Guideline Answers to May 2013 CA IPCC Exam
Law, Ethics and Communication

Question No. 1 is Compulsory. Attempt any 5 Questions from the remaining 6 Questions (Any 4 from Question No. 7 alone)

Q.No.	Questions	Reference / Marks	
1 (a)	Mr. D started "Self–Service" system in his shop. Mr. A entered the shop, took a basket and after taking article of his choice into the basket reached the cashier for payments. The cashier refused to accept the price. Can Mr. A compel Mr. D to sell the said article? Decide.	**Refer Pg 1.8 / Pharmaceutical Society of Great Britain case** **Hint:** In a self–service system, display of items constitutes invitation to offer, customer picking up the goods becomes offer and acceptance of cash by the cashier constitutes acceptance. Hence the binding contract materializes only after acceptance of cash. Hence A cannot compel D.	**5**
1 (b)	Explain the provisions relating to powers and functions of an Inspector under the Payment of Bonus Act, 1965.	Pg 3.20, Q.No. 31 **(Same M 04)**	**5**
1 (c)	State with reasons whether the following statements are correct or incorrect: (i) Issue of Debenture with voting rights is not permissible. (ii) If a registerable charge is not registered, the debt is not recoverable.	**Issue 1:** Correct. Pg 14.7, Q. No. 13, Pt 3(f) **Issue 2:** Incorrect. Charge becomes void. The creditor shall recover the money in the status of an Unsecured Creditor. Pg 14.17, Q. No. 32, Pt 1	**5**
1 (d)	State suggested guidelines to handle Communication Ethics Dilemmas.	Pg 17.23 Q. No. 18	**5**
2 (a)	X is employed in ABC Ltd, a seasonable establishment. The factory was in operation for 4 Months during the Financial Year 2010–2011. X was not in continuous service during this period. However, he has worked for 60 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?	Pg. 5.5, Practical Question **(Same M 10)**	**4**
2 (b)	Distinguish between "Negotiability" and "Assignability".	Pg 2.16, Q. No. 24 **(Same M 06)**	**4**
2 (c)	Can a Company limited by Shares or Guarantee and having Share Capital, reduce its Share Capital?	Pg 11.4, Q. No. 6 **(Same N 07)**	**4**
2 (d)	Distinguish between 'Moral' and 'Ethics'.	Pg 16.1, Q. No. 2 **(Same N 11)**	**4**
3 (a)	Discuss in detail the guidelines for managing ethics in workplace.	Pg 16.15, Q. No. 28 **(Same M 11)**	**8**
3 (b)	To remove the Managing Director, 49% Members of A Ltd submitted requisition for holding Extra–Ordinary General Meeting. The Company failed to call the said Meeting and hence the requisitionists held the Meeting. Since the Managing Director did not allow the holding of the Meeting at the Registered Office of the Company, the said Meeting was held at some other place and a resolution for removal of the Managing Director was passed. Examine the validity of the said Meeting and Resolution passed therein in the light of the Companies Act, 1956.	Pg 13.32, Q. No.36 / Similar M 06 / Pg. 13.34 **Hint** – • The requisition is made by Members holding 49% voting power. Hence the minimum requirement as to Number of Requisitionists (atleast 1/10th Voting Power) is satisfied. • When the EGM is not convened by the Company, the Requisitionists can themselves convene a General Meeting by themselves within 3 months from the date of requisition, at the Registered Office. • Where the Registered Office is not made available (in this case by the deliberate act of the Managing Director), the Requisitionists can hold such meeting anywhere else **[R Chettiar Vs M Chettiar Case]**. Hence, the above Meeting and Resolution is Valid.	**4**

Q.No.	Questions	Reference / Marks	
3 (c)	K is the wife of A. She purchased a saree on credit from B. B demanded the amount from A. A refused to make the payment. B filed a suit against A for the same amount. Decide in the light of the provisions of the Indian Contract Act, 1872 whether B would succeed.	Pg 1.47, Practical Question / **(Same M 08)** **Hint:** Wife has authority to pledge the credit of husband for necessaries. Legal Presumption not valid under following circumstances (a) Goods are not necessaries / (b) Wife given sufficient money for purchasing necessaries / (c) Wife is forbidden from purchasing anything / (d) Trader has been expressly warned not to give credit. **Hence, in the given case** subject to the above grounds / conditions, goods being necessaries, suit filed by B is valid and would succeed.	**4**
4 (a)	Discuss the various steps required for e–filing.	Pg 15.11, Q. No.20	**8**
4 (b)	What do you understand by 'Quasi–Contract'? Discuss.	Pg 1.64, Q. No. 47	**4**
4 (c)	Define "Material Alteration" under Negotiable Instruments Act, 1881 & give examples.	Pg 2.32, Q. No. 43 **(Same N 07)**	**4**
5 (a)	What do you understand by "Lease Deed"? Draft a Lease Deed assuming necessary facts.	Pg 18.19	**8**
5 (b)	Article of a Public Company clearly stated that Mr. L will be the Solicitor of the Company. The Company in its General Meeting of the Shareholders resolved unanimously to appoint Mr. M in place of Mr. L as the Solicitor of the Company, by altering the Articles of Association. State with reasons, whether the Company can do so? If L files a case against the Company for removal as Solicitor, will he succeed?	Pg 8.14, Q. No. 21, Pt. 4 **(Similar N 07)** **Hint:** MoA / AoA do not confer any contractual rights upon outsiders against Company or it Members, even though the name of Outsider is mentioned in the Articles. Hence L can be removed and in his place Shareholders can appoint another solicitor. L will not succeed. **(Eley Vs Positive Government Security Life Assurance case)**	**4**
5 (c)	XYZ Ltd issued a Prospectus inviting the public for subscription of its Equity Shares stating in it that the Company possesses good financial health and paying dividends to its Equity Shareholders consistently and regularly at 20% over the last five years. The fact was, Company was running in loss since last three years and if was paying dividends to its Shareholders out of accumulated profits. Mr. Amit read the prospectus and bought 500 Shares from the Company. Discovering the mis–statement made by the Company in the Prospectus, he wants to rescind the contract and claim damages from the Company. Referring the provisions of the Companies Act, 1956, decide, whether Mr. Amit will succeed.	Pg 9.9, Practical Question **(Similar M 08)** **Hint**: Failure to state the correct source of declaration of dividend and the fact that company is incurring losses for the past 3 years amounts to mis–statement. Amit can rescind the contract and claim application money along with compensation for damages. Hence, Amit will succeed if he proves that he has relied on the statement in the Prospectus while applying and is not bound to verify the statement before relying upon it.	**4**
6 (a)	K Ltd was in the process of incorporation. Promoters of the Company signed an agreement for the purchase of certain furniture for the Company and payment was to be made to the suppliers of the furniture by the Company after incorporation. The Company was incorporated and the furniture was received and used by it. Shortly after incorporation, the Company went into liquidation and the debt could not be paid by the Company for the purchase of the above furniture. As a result supplier sued the promoters of the Company for the recovery of the money. Examine whether promoters can be held liable for the payment under the following situations: (i) When the Company has already adopted the contract after incorporation. (ii) When the Company makes a fresh contract with the suppliers in substitution of pre–incorporation contract?	Pg 7.8, Practical Question **(Same RTP)** **Hint**: **Issue 1:** If the Company adopts the contract after incorporation, then the liability of the promoters comes to an end. Ratification should be subject to conditions given in the Specific Relief Act, 1963. **Issue 2:** Liability of promoters comes to an end, since a fresh contract was entered between Company and Suppliers.	**8**
6 (b)	Define "Critical Thinking".	Pg 17.19, Q. No. 9 **(Same N 07)**	**4**
6 (c)	Explain five sources of Ethical Standards.	**See Below**	**4**

Q.No.	Questions	Reference / Marks	
7 (a)	State reasons for selecting "Oral Mode of Communication".	Pg 17.8, Q. No. 12	**4**
7 (b)	"Corporate Governance is about promoting Corporate Fairness." Discuss.	Pg 16.4, Q. No. 9	**4**
7 (c)	Discuss various elements that can be used to describe or influence organizational culture.	Pg 17.36, Q. No. 2	**4**
7 (d)	Explain the Employees' Deposit Linked Insurance (Amendment) Scheme, 2011 under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.	Pg 4.6, Q. No.10 **(Similar N 11)**	**4**
7 (e)	Discuss the concept of "Healthy Competition" & "Protecting Consumer's Interest".	Pg 16.22, Q. No. 14	**4**

Question No. 6 (c) –

The five sources of **Ethical Standards** are –

Approach	Description
Utilitarian Approach	It deals with consequences. It tries both to increase the good done and to reduce the harm done.
Rights Approach or The Deontological Approach	This approach deals with human ability to choose freely what they do with their lives.
Fairness or Justice Approach	This approach states that all equals should be treated equally.
Common Good Approach	This approach suggests that the interlocking relationships of society are the basis of ethical reasoning and that respect and compassion for all others especially the vulnerable are requirements of such reasoning.
Virtue Approach	This approach states that ethical actions ought to be consistent with certain ideal virtues that provide for the full development of our humanity.

CA IPCC – Law, Ethics and Communication
LATEST AMENDMENTS

Area	Notification Number	Effect	Page No.
Shifting of Registered Office from one State to another	Notfn. No. 1539(E), dated 10.7.2012	Company shall obtain the permission from 'Regional Director" – instead of Central Government (NCLT as available previously) for shifting the Registered Office from one State to another. The copy of approval from Regional Director shall be filed with ROC, within 3 months from the date of order.	8.5 / Qn. 8 (Part B)
Permission for condoning the delay in filing particulars of Registration / Modification / Satisfaction of Charge	Notfn. No. 1539(E), dated 10.7.2012	1. Particulars pertaining to Registration of Charge / Modification of Charge / Satisfaction of Charge shall be filed within 30 days from the respective dates. 2. Registrar of Companies (RoC) can condone the delay for additional 30 days. 3. Where there was a delay beyond the above 30 days (i,e in total 60 days), petition for condoning the delay shall be filed to NCLT (Company Law Board) requesting to grant permission for registration / modification / satisfaction of charge beyond the time limit. (Sec. 141) 4. The power of the NCLT (CLB) is delegated to Central Government. ***5. The power of the Central Government now delegated to Regional Director (RD). e–Form 24AAA shall be filed with RD for this purpose.***	Qn.31 / Pg. 14.17 (Sec.141)

Area	Notification Number	Effect	Page No.
Circulation of Resolution	Notfn. No. 1539(E), dated 10.7.2012	1. Members holding 1/20th of Total Voting power or 100 Members holding not less than ₹ 1 Lakh Paid Up Capital, can place a request to Board to circulate the intended / proposed resolution by the above specified members in the ensuing AGM – in a statement containing not more than 1,000 words. 2. Upon receipt of the request the Company shall forward the same to all the Members at the cost of the specified members. 3. Company shall forward as above, if the request is received within 2 weeks before the AGM generally, or within 6 weeks before the AGM if a specific notice is required for taking up the proposed resolution. 4. The Company however need not circulate / forward if the (a) Company or (b) any other person aggrieved by the proposal, makes an application to the CG and CG is satisfied that the person is seeking publicity for needless and defamatory matters and makes an order directing accordingly. ***5. The above power of the CG u/s 188(5) stands delegated to Regional Director (RD).***	Qn.32 / Pg. 13.28 (Sec.188)
Voluntary Name Change u/s 21	Notfn. No. GSR.222(E), dated 17.03.2011	It is sufficient the approval is accorded by the Registrar of Companies. Hence no prior approval of Central Government is required. CG power delegated to ROC.	Qn.5 / Pg. 8.2
Compulsory Name Change u/s 22	Notfn. No. GSR.222(E), dated 17.03.2011	Where the name of the Company incorporated under the Act resembles same, similar or identical to any other Company already incorporated under the Act, CG can serve within 12 months from the date of incorporation for effecting the compulsory name change. Power of the CG is delegated to RD. Now, RD can serve an order, within 12 months from the date of incorporation, and the same shall bind the Company to effect the name change within 3 months from the date of receipt of order.	Qn.5 / Pg. 8.2
Incorporation of Section 25 Company	Notfn. No. GSR.222(E), dated 17.03.2011	License shall be obtained u/s 25 from the Central Government of incorporating a Company u/s 25. CG Powers are delegated to ROC. It is sufficient the approval is accorded by the Registrar of Companies (Instead of CG)	Qn.19 / Pg. 6.6
Conversion of Public Company to Private Company U/s 31	Notfn. No. GSR.222(E), dated 17.03.2011	Prior approval of Central Government to be obtained u/s 31. It is sufficient the approval is accorded by the Registrar of Companies (Instead of CG)	Qn.26 / Pg. 6.22
Extension of Time Limit for filing instrument of transfer u/s 108(1D).	Notfn. No. GSR.222(E), dated 17.03.2011	Instrument of transfer for Registration for Shares shall normally be filed within 2 months from the date of stamping for Form 7B. In case of Listed Companies the same shall be registered before closure of the Register of Members, however a time of 12 months is given. The above time limit can be extended by Central Government u/s 108(1D). ***The power of the Central Government delegated to ROC, i.e., ROC of the State in which the Registered Office of the Company is situated, or ROC of the State in which the Transferee ordinarily resides.***	Qn.14 / Pg. 12.9