

# Business Laws PYQ 2020

Q1 In case where both the parties to an agreement are under a mistake( bilateral mistake), as to a matter of fact essential to the agreement, the agreement is void but in case of a unilateral mistake it may be a void agreement, voidable contract or a valid contract. Explain.

Ans1 In contract law, a mistake refers to an erroneous belief about something or a situation. A mistake in a contract can be unilateral or bilateral. A unilateral mistake is when only one party makes an error, while a bilateral mistake occurs when both parties are mistaken about a fundamental aspect of the agreement. The legal consequences of a mistake in a contract differ based on the type of mistake that has occurred.

In the case of a bilateral mistake, if both parties have entered into an agreement under a mutual misconception, the contract may be considered void. This means that neither party is bound by the terms of the contract, and the parties must return to their original positions before the agreement was made. For example, if A agrees to sell his car to B, but both A and B were mistaken about the car's make and model, and the car delivered to B is not the same as the one A intended to sell, the contract is void.

In contrast, a unilateral mistake occurs when only one party is mistaken about a fundamental aspect of the agreement. In such cases, the contract may be voidable, void, or valid, depending on various factors such as the nature of the mistake, the degree of fault, and the presence of any misrepresentation or fraud. If the mistake is material and results from fraud, misrepresentation, or undue influence, the contract may be voidable. In other cases, the contract may be void if the mistake relates to a matter of law or if it is so fundamental that the parties did not truly reach a meeting of the minds. On the other hand, if the mistake is immaterial, the contract may remain valid.

In conclusion, while a bilateral mistake may lead to a void agreement, a unilateral mistake may result in a voidable, void, or valid contract, depending on the circumstances. It is important for parties to carefully review and understand the terms of a contract before signing to avoid any mistakes that could lead to undesirable consequences.

Q2. What do you understand by 'suit upon Quantum Meruit'? Discuss the circumstances giving rise to suit upon Quantum Merit. Explain the doctrine of public policy. Discuss the agreements contrary to public policy.

Ans2 'Suit upon Quantum Meruit' is a legal remedy available to a party to recover payment for the value of work or services done on behalf of another party, based on the principle of 'as much as he deserves'. It is a Latin term that means 'as much as is deserved'.

A suit upon Quantum Meruit arises in circumstances where there is no prior agreement or contract between the parties regarding payment for the services rendered. In such cases, the party who has rendered the services can claim payment for the same based on the quantum meruit principle, which means that he is entitled to receive payment for the value of the services rendered.

The circumstances giving rise to a suit upon Quantum Meruit are generally when there is no express contract between the parties, or when the contract is found to be void or unenforceable for some reason. In such cases, the party who has rendered the services can seek payment based on the principle of quantum meruit. This is also applicable in situations where the contract has been partially performed and one party seeks to recover payment for the work already done.

The doctrine of public policy is a principle of law that aims to protect the interests of society by preventing individuals from entering into agreements that are contrary to public policy. It is based on the idea that certain types of agreements are inherently harmful to society, and therefore should not be allowed.

Agreements contrary to public policy include those that are illegal, immoral, or against the public interest. Some examples of such agreements include contracts that involve fraud, contracts that promote gambling or prostitution, contracts that restrict competition, or contracts that violate environmental or health regulations.

In conclusion, a suit upon Quantum Meruit is a legal remedy available to a party to recover payment for the value of work or services done on behalf of another party, based on the principle of 'as much as he deserves'. It arises in circumstances where there is no prior agreement or contract between the parties regarding payment for the services rendered. The doctrine of public policy is a principle of law that aims to protect the interests of society by preventing individuals from entering into agreements that are contrary to public policy.

Q3. Explain with examples Auction sale, Modes of delivery and Rights of an unpaid seller against the buyer personally.

Ans3 Auction Sale: An auction sale is a public sale in which goods are sold to the highest bidder. In an auction sale, the goods are put up for sale and buyers make bids. The highest bidder gets the goods after paying the price. Auction sales are common in the sale of immovable property, antiques, paintings, etc.

Example: A house owner decides to sell his property by auction. The auctioneer puts up the property for sale, and potential buyers make bids. The highest bidder wins the property after paying the price.

Modes of Delivery: The delivery of goods is an essential part of a contract of sale. The delivery can be made in various ways depending on the terms of the contract. The different modes of delivery are:

1. Actual delivery: When the seller physically hands over the goods to the buyer.
2. Constructive delivery: When the seller does not physically hand over the goods but does something which is equivalent to delivery. For example, if the seller hands over the keys of a warehouse where the goods are stored.
3. Symbolic delivery: When the seller hands over a symbol of the goods, like a bill of lading or a delivery order.
4. Delivery by attornment: When the seller acknowledges the buyer as the new owner of the goods. This type of delivery is common in the case of agricultural produce.

Rights of an Unpaid Seller Against the Buyer Personally: An unpaid seller is a seller who has not received the price of the goods sold. In such cases, the seller has certain rights against the buyer personally. These rights are:

1. Right of lien: The seller has a right to retain the goods until he receives the full payment of the price.
2. Right of stoppage in transit: If the goods are in transit and the seller has reason to believe that the buyer will not pay the price, the seller can stop the goods from reaching the buyer and can demand payment.
3. Right of resale: If the buyer does not pay the price within a reasonable time, the seller can resell the goods and claim damages from the buyer.
4. Right of sue for the price: The seller can sue the buyer for the price of the goods if the goods have been delivered and the buyer has refused to pay.

Example: A seller sells goods to a buyer on credit. The buyer does not pay the price on the due date. The seller has the right to retain the goods until the payment is made. If the goods are in transit, the seller can stop the goods and demand payment. If the buyer still does not pay, the seller can resell the goods and claim damages from the buyer.

Q4. What is Termination of Agency? Explain the different ways of termination of agency.

Ans4 Termination of agency refers to the cessation of the legal relationship between an agent and principal. The agency relationship can come to an end in several ways. Some of the common ways of terminating an agency are:

1. By mutual agreement: The agency can be terminated by mutual consent of both the principal and the agent. This can be done by way of a written agreement or through an oral agreement.
2. By operation of law: An agency relationship may be terminated by operation of law due to the occurrence of certain events such as the bankruptcy of the principal or the agent, the death of the principal or the agent, or the insanity of either party.
3. By revocation or renunciation: The principal may revoke the authority of the agent at any time, either expressly or impliedly. Similarly, the agent may renounce the agency relationship by giving notice to the principal.
4. By completion of the agency: The agency may come to an end once the purpose for which it was created has been achieved or completed.
5. By expiry of time or occurrence of an event: The agency relationship may be terminated automatically upon the expiry of the time period for which it was created or upon the occurrence of an event specified in the agreement.

In case of termination of agency, the rights and obligations of the principal and the agent will be affected. The principal may be required to compensate the agent for any expenses incurred or work done during the course of the agency. The agent, on the other hand, may be entitled to receive commission or other compensation as per the terms of the agreement.

It is important to note that termination of agency does not affect any rights or liabilities that have already arisen out of the agency relationship.

Q5. Discuss the provisions of third schedule (annexed to the LLP Act 2008) for conversion from private company into limited liability partnership. Discuss the effects of Conversion of Partnership into LLP.

Ans5 The third schedule of the Limited Liability Partnership (LLP) Act, 2008 provides for the conversion of a private company into an LLP. The process of conversion involves the transfer of all assets, liabilities, rights, privileges, obligations, and debts of the private company to the LLP.

The procedure for conversion is as follows:

1. Obtain approval from all the shareholders of the private company through a special resolution.
2. Obtain a no-objection certificate from all the creditors of the private company.
3. File Form-18 with the Registrar of Companies (ROC) along with the necessary documents, such as a copy of the special resolution, a list of creditors, and a statement of assets and liabilities.
4. File Form-2 with the ROC to incorporate the LLP.
5. Obtain a fresh certificate of incorporation for the LLP from the ROC.

The effects of conversion of a partnership into an LLP are as follows:

1. Liability: The partners of the LLP have limited liability, which means that their personal assets are protected in case of any business debts or obligations.
2. Management: The LLP is managed by designated partners, who are responsible for complying with all legal requirements and running the business.
3. Taxation: The LLP is taxed as a partnership, which means that it is not subject to corporate income tax.
4. Transfer of ownership: The ownership of the LLP can be transferred by the transfer of the partnership interest, subject to the terms and conditions of the LLP agreement.

Overall, the conversion of a private company into an LLP can provide several benefits, such as limited liability protection for the partners and simplified taxation. However, the conversion process involves several legal requirements and should be undertaken with the advice and guidance of legal professionals.

Q6. Explain the purpose and content of digital signature certificate. When can a digital signature certificate be suspended or revoked? Also explain Electronic record, Certification practice statement.

Ans6 A digital signature certificate (DSC) is an electronic document that is used to verify the identity of a person or organization while conducting transactions online. It is issued by a Certifying Authority

(CA) and contains the name of the person or organization, their public key, the digital signature of the CA, and the expiration date of the certificate.

The purpose of a DSC is to provide security and authenticity to electronic transactions by verifying the identity of the signatory. The content of a DSC includes the following:

1. The name of the person or organization
2. The public key of the person or organization
3. The digital signature of the CA
4. The expiration date of the certificate

A DSC can be suspended or revoked if:

1. The certificate holder requests for the same
2. The certificate holder violates the terms and conditions of the issuance of the certificate
3. The CA finds out that the information provided by the certificate holder is incorrect or fraudulent
4. The certificate is being misused or there is a security breach

An electronic record is any information that is generated, sent, received, or stored in an electronic form or format. It can be a document, message, image, or any other form of data that is created, transmitted, or received through electronic means.

A Certification Practice Statement (CPS) is a document that outlines the policies, practices, and procedures followed by a CA in issuing, managing, and revoking digital certificates. It contains information about the CA's identity, its security measures, its certificate issuance policies, and the procedures for verifying the identity of certificate holders.