

INTERMEDIATE EXAMINATION

December 2013

P-6(LEG)

Syllabus 2012

Laws, Ethics and Governance

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Question No. 1 is compulsory.

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

1×20=20

(i) Cash is withdrawn by a customer of a bank from the automatic teller machine is an example of

- (a) Express Contract
- (b) Void Contract
- (c) Tacit Contract
- (d) Illegal Contract

(ii) Which of the following is not implied condition under The Sale of Goods Act, 1930?

- (a) Sale by description
- (b) Sale by discount price
- (c) Sale by sample
- (d) Quality or fitness

(iii) Occupier of every factory shall provide and maintain suitable room or rooms for the use of the children under the age of six years of women workers where the number of such women workers exceed

- (a) 20
- (b) 50
- (c) 30
- (d) 150

(iv) Examine as to which of the following payments form part of "salary" under the provisions of the Payment of Bonus Act, 1965.

- (a) Travelling allowance
- (b) Commission on sales
- (c) Dearness allowance
- (d) Overtime allowance

(v) Under Payment of wages Act, 1963, in any factory, in which 1200 persons are employed, wages must be paid

- (a) any time
- (b) before the expiry of 10th day of the following month
- (c) before the close of the month
- (d) before the expiry of 7th day of the following month

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- (vi) The Employees Provident Funds Act, 1952 is applicable to every establishment mentioned in schedule 1 and employed
- (a) 10 persons or more
 - ~~(b)~~ 100 or more persons
 - ~~(c)~~ 20 or more persons
 - (d) 50 or more persons
- (vii) A factory employs 250 workers. All the workers including workers above 60 years of age and below 15 years of age went on strike. The employer
- (a) can deduct fine from all the workers
 - (b) can not deduct fine from workers who are under the age of 15
 - (c) no fine can be imposed from workers who are 60 years and above
 - (d) can not deduct any fine from any worker
- (viii) The employer's and employee's share of contribution of ESI fund is
- (a) 1.75% and 4.75% of wages respectively
 - (b) 4.75% and 1.75% of wages respectively
 - (c) 10% and 3.75% of wages respectively
 - (d) 11% and 3.75% of wages respectively
- (ix) A Formal notarial certificate attesting the dishonour of a bill or note is called
- (a) Noting
 - (b) Protest
 - (c) Attestation of Dishonour
 - (d) Endorsement
- (x) Public notice is not required when there is
- ~~(a)~~ admission of new partner
 - (b) retirement of any partner
 - ~~(c)~~ expulsion of any partner
 - (d) dissolution of the firm
- (xi) A LLP shall file an annual return duly authenticated with the Registrar within _____ of closure of a financial year under Limited Liability Partnership Act, 2008.
- (a) 30 days
 - (b) 45 days
 - (c) 60 days
 - ✓(d) 90 days
- (xii) Under Prevention of Money Laundering Act, 2002, CDD means
- (a) Compact Disk Delivery
 - (b) Customer Direct Dealing
 - (c) Customer Designated Director
 - (d) Customer Due Diligence

- (xiii) The board of directors may appoint additional directors from time to time if so authorized by
- (a) Articles of Association
 - (b) Memorandum of Association
 - (c) A resolution passed at general meeting
 - (d) A resolution passed at board meeting
- (xiv) As per clause 49 of corporate governance, independent director means a non executive director of the company who
- (a) is not less than 21 years of age
 - (b) has been an executive of the company in the immediately preceeding three financial years
 - (c) is related to promoters or persons occupying management positions
 - (d) is a substantial shareholder of the company
- (xv) Where the information sought for concerns the life and death or liberty of a person, information under RTI Act, 2005 is to be supplied within
- (a) 15 days from the date of receipt of request
 - (b) 72 hours from the date of receipt of request
 - (c) 48 hours from the date of receipt of request
 - (d) 30 hours from the date of receipt of request
- (xvi) Board of German Corporate Governance system is based on
- (a) one-tier concept
 - (b) two-tier concept
 - (c) three-tier concept
 - (d) four-tier concept
- (xvii) Business ethics are gaining importance because of
- (a) smooth functioning
 - (b) good image
 - (c) the growth of consumer movement
 - (d) increasing profit
- (xviii) Which of the following statement is correct about business ethics?
- (a) Social responsibility and business ethics are considered different concepts
 - (b) Making higher profits should be the main objective of a business
 - (c) A business may sustain only if it cares for society
 - (d) Companies making ethical investments may not be able to compete
- (xix) Holders of public office should take decision solely in terms of the public interest. This principle of public life is called
- (a) Integrity
 - (b) Accountability
 - (c) Honesty
 - (d) Selflessness

Please Turn Over

- (xx) To resolve the Ethical Conflict, following should not be considered.
- (a) Relevant facts ✓
 - (b) Alternative Course of action ✓
 - (c) Arms Length
 - (d) Ethical issues involved ✓

SECTION A

Attempt any four questions.

2. (a) (i) Does silence amount to fraud? 3
- (ii) Arvind hires a carriage of Govind and agrees to pay INR 500 as hire charges. The carriage is unsafe though Govind is unaware of it. Arvind is injured and claims compensation for injuries suffered by him. Govind refuses to pay. Discuss the liability of Govind. 3
- (b) Raman instructed Soman, a transporter, to send a consignment of apples to Mumbai. After covering half a distance, Soman found that the apples will perish before reaching Mumbai. Hence, he sold the same at a half the market price. Raman sued against Soman. Will he succeed? 3
- (c) Arun, Varun and Tarun are partners of software business and jointly promise to pay INR 60,000 to Karun. Over a period of time, Varun becomes insolvent, but his assets are sufficient to pay one-fourth of his debts. Tarun is compelled to pay the whole. Decide whether Tarun is required to pay whole amount to Karun in discharging joint promise? 3
3. (a) (i) Who is a Partner by "Holding Out" or "Estoppels"? 2
- (ii) 'Anil' draws a bill on 'Susheel' for INR 10,000 payable to his order. 'Susheel' accepts the bill but subsequently dishonours it by non-payment. 'Anil' sues 'Susheel' on the bill. 'Susheel' proves that it was accepted for value as of INR 8,000 and as accommodation to 'Anil' for INR 2,000. How much can 'Anil' recover from 'Susheel'? Decide in the light of the provisions of the Negotiable Instruments Act, 1881? 3
- (b) Anurag was an employee of Coffee Estate Ltd. The whole undertaking of Coffee Estate Ltd. was taken over by a new company Asian Coffee Ltd. The Service of Anurag remained continuous in the new company. After serving for one year, Anurag met with an accident and become permanently disable. Anurag applied to the new company for the payment of gratuity. The company Asian Estate Ltd. refused to pay gratuity on the ground that Anurag has served only for a year in the company. Examine the validity of refusal of the company in the light of the provisions of the Payment of Gratuity Act, 1972. 3
- (c) If the following statements are not correct, give the correct answer. 1×4=4
- (i) Authorized capital for formation of limited liability partnership (LLP) is one crore. **No**
 - (ii) Maximum number of partners in a LLP shall not exceed 50.
 - (iii) Foreign nationals can also be partners in a LLP.
 - (iv) Audit is not required in LLP in any circumstances.

4. (a) (i) ~~What~~ will be the fate of a "Holder" of negotiable instrument if he fails to give notice of dishonour to prior parties? 2
- (ii) A company having its registered head office in Kolkata has three departments in Delhi, Chennai and Mumbai. The company paid minimum bonus under Payment of Bonus Act, to all its entitled employees of head office excepting the employees of departments located outside Kolkata. State whether employer was right. 3
- (b) In case of auction sales, auctioneers has some implied obligations. State such obligations. 4
- (c) An inspector appointed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 makes an inspection at 10 p.m. (five hours after factory timings) and seeks to take copies of the "shareholders Register". How far under the Act is his action reasonable? 3
5. (a) (i) Define 'Designated business or profession' under The Prevention of Money Laundering Act, 2002. 2
- (ii) Explain the partial disablement with the help of leading case under the Employees Compensation Act, 1923. 4
- (b) Explain "Hours and period of work" u/s 7 of the Child Labour (Prohibition and Regulation) Act, 1986. 3
- (c) What are the conditions to deduct for recovery of ~~advances made under~~ the Payment of Wages Act, 1936? 3
6. (a) Mr. Mahavir joined the company on 25.05.1987 and retired on 30.11.2012 when his salary was INR 70,000 per month. He also received conveyance allowance INR 20,000 per month and average overtime INR 1,000 per month, calculate the amount of gratuity. 3
- (b) A non owner can convey a better title to the bonafide purchaser of goods for value in certain cases. List out those cases. 6
- (c) What are the circumstances in which Limited Liability Partnership may be wound up by Tribunal? 3

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SECTION B

Attempt any two questions.

7. (a) A Company was incorporated on 6th October, 2013. The certificate of incorporation of the company was issued by the Registrar on 25th October, 2013. The company on 10th October, 2013 entered into a contract, which created its contractual liability. The company denies from the said liability on the ground that company is not bound by the contract entered into prior to issuing of certificate of incorporation. Decide, under the provisions of The Companies Act, 1956, whether the company can be exempted from the said contractual liability. 3
- (b) What is the difference between 'e-governance' and 'e-government'? 3
- (c) Describe the meaning of 'Records' under the Right To Information Act, 2005. 2
8. (a) (i) A company was formed and commenced business but directors were not appointed. In such case who will act as director? 2
- (ii) Board acts on the advice given by a person in his professional capacity, whether he shall be treated as director. 1
- (b) What are the conditions to be complied with to keep the minutes in the loose leaf binders? 3
- (c) "Audit committee is only luxury to the company". Do you agree? 2

Please Turn Over

9. (a) Describe the provisions for disclosure of interest by directors u/s 299 of the Companies Act, 1956. 3
- (b) A chemical manufacturing company distributed Rs. twenty lakhs to scientific institutions for furtherance of scientific education and research. Referring to the provisions of The Companies Act, 1956, decide whether the said distribution of money was 'ultra vires' the company. 2
- (c) Explain the combined code (2006) under the Corporate Governance in the UK. 3

SECTION C

Attempt any two questions.

10. (a) "Good business ethics promotes good business" — Explain. 4
- (b) Mr. ROY is a CEO of a pharmaceutical company. His R & D department, while experimenting with a chemical molecule, sees the possibility that the molecule may be developed into a drug for a rare, painful, life-threatening genetic disease that afflicts only one child in ten million. But to develop the drug, his company may have to invest huge sum of the shareholder's money, despite the drug not wide salability. Is Mr. ROY confronted by an ethical dilemma? How should he resolve the issue? 4
11. (a) "Ethics and morals are one and the same" — Comment. 3
- (b) Explain briefly the matters to be considered and the step that may be taken by an accounting professional when he is required to resolve an ethical conflict in the application of fundamental principles. 5
12. (a) What are the reasons for which unethical behaviour might arise in an organization? 4
- (b) Discuss the code of ethics to be followed by Management Accountant professional. 4