SUGGESTED ANSWERS JANUARY 2026

PAPER 2: BUSINESS LAWS - FOUNDATION COURSE

PAPER – 2: BUSINESS LAWS

*Question No. **1** is compulsory.*

*Attempt any **four** questions from the remaining **five** questions.*

Working Notes should form part of the answer.

Question 1

(a) *Bright Scholars is a prestigious school in Delhi. The school invited online applications from eligible students for 100 seats of preschool classes. The school indicated in the application form that the list of provisionally selected students would be displayed on the school notice board and website on 15th April, 2025. Those students, who will pay the admission fees online and physically, submit all the documents prescribed in the application by 18th April, 2025 will be confirmed. Vishal's son Aakash was provisionally selected Vishal paid the fees online on 16th April, 2025 but, failed to submit the prescribed documents by 18th April, 2025. On 19th April, 2025 Aakash's admission was cancelled on account of non-submission of documents without informing Vishal and all the fees paid by him was refunded to his account by Management of school.*

Vishal contended that he was not informed about cancellation of admission. As he already paid the fees before time, Aakash admission could not be cancelled by school management. On the other hand, he could not submit the documents as he was out of town from 16thApril 2025 to 20th April, 2025.

Analyse with reference to the provisions of the Indian Contract Act, 1872, whether the school's action to cancel the admission of Aakash without communication was valid? ***(7 Marks)***

(b) *Prasad incorporated an OPC to run his new start-up in May, 2021. OPC borrowed ₹ 50 Lakhs to meet its long term fund requirements and ₹ 25 lakh to meet its working capital requirements on the basis of his project from a non-banking finance company (NBFC) in Oct, 2021. But due to some running hardships and new govt. policies OPC was failed to pay its debts to NBFC. Assets of the company were insufficient to pay the outstanding debts. According to the provisions of the Companies Act, 2013, decide whether*

Prasad would be liable to pay the outstanding debts of NBFC in the following circumstances: -

(i) If the NBFC proceeded against the personal assets of Prasad only on the ground that he is the only shareholder and hence liable for its debts.

(ii) If the NBFC proves that the One Person Company was formed for fraud and cheating. ***(7 Marks)***

(c) Explain with reference to provisions of the Indian Partnership Act, 1932.

(i) Whether a partner can be introduced without consent of other partners? If yes describe the procedure. If no, in what manner a partner can transfer his share in partnership? ***(2 Marks)***

(ii) Describe the rights of transferee: -

(1) During the continuance of partnership.

(2) On the dissolution of the firm. ***(4 Marks)***

Answer

(a) Revocation of Proposal otherwise than by Communication:

According to the provisions of Section 6 of the Indian Contract Act, 1872, when a proposal is made, the proposer may not wait indefinitely for its acceptance. The offer can be revoked otherwise than by communication or sometimes by lapse of time.

(i) **By Lapse of Time:** The time for acceptance can lapse if acceptance is not given within the specified time and where no time is specified, then within a reasonable time period without communication of the acceptance, reason being the proposer should not be made to wait indefinitely.

(ii) **By non-fulfilment of condition precedent:** Where the acceptor fails to fulfil a condition precedent to acceptance the proposal gets revoked [Section 6(3)]. Failure to satisfy any condition will result in lapse of proposal. As stated earlier 'condition precedent' to acceptance prevents an obligation from coming into existence until the condition is satisfied.

In the instant case, the school indicated in the application form that provisionally selected students who have paid the admission fee and submitted all the documents by 18th April, 2025 will be confirmed.

Vishal paid the admission fee for his son Aakash on 16th April, 2025 but failed to submit the prescribed documents by 18th April 2025. On 19th April, 2025 Aakash's admission was cancelled on account of non-submission of documents without informing Vishal and all the fee was refunded.

As both the conditions regarding payment of admission fee and submission of documents till 18th April 2025 were the conditions precedent for Aakash's admission, the school's action to cancel the admission of Aakash without communication was valid. Vishal's absence from town from 16th April 2025 to 20th April 2025 was no excuse.

Thus, offer can be revoked otherwise than by communication.

The school's action to cancel the admission of Vishal is valid.

(b) According to Section 2(62) of the Companies Act, 2013, a One Person Company (OPC) means a Company which has only one person as a member. A Company is a separate legal entity distinct from its member and enjoys limited liability.

Separate Legal Entity: When a Company is registered, it is clothed with a legal personality. Its existence is distinct and separate from that of its members.

Limited Liability: The liability of the members of the Company is limited to the extent of the nominal value of shares held by them. In no case, the shareholders can be asked to pay anything more than the unpaid value of their shares. The liability of OPC's sole member is limited to the extent of unpaid share capital, if any.

In the instant case, OPC failed to pay its debts to NBFC. Assets of the company were insufficient to pay the outstanding debts.

According to above provisions, we can conclude that: -

(i) If the NBFC proceeded against the personal assets of Prasad only on the ground that he is the only shareholder and hence liable for its debts: Prasad will not be personally liable to pay the outstanding debts of the NBFC merely on the ground that he is the only shareholder of the OPC because the debts of the OPC are its own and the OPC enjoys limited liability. Creditors cannot proceed against the personal assets of the member merely because he is the sole shareholder.

Therefore, the NBFC cannot proceed against the personal assets of Prasad only on the ground that he is the sole shareholder.

(ii) If the NBFC proves that the One Person Company was formed for fraud and cheating: Where a Company is incorporated or carried on with intent to defraud Creditors or for any fraudulent purpose, the "Doctrine of Lifting of Corporate Veil" applies and the Corporate Veil can be lifted. In such cases, the protection of limited liability is withdrawn and the member can be held personally responsible for the debts of the company.

Accordingly, if the NBFC proves that the OPC was incorporated for fraudulent purposes, the protection of limited liability can be withdrawn and Prasad would be liable to pay the outstanding debts of NBFC and his personal assets can be used to settle the outstanding liabilities.

(c) (i) Whether a Partner can be introduced without the consent of other Partners?

No. By virtue of provisions of Section 31 of the Indian Partnership Act, 1932, no person can be introduced as a partner in a firm without the consent of all the existing partners.

In what manner a Partner can transfer his share in Partnership?

As per Section 31 of the Indian Partnership Act, 1932, no person can be introduced as a partner in a firm without the consent of all the existing partners unless specified as per the partnership agreement. A partner cannot, by transferring his own interest, make anybody else a partner in his place, unless the other partners agree to accept that person as a partner.

However, a partner is not debarred from transferring his interest. A partner's interest in the partnership can be regarded as an existing interest and tangible property which can be assigned.

(ii) (1) **Rights of a Transferee during the continuance of Partnership [Section 29(1)]:**

During the continuance of partnership, such transferee is not entitled:

(a) to interfere with the conduct of the business,

(b) to require accounts, or

(c) to inspect books of the firm.

He is only entitled to receive the share of the profits of the transferring partner and he is bound to accept the profits as agreed to by the partners, i.e., he cannot challenge the accounts.

(2) **The rights of such a transferee on the dissolution of the firm are as follows [Section 29(2)]:**

On the dissolution of the firm, the transferee will be entitled, against the remaining partners:

(a) to receive the share of the assets of the firm to which the transferring partner was entitled, and

(b) for the purpose of ascertaining the share, he is entitled to an account as from the date of the dissolution.

Question 2

(a) With reference to the provisions of the Sale of Goods Act, 1930 what is the major difference between condition and warranty? Examine the following cases and comment whether it is a 'Breach of Condition' or 'Breach of Warranty' by quoting the relevant provisions of the Sale of Goods Act, 1930:

(i) Ashutosh purchased a second hand laptop from Sudhir for ₹ 10,000/-. After a month, Ashutosh came to know that Sudhir was not the true owner of the laptop. Actually Mahindra (a friend of Sudhir) was the true owner of the laptop, who unknowingly left his laptop at the Sudhir's residence. As a result Ashutosh's position became awkward. What would be course of action available to Ashutosh in this regard? ***(2 Marks)***

(ii) Anita ordered to purchase an Italian couch from a prominent e-commerce platform. When the order was delivered, it was found that the couch was not Italian as narrated on the e-commerce platform. What would be course of action available to Anita in this regard? ***(2 Marks)***

(iii) *Rishabh purchased a car costing ₹ 7 lakh by availing bank loan which is hypothecated in favour of the bank. Due to some medical emergency, Rishabh took another loan of ₹ 5 Lakhs from his friend Sandeep on the basis of security of his car. When the fact of bank loan came to knowledge of Sandeep, Rishabh denied paying the loan amount to Sandeep. What would be course of action available to Sandeep in this regard?* ***(3 Marks)***

(b) (i) *What do you mean by 'Common Seal'? Is it necessary for a company to have Common Seal? Discuss as per provisions of the Companies Act, 2013.* ***(3 Marks)***

(ii) *Whether the phrases "Company Limited by Shares" and "Company Limited by Guarantee" are same? If not, explain any four differences between these two according to provisions of the Companies Act, 2013.*

(4 Marks)

(c) (i) *According to provisions of the Limited Liability Partnership Act, 2008, State the provisions with respect to registered office of LLP and changes therein. What would be consequences if these provisions are contravened?* ***(4 Marks)***

(ii) *Discuss the provisions of the Limited Liability Partnership Act, 2008 relating to the minimum number of partners required and the eligibility criteria for becoming a partner in a Limited Liability Partnership.*

(2 Marks)

Answer

(a) Major difference between a Condition and Warranty under the Sale of Goods Act, 1930:

The following are the major differences between a 'Condition' and a 'Warranty' as per the provisions of the Sale of Goods Act, 1930.

Point of Differences	Condition	Warranty
Meaning	A condition is a stipulation essential to the main purpose of the contract.	A warranty is a stipulation collateral to the main purpose of the contract.

Right in case of breach	The aggrieved party can repudiate the contract or claim damages or both in the case of breach of condition.	The aggrieved party can claim only damages in case of breach of warranty.
Conversion of stipulations	A breach of condition may be treated as a breach of warranty.	A breach of warranty cannot be treated as a breach of condition.

(i) This is a case of 'Breach of Warranty' as to undisturbed possession.

As per Section 14(b) of the Sale of Goods Act, 1930, if the buyer having got possession of the goods, is later on disturbed in his possession, he is entitled to sue the seller for the breach of the warranty.

Therefore, Sudhir shall be held responsible for a breach and Ashutosh is entitled to sue Sudhir, the seller without title, for the recovery of the purchase price.

Alternative Answer (i)

This is a case of 'Breach of Condition' as to Title.

As per Section 14(a) of the Act, the condition implied is that the seller has the right to sell the goods (means he should be the real owner) at the time when the property is to pass.

If the seller's title/ownership turns out to be defective, the buyer must return the goods to the true owner and recover the price from the seller.

In the given case, Sudhir has no right to sell as he was not the actual owner of laptop even though he sold the laptop to Ashutosh for consideration of ₹ 10,000/-. As the title of Sudhir turned out to be defective, Ashutosh should return the laptop to Mahendra and recover the full price paid from Sudhir.

Thus, Sudhir has breached the implied condition as to title.

Therefore, Sudhir shall be held responsible for a breach and Ashutosh is entitled to sue Sudhir, the seller without title, for the recovery of the purchase price.

(ii) This is a case of breach of condition of 'Sale by Description'.

As per Section 15 of the Act, where there is a contract of sale of goods by description, there is an implied condition that the goods shall correspond with the description.

The buyer is not bound to accept and pay for the goods which are not in accordance with description.

Therefore, Anita is entitled to reject the Couch as it was not Italian as narrated on the e-commerce platform and ask for refund if already paid.

(iii) This is a case of 'Breach of Warranty' as to Non-existence of Encumbrances.

As per Section 14(c) of the Act, there is an implied warranty that the goods shall be free from any charge or encumbrance in favour of any third party not declared or known to the buyer before or at the time the contract is entered into.

In the given case the car was already hypothecated in favour of a bank. However, Rishabh took another loan of ₹ 5 Lakhs from his friend Sandeep on the basis of security of his car, without informing him about hypothecation of car.

Therefore, Sandeep may file a suit against Rishabh for recovery of the money with interest. It may be noted that Sandeep can file a Civil Suit on a Competent Court to recover damages. The claim would be for loss suffered due to breach of Warranty and not the ownership of the Car.

(b) (i) Meaning of Common Seal

Common seal is the official signature of a company, which is affixed by the officers and employees of the company on its every document. The common seal is a seal used by a corporation as the symbol of its incorporation.

Is it necessary for a Company to have a Common Seal?

Having a common seal is optional now. The Companies (Amendment) Act, 2015 has made the common seal optional by omitting the words "and a common seal" from Section 9 of the Companies Act, 2013 so as to provide an alternative mode of authorization for companies who opt not to have a common seal. This amendment provides that the documents which need to be authenticated by a common seal will be required to be so done, only if the company opts to have a common seal.

In case a company does not have a common seal, the authorization shall be made by two directors or by a director and the Company Secretary, wherever the company has appointed a Company Secretary.

(ii) Whether the phrases 'Company Limited by Shares" and "Company Limited by Guarantee" are same?

No, the phrases 'Company Limited by Shares' and 'Company Limited by Guarantee' are not same.

Distinction between "Company Limited by Shares" and "Company Limited by Guarantee" is tabulated as under:

S. No.	Company Limited by Shares	Company Limited by Guarantee
1.	It is defined under Section 2(22) of the Companies Act, 2013.	It is defined under Section 2(21) of the Companies Act, 2013.
2.	It is a company when the liability of the members of a company is limited by its Memorandum of Association to the amount (if any) unpaid on the shares held by them.	It is a company having the liability of its members limited by the Memorandum to contribute to the assets of the company in the event of its being wound up.
3.	The members may be called upon to discharge their liability only after commencement of the	The members may be called upon to discharge their liability at any time, either during the company's life-time or during its winding up.

	winding up and only subject to certain conditions.	
4.	This company can raise its initial working funds from its members.	This company does not raise its initial working funds from its members.
5.	For meeting the debts of the Company, the shareholder may be called upon to contribute only to the extent of the amount which remains unpaid on his shareholdings. His separate property cannot be encompassed to meet the Company's debt.	The liability of a member of a guarantee company is limited to a stipulated sum mentioned in the memorandum. Members cannot be called upon to contribute beyond that stipulated sum.

(c) (i) Registered Office of Limited Liability Partnership

According to Section 13 of the Limited Liability Partnership Act, 2008:

(1) Every Limited Liability Partnership shall have a Registered Office to which all communications and notices may be addressed and where they shall be received.

(2) A document may be served on a Limited Liability Partnership or a partner or designated partner thereof by sending it by post under a certificate of posting or by registered post or by any other manner, as may be prescribed, at the registered office and any other address specifically declared by the limited liability partnership for the purpose in such form and manner as may be prescribed.

Changes in the Place of Registered Office:

(3) A Limited Liability Partnership may change the place of its registered office and file the notice of such change with the Registrar in such form and manner and subject to such conditions as may be prescribed and any such change shall take effect only upon such filing.

Consequences if the Provisions are Contravened:

If any default is made in complying with the requirements of this Section, the Limited Liability Partnership and its every partner shall be liable to a penalty of five hundred rupees for each day during which the default continues, subject to a maximum of fifty thousand rupees for the limited liability partnership and its every partner.

(ii) Minimum Number of Partners Required: As per Section 6 of the Limited Liability Partnership Act, 2008, every LLP must have a minimum of two partners.

If at any time the number of partners of a LLP is reduced below two and the LLP carries on business for more than six months while the number is so reduced, the person, who is the only partner of the LLP during that period, and has knowledge of the fact that he is carrying on business alone, shall be liable personally for the obligations of the LLP incurred during that period.

Eligibility Criteria for becoming a Partner: As per Section 5, any individual or a body corporate may be a partner in a LLP; however, an individual will be disqualified if:

(a) He is of unsound mind by a court of competent jurisdiction and finding is in the force.

(b) He is an un-discharged insolvent.

(c) He has applied to be adjudicated as an insolvent and his application is pending.

Question 3

(a) (i) Ramesh is a supplier of fruits and vegetables in Azadpur Mandi, Delhi. To expand its business, he invited Suresh and Mahesh (his college friends) to invest in his business. Suresh and Mahesh were agreed but they put a condition that they will share profit in the ratio of 33.33% each or Interest @ 12% p.a. on the capital (which they will bring) whichever is higher but they will not share losses if occurred in any year. Ramesh agreed for this association and made an agreement for partnership. Advise, whether this association will be treated as partnership according to the provisions of the Indian Partnership Act, 1932? ***(3 Marks)***

(ii) *Manak was working as a construction contractor from several years. He engaged Roop Sing a labour and material contractor for procurement of raw material and labour for construction site. All the expenses pertaining to raw material, Labour wages will be borne by Manak. Manak agreed to give Roop Singh 5% of the contract amount for procurement. Whether this arrangement will be termed as partnership? Explain according to provisions of the Indian Partnership Act, 1932?* ***(2 Marks)***

(iii) *Shantanu was running business of ABC Travel Agency from several years. He purchased 10 cars amounting to ₹ 100 lakh for the purpose of running them on hire. He borrowed ₹ 50 lakhs for this purpose from Shankar. Shankar proposed that he will take 25% of profit share. He has nothing to do with business. Shantanu agreed for this proposal. After some time, Shankar told his friends that he is partner in ABC Travel Agency. Shantanu denied the fact. He contended that he is sharing in profit only, not a partner in his travel agency. Advice with reference to the provisions of the Indian Partnership Act, 1932 whether this arrangement between the Shantanu and Shankar will be treated as partnership?* ***(2 Marks)***

(b) (i) *Stuti Textiles Private Ltd. is a wholly owned subsidiary of SS Textiles Limited. It has only 5 members and restricts the right to transfer their shares to any person other than person who is in employment of the company. Some Members opposed the decision of the company as they want to invite a group of people to subscribe shares in Stuti Textile Private Ltd. Decide with reference to provisions of Companies Act, 2013, whether restriction of company to transfer share is correct?* ***(3 Marks)***

(ii) *The paid-up capital and turnover of Aaradhya Cosmetics Private Ltd. (ACPL) for FY 2024-25 is ₹ 4 crores and ₹ 45 crores respectively. Directors of ACPL decided not to follow some provisions as it is a small company according to section 2(85) of the Companies Act, 2013. Company secretary of Pooja Fashions Private Limited (PFPL) contended that ACPL is not a small company as ACPL is a holding company of (PFPL). Decide whether ACPL Cosmetics Ltd. can avail status of small company according to provisions of the Companies Act, 2013.* ***(2 Marks)***

(iii) *The paid-up share capital of Abhinav Natural Gases Ltd. (ANGL) is ₹ 140 crores. The holdings of Central Government and Maharashtra Government are ₹ 40.10 crores and ₹ 30.20 crores respectively. In one* *tender relating to natural gas, directors of ANGL quoted it as Government Company. Decide according to provisions of the Companies Act, 2013 whether ANGL can be tagged as Government Company?*

(2 Marks)

(c) *The Passing or transfer of property constitutes most important element and factor to decide legal rights and liabilities of seller and buyer. The primary rule determining the passing of property from seller to buyer depends on following. Explain after quoting relevant provisions of the Sale of Goods Act, 1930.*

(i) *Where the goods are ascertained*

(ii) *Where the goods are unascertained* ***(6 Marks)***

Answer

(a) (i) Whether the Association will be treated as Partnership?

Section 4 of the Indian Partnership Act, 1932 states that "Partnership" is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.

The sharing of profits of a business is an essential feature of partnership. There can be no partnership where only one of the partners is entitled to the whole of the profits of the business. Partners must agree to share the profits in any manner they choose.

But an agreement to share losses is not an essential requirement. It is open to one or more partners to agree to share all the losses.

Yes, it is a case of partnership**.** The association between the partners, Ramesh and Suresh will be treated as partnership according to the provisions of the Indian Partnership Act, 1932, as there was a partnership agreement according to which they decided to share in profit only.

Alternate Answer to 3(a)(i)

No, it is not a case of partnership due to lack of the mutual agency which is conclusive evidence of partnership. Mutual agency includes that all partners are jointly and severally liable for the partnership's debts and obligations, even if they didn't directly participate in the specific transaction.

(ii) As per the Indian Partnership Act, 1932, "Partnership" is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all (mutual agency).

In the gives case, there was no agreement to share profit of the business. Manak was incurring all the expenses relating to the construction and Roop Singh is merely acting as an agent of Manak as he was receiving 5% of the contract value.

Therefore, this arrangement will not be termed as partnership.

(iii) According to Section 6 of the Indian Partnership Act, 1932 in determining whether a group of persons is or is not a partnership firm, or whether a person is or is not a partner in a firm, regard shall be had to the real relation between the parties, as shown by all relevant facts taken together.

For determining the existence of partnership, it must be proved that:

(a) There was an agreement between all the partners concerned;

(b) The agreement was to share the profits of a business and

(c) The business was carried on by all or any of them acting for all.

Sharing of profit, which is prima facie evidence, exists but mutual agency among Shantanu and Shankar, which is an essential element, does not exist here as Shantanu borrowed ₹ 50 Lakhs for his business from Shankar for which will take 25% of profit share.

In the absence of mutual agency, the most essential element of partnership, the arrangement between Shantanu and Shankar cannot be treated as a partnership under the Indian Partnership Act, 1932.

(b) (i) According to Section 2(68) of the Companies Act, 2013 Private Company means a company which restricts the right to transfer its share and prohibits any invitation to the public to subscribe for any share in the company.

But, according to proviso to Section 2(71) of the Companies Act, 2013 a company which is a subsidiary of a company, not being a private company, shall be deemed to be public company for the purposes of this Act even where such subsidiary company continues to be a private company in its Articles of Association.

The shares of a Public Company is freely transferable.

In the instant case, since Stuti Textiles Private Ltd. is a wholly owned subsidiary of SS Textiles Limited, restriction of Stuti Textiles Private Ltd. to transfer share is not correct as it is deemed to be a Public Company.

Thus, restriction on transfer of shares is incorrect.

Alternate Answer

(b) (i) According to Section 2(68) of the Companies Act, 2013 (the Act), a Private Company must, by its Articles of Association (AoA), include specific restrictions, including the restriction on the right to transfer its shares.

Under the proviso to Section 2(71) of the Act, a Private Company that is a subsidiary of a Public Company is 'Deemed to be a Public Company for the purposes of the Act.

Judicial precedents (such *as Hillcrest Realty v. Hotel Queen Road*) confirm that the "deemed public" status does not alter the basic characteristics of a Private Company.

The restriction imposed by Stuti Textiles Pvt. Ltd. (STPL) limiting transfer of shares only to employees of the company is a valid restriction. Further, the proposal of some members to invite a group of people to subscribe to shares in STPL is contrary to the provisions of the Act. Hence, the opposition by virtue of the existing restriction in the Articles of Association of Company is justified.

In the given case, STPL can still limit its members subject to maximum of 200 (currently it has 5) and restrict share transfers as per its Articles of Association, within the parameters and modalities as decided/ may be decided by the shareholders of the Company, which is owned by a Public Limited Company.

However, being a Wholly Owned Subsidiary Company, where all the members/ shareholders are nominated by the holding company, such type of proposed transfers can be permitted, but after amending the Articles of Association of the Private Company.

In view of the above, the restriction of share transfers by Stuti Textiles Pvt. Ltd. is legally correct, even though it is a subsidiary of a Public Company.

(ii) Small Company: Small company given under the Section 2(85) of the Companies Act, 2013 which means a company, other than a public company:

(i) paid-up share capital of which does not exceed 4 crores rupees or such higher amount as may be prescribed which shall not be more than ten crore rupees; and

(ii) turnover of which as per profit and loss account for the immediately preceding financial year does not exceed 40 crores rupees or such higher amount as may be prescribed which shall not be more than one hundred crore rupees:

Exceptions: This clause shall not apply to:

(A) a holding company or a subsidiary company;

(B) a company registered under section 8; or

(C) a company or body corporate governed by any special Act.

In the given case, although the paid-up capital and turnover of Aaradhya Cosmetics Private Ltd. is within the terms of Small Company but, Aaradhya Cosmetics Private Limited (ACPL) is the holding company of Pooja Fashions Private Limited (PFPL) and as per the proviso (A) to Section 2(85), holding company shall not be treated a Small Company. Hence ACPL Cosmetics Private Ltd. cannot avail the status of a Small Company. Contention of directors of ACPL is incorrect.

(iii) Government Company [Section 2(45)]: Government Company means any company in which not less than 51% of the paid-up share capital is held by-

- the Central Government, or
- by any State Government or Governments, or
- partly by the Central Government and partly by one or more State Governments.

and the Section includes a Company which is a Subsidiary Company of such a Government Company.

In the instant case, Abhinav Natural Gases Ltd. (ANGL) cannot be tagged as a Government Company as the total holding of Central

Government and State Government is ₹ 70.30 crores (₹ 40.10 crores + ₹ 30.20 crores) which is less than 51% of the paid-up share capital of ANGL i.e. ₹ 71.40 crores (51% of ₹ 140 crores).

Hence ANGL shall not be tagged as Government Company. Directors of ANGL cannot quote it as Government Company.

(c) Primary rule determining the passing of property from seller to buyer

(i) Where the goods are Ascertained (Section 19 of the Sale of Goods Act, 1930): Where there is a contract for the sale of specific or ascertained goods, the property in them is transferred to the buyer at such time as the parties to the contract intend it to be transferred. [sub-section (1)]

For the purpose of ascertaining the intention of the parties, regard shall be had to the terms of the contract, the conduct of the parties and the circumstances of the case. [sub-section (2)]

Unless a different intention appears, the rules contained in Sections 20 to 24 are rules for ascertaining the intention of the parties as to the time at which the property in the goods is to pass to the buyer. [sub-section (3)]

Stages of goods while passing of property

(a) Specific goods in a deliverable state

Section 20 of the Act provides that where there is an unconditional contract for the sale of specific goods in a deliverable state, the property in the goods passes to the buyer when the contract is made, and it is immaterial whether the time of payment of the price or the time of delivery of the goods, or both, is postponed. Here, condition is goods must be ready for delivery.

(b) Specific goods to be put into a deliverable state.

Section 21 of the Act provides that where there is a contract for the sale of specific goods and the seller is bound to do something to the goods for the purpose of putting them into a deliverable state, the property does not pass until such thing is done and the buyer has notice thereof.

(c) Specific goods in a deliverable state, when the seller has to do anything thereto in order to ascertain price.

Section 22 of the Act provides that where there is a contract for the sale of specific goods in a deliverable state, but the seller is bound to weigh, measure, test or do some other act or thing with reference to the goods for the purpose of ascertaining the price, the property does not pass until such act or thing is done and the buyer has notice thereof.

(ii) Where the goods are Unascertained: Where there is a contract for the sale of unascertained goods, no property in the goods is transferred to the buyer unless and until the goods are ascertained. [Section 18]

The rules in respect of passing of property of unascertained goods are as follows:

1. **Sale of unascertained goods by Description and Appropriation [Section 23(1)]:** Appropriation of goods involves selection of goods with the intention of using them in performance of the contract and with the mutual consent of the seller and the buyer.

   The essentials are:

   a. There is a contract for the sale of unascertained or future goods.

   b. The goods should conform to the description and quality stated in the contract.

   c. The goods must be in a deliverable state.

   d. The goods must be unconditionally (as distinguished from an intention to appropriate) appropriated to the contract either by delivery to the buyer or his agent or the carrier.

   e. The appropriation must be made by:

      - the seller with the assent of the buyer; or

      - the buyer with the assent of the seller.

   f. The assent may be express or implied.

   g. The assent may be given either before or after appropriation

2. **Delivery of the goods to the carrier [Section 23(2)]:** Where, in pursuance of the contract, the seller delivers the goods to the buyer or to a carrier or other bailee (whether named by the buyer or not) for the purpose of transmission to the buyer, and does not reserve the right of disposal, he is deemed to have unconditionally appropriated the goods to the contract.

Question 4

(a) (i) Bhuvika borrowed ₹4,75,000/- from her relative Madan on 5th April 2020 on interest @ 1% per month for 5 year for running her Cosmetics store. She was paying continuously instalment and interest every month. But due to sudden introduction of nature care products her products became obsolete. As a result, she was unable to pay monthly instalment and interest from May 2021 onwards. The debt got time barred by limitation Act. However, on account of continuous persuasions of her relatives, Bhuvika promised in writing to pay the outstanding amount shortly within a few months. Whether Madan can legally recover the debts from Bhuvika when the loan has already been time barred? Explain with reference to provisions of the Indian Contract Act, 1872. ***(2 Marks)***

(ii) Chhaya and Abeer are very good friends. On Chhaya's birthday Abeer gifted an I-Phone worth ₹ 1.35 lakh. Whether this gift is valid as per provisions of the Indian Contract Act, 1872? ***(2 Marks)***

(iii) Amol promised to give a gold ring worth ₹ 1 lakh to her friend Chakori on her birthday. Whether the promise made by Amol is enforceable in law as per the provisions of the Indian Contract Act, 1872?

What would be your answer if the relation between Amol and Chakori is of Husband & Wife? ***(3 Marks)***

(b) What is promissory note? "What are the essential elements that must be present for a document to be considered a valid promissory note?" Define according to provisions of the Negotiable Instrument Act, 1881. ***(7 Marks)***

(c) Describe in brief about the following Regulatory bodies of the Government of India:

(i) Reserve Bank of India

(ii) Insolvency and Bankruptcy Board of India ***(6 Marks)***

Answer

(a) (i) Promise to pay Time Barred Debt: Where a promise in writing signed by the person making it or by his authorized agent, is made to pay a debt barred by limitation, it is valid without consideration [Section 25(3) of the Indian Contract Act, 1872].

Thus, in terms of the provisions of Section 25(3) of the Act, Madan can legally recover the debts with interest from Bhuvika since she had promised in writing to pay the outstanding amount shortly within a few months even though the loan has already been time barred.

(ii) Completed gift: According to Section 25 of the Indian Contract Act, 1872 an agreement made without consideration is void. Further explanation 1 to Section 25 states that nothing in this section shall affect the validity, as between the donor and donee, of any gift actually made.

In case of completed gifts, the rule of no consideration no gift does not apply.

Thus, gifts do not require any consideration.

In the instant case, the gift of I-Phone from Abeer to Chhaya has already been done, which amounts to 'Completed Gift' and is covered by explanation 1 to Section 25.

Hence, gift given by Abeer to Chhaya is valid.

(iii) According to Section 25 of the Indian Contract Act, 1872, an agreement made without consideration is void, subject to certain exceptions.

One important exception is:

An agreement made out of natural love and affection between parties standing in a near relation to each other is valid, provided it is in writing and registered.

Position when Amol and Chakori are Friends: Since the Amol and Chakori are merely friends (and not near relatives) and do not come within the purview of Section25(1). The promise to give a gold ring is mere promise and not supported by consideration. Hence the promise made by Amol is not legally enforceable.

Position when Amol and Chakori are Husband & Wife: In this position the parties are in near relation and Amol promised out of natural love and affection to gift her wife a gold ring. This can be legally enforceable provided the promise is in writing and registered under the law.

In other words, this can be legally enforceable provided the promise is in writing and registered under the law as Amol and Chakori are in near relation and Amol promised out of natural love and affection to gift her wife which comes within the purview of Section 25(1) of the Indian Contract Act, 1872.

(b) What is a Promissory Note?

According to Section 4 of the Negotiable Instruments Act, 1881, A 'Promissory Note' is an instrument in writing (not being a bank-note or a currency-note) containing an unconditional undertaking signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument.

Essential Elements of a Promissory Note

(1) **In writing-** It must be in writing to be legally enforceable, an oral promise to pay is not sufficient.

(2) There must be an **express promise to pay**. Mere acknowledgement of debt is insufficient.

(3) The promise to pay should be **definite and unconditional**. Therefore, instruments payable on performance or non-performance of a particular act or on the happening or non-happening of an event, are not promissory notes. However, the promise to pay may be subject to a condition, which according to the ordinary experience of mankind, is bound to happen.

(4) A promissory note must be **signed by the maker** otherwise it is incomplete and ineffective.

(5) Promise **to pay money only.**

(6) Promise **to pay a certain sum.**

(7) **The maker and payee must be certain, definite and different persons.** A promissory note cannot be made payable to the bearer (section 31 of the Bank of India Act, 1934, RBI Act). Only the Reserve

Bank or the central government can make or issue a promissory note 'payable to bearer'.

(8) **Stamping:** A promissory note must be properly stamped in accordance with the provisions of the Indian Stamp Act and such stamp must be duly cancelled by maker's signatures or initials on such stamp or otherwise.

(c) (i) Reserve Bank of India

(1) It is India's Central Bank and regulatory body responsible for regulation of the Indian banking system.

(2) It is under the ownership of Ministry of Finance, Government of India.

(3) It is responsible for the control, issue and maintaining supply of the Indian rupee.

(4) It also manages the country's main payment systems and works to promote its economic development.

(5) Bharatiya Reserve Bank Note Mudran (BRBNM) is a specialized division of RBI through which it prints and mints Indian currency notes (INR) in two of its currency printing presses located in Nashik (Western India) and Dewas (Central India).

(6) RBI established the National Payments Corporation of India as one of its specialized divisions to regulate the payment and settlement systems in India.

(7) Deposit Insurance and Credit Guarantee Corporation was established by RBI as one of its specialized divisions for the purpose of providing insurance of deposits and guaranteeing of credit facilities to all Indian banks.

(ii) Insolvency and Bankruptcy Board of India

(a) It is the regulator for overseeing insolvency proceedings and entities like Insolvency Professional Agencies (IPA), Insolvency Professionals (IP) and Information Utilities (IU) in India.

(b) It was established on 1 October, 2016 and given statutory powers through the Insolvency and Bankruptcy Code, which was passed by Lok Sabha on 5th May, 2016.

(c) It covers Individuals, Companies, Limited Liability, Partnerships and Partnership firms. The new code will speed up the resolution process for stressed assets in the country.

(d) It attempts to simplify the process of insolvency and bankruptcy proceedings.

(e) It handles the cases using two tribunals like NCLT (National Company Law Tribunal) and Debt Recovery Tribunal.

Question 5

(a) Raj is a manufacturer of talcum powder. Vikas purchased a talcum powder from Raj and after using it, he suffered from skin irritation due to a chemical residue available in talcum powder. Vikas plead that Raj is responsible for his suffering. Raj denied his liability on the basis that he was in no way responsible for the bad selection of the buyer (caveat emptor). Examine under the provisions of the Sale of Goods Act, 1930.

(i) Whether Raj would be held responsible?

(ii) Whether your answer would be different if Raj is only a trader of the talcum powder of a popular brand sold in a sealed container if it is a sale by description? ***(7 Marks)***

(b) (i) Describe any four mutual rights and liabilities of partners in a partnership firm with reference to the provisions of the Indian Partnership Act, 1932. ***(4 Marks)***

(ii) Describe any three grounds on which the Court may dissolve a partnership firm with reference to the provisions of the Indian Partnership Act, 1932. ***(3 Marks)***

(c) A surety is said to be discharged when his liability comes to an end. Define various modes of Discharge of surety according to provisions of the Indian Contract Act, 1872.

(i) By revocation of the contract of guarantee (any two situations)

(ii) By the conduct of creditor (any two situation)

(iii) By the invalidation of the contract of guarantee (any two situations)

(6 Marks)

Answer

(a) (i) Whether Raj would be held responsible?

According to Section 16(1) of the Sale of Goods Act, 1930, there is an implied condition that the goods shall be reasonably fit for the purpose for which they are purchased, provided the buyer makes the purpose known to the seller and relies on the seller's skill or judgment.

In the instant case, Raj is the manufacturer. As a manufacturer of talcum powder, there is an implied condition that the product is fit for human skin usage. Since the powder contained a chemical residue that caused skin irritation, it was not of merchantable quality, meaning it was not fit for its ordinary purpose (application to the body).

The chemical residue constitutes a "latent defect" (not discoverable by ordinary inspection), making the product unmerchantable and unfit for use. Therefore, the doctrine of caveat emptor (let the buyer beware) does not apply here because the defect was not discoverable by ordinary inspection, and the seller (as manufacturer) is liable for the fitness of the product.

Raj, the manufacturer of the talcum powder, is responsible for the skin irritation of Vikas. Raj cannot deny liability based on the buyer's selection because the product was not of "merchantable quality," which is an implied condition in sale of goods. Vikas can claim damages from Raj for the skin irritation caused by the defective talcum powder.

(ii) If Raj is only a Trader: Section 16(2) of the Sale of Goods Act, 1930 states that where goods are bought by description from a seller who deals in goods of that description (whether he is the manufacturer or not), there is an implied condition that the goods shall be of "merchantable quality".

Even if Raj is merely a trader selling a popular brand in a sealed container, the goods must still be merchantable (i.e., fit for use). A product that causes skin irritation due to chemical residue is not of merchantable quality. The seller is liable for latent defects in the goods even if they are sold in a sealed container, as the seller is expected to sell goods that are fit for consumption/use.

Raj is still responsible for selling goods of unmerchantable quality, even if he is just a trader.

Alternate Answer (ii)

One of the exceptions of doctrine of Caveat Emptor is that, in case where the goods are purchased under its patent name or brand name, there is no implied condition that the goods shall be fit for any particular purpose [Section 16(1)].

Here, the buyer is relying on the particular brand name. However, when goods are sold in a sealed container of a reputed brand, the trader does not manufacture the goods and has no control over the contents.

Here, Raj is only a trader, not a manufacturer. So, the manufacturer is responsible and not Raj.

(b) (i) Mutual rights and liabilities of Partners (Section 13 of the Indian Partnership Act, 1932):

Subject to contract between the partners, they are entitled to:

Right to Remuneration [Section 13(a)]: No partner is entitled to receive any remuneration in addition to his share in the profits of the firm for taking part in the business of the firm. But this rule can always be varied by an express agreement, or by a course of dealings, in which event the partner will be entitled to remuneration.

Right to Share Profits [Section 13(b)]: Partners are entitled to share equally in the profits earned and so contribute equally to the losses sustained by the firm. The amount of a partner's share must be ascertained by enquiring whether there is any agreement in that behalf between the partners. If there is no agreement then you should make a presumption of equality and the burden of proving that the shares are unequal, will lie on the party alleging the same.

Interest on Capital [Section 13(c)]: The following elements must be there before a partner can be entitled to interest on moneys brought by him in the partnership business: (i) an express agreement to that effect, or practice of the particular partnership or (ii) any trade custom to that effect; or (iii) a statutory provision which entitles him to such interest.

Interest on Advances [Section 13(d)]: If a partner makes an advance to the firm in addition to the amount of capital to be contributed by him, in such a case, the partner is entitled to claim interest thereon @ 6% per annum. While interest on capital account ceases to run on dissolution, the interest on advances keep running even after dissolution and up to the date of payment.

Right to be Indemnified [Section 13(e)]: Every partner has the right to be indemnified by the firm in respect of payments made and liabilities incurred by him in the ordinary and proper conduct of the business of the firm as well as in the performance of an act in an emergency for protecting the firm from any loss, if the payments, liability and act are such as a prudent man would make, incur or perform in his own case, under similar circumstances.

Right to indemnify the firm [Section 13(f)]: A partner must indemnify the firm for any loss caused to it by willful neglect in the conduct of the business of the firm.

(ii) Dissolution by the Court: According to Section 44 of the Indian Partnership Act, 1932 the Court may, at the suit of the partner, dissolve a firm on any of the following grounds:

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.

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.

Misconduct: Where a partner, other than the partner suing, is guilty of misconduct 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.

Persistent Breach of Agreement: Where a partner other than the partner suing, willfully or persistently commits breach of agreements relating to the management of the affairs of the firms or the conduct of its business, or otherwise so conduct himself in matters relating to the business that it is not reasonable 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.

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 due by the partner, the court may dissolve the firm at the instance of any other partner.

Continuous/ Perpetual Losses: Where the business of the firm cannot be carried on, except at a loss in future, the court may order for its dissolution.

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:

- Deadlock in the management.
- Where the partners are not in talking terms between them.
- Loss of substratum.
- Gambling by a partner on a stock exchange.

(c) According to the provisions of the Indian Contract Act, 1872, a surety is said to be discharged when his liability as surety comes to an end.

The various modes of discharge of surety are:

(i) By revocation of the contract of guarantee.

(ii) By the conduct of the creditor, or

(iii) By the invalidation of the contract of guarantee.

(i) By revocation of the Contract of Guarantee

(a) Revocation of Continuing Guarantee by Notice (Section 130): The continuing guarantee may at any time be revoked by the surety as to future transactions by notice to the creditors. A specific guarantee can be revoked only if liability to principal debtor has not accrued.

(b) Revocation of Continuing Guarantee by Surety's Death (Section 131): In the absence of any contract to the contrary, the death of surety operates as a revocation of a continuing guarantee as to the future transactions taking place after the death of surety. However, the surety's estate remains liable for the past transactions which have already taken place before the death of the surety.

(c) By Novation [Section 62]: The surety under original contract is discharged if a fresh contract is entered into either between the same parties or between the other parties, the consideration being the mutual discharge of the old contract.

(ii) By conduct of the creditor

(a) By variance in terms of contract (Section 133): Where there is any variance in the terms of contract between the principal debtor and creditor without surety's consent, it would discharge the surety in respect of all transactions taking place subsequent to such variance.

(b) By release or discharge of principal debtor (Section 134): The surety is discharged if the creditor:

i. enters into a fresh/ new contract with principal debtor; by which the principal debtor is released, or

ii. does any act or omission, the legal consequence of which is the discharge of the principal debtor.

(c) **Discharge of surety when creditor compounds with, gives time to, or agrees not to sue, principal debtor [Sector 135]:** A contract between the creditor and the principal debtor, by which the creditor makes a composition with, or promises to give time to, or promises not to sue, the principal debtor, discharges the surety, unless the surety assents to such contract.

(d) **Discharge of surety by creditor's act or omission impairing surety's eventual remedy [Section 139]:** If the creditor does any act which is inconsistent with the rights of the surety or omits to do any act which his duty to the surety requires him to do, and the eventual remedy of the surety himself against the principal debtor is thereby impaired, the surety is discharged.

(iii) By the invalidation of the contract of guarantee

(a) **Guarantee obtained by misrepresentation [Section 142]:** Any guarantee which has been obtained by means of misrepresentation made by the creditor, or with his knowledge and assent, concerning a material part of the transaction, is invalid.

(b) **Guarantee obtained by concealment [Section 143]:** Any guarantee which the creditor has obtained by means of keeping silence as to material circumstances is invalid.

(c) **Guarantee on contract that creditor shall not act on it until co-surety joins (Section 144):** Where a person gives a guarantee upon a contract that the creditor shall not act upon it until another person has joined in it as co-surety, the guarantee is not valid if that other person does not join.

Question 6

(a) Alok bought some goods from Manish on credit. Later, he issued a cheque for the dues from his bank account and asked Manish to encash the cheque within two days. On the day Alok issued the cheque, there was a sufficient balance to pay Manish's dues. Manish presented the cheque after one month, which was returned due to insufficient funds. Manish made a demand for the payment, but Alok failed to pay. Manish send him notice to pay the outstanding debts. Alok ignored the notice. Manish filed a case for dishonour of the cheque. Alok defended himself on the grounds that Manish failed to encash the cheque within two days as specified by him and that he had no

reason to believe at the time of issuance of the cheque that it might be dishonoured. Analyse -

(i) Whether Alok's defences are valid under the provisions of the Negotiable Instruments Act, 1881.

(ii) Whether Manish can file a suit against Alok for dishonour of cheque and within how many days he can file the complaint after dishonour under the provisions of the Negotiable Instruments Act, 1881? ***(7 Marks)***

(b) Some agreements are held to be opposed to public policy. Define any six agreements with reference to provisions of the Indian Contract Act, 1872.

(6 Marks)

OR

(b) Some objects and consideration are unlawful. Define any six with reference to provisions of the Indian Contract Act, 1872. ***(6 Marks)***

(c) (i) What do you mean by suit for specific performance? State any two conditions when court allows this remedy according to provisions of the Sale of Goods Act, 1930? ***(3 Marks)***

(ii) What do you mean by right of resale? State any three conditions when the right of resale goods given to an unpaid sellers under the Sale of Goods Act, 1930. ***(4 Marks)***

Answer

(a) Section 138 of the Negotiable Instruments Act, 1881 covers dishonor of cheques for insufficiency of funds in the account.

(i) Section 138 shall not apply, unless the cheque has been presented to the bank within a period of three months from the date on which it is drawn or within the period of its validity, whichever is earlier.

In the instant case, Alok's defenses are not valid as Manish presented the cheque within one month i.e. within the validity period of three months.

(ii) Section 138 shall not be applied unless the below conditions are complied with:

(a) **Demand for the payment through the notice:** The payee or the holder in due course of the cheque, as the case may be, makes a demand for the payment of the said amount of money by giving a notice, in writing, to the drawer of the cheque, within 30 days of the receipt of information by him from the bank regarding the return of the cheque as unpaid, and

(b) **Failure of drawer to make payment:** The drawer of such cheque fails to make the payment of the said amount of money to the payee or, as the case may be, to the holder in due course of the cheque, within fifteen days of the receipt of the said notice.

The complaint can be filed after 45 days of dishonor of the cheque i.e., 30 days of notice period +15 days of the receipt of the said notice.

Therefore, in the instant case, since Manish sent notice to Alok for outstanding debts but Alok ignored the notice, Manish can file a suit against Alok and can file a complaint within 45 days of dishonor of cheque.

(b) First Alternate:

According to the provisions of the Indian Contract Act, 1872, some of the agreements which are held to be opposed to public policy are:

(1)	**Trading with Enemy:** Any trade with person owing allegiance to a government at war with India without the licence of the Government of India is void, as the object is opposed to public policy. Here, the agreement to trade offends against the public policy by tending to prejudice the interest of the State in times of war.
(2)	**Stifling Prosecution:** An agreement to stifle prosecution i.e. "an agreement to present proceedings already instituted from running their normal course using force" tends to be a perversion or an abuse of justice; therefore, such an agreement is void. The principle is that one should not make a trade of felony. The compromise of any public offence is generally illegal.

(3)	**Maintenance and Champerty:** Maintenance is an agreement in which a person promises to maintain suit in which he has no interest. Champerty is an agreement in which a person agrees to assist another in litigation in-exchange of a promise to hand over a portion of the proceeds of the action.
(4)	**Trafficking relating to Public Offices and Titles**: An agreement to trafficking in public office is opposed to public policy, as it interferes with the appointment of a person best qualified for the service of the public. Public policy requires that there should be no money consideration for the appointment to an office in which the public is interested.
(5)	**Agreements tending to create monopolies:** Agreements having for their object the establishment of monopolies are opposed to public policy and therefore void.
(6)	**Marriage Brokerage Agreements:** An agreement to negotiate marriage for reward, which is known as a marriage brokerage contract, is void, as it is opposed to public policy.
(7)	**Interference with the Course of Justice:** An agreement whose object is to induce any judicial officer of the State to act partially or corruptly is void, as it is opposed to public policy.
(8)	**Interest against Obligation:** The following are examples of agreement that are void as they tend to create an interest against obligation. The object of such agreements is opposed to public policy. (1) An agreement by an agent to receive without his principal's consent compensation from another for the performance of his agency is invalid. (2) A, who is the manager of a firm, agrees to pass a contract to X if X pays to A ₹ 200,000 privately; the agreement is void.
(9)	**Consideration Unlawful in Part:** By virtue of Section 24, if any part of a single consideration for one or more objects, or any one or any part of any one of several considerations for a single object, is unlawful, the agreement is void.

OR

(b) Second Alternate:

Some objects and consideration are unlawful

Under Section 23 of the Indian Contract Act, 1872 in each of the following cases the consideration or object of an agreement is said to be unlawful:

(i)	**When consideration or object is forbidden by Law**: Acts forbidden by law are those which are punishable under any statute as well as those prohibited by regulations or orders made in exercise of the authority conferred by the legislature.
(ii)	**When consideration or object are of such a nature that if permitted, it would defeat the provisions of Law:** If the consideration or the object of an agreement is of such a nature that not directly but indirectly, it would defeat the provisions of the law, the agreement is void.
(iii)	When it is Fraudulent: **Agreements which are entered into to promote Fraud are Void.**
(iv)	**The general term** "injury" **means criminal or wrongful harm:** The object or consideration is unlawful as it involves injury to the person or property of another.
(v)	**When consideration is Immoral:** Agreements where the object or consideration is unlawful, being immoral.
(vi)	**When consideration is opposed to Public Policy:** The expression 'public policy' can be interpreted either in a wide or in a narrow sense. The freedom to contract may become illusory, unless the scope of 'public policy' is restricted. In the name of public policy, freedom of contract is restricted by law only for the good for the community.

(c) (i) Suit for Specific Performance (Section 58 of the Sale of Goods Act, 1930): Where the seller commits of breach of the contract of sale, the buyer can appeal to the court for specific performance. The court can order for specific performance only when the goods are ascertained or specific.

This remedy is allowed by the Court subject to these conditions:

(a) The contract must be for the sale of specific and ascertained goods.

(b) The power of the court to order specific performance is subject to provisions of Specific Relief Act of 1963.

(c) It empowers the Court to order specific performance where damages would not be an adequate remedy.

(d) It will be granted as remedy if goods are of special nature or are unique.

(ii) Right of Re-Sale [Section 54 of the Sale of Goods Act, 1930]: The right of re-sale is a very valuable right given to an unpaid seller. In the absence of this right, the unpaid seller's other rights against the goods that is lien and the stoppage in transit would not have been of much use because these rights only entitled the unpaid seller to retain the goods until paid by the buyer.

The unpaid seller can exercise the right to re-sell the goods under the following conditions:

(i) Where the goods are of a Perishable in Nature: In such a case, the buyer need not be informed of the intention of resale.

(ii) Where he gives notice to the buyer of his intention to re-sell the goods: If after the receipt of such notice the buyer fails within a reasonable time to pay or tender the price, the seller may resell the goods.

(iii) Where an unpaid seller who has exercised his right of lien or stoppage in transit re-sells the goods:

The subsequent buyer acquires the good title thereof as against the original buyer, despite the fact that the notice of re-sale has not been given by the seller to the original buyer.

(iv) **A re-sale by the seller where a right of re-sale is expressly reserved in a contract of sale:** Sometimes, it is expressly agreed between the seller and the buyer that in case the buyer makes default in payment of the price, the seller will re-sell the goods to some other person. In such cases, the seller is said to have reserved his right of re-sale and he may re-sell the goods on buyer's default.

(v) **Where the property in goods has not passed to the buyer:** The unpaid seller has in addition to his remedies a right of withholding delivery of the goods. This right is similar to lien and is called "quasi-lien". This is the additional right used in case of agreement to sell.