



**Model Answer
End-Sem Examination-I, Winter 2025**

Academic Year: 2025-2026	Semester: II
Class: PG-I	Program: MBA
Branch Code: 10	Pattern: 2024
Name of Course: Business Legislation	Course Code: 2410515

Q. No.	Answer Details	Max. Marks																				
Q.1.	<p>Explain consideration under Indian Contract Act, 1872. Discuss exceptions to "no consideration no contract" rule with examples.</p> <p>ANSWER</p> <p>Consideration (Section 2(d)): Something of value given by promisee to promisor in exchange. Must be lawful, real, possible.</p> <p>Exceptions to "No Consideration No Contract" (Section 25):</p> <ol style="list-style-type: none"> 1. Natural Love & Affection (S.25(1)): Written registered agreement. <i>Example:</i> Father gifts property to son "out of love". 2. Past Voluntary Service (S.25(2)): Promise to pay for past service. <i>Example:</i> Promise to pay servant after retirement. 3. Promise to Pay Time-Barred Debt (S.25(3)): Written promise. <i>Example:</i> Debtor promises to pay old loan after limitation. 4. Agency Completion (S.25 explanation): Agent's promise after authority revoked. 5. Guarantee: No consideration needed from surety. 	[6]																				
Q.2.	<p>Define negotiable instruments. Distinguish Promissory Note, Bill of Exchange and Cheque with examples.</p> <p>ANSWER</p> <p>Negotiable Instrument (S.13): Written promise/order to pay certain sum to order/bearer, transferable.</p> <p>Distinction:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-left: 20px;"> <thead> <tr> <th>Instrument</th> <th>Promissory Note</th> <th>Bill of Exchange</th> <th>Cheque</th> </tr> </thead> <tbody> <tr> <td>Maker</td> <td>Debtor</td> <td>Drawer (creditor)</td> <td>Drawer</td> </tr> <tr> <td>Parties</td> <td>2</td> <td>3</td> <td>3</td> </tr> <tr> <td>Payment</td> <td>Promise</td> <td>Order</td> <td>On demand</td> </tr> <tr> <td>Example</td> <td>"Pay Rs.10,000"</td> <td>"Pay Rs.10,000 to X"</td> <td>Bank cheque</td> </tr> </tbody> </table>	Instrument	Promissory Note	Bill of Exchange	Cheque	Maker	Debtor	Drawer (creditor)	Drawer	Parties	2	3	3	Payment	Promise	Order	On demand	Example	"Pay Rs.10,000"	"Pay Rs.10,000 to X"	Bank cheque	[6]
Instrument	Promissory Note	Bill of Exchange	Cheque																			
Maker	Debtor	Drawer (creditor)	Drawer																			
Parties	2	3	3																			
Payment	Promise	Order	On demand																			
Example	"Pay Rs.10,000"	"Pay Rs.10,000 to X"	Bank cheque																			
Q.3.	<p>(a) Explain partners' rights and duties under Partnership Act, 1932. Discuss dissolution modes.</p> <p>ANSWER</p> <p>Partners' Rights (S.12-13):</p> <ol style="list-style-type: none"> 1. Profit share, interest on capital/advances. 2. Indemnity for payments in ordinary course. 3. Access to books, inspection rights. <p>Partners' Duties (S.9-11):</p> <ol style="list-style-type: none"> 1. Act diligently, good faith. 2. Render true accounts. 3. Not compete with firm. <p>Dissolution Modes (S.40-44):</p>	[16]																				



	<p>1. Agreement: Mutual consent. 2. Compulsory: All insolvent. 3. Contingent: Death/expiry.</p> <p>Notice: Partnership at will. OR (b) Discuss implied authority of partners. Explain liabilities for wrongful acts and misapplication. ANSWER Implied Authority (S.186-188): Partners bind firm by ordinary business acts: buy/sell goods, settle debts, employ staff. Liability for Wrongful Acts (S.26):</p> <ul style="list-style-type: none"> • Firm liable for partner's wrongful act in business course. <i>Example: Partner assaults customer during delivery - firm liable.</i> <p>Misapplication Liability (S.27): Partner misapplying money entrusted liable. <i>Example: Partner uses client payment for personal use - personally liable.</i></p>																
	<p>(c) Explain LLP dissolution process. Discuss differences between LLP and traditional partnership. ANSWER LLP Dissolution Process:</p> <ol style="list-style-type: none"> 1. Voluntary (S.64): 75% partners consent, winding up declaration. 2. Court Order (S.65): Just/equitable grounds. 3. Strike Off (S.75): Registrar removes inactive LLP. <p>LLP vs Traditional Partnership:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>Feature</th> <th>LLP</th> <th>Partnership</th> </tr> </thead> <tbody> <tr> <td>Liability</td> <td>Limited</td> <td>Unlimited</td> </tr> <tr> <td>Entity</td> <td>Separate</td> <td>None</td> </tr> <tr> <td>Continuity</td> <td>Perpetual</td> <td>Ends on death</td> </tr> <tr> <td>Compliance</td> <td>Statutory</td> <td>Minimal</td> </tr> </tbody> </table> <p>OR (d) Define designated partners. Explain LLP formation requirements and partners' classification. ANSWER Designated Partners (S.7): Minimum 2 responsible for statutory compliances. LLP Formation Requirements:</p> <ol style="list-style-type: none"> 1. Incorporation document + LLP agreement. 2. At least 2 designated partners (1 Indian resident). 3. Registrar approval + Certificate. <p>Partners' Classification:</p> <ul style="list-style-type: none"> • Designated: Compliance officers. • Ordinary: Business management. 	Feature	LLP	Partnership	Liability	Limited	Unlimited	Entity	Separate	None	Continuity	Perpetual	Ends on death	Compliance	Statutory	Minimal	
Feature	LLP	Partnership															
Liability	Limited	Unlimited															
Entity	Separate	None															
Continuity	Perpetual	Ends on death															
Compliance	Statutory	Minimal															
Q.4.	<p>(a) Discuss incorporation process under Companies Act, 2013. Explain MOA clauses and alteration. ANSWER Incorporation Process (S.7):</p> <ol style="list-style-type: none"> 1. Digital signature + DIN for directors. 	[16]															



<p>2. SPICe+ form with MOA/AOA. 3. PAN/TAN auto-generated. 4. Certificate of Incorporation issued.</p> <p>MOA Clauses (S.4): 1. Name clause 2. Registered office 3. Objects 4. Liability 5. Capital 6. Association.</p> <p>Alteration: Special resolution + RoC approval.</p> <p>OR</p> <p>(b) Describe audit requirements. Explain auditor appointment, rotation and disqualifications.</p> <p>ANSWER</p> <p>Audit Requirements (S.139):</p> <ul style="list-style-type: none">• Mandatory statutory audit.• Listed companies: Individual 5 yrs, firm 10 yrs. <p>Appointment Process:</p> <ul style="list-style-type: none">• First auditor: Board within 30 days.• Subsequent: Shareholders at AGM. <p>Disqualifications (S.141): Body corporate. 2. Indebted to company. 3. Guarantee given</p>	
<p>(c) Describe share capital structure. Explain bonus issue and buy-back procedures. ANSWER</p> <p>Share Capital Structure</p> <ul style="list-style-type: none">• Authorised Capital: Maximum capital a company can issue (as per MOA).• Issued Capital: Part of authorised capital offered to public.• Subscribed Capital: Portion taken up by shareholders.• Called-up Capital: Amount called by company on shares.• Paid-up Capital: Amount actually paid by shareholders. <p>Bonus Issue (Section 63)</p> <ul style="list-style-type: none">• Issue of free shares to existing shareholders in fixed ratio.• Issued from free reserves, securities premium or capital redemption reserve.• No cash outflow; capitalises reserves.• Articles must permit bonus issue. <p>Buy-back of Shares (Section 68)</p> <ul style="list-style-type: none">• Company repurchases its own shares.• Sources: free reserves, securities premium or earlier issue.• Maximum 25% of paid-up capital and free reserves.• Improves EPS and capital structure. <p>OR</p> <p>(d) Discuss winding up modes. Explain voluntary liquidation process and role of liquidator.</p> <p>ANSWER</p> <p>Winding Up Modes:</p> <ol style="list-style-type: none">1. Voluntary (S.59): Members/creditors.2. Compulsory (S.271): Court order.3. Tribunal (S.273): Just/equitable.	



	<p>Voluntary Process: Special resolution → Liquidator appointed → Assets distributed. Liquidator Role: Realize assets, settle debts, distribute surplus.</p>	
<p>Q.5.</p>	<p>(a) Explain IT Act, 2000 structure. Discuss Controller of Certifying Authorities powers. ANSWER IT Act Structure: Chapter I-XIII: Digital signatures, offences, appellate tribunal. Chapter XI: Cyber crimes (S.43-67). Chapter XII: Intermediaries. Controller Powers (S.17-34):</p> <ol style="list-style-type: none"> 1. License certifying authorities. 2. Suspend/revoke licenses. 3. Standards for DSCs. 4. Security guidelines. <p>OR</p> <p>(b) Describe cyber crimes classification. Explain prevention measures and CERT-In role. ANSWER Classification:</p> <ol style="list-style-type: none"> 1. Against Individuals: Hacking, identity theft. 2. Against Property: Data theft, viruses. 3. Against Govt: Cyber terrorism. <p>Prevention: Firewalls, encryption, awareness training. CERT-In Role: Incident response, vulnerability management, national CSIRT.</p> <p>(c) Discuss Digital Signature Certificates. Explain issuance, suspension and revocation process. ANSWER DSC Types: Class 1 (basic), Class 2 (individual), Class 3 (organization). Issuance Process:</p> <ol style="list-style-type: none"> 1. Verify identity/address. 2. Generate key pair. 3. CA issues certificate. <p>Suspension/Revocation: Compromise, inaccurate data, CA notice. OR</p> <p>(d) Explain intermediary due diligence. Discuss IT Rules 2021 grievance mechanism. ANSWER Due Diligence (IT Rules Rule 3):</p> <ol style="list-style-type: none"> 1. Publish rules/terms. 2. Appoint grievance officer. 3. Report cyber incidents. <p>Grievance Mechanism (Rule 4):</p> <ul style="list-style-type: none"> • Acknowledge complaints within 24 hrs. • Resolve within 15 days. • Chief compliance officer for persistent issues. 	<p style="text-align: center;">[16]</p>