



**MBA DEGREE EXAMINATIONS: NOV/DEC 2023**

(Regulation 2021)

Fourth Semester

**MASTER OF BUSINESS ADMINISTRATION**

P21MBC4122: Legal Aspects of Business

**COURSE OUTCOMES**

**CO1:** Demonstrate an understanding of legal boundaries that define the execution of business.

**CO2:** Illustrate relevant legal insights into the formation process of a new company.

**CO3:** Recommend appropriate actions on various legal issues relating to business decision making.

**Time: Two Hours**

**Maximum Marks: 50**

**PART A (10Q x 2M = 20 Marks) Answer Any 10 Questions only**

1. A invited B and his family to dine with him on a special occasion. B accepted the invitation but failed to turn up. Can A sue B for the damages. Examine? CO1 [K4]
2. Ashok bought a "racing bike" from Rohan, but the bike couldn't even reach speeds above 30 km/h. While Rohan argued it was a "good bike," Ashok claimed a breach of condition. Can Ashok claim a breach to condition. Analyze. CO1 [K4]
3. Mr. X, CEO of " Glory Bakery," used company funds to open a tiffin room using his discretionary powers. Was this action intra vires or ultra vires, and why? Examine CO2 [K4]
4. ABC Ltd., facing mounting debts, defaults on a loan to Bank XYZ. The bank initiates insolvency proceedings against ABC under IBC 2016. A resolution professional is appointed to assess the company's viability and explore revival options. List the various options as to how the company would act upon? CO2 [K4]
5. R borrows ₹10,000 from M and signs a document promising repayment in 3 months. Is this a promissory note or a bill of exchange, and examine how can Meera enforce payment if Rohan defaults? CO1 [K4]
6. A need to urgently transfer ₹5 lakh to his business partner in Mumbai. He considers both NEFT and RTGS. Which option should he choose and why? CO3 [K5]
7. Two major airlines agree to set minimum ticket prices on a popular route, eliminating competition. Is this legal under the Competition Act, 2002? If yes/not, appraise how does the act look upon to this agreement legally? CO3 [K5]
8. Company X, the sole provider of high-speed internet in a region, charges significantly CO1 [K5]

higher prices than competitors in other areas. Is this a potential violation of the Competition Act, 2002. Justify?

9. A hacker steals credit card information from a clothing website, using it to make fraudulent purchases. Is this cybercrime covered by the Information Technology Act, 2005 (IT Act)? If so, classify such sections which are applicable? CO3 [K4]
10. XYZ Software, based in Delhi, sells cloud-based accounting software to ABC Company, located in Bangalore. The entire sales process, from negotiation to payment, occurs electronically. Assess how do the Central Goods and Services Tax (CGST) Act apply to CO3 [K5]
- a) If XYZ has no physical presence in Karnataka,
  - b) If XYZ has a branch or warehouse in Karnataka
11. A gives his car to B for regular maintenance and service who owns a franchised auto garage of a celebrated automobile brand. A also pays the required amount to expedite the same. Subsequently owing to unanticipated floods A' car is damaged and falls beyond the scope for getting it repaired. Is B liable for the damage caused to A's car. CO3 [K3]

**PART B (5Q x 6M = 30 Marks) Answer Any Five Questions only**

12. Ramesh, a travel enthusiast, plans a month-long trip to Europe. Concerned about potential medical emergencies abroad, he approaches "Safe Travels Insurance" and purchases a travel insurance policy. The policy states that Safe Travels will reimburse Ramesh for covered medical expenses incurred during the trip, up to a limit of ₹5 lakh. However, the policy also clarifies that coverage is contingent upon Ramesh not engaging in "hazardous activities" as listed in the policy document. CO3 [K4]
- a. List the features of a contingent contract and highlight the significance of hazardous activities according to the act (2 marks)
  - b. Imagine Ramesh suffers a medical emergency during his trip, but it occurs while participating in an activity listed as "hazardous" in the policy. Would Safe Travels be obligated to reimburse his expenses? Analyze the situation based on the features of contingent contracts and relevant legal principles. (4 marks)
13. S, a renowned sculptor, hires M, a talented art student, as his assistant where M's responsibilities includes managing his studio, handling communication with clients, and assisting with basic sculpting tasks. However, S grants M limited authority to negotiate small art sales on his behalf, provided they don't exceed ₹50000 in value. One day, M receives an offer from a prestigious gallery for a new sculpture. Excited, CO3 [K5]

he negotiates a sale for ₹1,00,000 without consulting S. S is furious upon learning of the unauthorized sale, claiming he would never have agreed to such a low price. M argues that he acted in good faith and believed it was a good opportunity.

a. Appraise the type of agency relationship between S and M. Is it express, implied, or apparent? Explain the reasoning behind your answer. (3 marks)

b. Is S bound by the unauthorized sale or not? Consider relevant legal principles like ratification, estoppel, and knowledge of agent's acts to justify your answer (3 marks)

14. Three friends, M, R, and A, decide to start a company together, leveraging their individual skills in design, marketing, and finance. They choose to form a Limited Liability Partnership (LLP) for its flexibility and limited liability benefits. However, their understanding of the LLP formation process is limited. They draft a partnership agreement themselves and file the necessary documents online. CO2 [K5]

a. Explain the key features of an LLP structure in India compared to other forms of businesses. (3 marks)

b. Explain how it differs from a partnership firm or a company. (3 marks)

15. R, a businessman, receives three different instruments for payment: CO3 [K4]

- A promissory note signed by his friend S, promising to repay a loan of ₹10,000 within a month.
- A bill of exchange drawn by his supplier, M, on him, payable to her for ₹20,000 on demand.
- A cheque drawn by R himself on his own bank account, payable to the order of his employee, P, for her salary of ₹5,000.

R is unsure about the different features and legal implications of these instruments.

a. He asks you, a legal professional, to explain how their characteristics make them suitable for different situations. (3 marks)

b. Analyze the key features of each instrument (promissory note, bill of exchange, and cheque) under the Negotiable Instruments Act. (3 marks)

16. A social media user, M, posts a satirical cartoon on her profile criticizing a prominent politician, Mr. X. The cartoon, although humorous in intent, is perceived by some as offensive and defamatory. Mr. X demands that the concerned platform to blacklist the post and initiates legal action against M under the Information Technology Act, 2000 (IT Act). CO3 [K4]

a. Analyze the applicability of the IT Act in this scenario. Does it cover content posted on social media platforms? If so, which specific provisions might be relevant? (3 marks)

b. Analyze the social media platform's liability as an intermediary under Section 79 of the IT Act. Should the platform take down the post based on Mr. X's request? What factors should the platform consider before taking action? (3 marks)

17. A, a budding entrepreneur based in Delhi, operates an online store selling handcrafted jewelry. He recently received an enticing order from a customer in Sydney, Australia. Excited about the potential for international expansion, A contemplates fulfilling the order. However, he is unsure about the Goods and Services Tax (GST) implications for such cross-border e-commerce transactions under the CGST Act. CO3 [K5]

- a. Does the CGST Act apply to A's export of jewelry to Australia? Explain the relevant provisions and thresholds for determining applicability. (3 marks)
- b. List the different GST taxation options available to A for this export and explain the key compliance requirements and taxation for A under the chosen taxation option? (3 marks)

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