

Test Series: August, 2012

Mock Test Paper – 1

IPCC/PCC: GROUP – I

PAPER – 2/3: BUSINESS LAWS, ETHICS AND COMMUNICATION /

LAWS, ETHICS AND COMMUNICATION

Question No.1 is compulsory

Attempt any five questions from the remaining six questions

Time Allowed – 3 Hours

Maximum Marks – 100

1. (a) Examine what is the legal position, as to the following: (5 Marks)
- (i) Mr. X offered to sell his motor bike to Y for ₹ 18,000. Y replied purporting to accept the offer and enclosed a cheque for ₹ 8,000. He also promised to pay the balance of ₹ 10,000/- in monthly installments of ₹ 5,000 each.
- (ii) A offered to sell his house to B for ₹ 10000. B replied that he can accept the house for only ₹ 8,000. A rejected B's counter offer to buy the house for ₹ 8,000. B later changed his mind and is now willing to buy the house for ₹ 10,000.
- (b) (I) Find the correct answer from the following and give reason: (3 x 1 = 3 Marks)
- (i) A without B's authority let outs B's flat to C. Afterwards B accepts rent of the flat from C. It is an agency by :
1. Holding out 2. Estoppel
3. Ratification 4. Necessity
- (ii) A Promissory – Note drawn jointly by , a minor and a major is-
- (1) Void (2) Valid but not negotiable
- (3) Valid but can be enforced only against Y (4) None of the above
- (iii) The dispute related to payment of gratuity shall be referred to-
1. High Court 2. Supreme Court
3. Controlling Authority 4. Appropriate Government
- (II) State with reasons whether the following statements are correct or incorrect: (2 x 1 = 2 Marks)
- (i) "Basic wages include the cash value of food concessions"
- (ii) "Employees can relinquish their right to receive minimum bonus by an agreement with employer".

- (c) A public limited has only seven shareholders, all the shares being fully paid-up. All the shares of one such shareholder are sold by the court in an auction and purchased by another shareholder. The company continues to carry on business thereafter. Discuss the liabilities of the shareholders of the company under the Companies Act, 1956. (5 Marks)
- (d) A Company was incorporated on 6th October, 2011. The certificate of incorporation of the company was issued by the Registrar on 15th October, 2011. The company on 10th October, 2011 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. (5 Marks)
2. (a) Indigo Airways Limited was incorporated at Mumbai in the year 2009, employing 125 workmen. Due to strike of workers, mismanagement and accidental loss of the assets is caused to the company. As such, the company suffered heavy losses continuously since its incorporation, resulting in a large part of the capital and assets getting wiped out. Consequently, the company moved an application to the Government of Maharashtra requesting to exempt the company fully from the application of the provisions of the Payment of Bonus Act, 1965.
- Decide, whether the Government of Maharashtra may grant exemption to the Company. State the provisions of law in this regard as stated under the Payment of Bonus Act, 1965. (8 Marks)
- (b) "To maintain social contract between society and business, the trusteeship relations are essential". Explain (8 Marks)
3. (a) X is employed in ice factory, a seasonal establishment. The factory was in operation for four months only during the financial year 2011-2012. X was not in continuous service during this period. However, he has worked only for sixty days. Referring to the provisions of the Payment of Gratuity Act, 1972 decide whether X is entitled to gratuity payable under the Act. Would your answer be the same in case X works for 100 days? (8 Marks)
- (b) Lay down the reasons for the growing importance of communication in an organization. (8 Marks)
4. (a) After receiving 80% of the minimum subscription as stated in the prospectus, a company allotted 100 equity shares in favour of 'X'. The company deposited the said amount in the bank but withdrew 50% of the amount, before finalisation of the allotment, for the purchase of certain assets. X refuses to accept the allotment of shares on the ground that the allotment is violative of the provisions of the Companies Act, 1956. Comment. (8 Marks)

- (b) What is meant by 'Corporate Governance'? State the major 'characteristics' of good corporate governance. (4 Marks)
- (c) You have been assigned the job of composing business messages. What check-list would you prepare for organising the message? (4 Marks)
5. (a) X, a legal successor of Y, the deceased person, signs a Bill of Exchange in his own name admitted a liability of ₹ 50,000 i.e. the extent to which he inherits the assets from the deceased payable to Z after 3 months from 1st January, 2002. On maturity, when Z presents the bill to X, he (X) refuses to pay for the bill on the ground that since the original liability was that of Y, the deceased, therefore he is not liable to pay for the bill.
- Referring to the provisions of the Negotiable Instruments Act, 1881 decide whether Z can succeed in recovering ₹ 50,000 from X. Would your answer be still the same in case X does not state the limit in the bill and the liability is more than the assets he inherits from Y. (8 Marks)
- (b) Answer whether the statement is correct or incorrect with brief reason: (2 x 2 = 4 Marks)
- (i) Promotion policies based on individual merit and not purely on the basis of seniority is discriminatory.
- (ii) Water pollution is also a kind of resource depletion.
- (c) State reasons for selecting the oral mode of communication instead of the written mode of communication. (4 Marks)
6. (a) Explain clearly the meaning of the term 'Underwriting' and 'Underwriting Commission'. In what way, does the Companies Act, 1956 regulate payment of such Commission ? Explain. (8 Marks)
- (b) What are the United Nations' guidelines themes on consumer protection? (4 Marks)
- (c) Discuss Personal Competencies that are Associated with Emotional Intelligence. (4 Marks)
7. (a) S retired from the services of PQR Limited, on 31st March, 2011. He had a sum of ₹ 5 lac in his Provident Fund Account. It has become due for payment to S on 30th April, 2011 but the company made the payment of the said amount after one year. S claimed for the payment of interest on due amount at the rate of 15 percent per-annum for one year. Decide, whether the claim of S is tenable under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. (4 Marks)
- (b) K, a member of MNO Limited, appoints L as his proxy to attend the general meeting of the company. Later he (K) also attends the meeting. Both K (the member) and L (the proxy) voted on a particular resolution in the meeting. K's vote was declared invalid by the chairman stating that since he has appointed the proxy and L's vote has been considered as valid. K objects to the decision of the Chairman. Decide,

under the provisions of the Companies Act, 1956 whether K's objection shall be taxable. (4 Marks)

OR

What is the effect of non-registration of a charge under Companies Act, 1956?

(4 Marks)

- (c) Explain the reasons for unethical behaviour among finance and accounting professionals. (4 Marks)

OR

State, how far a sound ethical environment in a company may be created and corporate scandals may be avoided. (4 Marks)

- (d) Draft a 'Power of Attorney' by subscribers of Memorandum of Association of the Company authorising a Chartered Accountant to appear before the Registrar of Companies to do the needful for the purpose of incorporation of the company.

(4 Marks)

OR

MNP Limited was incorporated in September, 2011. Now the company wants to hold its first meeting of the Board of Directors. Draft a notice of the said meeting. (4 Marks)