

INTERMEDIATE EXAMINATION

June 2013

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
- (a) Mr. A offers to buy Mr. B's house on certain terms. Acceptance was to be sent by 'B' within 6(six) weeks. B within one week sent a letter accepting the offer with an alteration of one term. A then withdrew his offer. B writes again within three weeks accepting the terms originally proposed by 'A'. Hence this is a valid contract.
 - (b) On expiry of stipulated period, the pledgee can sell the pledged goods to any person.
 - (c) Parties to a contract of sale can get the price of goods fixed by third parties.
 - (d) Mr. E joined as Supervisor on monthly salary of INR 3450 on 1st Feb 2013 and resigned on 28th Feb 2013. His employer paid Bonus @ 10% to all the eligible employees. Hence Mr. E is entitled to Bonus for the period of his service.
 - (e) Factories Act 1948 is applicable to all the factories wherein 50 or more workers are working.
 - (f) An aggrieved consumer is to file complaint within six months from the date on which the cause of action has arisen and the said time cannot be extended.
 - (g) Mr. 'A' purchased a Refrigerator from Mr. 'B' on "hire purchase agreement" expiring on 31.12.15 Mr. 'A' sold on 01.05.13 that Refrigerator to 'C' who purchased against adequate consideration. 'A' has right to give good title to Mr. C.
2. (a) A patient in a lunatic asylum can also enter into a valid contract. State the position based on legal provision. 2
- (b) Mr. Ashoke obtains two loans from Mr. Natobar. First loan INR 3000 guaranteed by Mr. Roy and second loan INR 5000. Ashoke send a cheque of INR 2000 to Mr. Natobar without indicating how this amount is to be appropriated. Mr. Natobar appropriated against loan of INR 5000 which was unsecured. Whether this apportionment was lawful? 2
- (c) M/s. wholeseller agreed to supply 1000 Pcs. of Cotton Shirt to M/s. Retailer at INR 300 per shirt by 31.05.2013. On 01.02.2013 M/s. Wholeseller informs the Retailer that he is not willing to supply the shirt as the price of shirt increased to INR 350 each. Examine the right of M/s. Retailer. 2

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- (d) (i) A part time employee engaged on regular basis is eligible for Bonus under payment of Bonus Act 1965. Write only True or False. 1
- (ii) Whether Gratuity under payment of Gratuity Act, 1972 is payable for the period of lay off under the Industrial Disputes Act 1947. Write only True or False. 1
- (iii) Fill in the blanks: 1×3
- No adult worker shall be required to allow to work in a factory
- (1) for more than hours in any week.
- (2) for more than hours in any day.
- (3) the period of work of adult workers in a factory shall be so fixed that no period shall exceed hours.
- (e) In every industrial establishment, following committees are required to be constituted: 1×2
- (i) Works committee
- (ii) redressal grievance committee
- State the correct rule position.
- (f) Mr. Konar failed to receive certain information in connection with his Provident Fund accumulation. He intends to take shelter under RTI Act 2005. Please advise the steps or procedure to be followed. 3
- (g) Mr. Malhotra sold 1000 kgs. of rice to Mr. Basu who delayed in taking the rice from Mr. Malhotra. In the meantime Mr. Malhotra sold those rice to Mr. Roy who took the delivery for value & without notice of prior sale. Hence Mr. Roy has no good title of ownership to goods—Comment. 2
3. (a) Write short notes on (*any four*): 4×4
- (i) Quasi contract
- (ii) Damping (Sale of Goods Act)
- (iii) Forfeiture (Gratuity Act 1972)
- (iv) Annual Return (limited liability partnership)
- (v) Discharge of contract
- (b) Mr. Sarkar filed an application with requisite fees (IPO) to the Public Information Officer (PIO) who returned the application and IPO stating that this application was not related to his department. Whether PIO's action justified? 2
4. (a) Referring to a quarrel and disagreement between husband and wife, the husband agreed to execute and register a document in favour of his wife to transfer one of his properties to his wife. Later on husband refused. Whether wife can enforce? 3
- (b) X agrees to pay Y a sum of money if Y marries Z. Z however marries F, who died subsequently. After the death of F, Z marries Y. Whether X is legally bound to pay the agreed sum of money to Y? Comment. 2
- (c) Mr. Mitra guarantees payment to Mr. Basu to the extent of INR 50,000 for time to time supply of paper by Mr. Basu to Mr. Chandan. Basu supplies paper to Chandan more than the value of INR 50,000 and Mr. Chandan pays. Later on Mr. Basu, at the request of Chandan, supplies paper valued INR 60,000. This time Chandan fails to pay. What action Basu can take against Mitra? 2

- (d) (i) Transfer of Title to goods takes place when it is intended. Whether it is correct? 2
(ii) Wages can not be paid by cheque but can be paid in kind. Answer based on provision of Payment of Wages Act 1936. 2
- (e) (i) What are the benefits a member of an Employees Provident Fund & Misc. Provisions Act 1952 can get on retirement/death? 2
(ii) ABC Pvt. Ltd. incorporated on 2nd January 1980 carrying on business from the date of incorporation employing 50 persons. Due to loss, the number of employees reduced to five w.e.f 02.06.2011. Mr. 'A' who retired on 31.05.2013 was refused gratuity on the ground that the total number of employees is below 10 (ten). Whether employer was justified? 3
- (f) As per factories Act, adequate shelters, rest rooms and lunch rooms are mandatory in all the factories. Do you agree? Give correct answer. 2

Section -II (50 Marks)**(Auditing)**

5. Comment on the following statements based on legal provisions: 2×7
(No mark for wrong reasons or justification)
- (a) Abnormal losses during construction period should be capitalised.
(b) CARO is not applicable to private company.
(c) In Information Technology audit, the Auditor is required to have detailed knowledge of Accounting.
(d) Fixed assets held for resale is classified as Fixed assets.
(e) AS 21 provides the procedures relating to "Intangible assets".
(f) Voucher audit has no importance in financial audit.
(g) Management Auditor is viewed as a fault finder or critic.
6. (a) In course of Audit, the Auditor found a Credit item of INR 5 lakhs. On enquiry, the Auditor was informed that (1) This was very old credit balance and (2) the creditor had not approached for payment. Besides the creditor could not be traced and, therefore, confirmation of the credit balance was not available. How this will be dealt with by the Auditor? 4
- (b) Practising cost Accountants are appointed by Share-holders in General Meeting. Is the appointment valid? Comment. 2
- (c) (i) One of the areas of Internal Audit is to review and report on compliance of law, Policies etc.— Comment. 2
(ii) Paid up Capital & Reserve of ABC Pvt. Ltd. is INR 75 Lacs and turnover is INR three crores. What type of comment a Statutory Auditor is to give on "Internal Audit System" to comply with CARO? 2
- (d) Sec. 292A of Companies Act 1956 lays down the Auditor's duty as a member of Audit Committee. Comment. 2
- (e) (i) What are the Points an auditor shall consider in I.T. Audit in respect of "System Development"? 2
(ii) What is "Pass Word" which is a part of Computer Information System? 2
- (f) Discuss why the financial institutions demand Management Audit by Companies? 2

Please Turn Over

7. (a) List the aspect to be considered by an auditor in vouching of "Retirement Benefits". 2
- (b) Statutory Auditor can not be Internal Auditor of the company—Offer your views. 2
- (c) State the reporting requirement of Auditor under CARO in respect of "Default in repayment of duties". 2
- (d) How you will verify the "Sales Return" from customers? 3
- (e) In addition to normal audit, the Statutory Auditor receives INR 50,000 for rendering services as Taxation Advisor during 2012-13. What type of disclosure is required under Schedule VI of Companies Act 1956? 2
- (f) ABC Ltd. has two branch offices in Chennai and Hyderabad, for which Branch auditors were engaged. M/s APS & Co., Chartered Accountants being statutory Auditor of ABC Ltd. is responsible in respect of work entrusted to Branch Auditors also. Do you agree? Answer based on rules. 2
- (g) Narrate the different design and Procedural aspect of Computer Information System/EDP System. 4
- (h) An Audit Committee of the company can conduct the Management Audit of the same company—Offer your views based on legal provisions. 1
8. (a) From the following, determine "Inventory Turnover Ratio" and explain the effect of "High" and "Low" Ratio: 2
- | | Rs. |
|------------------------|--------|
| (i) Cost of Goods sold | 50,000 |
| (ii) Average Inventory | 20,000 |
| (iii) Opening stock | 25,000 |
| (iv) Purchase | 40,000 |
| (v) Closing Inventory | 15,000 |
- (b) Information System Auditor is concerned with certain objectives. What are those objectives? 4
- (c) Auditing through computer can not be avoided. 1
- (d) Whether following statements are correct? If not give the correct answer: 1×4
- (i) Within sixty days of receipt of Cost Audit Report, the Company shall furnish to Central Government with full information and explanation.
- (ii) Audit Committee is mandatory in every company.
- (iii) Special Auditor is appointed by Board of Directors.
- (iv) Quarterly compliance report on Corporate Governance are required to be submitted to Stock Exchange within thirty days from the close of quarter.
- (e) How you will verify Provident Fund, Gratuity? 3
- (f) To comply with CARO, state how you will report in respect of "Guarantees for loan taken by others"? 2
- (g) As an Auditor, how you will verify the "Stock" lying with Third Party? 2
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