

INTERMEDIATE EXAMINATION

June 2014

I-P6(CIA)

Syllabus 2008

Commercial and Industrial Laws and Auditing

Time Allowed: 3 Hours

Full Marks: 100

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

- Please:* (i) Answer all bits of a question at one place.
(ii) Open a new page for answer to a new question.
(iii) Attempt the required number of questions only.

Answer Question No. 1 and Question No. 5 which are compulsory and attempt any two from the rest in Section-I and any two from the rest in Section II.

SECTION I (50 Marks)

(Commercial and Industrial Laws)

1. Comment on the following based on legal provisions (No mark for wrong reasons or justification): 2×7=14
- (a) Mr. Ranabir was laid off for 12 days and worked for 21 days in an entire Accounting year. Hence he is eligible for bonus under Payment of Bonus Act, 1965.
 - (b) one packet of beauty soap was delivered "on sale or return" basis to Mr. Lala who delivered the same to Mr. Mohan, Mohan delivered to Mr. Nathan. Soaps got stolen from Nathan but before he signifies his acceptance. Hence, Nathan is to bear the loss. Answer based on legal provision.
 - (c) Every person is competent to enter into a contract. Offer your view (Contract Act, 1872).
 - (d) Mr. Kunal was employed in a seasonal establishment and he was not employed throughout the year claimed gratuity at the rate of 10 days wages for each year of service. His employer refused because he was in seasonal employment.
 - (e) A person who buys goods for a consideration for resale or for any commercial purpose is not a consumer. Hence, Mr. Saxena who buys goods and uses such exclusively for the purpose of earnings his livelihood by means of self employment is not a consumer.
 - (f) Limited liability partnership is liable to be wound up when number of partners is reduced below Two (2).
 - (g) Mr. Asim engages Mr. Barin to collect rent of Mr. Asim's House. Mr. Barin fails to account for some receipts. Mr. Asim, therefore calls upon Mr. Barin to furnish security for his duly accounting. Mr. Chandan gives guarantee for Barin. Asim does not acquaint Chandan about Barin's previous conduct. Barin afterwards makes default. Hence, Chandan being guarantor is responsible.
2. (a) Commercial impossibility is not a valid excuse for the non-performance of a contract, justify. 3
- (b) Mahindra owes money to Narendra under a contract. It is agreed between Mahindra, Narendra and Ramendra that Narendra shall henceforth accept Ramendra as its Debtor instead of Mahindra. Referring to the provisions of the Indian Contract Act, 1872, State whether Narendra can claim from Ramendra. 3

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- (c) Explain "Agreement to sell at valuation" under Sale of Goods Act, 1930. 2
- (d) In an auction sale, a bid once given cannot be withdrawn—offer views based of provisions of Sale of Goods Act, 1930. 2
- (e) Give correct answer if following statements are wrong (Factories Act, 1948). 3
- (i) No child who has not completed his fifteen years shall not be required or allowed to work in any factory.
 - (ii) No adult workers shall be required or allowed to work in a Factory for more than forty hours in any week.
 - (iii) Subject to the provisions of Sec. 51, no adult workers shall be required or allowed to work in a Factory for more than 8 hours in any day.
 - (iv) No women shall be required or allowed to work in any Factory except between the hours of 8.00 a.m. and 8.00 p.m.
 - (v) No female child shall be required or allowed to work in any Factory except between 6.00 a.m. and 10.00 p.m.
- (f) An establishment having 18 employees agreed between Employer and Employee to opt. for EPF, whether it is permissible, answer with rule provision. 4
- (g) Mr. Mahindra met an accident while on duty on 01.06.2014 and was admitted to Hospital for treatment. He was discharged on 03.06.2014 after treatment. Hence, he claimed compensation under Workmen's Compensation Act towards partial disablement. Answer the validity of his claim. 1
3. (a) Only Chartered Accountant, who is in practice and the legal practitioners can appear before the Commission under Competitions Act, 2002—Give correct answer. 1
- (b) Asim without the request of any one, extinguishes the fire of Nemai's house. Asim suffers injury thereby. Nemai promises to compensate Asim the whole amount he has spent for his treatment. Can Asim enforce the promise of Nemai and recover the amount? 2
- (c) Malhotra, a minor, taken loan from Mr. Mukharjee by given a surety. Mr. Mukharjee claimed the refund of the amount from Malhotra's surety who refused. Can Mukharjee recover the loan amount from surety as Malhotra is a minor. 2
- (d) Fill in the blanks: (as per Payment of Wages Act, 1936) 2
- The wages of every person employed upon or in.
- (i) Any Railway, factory or industrial or other establishment upon or in which less than one thousand persons are employed, shall be paid before the expiry of the _____ day.
 - (ii) Any other Railway, factory or industrial or other establishment shall be paid before the expiry of the _____ day, after the last day of the wage-period in respect of which the wages are payable.
 - (iii) Provided that in the case of persons employed on dock, wharf jetty or in a mine, the balance of wages found due on completion of the final tonnage account of the ship or wagons loaded or unloaded, as the case may be, shall be paid before the expiry of _____ day from the day of such completion.

- (iv) Where the employment of any person is terminated by or on behalf of the employer, the wages earned by him shall be paid before the expiry of _____ working day from the day on which his employment is terminated.
- (e) (i) "Young person" and adult are same (Factories Act, 1948). Offer your views. 2
(ii) There is no time limit for payment of bonus to entitled employees. State correct position based on Rules. 2
(iii) What is the amount of EDLI (EDLI Scheme 1976) a nominee of a deceased member is entitled? 1
- (f) What is implied warranties? 2
- (g) Mr. Arun purchased 5 kg of potato from seller. After coming back to residence Mr. Arun found 1 kg of potato was rotten. Seller refused to exchange. Advice with legal provision whether Seller was justified. 2
- (h) Asim consigns goods to Barin for sale and gives him instructions not to sell below a fixed price. Chandan being ignorant of Asim's instruction enters into a contract with Barin to buy the goods at a price lower than fixed price. Asim cannot accept the contract. Do you agree? 2
4. (a) On retirement, Mr. Saxena submitted required documents demanding pension but his payment was held up because the employer has not contributed Employer's share to Pension Fund. Whether his pension can be held up (EPF & MP Act, 1952). 2
(b) State the correctness of the following statement: 2
Foreign limited liability partnership is a LLP in which majority number of partners are Foreign Nationals.
(c) Based on Industrial disputes Act, 1947 fill in the following gap. 2
(i) Every Industrial establishment employing _____ or more workmen shall have one or more Grievance Redressal Committee for the resolution of disputes arising out of individual grievance.
(ii) Total number of members of the Grievance Redressal Committee shall not exceed more than _____.
(iii) Grievance Redressal Committee may complete the proceedings within _____ days on receipt of a written application by or on behalf of the aggrieved party.
(iv) The workman who is aggrieved of the decision of the Grievance Redressal Committee may prefer an appeal to the employer against the decision of the Grievance Redressal Committee and the employer shall within _____ from the date of receipt of such appeal dispose off the same.
- (d) State the provision to be complied with under Factories Act, 1948 in respect of worker's participation in safety management. 2
- (e) In connection with the delivery of goods, state the provisions of Sale of Goods Act in respect of:
(i) Time of delivery
(ii) Goods in possession of third party
(iii) Cost of delivery 2×3=6
- (f) Amit proposes to deliver goods to Bimal on a certain day on payment of INR 2000. Amit dies before that day. Hence, this agreement is void. Answer based on provision of Contract Act, 1872. 2
- (g) When a communication of a revocation of an offer is complete. 2

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SECTION II (50 Marks)
(Auditing)

5. Comment on the following based on legal provisions (No mark for wrong reasons or justification): 2×7=14
- (a) Internal Audit cannot be avoided in certain companies.
 - (b) Certificate issued by expert as to the valuation of assets can be relied upon by the Auditor.
 - (c) Motor Lorries held for resale has been classified as Fixed Assets by a company.
 - (d) Earning per share are disclosed as per AS-18 w.e.f. 01-04-2001, while depreciation accounting are dealt with as per AS-13.
 - (e) Company talent which may include an "Administrative Staff" only.
 - (f) "Edit Test" is of no help under computer information system and internal control.
 - (g) International financial reporting standards apply only to individual companies.
6. (a) How an auditor shall report to comply with CARO in respect of 2×2=4
- (1) Deposit of Statutory dues;
 - (2) Documents and records for secured loan given.
- (b) As a Statutory Auditor how you will verify "copy right"? 2
- (c) State the purpose of "Audit Trails" which is a part of computer information system. 2
- (d) Why foreign collaborators conduct management audit? 2
- (e) What are the main functions covered at reviewing stage under scope of internal auditing? 2
- (f) Whether Auditor is liable to third party. Answer with reasons. 2
- (g) Statutory Auditor is responsible for the work done by the Branch Auditor. Do you agree? Answer with justification. 2
- (h) Fill in the blanks: 2
- After appointment of statutory auditor, in AGM, Auditor is to be intimated within _____ days and after receiving the intimation of appointment from company, the auditor within _____ days intimate his acceptance or refusal of the appointment to _____ in Form No. _____.
7. (a) Is it true that the foreign branch in India are audited by the Statutory Auditor of foreign company only. 2
- (b) As an auditor of a company how you will verify the imported plant and machinery? 2
- (c) How an auditor shall report in his audit report to comply with CARO in respect of "Loan"? 2
- (d) Describe the circumstances of materiality. 2
- (e) What are the activities considered for management audit process in its review of sales management? 2

- (f) If the following statements are not correct, give correct answer. 2
- (1) Clause 49 of the listing agreement is applicable to all the companies.
 - (2) Quarterly compliance report are submitted to Registrar of companies.
 - (3) This compliance report is signed by the Finance Director of the company.
 - (4) This report is submitted within 30 days from the close of the Quarter.
- (g) What are the three systematic approaches to carry out information system Audit? 2
- (h) As an internal Auditor of a Company, how you will verify the "Depreciation" of Fixed Assets? 2
- (i) As an internal Auditor, list out documents that would be covered in 'Auditing in depth' of the payment of wages of daily rated workers working in a large stone quarry engaging 8000 workers of which 6000 are paid on daily basis. 2
8. (a) Under what circumstances the Management Audit are useful to the company? 2
- (b) Explain the Audit in the case of Electronics data interchange FDI. 4
- (c) The pattern and degree of internal control may vary between organization to organization due to certain variable factors. State such factors. 4
- (d) What are expected to make the Audit committee effective and purposeful? 3
- (e) State whether the following are correct. Give correct answer if wrong. 1×3=3
- (i) ABC Ltd., appointed Mr. G. K. Rathore a practicing Chartered Accountant from UK as Auditor for Financial year 2013-14.
 - (ii) J. K. Roy Chartered Accountant (ICAI) who is an Accounts Manager of XYZ Ltd., has been appointed as Statutory Auditor of XYZ Ltd.
 - (iii) The said Mr. J. K. Roy has also been appointed as Statutory Auditor for financial year 2013-14 by the RKS Ltd., which is a subsidiary company of XYZ Ltd.
- (f) Why financial Institute demand for conducting Management Audit? 2