

P6_Practice Test Paper_Syl12_Dec13_Set 1

Laws, Ethics & Governance

[Answer to Question No.1 is compulsory]

1. Choose the correct answer from the given four alternatives:

[1*20=20]

- (i) The primary purpose of employee safety programme is to preserve the employees':
 - (a) Mental health
 - (b) Physical health
 - (c) Emotional health
 - (d) All of the above
- (ii) The first Factories Act was enacted in:
 - (a) 1881
 - (b) 1895
 - (c) 1897
 - (d) 1885
- (iii) When parties enter into a contract on telephone the contract becomes complete at the place where acceptance is heard by the proposer. This has been provided:
 - (a) In no section of Indian Contract Act but so decided by the Supreme Court
 - (b) In section – 2
 - (c) In section – 3
 - (d) In section – 4
- (iv) In case of conflict of jurisdiction of the courts, the incidence of a contract shall be governed by the law of the place where the :
 - (a) Contract is made
 - (b) Contract is performed
 - (c) Acceptor resides
 - (d) Proposer resides
- (v) Where under a contract of sale the property in goods has passed to Buyer and Buyer wrong fully neglects or refuses to pay the price, the Seller can sue the Buyer for —
 - (a) payment of price of goods
 - (b) damages for non-acceptance of goods
 - (c) payment of other charges like insurance, forwarding etc.
 - (d) all of the above
- (vi) Which of the following statements is correct?
 - (a) A partner can be admitted in a firm by the consent of the majority of partners
 - (b) A minor can be a partner in a firm
 - (c) The liability of a retired partner to third parties continues even after his retirement
 - (d) A partner of an unregistered firm cannot sue for the dissolution of a firm

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- (vii) **Under the provisions of section 143 of the Negotiable Instruments Act, 1881, all offences under the Act are to be tried by**
- (a) any Judicial Magistrate
 - (b) Judicial Magistrate of the First Class or by a Metropolitan Magistrate
 - (c) only a District Judge
 - (d) none of the above
- (viii) The space for every worker employed in the Factory after the commencement of Factories Act, 1948 should be Cubic Meters.
- (a) 9.9
 - (b) 10.2
 - (c) 14.2
 - (d) 13.2
- (ix) The minimum number of members required to form a public company and private company is:
- (a) 7 and 2
 - (b) 5 and 2
 - (c) 7 and 3
 - (d) 5 and 3
- (x) The nominal value of qualification shares of a director should not exceed:
- (a) ₹7,000
 - (b) ₹5,000
 - (c) ₹10,000
 - (d) ₹8,000
- (xi) Clause 49 is applicable to all the listed companies which has a minimum paid-up capital of:
- (a) ₹5 crores
 - (b) ₹3 crores
 - (c) ₹6 crores
 - (d) ₹4 crores
- (xii) The Sarbanes-Oxley Act was formed by the US in the year:
- (a) 2002
 - (b) 2003
 - (c) 2004
 - (d) 2005
- (xiii) "Business ethics is the study of business situations, activities and decisions where issues of right and wrong are addressed". This definition is given by:
- (a) Raymond C. Baumhart
 - (b) Andrew Crane
 - (c) Adam Smith
 - (d) Campbell Jones

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- (xiv) Which of the following is not a threat that may affect the business environment and influence finance and accounting professionals:
- (a) Self-interest threats
 - (b) Advocacy threats
 - (c) Functional threats
 - (d) Intimidation threats
- (xv) As per section 252 of the Companies Act, every public company shall have at least:
- (a) 2 directors
 - (b) 3 directors
 - (c) 4 directors
 - (d) 1 director
- (xvi) Section 4 of The Prevention of Money Laundering Act, 2002 provides for:
- (a) Fine and Imprisonment
 - (b) Fine only
 - (c) Imprisonment only
 - (d) Fine or Imprisonment
- (xvii) Power to exempt any LLP or class of LLP for Audit of Accounts is with:
- (a) Central Government
 - (b) Inspector
 - (c) Any other regulatory authority
 - (d) None of the above
- (xviii) Right of Stoppage in transit can be exercised by the Unpaid Seller, where the Buyer—
- (a) is solvent
 - (b) becomes insolvent
 - (c) acts fraudulently
 - (d) acts smartly
- (xix) A gives a recognizance binding him in a penalty of ₹500 to appear in the court on a certain day. He forfeits his recognizance. He is:
- (a) Liable to pay the whole penalty
 - (b) Is not liable to pay the penalty
 - (c) Is liable to pay partially
 - (d) None of these
- (xx) A contract to trade with an enemy is
- (a) an immoral agreement
 - (b) a valid agreement
 - (c) an agreement opposed to public policy
 - (d) an enforceable agreement

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SECTION A

[Attempt any 4 questions]

2. (a) Mr. Rama proposed to sell his house to Ramesh. Ramesh sent his acceptance by post. Next day, Ramesh sends a telegram withdrawing his acceptance. Examine the validity of the acceptance in the light of the following:
- (i) The telegram of revocation of acceptance was received by Rama before the letter of acceptance.
 - (ii) The telegram of revocation and letter of acceptance both reached together.

[2+2=4]

(b) Discuss with reasons, whether the following persons can be called as a 'holder' under the Negotiable Instruments Act, 1881:

- (i) X who obtains a cheque drawn by Y by way of a gift.
- (ii) A, the payee of the cheque, who is prohibited by a court order from receiving the amount of the cheque.
- (iii) M, who finds a cheque payable to bearer, on the road and retains it.
- (iv) B, the agent of C, is entrusted with an instrument without endorsement by C, who is the payee.
- (v) B, who steals a blank cheque of A and forges A's signature.

[5]

(c) ABC Textiles Ltd. employed 20 full-time and 5 part-time employees who were drawing salary of less than 10,000 per month. After completing service of 28 days, in an accounting year, 10 full-time employees submitted their resignations and left the service of the company. The Board of directors of this company decided not to give the bonus to the employees, who resigned, to the remaining full-time employees and to the part-time employees. Against the decision, all the employees applied to the authorities for relief. Decide, stating the provisions of the payment of Bonus Act, 1965, whether the employees, who resigned, remaining full-time employees and part-time employees will get relief.

[3]

3. (a) While an employee may increase his contribution to Provident Fund, is an employer also liable to proportionately increase his contribution to the above under the Employees Provident Funds and Miscellaneous provisions Act, 1952? Explain.

[2]

(b) State the difference between 'Sale' and 'Agreement to Sell'

[7]

(c) Z rents out his house situated at Delhi to W for a rent of ₹10,000 per month. A sum of ₹5 lac, the house tax payable by Z to the Municipal Corporation being in arrears, his house is advertised for sale by the corporation. W pays the Corporation, the sum due from Z to avoid legal consequences. Referring to the provisions of the Indian Contract Act, 1872 decide whether W is entitled to get the reimbursement of the said amount from Z.

[3]

4. (a) Abhi induced Bani by fraud to draw a cheque payable to Chandni or order. Abhi obtained the cheque, forged Chandni's endorsement and collected proceeds to the

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cheque through his bankers. Bani, the drawer, wants to recover the amount from Chandni's bankers.

Decide in the light of the provisions of Negotiable Instruments Act, 1881-

- (i) Whether Bani, the drawer, can recover the amount of the cheque from Chandni's bankers?
- (ii) Whether Chandni is the fictitious payee?
- (iii) Would your answer be still the same in case Chandni is a fictitious person? **[3]**

(b) Natural Steels Ltd. decided to forfeit the amount of gratuity of its employees A, B and C on account of disorderly conduct and other acts which caused loss to the property belonging to the company. A, B and C, committed the following acts:

- (i) A refused to surrender the occupied land belonging to the company.
- (ii) B committed theft under law involves offence of moral turpitude.
- (iii) C, after superannuation, continued to occupy the quarter of the company for six months.

Against the decision of the company, A, B and C applied to the court for relief. The Company contended that the right to gratuity is not a statutory right and the forfeited amount of gratuity was within the law.

Examine the contention of the company and the decision taken by the company to forfeit the amount of gratuity in the light of the Payment of Gratuity Act, 1972. **[3]**

(c) What is Partnership? What are the essential elements of Partnership? **[2+4=6]**

5. **(a)** Starline Airways Ltd. was incorporated at Chennai in the year 2012 with 125 workmen. Due to strike of workers, mismanagement in the company and accidental loss of the assets the company suffered heavy losses continuously since its incorporation, resulting which the large part of the capital and assets were wiped out. Consequently, the company moved an application to the Govt. of Tamilnadu requesting to exempt the company fully from the application of the provisions of the Payment of Bonus Act, 1965. Decide, whether the Govt. of Tamilnadu may grant exemption to the Company. State the provisions of law in this regard as stated under the Payment of Bonus Act, 1965. **[4]**

(b) Mr. X agreed to sell to Mr. Y a parcel of 1000 bags of groundnuts lying in his godown. Unknown to Mr. X, 150 bags had been stolen at the time of contract. Mr. X tendered delivery of 850 bags. Mr. Y declined to accept. State the legal position. **[3]**

(c) What is Money Laundering? What are the obligations of Banking Companies, Financial Institutions and Intermediaries as per Section 12? **[2+3=5]**

6. **(a)** State the provisions relating to Inspectors as per The Payment of Bonus Act, 1965. **[5]**

(b) What is Quantum meruit? State the cases in which the claim of Quantum Meruit arise. **[2+5=7]**

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SECTION B

[Answer any two questions]

7. (a) UMA Ltd. has only 7 shareholders having fully paid-up shares. On 30th April, 2012, all the shares of X (a shareholder of the company) are sold to Y (another shareholder of the company) in an auction by the order of the court. Z, (a shareholder of the company) was in USA for a business trip from January and thus he was not aware of the developments. The company continues to carry on its business thereafter. In December, 2012, the company borrowed a sum of ₹5 lac from the Unique Bank. Later, the company was wound up and the Assets of the company were not sufficient for the payment of its Liabilities. The Bank filed a suit against Y and Z for recovery of the said loan from them. Decide the Liabilities of Y and Z under the provisions of Companies Act, 1956. Would your answer be the same, if the said loan was taken in the month of March, 2012? **[4]**
- (b) Discuss the qualifications and disqualifications of a Cost Auditor? **[2+2=4]**
8. (a) The Right to Information is associated with which fundamental right? Discuss the composition and appointment of Central Information Commission as per The Right to Information Act, 2005. **[1+3=4]**
- (b) Why is Internal audit necessary to Management? Discuss. **[4]**
9. What is meant by Pre-Incorporation Contracts? Can these contracts be enforced by the prospective company after its incorporation against the third parties with whom the promoters had entered into certain contracts? Explain. **[2+6=8]**

SECTION C

[Answer any two questions]

10. (a) What are the various threats which can be faced by a Finance and Accounting Professional while working as an Auditor, Consultant or an Employee in an organization? **[4]**
- (b) State the fundamental principles of Ethical Behaviour. **[4]**
11. (a) Give examples of Self-Interest Threats which can be faced by a Finance and Accounting Professional while working as (a) Auditor or Consultant, or (b) Employee in a Company. **[4]**
- (b) What are the basic reasons for Ethical Dilemmas in workplace? Give examples of ethical issues faced by the individual in the workplace. **[4]**
12. Outline the need for Ethics in business. **[8]**