**Legal Aspect of Business**

**Jun 2025 Examination**

###### **PLEASE NOTE: This assignment is application based, you have to apply what you have learnt in this subject into real life scenario. You will find most of the information through internet search and the remaining from your common sense. None of the answers appear directly in the textbook chapters but are based on the content in the chapter**

**Q1. A startup named "SunDisk Pvt. Ltd." specialises in software development. Initially, its Memorandum of Association (MOA) focused solely on developing enterprise software solutions. However, when market patterns changed, the business recognized profitable prospects in cloud computing services and artificial intelligence (AI) consulting. The board of directors decided to enter these segments without modifying the MOA. Soon after, a major investor raised concerns that these activities were ultra vires and could lead to legal consequences. The company now faces challenges related to business expansion, legal compliance, and shareholder confidence.**

**Based on the given scenario, highlight the challenges before SunDisk Pvt. Ltd. if the MOA continues to remain unamended. Please explain the challenge by emphasizing the doctrine of ultra vires under the Companies Act, 2013, and suggest potential solutions to avoid the company violating the provisions of Companies Act, 2013 (10 Marks)**

**Ans 1.**

**Introduction**

SunDisk Pvt. Ltd. is a software development startup that initially focused on enterprise software solutions as outlined in its Memorandum of Association (MOA). However, with the evolution of market trends, the company sought to expand its operations into cloud computing and artificial intelligence (AI) consulting without making amendments to its MOA. This decision raised concerns from investors about whether such expansion falls within the scope of the company’s originally defined objectives. The doctrine of ultra vires under the Companies Act, 2013, plays a crucial role in determining whether a company’s actions are legally valid. If SunDisk continues to operate outside its MOA without modification, it could face legal, financial, and reputational challenges. Addressing these concerns is vital to ensuring

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**Q2A. Innovative Constructions Pvt. Ltd. signs a contract with the government to build a highway in two years. The contract includes terms about work deadlines and quality. However, the company faces three major problems:**

**1. Delay in Work: Due to supply chain problems, only 90% of the work is done on time. The government may take legal action for not completing the project.**

**2. Change in Contract: The company asks for extra time, and the government agrees, but some contract terms need to be changed.**

**3. Work Becomes Impossible: A new law bans an important material needed for the project. The company claims that the contract should end because completing the work is now impossible.**

**Question: Under the Indian Contract Act, 1872, explain how the company should handle these problems legally. Consider rules about performance (finishing the work), changing terms of the contracts by mutual agreement, and what happens when the work becomes impossible to perform. Mention relevant legal sections where applicable. (5 Marks)**

**Ans 2A.**

**Introduction**

Innovative Constructions Pvt. Ltd. entered into a contract with the government to build a highway within two years. However, the company faces legal challenges due to delays in work, required modifications in contract terms, and the impossibility of performance due to a new law banning a key construction material. The Indian Contract Act, 1872, provides legal solutions under the principles of contract performance, modification by mutual agreement, and frustration of contract. The company must address these issues by following the legal

**Q2B. Harish, a real estate developer, signs a contract with Mehta & Sons to build a luxury apartment complex in two years. The contract states that if the project is delayed, Mehta & Sons must pay a penalty (liquidated damages). However, due to poor management, they fail to complete the project on time. Harish suffers financial loss and damage to his reputation.**

**Question:**

**Under the Indian Contract Act, 1872, what legal remedies does Harish have for this contract breach? What steps can he take to prevent further delays? Mention relevant legal sections. (5 Marks)**

**Ans 2B.**

**Introduction**

Harish, a real estate developer, entered into a contract with Mehta & Sons for constructing a luxury apartment complex within two years. The contract includes a liquidated damages clause imposing penalties for delays. Due to mismanagement, Mehta & Sons failed to complete the project on time, causing Harish financial loss and reputational damage. For contract violation, Harish may sue for damages and penalties under the Indian Contract Act, 1872. Avoiding