

## INTERMEDIATE EXAMINATION

June 2015

P-6(LEG)  
Syllabus 2012

### Laws, Ethics and Governance

Time Allowed: 3 Hours

Full Marks: 100

*This paper contains four questions.*

*All questions are compulsory, subject to instruction provided against each questions.*

*All workings must form a part of your answer.*

*Assumptions, if any, must be clearly indicated.*

1. Answer all questions (Choose the correct answer from the given four alternatives.): 2×10=20
- (i) An agreement which is enforceable at the option of one or more parties thereto but not at the option of other or others is called
- (a) Void contract
  - (b) Voidable contract
  - (c) Void agreement
  - (d) Unenforceable contract
- (ii) Which of the following agency is irrevocable under The Indian Contract Act, 1872?
- (a) Agency for fixed period
  - (b) Agency for single transaction
  - (c) Agency coupled with interest
  - (d) Continuing agency
- (iii) A sort of tacit understanding/agreement among the intending bidders to stifle competition by not bidding against each other in an auction sale is called as
- (a) Damping
  - (b) Knock-out agreement
  - (c) Puffers
  - (d) By-bidders
- (iv) When an instrument is drawn conditionally or for a special purpose as a collateral security and not for the purpose of transferring property therein, it is called
- (a) Ambiguous
  - (b) Inchoate
  - (c) Escrow
  - (d) Inland
- (v) Which Committee is constituted by the occupier to promote cooperation between the workers and management in maintaining proper safety and health at workplace?
- (a) Safety Committee
  - (b) Health Committee
  - (c) Management Workers Consultative Committee
  - (d) Maintenance Committee

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- (vi) Under Payment of Bonus Act, 1965, in disputed cases, bonus must be paid
- (a) within 8 months from the close of the accounting year.
  - (b) within 1 month from the date on which the award becomes enforceable.
  - (c) within 2 months from the date on which the award becomes enforceable.
  - (d) within 6 months from the date of closing of the accounting year.
- (vii) Businessmen or industrialists take initiative to form new companies. Their main function is to manage the company after its promotion, they are known as
- (a) Particular Promoters
  - (b) Occasional Promoters
  - (c) Professional Promoters
  - (d) General Promoters
- (viii) Which of the following persons are exempted from fees under Right to Information (RTI) Act, 2005?
- (a) Foreigners
  - (b) Young persons
  - (c) People living below the poverty line
  - (d) Association of persons
- (ix) The study of ethics can be divided into four operational areas namely meta ethics, normative ethics, descriptive ethics and
- (a) positive ethics
  - (b) physical ethics
  - (c) applied ethics
  - (d) natural ethics
- (x) When a professional promotes a position or opinion to such extent that some objectivity may have to be compromised, this threat is known as
- (a) Familiarity threat
  - (b) Objectivity threat
  - (c) Advocacy threat
  - (d) Intimidation threat

2. Answer any four questions:

12×4=48

- (a) (i) Nishant lends a sum of ₹ 8,000 to Prashant on the security of ten shares of XYZ Ltd. on 1st Jan, 2015. On 25th March 2015, XYZ Ltd. has issued one Bonus share. Prashant return the loan amount of ₹ 8,000 with interest to Nishant. But Nishant returns only ten shares which were pledged and refuse to give one bonus share. Advise, Prashant in the light of the provisions of the Indian Contract Act, 1872. 3
- (ii) With a view to boost the sales, M/s ABC Ltd. sells a new machine to Mr. B on trial basis for a period of three days with a condition that if Mr. B is not satisfied with the performance of the new machine, he can return back the new machine. However, the machine was destroyed in a fire accident at the place of Mr. B before the expiry of three days. Decide whether Mr. B is liable for the loss suffered under Sale of Goods Act, 1930. 3

- (iii) Rohit and Anurag are partners in a firm. They borrowed a sum of ₹ 10,000 from Parul. Later on, Rohit becomes insolvent but his assets are sufficient to payback the loan. Parul compels Anurag for the payment of entire loan. Referring to the provisions of the Indian Partnership Act, 1932, examine the validity of Parul's claim and decide as to who may be held liable for the above loan. 3
- (iv) 'A partial endorsement does not operate as a negotiation of the instrument'. Explain. 3
- (b) (i) Abhay, UG degree student was induced by his lecturer to sell his brand new car to the latter at less the purchase price to secure more marks in the University examination. Accordingly the car was sold. However, the father of Abhay persuaded him to sue his lecturer. State whether Abhay can sue against the lecturer? 3
- (ii) Angel agrees to sell to Peter his two Mercedes cars on the terms that the price was to be fixed by David. Peter takes the delivery of one car immediately. David refuses to oblige Angel and Peter and fixes no price. Angel asks for the return of the car already delivered whereas Peter insisted on the delivery of the second car to him for a reasonable price of both the cars. Decide the case. 3
- (iii) Amrut draws a cheque payable to 'self or order'. Before he could encash the cheque, one of his creditors, Bihari approaches him for payment. Amrut endorses the same cheque in Bihari's favour. The banker refuses payment to Bihari on account of insufficiency of funds in the account. Can Amrut be made liable to penalties for dishonour of cheque due to insufficiency of funds in the account under section 138? 3
- (iv) What tests would apply for determining the existence of partnership? Discuss. 3
- (c) (i) 'The responsibility for payment of wages is that of employer'. Explain. 3
- (ii) Mr Jatin found a wrist watch in shopping mall. He made all efforts to trace the true owner of the wrist watch but could not find him. He sold the same to Nitin, who buys without any knowledge that Jatin is merely a finder. Is sale-by Jatin to Nitin valid? Decide. 3
- (iii) Arun, Varun and Tarun started a Kirana business in Chennai on 1st January, 2012 for a period of five years. The business resulted in a loss of ₹ 20,000 in the first year, ₹ 25,000 in the second year and ₹ 35,000 in the third year, Varun and Tarun wish to dissolve the firm while Arun wants to continue the business. Advise Varun and Tarun. 2
- (iv) Amit signs, as maker, a blank stamped paper and gives it to Sumit and authorizes him to fill it as a note for ₹ 500, to secure an advance which Namit is to make to Sumit. Sumit fraudulently fills it up as a note for ₹ 2,000, payable to Namit who has in good faith advanced ₹ 2,000. Decide, with reasons, whether Namit is entitled to recover the amount, and if so, upto what extent? 4
- (d) (i) Anita and Binita are friends, Binita treats Anita during Anita's illness. Binita does not accept payment from Anita for treatment and Anita promises Binita's son Sunit to pay him ₹ 12,000. Anita being in poor circumstances is unable to pay. Sunit sues Anita for the money. Can Sunit recover? 3
- (ii) A worker was caught red handed for theft and was suspended for four days after proper enquiry. Is he entitled to bonus payable to an employee under The Payment of Bonus Act, 1965? 2
- (iii) Explain the right of workers to warn about imminent danger under the Factories Act, 1948. 3

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- (iv) State the salient features of 'The Child Labour Technical Advisory Committee' formed to assist Central Government for the purpose of addition of any occupation or processes. 4
- (e) (i) Arvinda took a bet of ₹ 20,000 with Bannerjee that a certain horse would win the race. Arvinda and Bannerjee both residents of Kolkata. Arvinda borrowed ₹ 20,000 from his friend Chatterjee for this purpose. Arvinda lost the bet and paid ₹ 20,000 to Bannerjee. Can Chatterjee recover the loan amount from Arvinda? Give reasons. What would have been the difference had the transaction took place in Ahmedabad between the parties residing there? 3
- (ii) Explain the extent of liability of limited liability partnership under section 26 of LLP Act. 3
- (iii) A person was declared insolvent and the Court ordered attachment of all his properties. State whether the accumulations in the Provident Fund Account of the person is attachable. 3
- (iv) Mr. F has been arrested for a cognizable and non-bailable offence punishable for a term of imprisonment for more than three years under PMLA, 2002. Advice, as how can he be released on bail in this case? 3

3. Answer any two questions: 8×2=16

- (a) (i) A company wants to buy back its own shares in the current financial year. State the defaults which make the company ineligible to buy back its own shares as outlined in the companies Act, 2013. 4
- (ii) What do you mean by 'Third Party Information' as per RTI Act, 2005? 4
- (b) (i) Mr. Joseph is the director of a Public Limited Company. He has been removed by the company before the expiry of his term, by passing an ordinary resolution in general meeting. Is the company justified in its action? Is Mr. Joseph entitled to claim compensation for loss of his office? 3
- (ii) 'Financial Reporting Council (FRC) is responsible for promoting high standards of Corporate Governance'. Explain this statement alongwith the aims of FRC. 5
- (c) (i) What are the aspects to be taken into account with regard to the follow-up of the Audit Report? 4
- (ii) Explain 'Right to information' under RTI Act, 2005? 2
- (iii) What is the time limit within which the Board has to appoint an Independent director and at which meeting the Independent director is appointed under the Companies Act, 2013? 2

4. Answer any two questions: 8×2=16

- (a) (i) 'The ethics of business is the ethics of responsibility. The businessman must promise that he will not harm knowingly'. Explain. 4
- (ii) What is ethical dilemma? List the guidelines one could follow to address an ethical dilemma. 4
- (b) (i) Explain Ethics as principle. 4
- (ii) What are the consequences of unethical behavior? 4
- (c) (i) What are the seven principles of Public life? Explain. 4
- (ii) A Cost and Management Accountant has certain professional ethics to follow while working in the company. Briefly state the obligations performed and threats faced by the Accountant. 4