making of the contract. They are indicated or defined only by description or sample.

Example: If A agrees to sell to B one packet of salt out of the lot of one hundred packets lying in his shop, it is a sale of unascertained goods because it is not known which packet is to be delivered. As soon as a particular packet is separated from the lot, it becomes ascertained or specific goods.

Answer 2 (a)

Definition of „Contingent Contract“ (Section 31)

“A contract to do or not to do something, if some event, collateral to such contract, does or does not happen”.

Contracts of Insurance, indemnity and guarantee fall under this category.

Example: A contracts to pay B ` 1,00,000 if B's house is burnt. This is a contingent contract.

Meaning of collateral Event: Pollock and Mulla defined collateral event as “an event which is neither a performance directly promised as part of the contract, nor the whole of the consideration for a promise”.

Example: A contracts to pay B ` 100,000 if B's house is burnt. This is a contingent contract. Here the burning of the B's house is neither a performance promised as part of the contract nor it is the consideration obtained from B. The liability of A arises only on the happening of the collateral event.

Essentials of a contingent contract

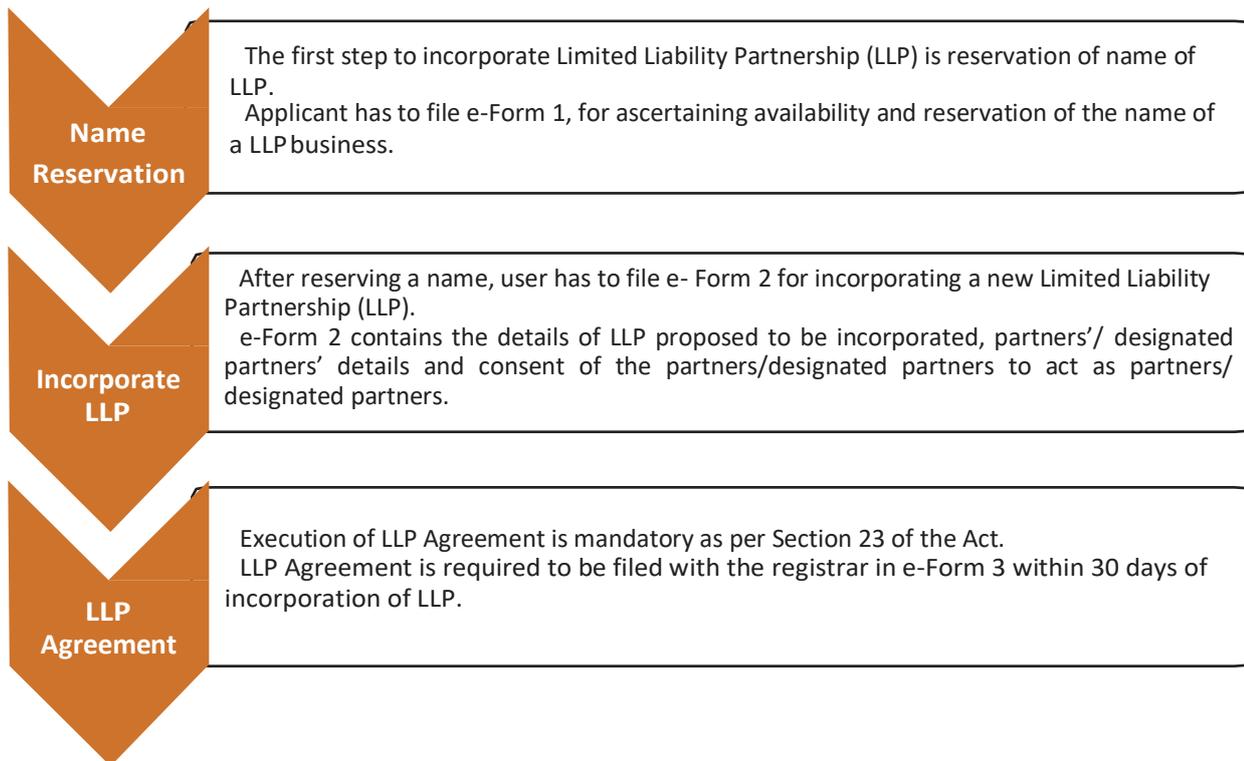
- (a) **The performance of a contingent contract would depend upon the happening or non-happening of some event or condition.** The condition may be precedent or subsequent.
Example: „A“ promises to pay ` 50,000 to „B“ if it rains on first of the next month.
- (b) **The event referred to is collateral to the contract.** The event is not part of the contract. The event should be neither performance promised nor a consideration for a promise.
Thus (i) where A agrees to deliver 100 bags of wheat and B agrees to pay the price only afterwards, the contract is a conditional contract and not contingent; because the event on which B's obligation is made to depend is part of the promise itself and not a collateral event. (ii) Similarly, where A promises to pay B ` 1,00,000 if he marries C, it is not a contingent contract. (iii) „A“ agreed to construct a swimming pool for „B“ for ` 200,000. And, „B“ agreed to make the payment only on the completion of the swimming pool. It is not a contingent contract as the event (i.e. construction of the swimming pool) is directly connected with the contract.
- (c) **The contingent event should not be a mere „will“ of the promisor.** The event should be contingent in addition to being the will of the promisor.
Example 1: If A promises to pay B ` 100,000, if he so chooses, it is not a contingent contract. (In fact, it is not a contract at all). However, where the event is within the promisor's will but not merely his will, it may be contingent contract.
Example 2: If A promises to pay B `100,000 if A left Delhi for Mumbai on a particular day, it is a contingent contract, because going to Mumbai is an event no doubt within A's will, but is not merely his will.
- (d) **The event must be uncertain.** Where the event is certain or bound to happen, the contract is due to be performed, then it is a not contingent contract.
Example: „A“ agreed to sell his agricultural land to „B“ after obtaining the necessary permission from the collector. As a matter of course, the permission was generally granted on the fulfillment of certain formalities. It was held that the contract was not a contingent contract as the grant of permission by the collector was almost a certainty.

Answer 2 (b)

Essential elements to incorporate LLP - Under the LLP Act, 2008, the following elements are very essential to form a LLP in India:

- (i) To complete and submit incorporation document in the form prescribed with the Registrar electronically;
- (ii) To have at least two partners for incorporation of LLP [Individual or body corporate];
- (iii) To have registered office in India to which all communications will be made and received;
- (iv) To appoint minimum two individuals as designated partners who will be responsible for number of duties including doing of all acts, matters and things as are required to be done by the LLP. At least one of them should be resident in India.
- (v) A person or nominee of body corporate intending to be appointed as designated partner of LLP should hold a Designated Partner Identification Number (DPIN) allotted by MCA.
- (vi) To execute a partnership agreement between the partners inter se or between the LLP and its partners. In the absence of any agreement the provisions as set out in First Schedule of LLP Act, 2008 will be applied.
- (vii) LLP Name.

Steps to incorporate LLP-



Answer 3 (a)

(I) Rights:

- (i) A minor partner has a right to his agreed share of the profits and of the firm.
- (ii) He can have access to, inspect and copy the accounts of the firm.
- (iii) He can sue the partners for accounts or for payment of his share but only when severing his connection with the firm, and not otherwise.
- (iv) On attaining majority he may within 6 months elect to become a partner or not to become a partner. If he elects to become a partner, then he is entitled to the share to which he was entitled as a minor. If he does not, then his share is not liable for any acts of the firm after the date of the public notice served to that effect.

(II) Liabilities:

(A)

(i) Before attaining majority:

- (a) The liability of the minor is confined only to the extent of his share in the profits and the property of the firm.
- (b) Minor has no personal liability for the debts of the firm incurred during his minority.
- (c) Minor cannot be declared insolvent, but if the firm is declared insolvent his share in the firm vests in the Official Receiver/Assignee.

(ii) After attaining majority:

Within 6 months of his attaining majority or on his obtaining knowledge that he had been admitted to the benefits of partnership, whichever date is later, the minor partner has to decide whether he shall remain a partner or leave the firm.

OR

II (B)

- (i) **When he becomes partner:** If the minor becomes a partner on his own willingness or by his failure to give the public notice within specified time, his rights and liabilities as given in Section 30(7) are as follows:
- (i) He becomes personally liable to third parties for all acts of the firm done since he was admitted to the benefits of partnership.
 - (ii) His share in the property and the profits of the firm remains the same to which he was entitled as a minor.
- (ii) **When he elects not to become a partner:**
- (i) His rights and liabilities continue to be those of a minor up to the date of giving public notice.
 - (ii) His share shall not be liable for any acts of the firm done after the date of the notice.
 - (iii) He shall be entitled to sue the partners for his share of the property and profits. It may be noted that such minor shall give notice to the Registrar that he has or has not become a partner.

Answer 3 (b)(i)

The general rule is that an agreement made without consideration is void (Section 25). In every valid contract, consideration is very important. A contract may only be enforceable when consideration is there. However, the Indian Contract Act contains certain exceptions to this rule. In the following cases, the agreement though made without consideration, will be valid and enforceable.

Natural Love and Affection: Conditions to be fulfilled under section 25(1)

- (i) It must be made out of natural love and affection between the parties.
- (ii) Parties must stand in near relationship to each other.
- (iii) It must be in writing.
- (iv) It must also be registered under the law.

A written and registered agreement based on natural love and affection between the parties standing in near relation (e.g., husband and wife) to each other is enforceable even without consideration.

Example: A husband, by a registered agreement promised to pay his earnings to his wife. Held the agreement though without consideration, was valid.

So based on the abovementioned provisions of Section 25 Agreement made between Mr. Ramesh (Husband) and Mrs. Lali (Wife) is valid, thus Mrs. Lali will succeed.

Answer 3 (b)(ii)

Invitation to offer

An offer should be distinguished from an invitation to offer. An offer is definite and capable of converting an intention into a contract. Whereas an invitation to an offer is only a circulation of an offer, it is an attempt to induce offers and precedes a definite offer. An invitation to offer is an act precedent to making an offer. Acceptance of an invitation to an offer does not result in the contract and only an offer emerges in the process of negotiation.

The price list of goods does not constitute an offer for sale of certain goods on the listed prices. It is an invitation to offer.

Difference between offer and invitation to make an offer:

In terms of Section 2(a) of the Act, an offer is the final expression of willingness by the offeror to be bound by the offer should the other party chooses to accept it. On the other hand, offers made with the intention to negotiate or offers to receive offers are known as invitation to offer. Thus where a party without expressing his final willingness proposes certain terms on which he is willing to negotiate he does not make an offer, but only invites the other party to make an offer on those terms. Hence the only thing that is required is the willingness of the offeree to abide by the terms of offer.

In order to ascertain whether a particular statement amounts to an offer or an invitation to offer, the test would be intention with which such statement is made. The mere statement of the lowest price which the vendor would sell contains no implied contract to sell at that price to the person making the inquiry.

Following are instances of invitation to offer to buy or sell:

- (i) An invitation by a company to the public to subscribe for its shares.
- (ii) Display of goods for sale in shop windows.
- (iii) Advertising auction sales and
- (iv) Quotation of prices sent in reply to a query regarding price.

So based on the abovementioned provisions pair of dress in the show-room with price tag is just an invitation to offer and Ms. Lovely made an offer which was not accepted by shopkeeper so no binding contract is come into force between her and shopkeeper, thus she cannot sue the shopkeeper otherwise she cannot succeed.

Answer 4 (a)

Caveat emptor means "let the buyer beware", i.e. in sale of goods the seller is under no duty to reveal unflattering truths about the goods sold. Therefore, when a person buys some goods, he must examine them thoroughly. If the goods turn out to be defective or do not suit his purpose, or if he depends upon his skill and judgment and makes a bad selection, he cannot blame anybody excepting himself.

The rule is enunciated in the opening words of section 16 of the Sale of Goods Act, 1930 which runs thus: "Subject to the provisions of this Act and of any other law for the time being in force, there is no implied warranty or condition as to the quality or fitness for any particular purpose of goods supplied under a contract of sale"

The rule of caveat emptor does not apply in the following cases:

- (i) **Fitness for buyer's purpose:** Where the buyer, expressly or by implication, makes known to the seller the particular purpose for which he requires the goods and relies on the seller's skill or judgment and the goods are of a description which it is in the course of the seller's business to supply, the seller must supply the goods which shall be fit for the buyer's purpose. (Section 16(1)).
- (ii) **Sale under a patent or trade name:** In the case of a contract for the sale of a specified article under its patent or other trade name, there is no implied condition that the goods shall be reasonably fit for any particular purpose (Section 16(1)).
- (iii) **Goods sold by description:** Where the goods are sold by description there is an implied condition that the goods shall correspond with the description [Section 15]. If it is not so then seller is responsible.
- (iv) **Goods of Merchantable Quality:** Where the goods are bought by description from a seller who deals in goods of that description there is an implied condition that the goods shall be of merchantable quality. The rule of Caveat Emptor is not applicable. But where the buyer has examined the goods this rule shall apply if the defects were such which ought to have not been revealed by ordinary examination [Section 16(2)].
- (v) **Sale by sample:** Where the goods are bought by sample, this rule of Caveat Emptor does not apply if the bulk does not correspond with the sample [Section 17].
- (vi) **Goods by sample as well as description:** Where the goods are bought by sample as well as description, the rule of Caveat Emptor is not applicable in case the goods do not correspond with both the sample and description or either of the conditions [Section 15].
- (vii) **Trade Usage:** An implied warranty or condition as to quality or fitness for a particular purpose may be annexed by the usage of trade and if the seller deviates from that, this rule of Caveat Emptor is not applicable [Section 16(3)].

Example: In readymade garment business, there is an implied condition by usage of trade that the garments shall be reasonably fit on the buyer.

- (viii) **Seller actively conceals a defect or is guilty of fraud:** Where the seller sells the goods by making some misrepresentation or fraud and the buyer relies on it or when the seller actively conceals some defect in the goods so that the same could not be discovered by the buyer on a reasonable examination, then the rule of Caveat Emptor will not apply. In such a case the buyer has a right to avoid the contract and claim damages.

Answer 4 (b)(i)

Liabilities of Estate of deceased partner (Section 35) : Where under a contract between the partners, the firm is not dissolved by the death of a partner, the estate of a deceased partner is not liable for any act of the firm done after his death.

Analysis of section 35:

Ordinarily, the effect of the death of a partner is the dissolution of the partnership, but the rule in regard to the dissolution of the partnership, by death of partner is subject to a contract between the parties and the partners are competent to agree that the death of one will not have the effect of dissolving the partnership as regards the surviving partners unless the firm consists of only two partners. In order that the estate of the deceased partner may be absolved from liability for the future obligations of the firm, it is not necessary to give any notice either to the public or the persons having dealings with the firm.

Example:

X was a partner in a firm. The firm ordered goods in X's lifetime; but the delivery of the goods was made after X's death. In such a case, X's estate would not be liable for the debt; a creditor can have only a personal decree against the surviving partners and a decree against the partnership assets in the hands of those partners. A suit for goods sold and delivered would not lie against the representatives of the deceased partner. This is because there was no debt due in respect of the goods in X's lifetime.

So based on the abovementioned provisions Mr. X may recover the amount from M/s ABC & Co. but not from the legal heirs of Mr. C, because C's estate was not liable for the transactions of firm made after his death i.e. 1st October, 2018.

Answer 4 (b)(ii)

This question is based on the provisions of Section 28, as per section 28 Partnership by holding out is also known as partnership by estoppel. Where a man holds himself out as a partner, or allows others to do it, he is then stopped from denying the character he has assumed and upon the faith of which creditors may be presumed to have acted.

When a person represent himself, or

knowingly permits himself,

to be represented as a partner in a firm (when in fact he is not)

he is liable, like a partner in the firm

to anyone who on the faith of such representation has given credit to the firm.

A person may himself, by his words or conduct have induced others to believe that he is a partner or he may have allowed others to represent him as a partner. The result in both the cases is identical.

The rule given in Section 28 is also applicable to a former partner who has retired from the firm without giving proper public notice of his retirement. In such cases a person who, even subsequent to the retirement, give credit to the firm on the belief that he was a partner, will be entitled to hold him liable.

Example: A partnership firm consisting of P, Q, R and S. S retires from the firm without giving public notice and his name continues to be used on letterheads. Here, S is liable as a partner by holding out to creditors who have lent on the faith of his being a partner.

So based on the abovementioned provisions Mr. P becomes a partner by holding out/estoppels because he failed to give notice of his retirement and made representation on behalf of firm, thus Mr. X can recover the amount not only from the Firm but also from Mr. P. So Mr. P is liable in this situation.

Answer 5 (a)

This question is based on the provisions of Section 26, According to section 26, unless otherwise agreed, the goods remain at the seller's risk until the property therein is transferred to the buyer, but when the property therein is transferred to the buyer, the goods are at the buyer's risk whether delivery has been made or not:

Provided that, where delivery has been delayed through the fault of either buyer or seller, the goods are at the risk of the party in fault as regards any loss which might not have occurred but for such fault.

Provided also that nothing in this section shall affect the duties or liabilities of either seller or buyer as bailee of the goods of the other party.

So based on the abovementioned provisions ownership of goods was transferred to Mr. H on the date of

examination of goods by his agent which were found to be in order and also the risk of goods because as per section 26 risk prima facie passes with ownership, but Mr.G failed to perform his duties as a bailee so Mr. G shall be liable for the above damage. Our answer will not be different if the dues were not settled in cash and still pending.

Answer 5 (b)

Corporate Veil refers to a legal concept whereby the company is identified separately from the members of the company. Whereas meaning of the phrase “lifting the veil”, It means looking behind the company as a legal person, i.e., disregarding the corporate entity and paying regard, instead, to the realities behind the legal facade. Where the Courts ignore the company and concern themselves directly with the members or managers, the corporate veil may be said to have been lifted. Only in appropriate circumstances, the Courts are willing to lift the corporate veil and that too, when questions of control are involved rather than merely a question of ownership.

The following are the cases where company law disregards the principle of corporate personality or the principle that the company is a legal entity distinct and separate from its shareholders or members:

- (1) **To determine the character of the company i.e. to find out whether co-enemy or friend:** In the law relating to trading with the enemy where the test of control is adopted. The leading case in this point is **Daimler Co. Ltd. vs. Continental Tyre & Rubber Co.**, if the public interest is not likely to be in jeopardy, the Court may not be willing to crack the corporate shell. But it may rend the veil for ascertaining whether a company is an enemy company. It is true that, unlike a natural person, a company does not have mind or conscience; therefore, it cannot be a friend or foe. It may, however, be characterised as an enemy company, if its affairs are under the control of people of an enemy country. For this purpose, the Court may examine the character of the persons who are really at the helm of affairs of the company.
- (2) **To protect revenue/tax:** In certain matters concerning the law of taxes, duties and stamps particularly where question of the controlling interest is in issue. [**S. Berendsen Ltd. vs. Commissioner of Inland Revenue**]
 - (i) Where corporate entity is used to **evade or circumvent tax**, the Court can disregard the corporate entity [**Juggilal vs. Commissioner of Income Tax AIR (SC)**].
 - (ii) In [**Dinshaw Maneckjee Petit**], it was held that the company was not a genuine company at all but merely the assessee himself disguised under the legal entity of a limited company. The assessee earned huge income by way of dividends and interest. So, he opened some companies and purchased their shares in exchange of his income by way of dividend and interest. This income was transferred back to assessee by way of loan. The Court decided that the private companies were a sham and the corporate veil was lifted to decide the real owner of the income.
- (3) **To avoid a legal obligation:** Where it was found that the sole purpose for the formation of the company was to use it as a device to reduce the amount to be paid by way of bonus to workmen, the Supreme Court upheld the piercing of the veil to look at the real transaction (**The Workmen Employed in Associated Rubber Industries Limited, Bhavnagar vs. The Associated Rubber Industries Ltd., Bhavnagar and another**).

Workmen of Associated Rubber Industry Ltd., v. Associated Rubber Industry Ltd.: The facts of the case are that “A Limited” purchased shares of “B Limited” by investing a sum of ` 4,50,000. The dividend in respect of these shares was shown in the profit and loss account of the company, year after year. It was taken into account for the purpose of calculating the bonus payable to workmen of the company. Sometime in 1968, the company transferred the shares of B Limited, to C Limited a subsidiary, wholly owned by it. Thus, the dividend income did not find place in the Profit & Loss Account of A Ltd., with the result that the surplus available for the purpose for payment of bonus to the workmen got reduced.

Here a company created a subsidiary and transferred to it, its investment holdings in a bid to reduce its liability to pay bonus to its workers. Thus, the Supreme Court brushed aside the separate existence of the subsidiary company. The new company so formed had no assets of its own except those transferred to it by the principal company, with no business or income of its own except receiving dividends from shares transferred to it by the principal company and serving no purpose except to reduce the gross profit of the principal company so as to reduce the amount paid as bonus to workmen.

- (4) **Formation of subsidiaries to act as agents:** A company may sometimes be regarded as an agent or trustee of its members, or of another company, and may therefore be deemed to have lost its individuality in favour of its principal. Here the principal will be held liable for the acts of that company. In the case of **Merchandise Transport Limited vs. British Transport Commission (1982)**, a transport

company wanted to obtain licences for its vehicles, but could not do so if applied in its own name. It, therefore, formed a subsidiary company, and the application for licence was made in the name of the subsidiary. The vehicles were to be transferred to the subsidiary company. Held, the parent and the subsidiary were one commercial unit and the application for licences was rejected.

- (5) **Company formed for fraud/improper conduct or to defeat law:** Where the device of incorporation is adopted for some illegal or improper purpose, e.g., to defeat or circumvent law, to defraud creditors or to avoid legal obligations. [**Gilford Motor Co. vs. Horne**]

Answer 6 (a)

This question is made on the provisions of Section 6, as per the provisions of section 6 there are various Modes of revocation of offer :

- (i) By notice of revocation
- (ii) **By lapse of time:** The time for acceptance can lapse if the acceptance is not given within the specified time and where no time is specified, then within a reasonable time. This is for the reason that proposer should not be made to wait indefinitely. It was held in **Ramsgate Victoria Hotel Co. Vs Montefiore (1866 L.R.Z. Ex 109)**, that a person who applied for shares in June was not bound by an allotment made in November. This decision was also followed in **India Cooperative Navigation and Trading Co. Ltd. Vs Padamsey Premji**. However these decisions now will have no relevance in the context of allotment of shares since the Companies Act, 2013 has several provisions specifically covering these issues.
- (iii) **By non fulfillment of condition precedent:** Where the acceptor fails to fulfill a condition precedent to acceptance the proposal gets revoked. This principle is laid down in Section 6 of the Act. The offeror for instance may impose certain conditions such as executing a certain document or depositing certain amount as earnest money. Failure to satisfy any condition will result in lapse of the proposal. As stated earlier „condition precedent“ to acceptance prevents an obligation from coming into existence until the condition is satisfied. Suppose where „A“ proposes to sell his house to be „B“ for ` 5 lakhs provided „B“ leases his land to „A“. If „B“ refuses to lease the land, the offer of „A“ is revoked automatically.
- (iv) **By death or insanity:** Death or insanity of the proposer would result in automatic revocation of the proposal but only if the fact of death or insanity comes to the knowledge of the acceptor.
- (v) By counter offer
- (vi) By the non acceptance of the offer according to the prescribed or usual mode
- (vii) By subsequent illegality

Answer 6 (b)

DISSOLUTION BY THE COURT (SECTION 44):

Court may, at the suit of the partner, dissolve a firm on any of the following ground:

- (a) **Insanity/unsound mind:** Where a partner (not a sleeping partner) has become of unsound mind, the court may dissolve the firm on a suit of the other partners or by the next friend of the insane partner. Temporary sickness is no ground for dissolution of firm.
- (b) **Permanent incapacity:** When a partner, other than the partner suing, has become in any way permanently incapable of performing his duties as partner, then the court may dissolve the firm. Such permanent incapacity may result from physical disability or illness etc.
- (c) **Misconduct:** Where a partner, other than the partner suing, is guilty of conduct which is likely to affect prejudicially the carrying on of business, the court may order for dissolution of the firm, by giving regard to the nature of business. It is not necessary that misconduct must relate to the conduct of the business. The important point is the adverse effect of misconduct on the business. In each case nature of business will decide whether an act is misconduct or not.

- (d) Persistent breach of agreement: Where a partner other than the partner suing, wilfully or persistently commits breach of agreements relating to the management of the affairs of the firm or the conduct of its business, or otherwise so conduct himself in matters relating to the business that it is not reasonably practicable for other partners to carry on the business in partnership with him, then the court may dissolve the firm at the instance of any of the partners. Following comes in to category of breach of contract:
- Embezzlement,
 - Keeping erroneous accounts
 - Holding more cash than allowed
 - Refusal to show accounts despite repeated request etc.
- Example:** If one of the partners keeps erroneous accounts and omits to enter receipts or if there is continued quarrels between the partners or there is such a state of things that destroys the mutual confidence of partners, the court may order for dissolution of the firm.
- (e) Transfer of interest: Where a partner other than the partner suing, has transferred the whole of his interest in the firm to a third party or has allowed his share to be charged or sold by the court, in the recovery of arrears of land revenue, the court may dissolve the firm at the instance of any other partner.
- (f) Continuous/Perpetual losses: Where the business of the firm cannot be carried on except at a loss in future also, the court may order for its dissolution.
- (g) Just and equitable grounds: Where the court considers any other ground to be just and equitable for the dissolution of the firm, it may dissolve a firm. The following are the cases for the just and equitable grounds-
- (i) Deadlock in the management.
 - (ii) Where the partners are not in talking terms between them.
 - (iii) Loss of substratum.
 - (iv) Gambling by a partner on a stock exchange.

Answer 6 (c)

Doctrine of Indoor Management: The Doctrine of Indoor Management is the exception to the doctrine of constructive notice. The aforesaid doctrine of constructive notice does in no sense mean that outsiders are deemed to have notice of the internal affairs of the company. For instance, if an act is authorised by the articles or memorandum, an outsider is entitled to assume that all the detailed formalities for doing that act have been observed. This can be explained with the help of a landmark case **The Royal British Bank vs. Turquand**. This is the doctrine of indoor management popularly known as **Turquand Rule**.

Exceptions to the doctrine of Indoor Management: Thus, you will notice that the aforementioned rule of Indoor Management is important to persons dealing with a company through its directors or other persons. They are entitled to assume that the acts of the directors or other officers of the company are validly performed, if they are within the scope of their apparent authority. So long as an act is valid under the articles, if done in a particular manner, an outsider dealing with the company is entitled to assume that it has been done in the manner required.

The above mentioned doctrine of Indoor Management or Turquand Rule has limitations of its own. That is to say, it is inapplicable to the following case :

Suspicion of Irregularity: The doctrine in no way, rewards those who behave negligently. Where the person dealing with the company is put upon an inquiry, for example, where the transaction is unusual or not in the ordinary course of business, it is the duty of the outsider to make the necessary enquiry.

The protection of the "Turquand Rule" is also not available where the circumstances surrounding the contract are suspicious and therefore invite inquiry. Suspicion should arise, for example, from the fact that an officer is purporting to act in matter, which is apparently outside the scope of his authority. Where, for example, as in the case of **Anand Bihari Lal vs. Dinshaw & Co.** the plaintiff accepted a transfer of a company's property from its accountant, the transfer was held void. The plaintiff could not have supposed, in absence of a power of attorney that the accountant had authority to effect transfer of the company's property.

So based on the abovementioned provision Mr. X is not free from his liability because he is under a liability to check whether actually Mr. Z has the authority/ charge of receiving money on behalf of company and contention of Mr. X is not valid.

Section "B"

Answer 7(a)

- (i) Cleanliness was the subject matter of the book.
- (ii) We all have to act properly & give up our Bad Habits
- (iii) We & our future generation will suffer if We do not ensure clear Environment.
- (iv) Harish was living in the ugly room. When his mother shouted and instructed him to clean his room and throw The Garbage outside. He remembered his mother yesterday Swacch Bharat Abhiyan teaching. He was confused that what he should do. Then he followed yesterday teaching and throw the garbage in the dustbin. Harish asked to himself that who is responsible for cleanliness. Then he decided that we can clean our environment with a little efforts. If we give up our Bad Habits. We can save ourself and future generation. Otherwise we have to face a horrible future.

Answer7 (b) (i)

“Good business Letter”

- (i) Qualities of Good bsns Letter
 - (a) Result oriented.
 - (b) Conveys info effectively.
- (ii) How Good Letter Write
 - (a) appearance, Style, Content
- (iii) function of Good Letter
 - (a) Concise – Precise & Important key words include.
 - (b)
 - (i) Clear :- Logical Reasoning and point to point.
 - (ii) All Adequate info. included
 - (iii) Courteous: – Right in a words with a polite manner.
- (iv) Imp. of Good Letter
 - (a) Permanent record of msg.
 - (b) Paid Good dividend.

Key words:-

- (i) bsns – Business
- (ii) info – Information
- (iii) imp. – Important
- (iv) & – And
- (v) Msg. – Message

(ii) Summary:-

Good business letter should be result oriented. We can create Good Letter with the use of style, Appearance & content. First Letter should conveys it's message effectively. We have to write a very precise letter because in this busy world No one has time to read a lengthy letter. Business letter should include in to the point manner where the firm Idea of paragraph is well written & all the information in adequate manner. Finally our language should be polite when we write something. We should not use sarcastic remarks. We have to ignore small gramatical & spelling errors. That shows our ignorance & sloppiness . Good Letter is the Good investment which provid's great dividend.

Answer 8.(a)

Paralanguage:

The way you say something, more than the actual words used, reveal the intent of the message, The voice quality, intonation, pitch, stress, emotion, tone, and style of speaking, communicates approval, interest or the lack of it. Research estimates that tone of the voice accounts for 38 percent of all communications.

Answer 8(b)

- (i) “Expert”
- (ii) “Oppose”
- (iii) Suchi asked Sunil if he was interested to visit the temple.

Answer 8(c)**“The Real Objective of Life”**

Trees give their benefits to others. They are producing all goods & services for others. Like wise a noble man always lives for others. When sugarcane is peeled more then. It give more juice. The Noble man always known for his qualities. He always get blessing from others. The difference between a beast and A man is that He always works for others otherwise life becomes unprofitable. Then A Great Person Enter into the world of bliss.

Answer 9(a)(i)

Cultural barriers: Understanding cultural aspects of communication refers to having knowledge of different cultures in order to communicate effectively with cross culture people.. Understanding various cultures in this era of globalization is an absolute necessity as the existence of cultural differences between people from various countries, regions tribes and, religions, where words and symbols may be interpreted differently can result in communication barriers and miscommunications. Multinational companies offer special courses and documents to familiarize their staff with the culture of the country where they are based for work.

In addition, every organization too has its own work culture. In fact, departments within the same company may also differ in their expectations, norms and ideologies. This can impact intra and inter organizational communication.

The same principle applies to families and family groups, where people have different expectations according to their background and traditions leading to friction and misunderstanding. A very simple example is of the way food is served by a member of a family. It can be the cause of appreciation or displeasure.

(ii)

OR

- (A) **Vertical:** Information can flow upwards or downwards in the organization. Data that is collected flows up to the top levels of management for review and decision making, while instructions and orders are passed down from the management/ seniors to the subordinates for implementation.
- (B) **Horizontal:** Horizontal communication that involves communication between two parts of the organization at the same level. For example, the managers of a project in a company may hold a regular daily, weekly or monthly meeting to discuss the progress of the project.

Answer 9(b)

- (i) (a) Fantasy
- (ii) (d) Downgrade
- (iii) Shalini ordered Her younger Sister to go home immediately.

Answer 9(c)

Circular No. 21.

8 Oct. 2018

Finance Department
Re-organisation of Manpower

For all the Employees,

It is inform to all you that we are changing our organizational structural that may result in adding new positions. We oprate in a complex employment, Statutory regulatory and procedural environment. Our HR consultant will assess the scope of reorganization and help you to under stand impact on staffing, procedural requirement implementation. Costs and communication requirements you may give your valuable recommendation which is considered by our HR consultant.

R.K. Sharma
Manager

Answer 10 (a)

Technology barriers– In today’s world, communication modes are primarily technology driven.. This communication technology is being constantly upgraded or new formats emerge ever so frequently. Anyone who is not tech friendly struggles to communicate effectively via the medium.

Moreover, an individual is faced with a huge amount of information every day in the form of emails, texts and social updates. Multitasking is the norm these days. The information overload and trying to accomplish too many things together can result in gaps in communication and miscommunications.

Answer 10 (b)

- (i) to
- (ii) Sunita requested me to give me a glass of water.
- (iii) You should Handle The case carefully since it is critical in nature.

Answer 10 (c)

“Daughter of Gardener Tops Board Exams.”

By Riya Sharma

Bhubneshwar, May 12: Suman Nayak, the daughter of a municipal gardener, Om Nayak, has topped the Odisha Board Secondary Examination with 98.9% marks. Her success has been lauded by the staff members of her school“ The Government Senior Secondary School, Malkaganj”, the Odisha Education board and the State Education Minister.

When the news was conveyed to Suman by her classmates, she did not believe them. It was only when the school principle called her that the reality sunk in. Suman’s father, Om Nayak, is overjoyed at the news. He said, “Suman was always a bright student. I have made all efforts to provide her with the best education despite my meager means.” He hopes that she will be able to continue her education in spite of his financial constraints. Suman attributes her success to her parents and teachers. She said that the school teachers has provided her with all possible help by giving her extra time and attention along books and moral support. Her perseverance, dedication and hard work are spoken highly of by her teachers.

When asked about her future plans, Suman said she wished to become a doctor. However, she was unsure if she could pursue her dream because of financial problems. She hopes that she will be able to secure a scholarship and get funding by the government.

The Time Group has started an invitiative to help of Suman fulfill her aspirations. Anyone who wishes to contribute to Suman’s education can send the amount by cheque to, Suman Nayak Education Fund, „The Times of India, M.G. Road, Bhubneshwar.

Answer 11 (a)

Nonverbal Communication: Nonverbal communication is the process of communicating by sending and receiving wordless messages. These messages can aid verbal communication, convey thoughts and feelings contrary to the spoken words or express ideas and emotions on their own. Some of the functions of nonverbal communication in humans are to complement and illustrate, to reinforce and emphasize, to replace and substitute, to control and regulate, and to contradict the denoted message.

Answer 11(b)

- (i) Something happens that was unexpected.
- (ii) Continuously
- (iii) The cunning fox trapped the deer.

