

Pen & Paper : Examination

April 2010

CA IPCC-1: **LAW, ETHICS & COMMUNICATION**

Time Allowed: 3 Hours

Max. Marks: 100

PART -A Law

Question No 1 and 2 are compulsory .Attempt any eight questions from rest

Q.1.

- a) A' stands surety for 'B' for any amount which 'C' may lend to B from time to time during the next three months subject to a maximum of Rs.50, 000. One month later A revokes the guarantee, when C had lent to B Rs.5, 000. Referring to the provisions of the Indian Contract Act, 1872 decide whether 'A' is discharged from all the liabilities to 'C' for any subsequent loan. What would be your answer in case 'B' makes a default in paying back to 'C' the money already borrowed i.e. Rs.5, 000? (5marks)
- b) (i) State with reason whether the following statements are correct or incorrect?
- (a) Placing of ornaments in a bank locker is a contract of bailment. (1 marks)
 - (b) A bailee need not return accretion to the goods to the bailor on the completion of the Contract of Bailment. (1 marks)
- (ii) Pick out the correct answer from the following and give reasons:
- (a) In legal terms, person who takes the instrument bonafide for value before it is overdue, in good faith, is known as
 - (1) Holder in due course
 - (2) Holder
 - (3) Holder for value
 - (4) None of the above (1 mark)
 - (b) "A" promises to paint picture for B by a certain day, at a certain price. A dies before the day. The contract
 - (1) Can be enforced by A's representative
 - (2) Can be enforced by B
 - (3) Can be enforced either by A's representative or by B
 - (4) Can not be enforced by A's representative or by B (1 mark)
 - (c) A negotiable instrument is payable to order can be transferred by
 - (1) Simple delivery
 - (2) Endorsement and delivery
 - (3) Endorsement
 - (4) Registered Post (1 mark)

Q.2.

- (a) A company issued 20 partly paid equity shares and registered them in the name of the minor describing him as minor. The father of the minor signed the application on the minor's behalf. After some time company went into liquidation. The company filed a suit against father of the minor to recover the remaining amount on the shares. Whether the company will succeed? Advice. (5 marks)
- (b) (i) State whether the following statements are true or False and give reasons

- a) The Articles of association of a Company can be altered by passing an Ordinary resolution in the meeting of shareholders (1 mark)
- b) A transferee becomes a member of the company when the instrument of transfer is submitted with the company (1 mark)

(ii) Pick out the correct answer from the following and give reasons:

- a) If a company does not receive the minimum subscription, it should refund all money received from applicants for shares without interest
 - (1) Within 30 days of issue of prospectus
 - (2) Within 60 days of issue of prospectus
 - (3) Within 90 days of issue of prospectus
 - (4) Within 120 days of issue of prospectus (1 mark)

- b) The Securities Premium Account can not be utilized:
 - (1) In writing off the preliminary expenses of the company
 - (2) In writing off the expenses of commission paid on issue of share of the company
 - (3) For redemption of redeemable preference shares
 - (4) In providing for the premium payable on the redemption of redeemable preference shares (1 mark)

- (c) An extra ordinary general meeting may be convened by
 - (i) Board of Directors
 - (ii) Requisitionists
 - (iii) Company Law Board/ Tribunal
 - (iv) All of the above (1 mark)

Q.3. X, a temporary employee drawing a salary of Rs.3,000 per month, in an establishment to which the Payment of Bonus Act, 1965 applies was prevented by the employers from working in the establishment for two months during the financial year 2001-2002, pending certain inquiry. Since there were no adverse findings 'X' was re-instated in service, later, when the bonus was to be paid to other employees, the employers refuse to pay bonus to 'X', even though he has worked for the remaining ten months in the year. Referring to the provisions of the Payment of Bonus Act, 1965 examine the validity of employer's refusal to pay bonus to 'X' (5 marks)

Q.4. Explain the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 relating to:

- (i) Transfer of accounts of cm employee in case of his leaving the employment and faking up employment in another establishment.
- (ii) Liability of a transferee employer in case of transfer of establishment by an employer. (5 marks)

Q.5. X, a major, and M, a minor, executed a promissory note in favor of P. Examine with reference to the provisions of the Negotiable Instruments Act, the validity of the promissory note and whether it is binding on X and M. (5 marks)

Q.6. Explain the manner in which the gratuity payable to employees in a seasonal as well as other establishments is calculated under the Payment of Gratuity Act, 1972 .State also the maximum amount of gratuity payable under the Act. (5 marks)

Q.7. Explain the limitations relating to alternation of Articles of Association of a company. (5 marks)

- Q8. Explain the meaning of the term 'Holder' under Negotiable Instruments Act, 1881. State the privileges of a 'Holder in due course'. (5 marks)
- Q9. M Company Limited issued 2, 00000 equity shares of Rs. 10 each. You are allotted 100 shares. Explain any ten rights you have as a member of the company. (5 marks)
- Q10. A company refuses to register transfer of shares made by X to Y. The company does not even send a notice of refusal to X or Y within the prescribed period. Has the aggrieved party any right(s) against the company for such a refusal? Advice. (5 marks)
- Q11. Explain the term 'Share Warrant'. How does it differ from 'Share Certificate'? (5 marks)
- Q12. Peek Ltd. Co. issued and published its prospectus to invite the investors to purchase its shares. The said prospectus contained false statement. Mr. X purchased some partly paid shares of the company in good faith on the Stock Exchange. Subsequently, the company was wound up and the name of Mr. X was in the list of contributors. Decide:
- (i) Whether Mr. X is liable to pay the unpaid amount?
 - (ii) Can Mr. X sue the directors of the company to recover damages? (5 marks)

PART -B Ethics

Question No.13 is compulsory. Attempt any two questions of the rest

- Q.13.
- (a) Explain the meaning of the terms 'ethics' and 'business ethics' and also state the requirements of 'business ethics' (5 marks)
 - (b) Explain the pragmatic reasons for maintaining ethical behavior in marketing through marketing executive (5 marks)
- Q.14. What is meant by 'Environmental ethics'? How its non adoption does leads to 3 Ps viz Polluter, Pay and Principle? Explain (5 marks)
- Q.15. Answer any two out of four. You are required to state whether the statement is correct or incorrect with brief reason
- (a) Window dressing of financial statements will not be useful in the long run. (2.5 marks)
 - (b) Business does not sub serve the environmental ethics (2.5 marks)
 - (c) The Governmental Model Position Management is accountable solely to investors. (2.5 marks)
 - (d) 'Consumer interest and 'Public interest' are synonymous (2.5 marks)
- Q.16. What is Corporate Social Responsibility? Why it is needed in Indian Business Environment? (5 marks)

Part C: Communication

Question No 17 is compulsory and attempt any two questions of the rest

- Q.17.
- (a) "Listening is the key ingredient of effective communication". Comment. (5 marks)
 - (b) State the various components which are required to draft a Partnership deed. (5 marks)

- Q.18. ABC Ltd wants to hold its general meeting on 15th December, 2008 to discuss the matters relating to ordinary business. Draft a notice, along with notes in brief, for calling Annual General Meeting of its Shareholders. (5 marks)
- Q.19. Draft a notice for calling the Board of Directors meeting of M/s MN limited where Mr. RS is to be co-opted as an Additional Director and also to consider buy back of company's equity shares to an extent of 10% of issued share capital. (5 marks)
- Q.20. What do you understand by group conflicts? How shall these be managed effectively? Explain. (5 marks)