Business Laws PYQ 2019

Q1 a State with reasons in brief whether the following statements are True or False:

(i) Void contracts and voidable contracts are one and the same thing.

(ii) A stranger to a consideration cannot sue.

(iii) Indirect loss can only be claim by the aggrieved panty if it is in the contemplation.

Ans. (i) False. Void contracts and voidable contracts are different types of contracts. Void contracts are those which are not enforceable by law and have no legal effect from the beginning, whereas voidable contracts are those which are initially valid but can be voided by one of the parties due to certain legal grounds such as fraud, misrepresentation, etc.

(ii) True. A stranger to a consideration cannot sue as they are not a party to the contract and have not provided any consideration to support the contract. Only parties to a contract who have provided consideration can sue to enforce the contract.

(iii) False. Indirect loss can be claimed by the aggrieved party even if it was not in contemplation of the parties at the time of the contract. However, for such losses to be recoverable, they must be a foreseeable consequence of the breach of contract. Foreseeable losses are those that the parties could have reasonably foreseen at the time of entering into the contract.

Q1 b Mistake results in a contract to be void, valid as well as voidable. Elucidate.

Ans. Mistake in a contract can lead to the contract being either void or voidable, depending on the nature of the mistake.

A mistake in a contract occurs when one or both parties to the contract make an error in understanding the terms or nature of the agreement they are entering into. If the mistake goes to the root of the contract, i.e., it is a mistake about the subject matter of the contract, then the contract will be void. A void contract is one that is not enforceable by law, and has no legal effect from the beginning. In such cases, the parties are not bound by the contract, and any obligations arising out of the contract are not enforceable.

On **the other hand**, if the mistake is not fundamental, and only affects the performance of the contract, then the contract may be voidable. A voidable contract is one that is initially valid, but can be voided by one of the parties due to certain legal grounds such as fraud, misrepresentation, etc. In such cases, the parties may choose to either continue with the contract or to terminate it.

For **example**, if A agrees to sell a car to B, believing that it is a new car, but in reality, it is a used car, then the contract will be void as the mistake goes to the root of the contract. However, if A agrees to sell a car to B, believing that it has a certain feature, but in reality, it does not, then the contract may

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be voidable, as the mistake only affects the performance of the contract, and B may choose to either continue with the contract or to terminate it.

In conclusion, the effect of a mistake on a contract depends on the nature of the mistake, and it may result in the contract being either void or voidable.

OR

Q1 a State with reasons in brief whether the following statements are True or False:

(i) A minor can ratify contracts.

(ii) Fraud and misrepresentation are the same thing.

(iii) The parties are free to make their own bargains.

Ans. (i) False. A minor cannot ratify contracts made during their minority. Ratification refers to the act of approving and accepting the terms of a contract after attaining the age of majority. Since a contract entered into by a minor is voidable at the option of the minor, they can either ratify or repudiate the contract after attaining majority.

(ii) False. Fraud and misrepresentation are not the same thing. Fraud refers to an intentional deception made by one party with the intention to induce another party to enter into a contract, while misrepresentation refers to a false statement made innocently or without the intention to deceive. Fraud is a more serious offence and can lead to the contract being voidable, while misrepresentation may only give rise to a claim for damages.

(iii) True. The parties to a contract are generally free to make their own bargains, subject to certain limitations such as the requirement that the object of the contract must be lawful, the consent of the parties must be free and genuine, and the contract must not be against public policy. This principle of freedom of contract allows parties to negotiate and agree on terms that suit their individual needs and circumstances, and is a fundamental principle of contract law.

Q1 b Harsh promised to Rs10000 per month to his wife Sunita for her medical treatment. Is the contract valid? Does writing and registration in any way affect the validity of the contract. Explain.

Ans. The contract between Harsh and Sunita for the payment of Rs. 10,000 per month for her medical treatment may be valid, depending on the circumstances of the case.

For a contract to be valid, there must be an offer and acceptance, consideration, free and genuine consent of the parties, lawful object, and capacity of the parties to contract. In this case, it appears that there is an offer (by Harsh) to pay Rs. 10,000 per month for Sunita's medical treatment, and an acceptance (by Sunita) of the offer. The consideration for the contract is Sunita's medical treatment. Assuming that Sunita is an adult of sound mind and the contract is not against public policy, the contract appears to meet the requirements for a valid contract.

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As for the second part of the question, writing and registration are not necessary to make a contract valid, except in certain cases where writing and registration are required by law (such as contracts for sale of immovable property). In this case, since the contract does not involve the sale of immovable property, writing and registration are not necessary to make the contract valid.

However, it is always advisable to reduce a contract to writing to avoid disputes and misunderstandings between the parties. A written contract provides evidence of the terms of the agreement and can be used as proof in case of a dispute.

Q2 a All insurance contracts are wagering contracts. Discuss.

Ans. All insurance contracts are not wagering contracts. A wagering contract is an agreement in which two parties bet on the outcome of an uncertain event. In a wagering contract, each party stands to gain or lose depending on the outcome of the event, and the contract is based on chance rather than on a valid consideration.

On the other hand, an insurance contract is a contract in which one party (the insurer) agrees to compensate the other party (the insured) for loss or damage resulting from a specific event, in exchange for a premium paid by the insured. The insured pays the premium to transfer the risk of loss or damage to the insurer. In an insurance contract, the insured does not stand to gain anything from the occurrence of the event, but merely seeks to be compensated for the loss or damage suffered.

Thus, insurance contracts are not wagering contracts as they are based on valid consideration, which is the transfer of risk from the insured to the insurer, and not on the outcome of an uncertain event. The premium paid by the insured is a consideration for the insurer's promise to compensate the insured in case of loss or damage resulting from the specified event.

Furthermore, wagering contracts are illegal and void under the Indian Contract Act, 1872. Insurance contracts, on the other hand, are legal and enforceable as they serve a legitimate social purpose of providing financial protection against risks and uncertainties.

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Q2 b Define certain relations resembling those created by contracts and discuss any two, of them in detail.

Ans. Certain relations resembling those created by contracts are known as Quasi-Contracts or Contracts Implied in Law. They are not actual contracts, but they are treated as such by the law to prevent unjust enrichment of one party at the expense of another.

Two examples of quasi-contracts are:

Supply of Necessaries: When a person supplies goods or services that are necessary for the survival of another person, and that person is unable to pay for them, the law implies a quasi-contractual obligation on the part of the person receiving the goods or services to pay a reasonable price for them. For example, if a doctor provides emergency medical treatment to an unconscious person, the law implies that the person who received the treatment has an obligation to pay a reasonable price

for it, even though no express contract was made. Similarly, if a person provides food or shelter to someone in dire need, the law implies that the recipient is obligated to pay a reasonable price for the goods or services provided.

Money Paid Under Mistake: When a person pays money to another person under a mistake of fact, and the person who received the money knew or ought to have known about the mistake, the law implies a quasi-contractual obligation on the part of the recipient to return the money to the person who paid it. For example, if a person pays a bill twice by mistake, the law implies that the recipient of the payment has an obligation to return the excess amount paid.

In both these cases, the **quasi-contractual obligation** is based on the principle of unjust enrichment, which means that one person should not be unjustly enriched at the expense of another. The law implies a quasi-contractual obligation to prevent one party from benefiting unfairly at the expense of another. While the obligations in these quasi-contracts are not based on an express agreement between the parties, they are nonetheless binding under the law.

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Q2 c In case the Bailee does not receive payment under the contract. Which right si available to him? Discuss this right in detail. Discussing the kinds as well as bringing out the differences if any.

Ans. If a bailee does not receive payment under the contract, he can exercise his right of lien. The right of lien allows the bailee to retain possession of the goods until he receives full payment for his services or charges related to the goods.

There are two kinds of lien:

Particular Lien: A particular lien allows the bailee to retain possession of the specific goods until he receives payment for the services rendered or expenses incurred in relation to those particular goods. For example, if a mechanic repairs a car and the owner of the car does not pay the repair charges, the mechanic can exercise his right of particular lien and refuse to return the car until he receives payment for the repair work.

General Lien: A general lien allows the bailee to retain possession of all goods belonging to the owner until he receives payment for the services rendered or expenses incurred in relation to any of those goods. For example, a banker has a general lien over all the securities deposited by a customer, and can retain possession of all the securities until the customer repays any outstanding debts or charges owed to the bank.

The **main difference** between particular and general lien is that the former applies only to the specific goods for which the bailee has rendered services or incurred expenses, while the latter applies to all goods belonging to the owner of the goods, regardless of whether services were rendered or expenses were incurred in relation to those goods.

It is important to note that the right of lien is not an absolute right, and the bailee must exercise it in a reasonable manner. The bailee cannot retain possession of the goods indefinitely or demand an excessive amount for his services or expenses. If the bailee exercises his right of lien unreasonably, the owner of the goods may seek legal remedies to recover the goods or seek damages for any losses incurred as a result of the bailee's actions.

OR

Q2 a Impossibility of performance is not an excuse for performance of a contract. Explain.

Ans. Impossibility of performance is generally considered as an excuse for non-performance of a contract, but it is not an absolute excuse. In certain circumstances, the doctrine of impossibility may not apply, and the party may still be required to perform the contract or be held liable for damages for breach of contract.

The **doctrine of impossibility** is based on the principle that parties to a contract cannot be held liable for non-performance if the performance of the contract becomes impossible due to unforeseen and unavoidable circumstances beyond their control. However, this doctrine is subject to several limitations and conditions.

Firstly, the impossibility must be objective and absolute, and not merely difficult or burdensome. If the party could have performed the contract with reasonable effort or expense, then the doctrine of impossibility may not apply.

Secondly, the impossibility must not have been foreseeable at the time of entering into the contract. If the impossibility was foreseeable, then the party may be held liable for breach of contract for failing to take reasonable steps to avoid or mitigate the effects of the impossibility.

Thirdly, the impossibility must not have been caused by the fault or negligence of the party seeking to rely on the doctrine of impossibility. If the party's own actions or inactions contributed to the impossibility, then the doctrine may not apply.

Finally, the party seeking to rely on the doctrine of impossibility must provide prompt notice to the other party of the impossibility and must take reasonable steps to mitigate the effects of the impossibility.

In conclusion, while the doctrine of impossibility provides a defense against non-performance of a contract, it is not an absolute excuse, and the party seeking to rely on it must meet certain conditions and limitations to avoid liability for breach of contract.

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Q2 b Surety is a favoured Debtor. Discuss.

Ans. The legal principle of "**Surety is a favoured debtor**" means that the surety, who guarantees the payment of a debt or the performance of an obligation by the principal debtor, is entitled to certain privileges and protections under the law. These privileges and protections are designed to prevent the surety from being unfairly burdened with obligations that he did not originally undertake.

One of the main privileges enjoyed by a surety is the right of subrogation. This means that once the surety pays off the debt or performs the obligation, he becomes entitled to all the rights and remedies that the creditor had against the principal debtor. The surety can then recover the amount paid from the principal debtor or from any security held by the creditor.

Another privilege enjoyed by the surety is the right of exoneration. This means that the surety has the right to require the principal debtor to perform his obligations, and if the principal debtor fails to

do so, the surety can be released from his obligation to pay. The surety has the right to require the creditor to exhaust all remedies against the principal debtor before enforcing the surety's obligation.

Furthermore, the surety is entitled to notice of any default or breach by the principal debtor, and the creditor is required to take reasonable steps to mitigate any damages suffered by the surety. The creditor is also required to act in good faith and not to take advantage of the surety's position.

These privileges and protections are based on the policy of the law to encourage the use of sureties as a means of securing debts and obligations, and to ensure that sureties are not unfairly burdened with obligations beyond their original undertaking. However, it should be noted that these privileges and protections are not absolute, and the surety may still be held liable if he has acted in bad faith or has breached his own obligations under the contract.

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Q2 c A delegate cannot further delegate. Elaborate this statement.

Ans. The legal principle of "**delegation of duties**" refers to the transfer of a person's duties or obligations to another person. In the context of contracts, delegation typically arises in the performance of services or the delivery of goods, where one party may delegate the performance of the contract to a third party. However, the general rule is that a delegate cannot further delegate the duties or obligations that have been delegated to him.

The reason for this rule is that the performance of a contract requires a certain level of skill, knowledge, or expertise that the original parties to the contract have relied upon when entering into the agreement. When a delegate further delegates his duties to another party, the original parties may not have the same level of confidence in the ability of the new delegate to perform the contract as they did with the original delegate.

Furthermore, allowing a delegate to further delegate his duties would create uncertainty and confusion as to who is ultimately responsible for the performance of the contract. The original parties to the contract would be unable to hold any particular party accountable for the performance of the contract, and disputes could arise over who is responsible for any breaches or failures in performance.

However, there are some exceptions to the general rule that a delegate cannot further delegate. In some cases, the parties to the contract may agree to allow the delegate to further delegate his duties, or the delegation may be allowed by law or custom. Additionally, some contracts may contain specific provisions that allow for the further delegation of duties.

In conclusion, the general rule is that a delegate cannot further delegate his duties or obligations, unless the parties to the contract have agreed otherwise or unless there are specific legal or contractual provisions that allow for such delegation.

Q3 a Define the term Goods under Sale of Goods Act.

Ans. The **Sale of Goods Act**, 1930 defines the term "**goods**" as every kind of movable property other than actionable claims and money; and includes stock and shares, growing crops, grass, and things

attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale.

In simpler terms, goods under the Sale of Goods Act refer to any movable property that can be bought and sold, with the exception of money and certain legal claims. This can include tangible items such as furniture, electronics, and vehicles, as well as intangible items such as copyrights and patents.

The definition of goods also includes growing crops, which refers to crops that are still attached to the land at the time of sale, but which are intended to be harvested and sold in the future. Additionally, goods can include things that are attached to or form part of the land, but which are agreed to be severed before the sale or under the contract of sale. For example, this could include a tree that has been agreed to be cut down and sold for lumber.

It is important to note that the Sale of Goods Act only applies to the sale of goods, and not to other types of transactions such as services or real estate. The Act provides a framework for the rights and obligations of the buyer and seller in a sale of goods transaction, including issues such as delivery, warranties, and payment.

Q3 b Right of stoppage of goods in transit is an extension of unpaid seller right of lien. Discuss.

Ans. The right of stoppage of goods in transit is a legal right available to an unpaid seller of goods to stop the delivery of the goods in transit to the buyer, in order to regain possession of the goods until payment is made by the buyer. This right is an extension of the unpaid seller's right of lien, which is the right to retain possession of the goods until payment is made by the buyer.

The right of stoppage of goods in transit arises when the seller has delivered the goods to a carrier for delivery to the buyer, but the buyer has not yet received the goods. In this situation, the seller can issue a notice to the carrier to stop the delivery of the goods, and the seller can then retake possession of the goods until payment is made by the buyer.

The right of stoppage of goods in transit is an extension of the right of lien because it allows the seller to exercise control over the goods even after they have left the seller's possession, and it provides an additional remedy for the seller to enforce payment from the buyer. The right of stoppage of goods in transit also serves as a safeguard against the risk of non-payment by the buyer, as the seller can stop the delivery of the goods and avoid the risk of losing the goods without receiving payment.

It is important to note that the right of stoppage of goods in transit is only available to an unpaid seller, and it can only be exercised if the seller has a valid right to retain possession of the goods under the right of lien. Additionally, the seller must exercise the right of stoppage of goods in transit in a timely manner, as the right is lost once the goods are delivered to the buyer.

In **conclusion**, the right of stoppage of goods in transit is an extension of the unpaid seller's right of lien, and it provides an additional remedy for the seller to enforce payment from the buyer. This right serves as a safeguard against the risk of non-payment by the buyer and allows the seller to exercise control over the goods even after they have left the seller's possession.

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Q3 c Arun contracted with Vimal to deliver 100 kg of rice, but on 25th October he could deliver only30 kg but his intention was to complete the contract When is property in goods deemed to be passed. Will the answer be different if the intention of the party is to severe the contract from the whole contract.

Ans. The passing of property in goods is an important concept under the Sale of Goods Act, as it determines the point at which the buyer acquires ownership of the goods. In the given scenario, Arun contracted with Vimal to deliver 100 kg of rice, but he could only deliver 30 kg on 25th October, and intended to complete the contract.

The passing of property in goods depends on the terms of the contract between the parties. If the contract specifies a date or event upon which the property in the goods will pass, then the property will pass at that point. However, if the contract does not specify a date or event, then the property in the goods will pass at the time of delivery.

In this case, since Arun could only deliver 30 kg of rice on 25th October, the property in the goods would have passed for that 30 kg of rice at the time of delivery. However, the property in the remaining 70 kg of rice would not have passed as the delivery of those goods was not made. Arun would need to deliver the remaining 70 kg of rice to Vimal for the property in those goods to pass.

If Arun had intended to sever the contract from the whole contract, it would depend on the terms of the severance agreement. If the severance agreement specified a date or event upon which the property in the goods would pass, then the property would pass at that point. However, if the severance agreement did not specify a date or event, then the property in the goods would pass at the time of delivery. In this case, the property in the 30 kg of rice that was delivered would have passed at the time of delivery, and the property in the remaining 70 kg of rice would not have passed until they were delivered to Vimal.

OR

Q3 a i) Why is it important to determine the time in which ownership will pass?

(ii) Is right of resale available to the unpaid seller. Comment.

(iii) Goods are delivered by Mahesh, a seller for transmission to Bablu the buyer. The goods are loaded on 25th October on a carrier without the seller reserving any right of disposal. If the goods get damaged or destroyed on the way who will bear the loss. Wil the answer be different fi the seller reserves his right of disposal.

Ans. (i) It is important to determine the time at which ownership will pass because it determines when the buyer becomes the legal owner of the goods. Until the property in the goods passes to the buyer, the seller retains ownership and the right to dispose of the goods. The passing of property in goods also determines who bears the risk of loss or damage to the goods.

(ii) The right of resale is available to an unpaid seller under the Sale of Goods Act. If the buyer fails to pay the price of the goods and the seller exercises their right of lien by retaining possession of the goods, the seller can also exercise their right of resale. The seller must give notice of their intention to resell the goods to the buyer, and if the resale results in a loss, the buyer is liable to pay the difference between the original contract price and the resale price.

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(iii) If the goods are delivered by Mahesh, a seller, for transmission to Bablu, the buyer, and the goods are loaded on a carrier without the seller reserving any right of disposal, the risk of loss or damage to the goods passes to the buyer once they are loaded onto the carrier. Therefore, if the goods get damaged or destroyed on the way, the buyer will bear the loss.

However, if the seller reserves their right of disposal, they retain ownership and control over the goods until the buyer takes delivery. In such a case, if the goods get damaged or destroyed on the way, the seller will bear the loss as they have not yet transferred ownership of the goods to the buyer.

Q3 b Define sale and differentiate between sale and agreement to sell.

Ans. Sale is a contract between two parties, the seller and the buyer, where the seller transfers or agrees to transfer the ownership of goods to the buyer for a price.

On the other hand, an agreement to sell is a contract where the seller agrees to transfer the ownership of goods to the buyer at a future time or subject to certain conditions. In an agreement to sell, the ownership of goods remains with the seller until the conditions for transferring ownership are met.

The key differences between sale and agreement to sell are as follows:

Transfer of ownership: In a sale, the ownership of goods is immediately transferred to the buyer, whereas in an agreement to sell, the ownership is transferred at a future time or subject to certain conditions.

Risk: In a sale, the risk of loss or damage to the goods is transferred to the buyer along with the ownership, whereas in an agreement to sell, the risk remains with the seller until the ownership is transferred.

Remedies: In case of breach of contract, the remedies available to the parties differ. In a sale, the buyer can sue the seller for breach of contract and claim damages or specific performance. In an agreement to sell, if the seller fails to transfer ownership, the buyer can only sue for damages and not for specific performance.

Insolvency: If the seller becomes insolvent after a sale, the buyer's ownership rights are protected. However, in an agreement to sell, the buyer becomes an unsecured creditor in case of the seller's insolvency.

In summary, sale is a transaction where ownership of goods is immediately transferred to the buyer, while an agreement to sell is a promise to transfer ownership at a future time or subject to certain conditions.

Q4 a Explain the term designated partner Discuss the provision regarding appointment and eligibility condition of designated partner.

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Ans. Under the Indian Partnership Act, 1932, a designated partner is a partner who is designated as such in accordance with the provisions of the Limited Liability Partnership (LLP) Act, 2008. An LLP is a type of partnership where the liability of partners is limited to the extent of their capital contribution, and it is governed by the LLP Act.

Provisions regarding appointment of designated partner:

Every LLP must have at least two designated partners, of whom at least one must be a resident of India.

The partners can designate any of the partners as a designated partner or appoint a new person as a designated partner.

The appointment of a designated partner should be filed with the Registrar of LLPs within 30 days of the appointment.

Eligibility conditions for designated partner:

The designated partner must be above 18 years of age.

The designated partner must have a Designated Partner Identification Number (DPIN) issued by the Ministry of Corporate Affairs.

The designated partner must not have been declared bankrupt or convicted of any offence involving moral turpitude.

Functions of designated partner:

Every LLP must have at least two designated partners who are responsible for complying with the provisions of the LLP Act.

The designated partners are responsible for maintaining books of accounts, filing annual returns, and ensuring compliance with all applicable laws.

The designated partners are jointly and severally liable for all the acts of the LLP and the other partners.

In summary, a designated partner is a partner who is designated as such under the provisions of the LLP Act, and who has certain responsibilities and liabilities under the Act. The appointment of designated partners must comply with the eligibility conditions and be filed with the Registrar of LLPs within the prescribed time limit.

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Q4 b Explain the procedure and effect of converting a firm into an LLP.

Ans. Converting a firm into a Limited Liability Partnership (LLP) is a legal process governed by the Limited Liability Partnership Act, 2008. The procedure and effect of converting a firm into an LLP are as follows:

Procedure for conversion:

Obtain Digital Signature Certificate (DSC) and Director Identification Number (DIN) for all the partners of the firm who will become designated partners in the LLP.Apply for reservation of name of the LLP with the Registrar of Companies (ROC) by filing Form-1 and paying the prescribed fees.

Draft and file Form-2 with the ROC for incorporating the LLP along with the following documents:

Consent of all partners of the firm to become partners of the LLP.

Statement of accounts of the firm audited by a Chartered Accountant.

Copy of the partnership deed of the firm.

File Form-17 for conversion of the firm into an LLP along with Form-2 within 15 days of approval of the name.

Obtain the Certificate of Incorporation (COI) from the ROC.

Effects of conversion:

The LLP formed after conversion shall be deemed to be a continuation of the partnership firm and all assets, liabilities, interests, rights, obligations, etc. of the firm shall be transferred to the LLP.

The firm shall be deemed to be dissolved upon registration of the LLP.

All agreements, deeds, bonds, etc. entered into by the firm shall continue to be in force and binding on the LLP.

The partners of the firm shall become designated partners of the LLP and their capital contribution in the firm shall be considered as their contribution to the capital of the LLP.

The LLP shall have a separate legal entity from its partners and the liability of the partners shall be limited to their capital contribution in the LLP.

In summary, the conversion of a firm into an LLP involves obtaining DSC and DIN for partners, reserving a name for the LLP, filing necessary forms and documents with the ROC, and obtaining the COI. The LLP formed after conversion shall be deemed to be a continuation of the firm, and all the rights, obligations, and liabilities of the firm shall be transferred to the LLP.

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Q4 c Provisions of taxations for LLP have evolved over time. Discuss.

Ans. Over the years, there have been several changes in the taxation provisions for Limited Liability Partnerships (LLPs) in India. Here is a brief overview of how the taxation provisions for LLPs have evolved:

Introduction of LLPs: LLPs were introduced in India in 2008 under the Limited Liability Partnership Act, 2008. Initially, LLPs were taxed as partnerships and were not subject to tax at the entity level.

Introduction of Minimum Alternate Tax (MAT): In 2011, the government introduced the Minimum Alternate Tax (MAT) for LLPs, which is a tax on book profits. LLPs are required to pay MAT if their taxable income is lower than the prescribed percentage of their book profits.

Introduction of Dividend Distribution Tax (DDT): In 2014, the government introduced the Dividend Distribution Tax (DDT) for LLPs. DDT is a tax on the distribution of profits to partners, and is levied at a fixed rate of 15%.

Removal of MAT for certain LLPs: In 2015, the government removed the MAT for LLPs with a turnover of less than Rs. 50 lakhs.

Introduction of Presumptive Taxation: In 2016, the government introduced the Presumptive Taxation Scheme for LLPs, which allows LLPs to pay tax on a presumptive basis, based on their turnover.

Changes in tax rates: Over the years, there have been several changes in the tax rates applicable to LLPs. For example, in 2019, the government reduced the corporate tax rate for LLPs from 30% to 25.17%.

Introduction of LLP Settlement Scheme: In 2020, the government introduced the LLP Settlement Scheme, which provides a one-time opportunity for LLPs to settle any pending disputes related to their tax liabilities.

Overall, the taxation provisions for LLPs in India have undergone several changes over the years, with the government introducing new taxes, changing tax rates, and introducing new schemes to provide relief to LLPs.

OR

Q4 a LLP is a hybrid between a company and a partnership firm. Discuss.

Ans. A Limited Liability Partnership (LLP) is a form of business structure that combines the features of a traditional partnership firm with the features of a limited liability company. The LLP is considered as a hybrid between a company and a partnership firm. Here are some of the ways in which an LLP combines the features of both:

Separate legal entity: Like a company, an LLP is a separate legal entity from its partners. This means that the LLP can enter into contracts, sue and be sued in its own name.

Limited liability: The liability of the partners in an LLP is limited to the amount of capital they have invested in the LLP. This means that the personal assets of the partners are not at risk in case of any business-related liabilities.

Flexibility of a partnership: An LLP is governed by the terms of the partnership agreement between the partners. This gives the partners a great deal of flexibility in deciding how the business will be run.

Taxation: Like a partnership firm, the LLP is not subject to corporate tax. The profits of the LLP are taxed as the personal income of the partners. However, some provisions for taxation of LLPs have been introduced over time.

Management: In an LLP, the partners have the right to manage the business directly. However, they may also choose to appoint designated partners who will be responsible for the day-to-day management of the LLP.

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Transfer of ownership: Like a company, an LLP can transfer ownership through the transfer of its ownership interest. This means that partners can enter or exit the business without dissolving the LLP.

In summary, an LLP combines the advantages of both a partnership firm and a limited liability company. It offers the flexibility of a partnership, while providing the protection of limited liability to its partners. Additionally, LLPs are taxed in a similar manner to partnership firms, making them a popular choice among small businesses and professional services firms.

Q4 b How can an LLP be incorporated under LLP Act 2008.

Ans. An LLP (Limited Liability Partnership) can be incorporated under the LLP Act 2008 by following the below-given steps:

Digital Signature Certificate (DSC) - The first step is to obtain a digital signature certificate for the designated partners of the proposed LLP. The designated partner has to apply for a DSC from a government-approved agency.

Designated Partner Identification Number (DPIN) - The next step is to obtain a DPIN for the designated partners of the proposed LLP. The designated partner has to make an online application to the Ministry of Corporate Affairs (MCA) for obtaining a DPIN.

Name Reservation - Once the DSC and DPIN are obtained, the next step is to reserve a name for the proposed LLP. The designated partner has to file an application in Form LLP-RUN (Reserve Unique Name) with the MCA.

Incorporation of LLP - After the name is approved, the designated partners have to file the incorporation documents of the LLP in Form FiLLiP (Form for incorporation of LLP). The documents include the LLP Agreement, address proof of the registered office, consent of designated partners, and other details. The forms have to be digitally signed and submitted with the MCA.

Payment of Fees - The last step is to pay the prescribed fees for the incorporation of the LLP.

Once the above steps are completed, the MCA will verify the documents and, if everything is in order, will issue a certificate of incorporation for the LLP. The LLP will then be registered under the LLP Act 2008 and will be a legal entity capable of carrying on its business activities.

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Q5 a Information and Technology Act is not applicable to which contracts. Enumerate.

Ans. The Information Technology Act, 2000 (IT Act) is applicable to all contracts that are formed through electronic means, including online contracts and electronic agreements. However, there are some contracts that are not covered by the IT Act. These include:

Contracts for the sale, purchase, or lease of immovable property - The IT Act does not apply to contracts for the sale, purchase, or lease of immovable property, such as land, buildings, and other immovable assets.

Negotiable instruments - The IT Act is not applicable to negotiable instruments, such as cheques, promissory notes, and bills of exchange, which are governed by the Negotiable Instruments Act, 1881.

Power of attorney - Contracts related to power of attorney are not covered by the IT Act.

Wills - The IT Act does not apply to wills and other testamentary documents, which are governed by the Indian Succession Act, 1925.

Trust deeds - Contracts related to the creation of trust deeds are not covered by the IT Act.

It is important to note that even if a contract is not covered by the IT Act, it may still be enforceable under other laws and regulations.

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Q5 b Differentiate between private and public key.

Ans. In cryptography, private and public keys are two distinct cryptographic keys that are used to secure digital communication.

Private Key:

A private key is a secret key that is known only to the owner of the key pair.

It is used for decryption of messages and digital signatures.

It is kept secret and is not shared with anyone else.

It is typically used for securing confidential information such as credit card information, banking information, and personal identification information.

Public Key:

A public key is a key that is made publicly available to anyone who wants to communicate with the owner of the key pair.

It is used for encryption of messages and digital signatures.

It is not kept secret and can be shared with anyone.

It is typically used for securing non-confidential information such as email messages, website content, and public documents.

The main difference between private and public keys is that private keys are kept secret and are known only to the owner, while public keys are made publicly available to anyone who wants to communicate with the owner. Additionally, private keys are used for decryption and digital signatures, while public keys are used for encryption and digital signatures.

Q5 c Define the term subscriber and what are his duties under the IT act.

Ans. In the context of the Information Technology Act, 2000, a subscriber refers to a person who subscribes to the services provided by an electronic service provider. A subscriber can be an individual, a company, or any other entity that uses the services of an electronic service provider for carrying out electronic transactions.

The duties of a subscriber under the IT Act include the following:

Providing accurate and complete information: A subscriber is required to provide accurate and complete information while subscribing to the services of an electronic service provider.

Maintaining confidentiality of authentication data: A subscriber is required to take reasonable care to maintain the confidentiality of the authentication data that is used to access the electronic service.

Reporting any unauthorized access or usage: A subscriber is required to report any unauthorized access or usage of the electronic service to the electronic service provider.

Complying with laws and regulations: A subscriber is required to comply with all the laws and regulations that are applicable to the electronic service.

Cooperating with authorities: A subscriber is required to cooperate with the authorities in any investigation or inquiry related to the electronic service.

Failure to comply with these duties may result in penalties or legal action being taken against the subscriber under the IT Act.

OR

Q5 a Explain the powers of certifying authorities.

Ans. Certifying Authorities (CA) are entities that are authorized to issue digital certificates to individuals, organizations, and other entities. The following are the powers of Certifying Authorities under the Information Technology Act, 2000:

Issuing Digital Certificates: CAs are authorized to issue digital certificates to individuals, organizations, and other entities.

Verification of Identity: CAs are responsible for verifying the identity of the applicants before issuing digital certificates. The CAs must ensure that the information provided by the applicant is true and accurate.

Revocation of Digital Certificates: CAs are authorized to revoke the digital certificates that they have issued if there is any suspicion of fraud or if the certificate holder has violated any of the terms and conditions of the certificate.

Suspension of Digital Certificates: In certain cases, CAs may suspend the digital certificate temporarily. This may happen if the certificate holder has requested for it or if there is a legal order for suspension.

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Maintenance of Security: CAs are responsible for maintaining the security of the digital certificates and the related infrastructure. They must ensure that the private keys used to sign the digital certificates are secure and are not compromised.

Compliance with Legal and Regulatory Requirements: CAs are required to comply with all the legal and regulatory requirements that are applicable to them. They must also follow the guidelines and standards issued by the Controller of Certifying Authorities.

The above powers of CAs are crucial to ensure the security and integrity of digital transactions and communications. The CAs play a crucial role in the establishment of trust in the digital environment.

Q5 b Explain Digital signature and how are they different from Electronic Signatures.

Ans. A digital signature is a type of electronic signature that uses cryptographic techniques to provide authentication, integrity, and non-repudiation for digital documents. It is a unique electronic signature that is issued to a person or an organization after they undergo a digital identity verification process by a certifying authority. Digital signatures are based on a public key infrastructure (PKI) system, which uses two keys, a private key, and a public key, to encrypt and decrypt the digital document.

On the other hand, an electronic signature is a broader term that encompasses any electronic process or symbol that is used to sign a document. It can be as simple as typing your name or pasting an image of your signature into a digital document. Unlike digital signatures, electronic signatures do not necessarily require any cryptographic techniques, and they may not offer the same level of security and authentication.

The key differences between digital signatures and electronic signatures are as follows:

Security: Digital signatures use PKI to ensure the authenticity and integrity of a document, while electronic signatures may not have the same level of security.

Verification: Digital signatures can be verified by third-party software, while electronic signatures may be more difficult to verify.

Legal recognition: Digital signatures are legally recognized in many countries as having the same legal status as handwritten signatures, while the legal status of electronic signatures may vary depending on the jurisdiction.

In summary, while both digital signatures and electronic signatures are used to sign digital documents, digital signatures offer a higher level of security, authentication, and legal recognition.

Q5 c What do you mean by Cyber Terrorism.

Ans. Cyber terrorism refers to the use of digital technology, particularly the internet, to carry out acts of terrorism. Cyber terrorists use various forms of cyber attacks such as hacking, phishing, and malware to disrupt and damage computer systems, networks, and other digital infrastructure.

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The motives behind cyber terrorism can vary widely, from political or ideological reasons to financial gain or personal vendettas. The effects of cyber terrorism can be devastating, as it can result in the loss of sensitive data, financial damage, or even loss of life if critical infrastructure is targeted.

Governments and organizations around the world have taken various measures to prevent and respond to cyber terrorism, including the development of cybersecurity protocols, intelligence gathering, and international cooperation to track and prosecute cyber terrorists.

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