

INTERMEDIATE EXAMINATION

June 2014

P6(LEG)
Syllabus 2012

Laws, Ethics and Governance

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.*

Question No. 1 is compulsory.

1. Choose the correct answer from the given four alternatives: 1×20=20
- (i) A party who does not suffer any loss in case of breach of contract is entitled to
- (a) Statutory damages
 - (b) Liquidated damages
 - (c) Exemplary damages
 - (d) Nominal damages
- (ii) If part of contract is illegal, then the whole contract will be
- (a) Voidable
 - (b) Void
 - (c) Legal
 - (d) Illegal
- (iii) In which of the following cases, the claim of Quantum Meruit arise
- (a) when there is no breach of contract
 - (b) when a contract is discovered to be valid
 - (c) where something has been done non gratuitously
 - (d) where the contract is divisible
- (iv) Amit tells Bharat in the presence of Chetan that Amit is agent of Chetan. Chetan maintain silence instead of denying it. Later, if Amit sells Chetan's goods to Bharat, Chetan cannot dispute Bharat's title to the goods. This is example of
- (a) sale by official receiver
 - (b) sale by a finder of goods
 - (c) sale by estoppel
 - (d) execution of Sale
- (v) An act to dissuade the intending buyer from bidding or from raising the price by pointing out defects in the goods or by doing some other acts which prevent persons from forming a fair estimate of the price of the goods is known as
- (a) Knock out agreement
 - (b) Damping
 - (c) Puffers
 - (d) None of the above

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- (vi) If a minor draws, endorses, delivers or negotiates an instrument, such instrument binds
 - (a) all parties to the instrument including the minor
 - (b) only the minor and no other parties to the instrument
 - (c) all parties to the instrument except the minor
 - (d) None of the above
- (vii) In a partnership firm, the decision can be made by rule of majority when decisions relate to
 - (a) policy matters
 - (b) ordinary routine matters
 - (c) financial matters
 - (d) buying and selling of property
- (viii) Power to exempt any LLP or class of LLP for audits of accounts is with
 - (a) Inspector
 - (b) Central Government
 - (c) Any other regulatory authority
 - (d) None of the above
- (ix) Every inspector appointed under the Factories Act or Payment of Wages Act is deemed to be a
 - (a) Controlling Officer
 - (b) Labour Welfare Officer
 - (c) Honorary Magistrate
 - (d) A Public Servant
- (x) No fine can be imposed on any employed person who is under the age of
 - (a) 10
 - (b) 12
 - (c) 15
 - (d) 18
- (xi) In case of employee covered under the ESI, the accident report shall be sent in _____ to local office of the ESI to which the company is attached.
 - (a) Form No. 18
 - (b) Form No. 18A
 - (c) Form No. 25
 - (d) Form No. 16
- (xii) Which of the following statement is correct under the Child Labour (Prohibition and Regulation) Act, 1968?
 - (a) No child shall be permitted to work between 8 P.M. and 7 A.M.
 - (b) No child shall be permitted to work between 6 P.M. and 8 A.M.
 - (c) No child shall be permitted to work in any establishment on any day which he has already been working in another establishment.
 - (d) No child shall work for more than three and half hour before he has had an interval for rest for at least one hour.

- (xiii) The first case 'doctrine of frustration' as decided by the Supreme Court of India is
- (a) Basanti Bastralaya Vs. River Steam Navigation Co. Ltd.
 - (b) Raju Dhruv Dev Chand Vs. Raja Harmohinder Singh
 - (c) Sushila Devi Vs. Harri Singh
 - (d) Satyabrata Ghosh Vs. Mugneeram
- (xiv) Application for Director Identification Number (DIN) is to be made to Central Govt. in Form
- (a) DIN-1
 - (b) DIN-2
 - (c) DIN-3
 - (d) None of the above
- (xv) Where an appeal is being preferred against an order made by the Public Information Officer under Section 11 to disclose third party information, the appeal by the concerned third party must be made within
- (a) 5 days of the order
 - (b) 15 days of the order
 - (c) 30 days of the order
 - (d) 45 days of the order
- (xvi) The development of Corporate Governance in the UK was initially the findings of a trilogy of codes. Which of the report is not included in it?
- (a) Cadbury Report 1992
 - (b) Greenbury Report 1995
 - (c) Trecking Report 1997
 - (d) Hampel Report 1998
- (xvii) Business ethics is based on well accepted
- (a) Moral and Social Values
 - (b) Social Values only
 - (c) Moral Values only
 - (d) None of the above
- (xviii) Out of seven principles of public life, the principle of objectivity means
- (a) holders of public office should take decisions solely in terms of the public interest.
 - (b) in carrying out public business including making public appointments, holders of public office should make choices on merit.
 - (c) holders of public office are accountable for their decision and actions to the public.
 - (d) holders of public office should be as open as possible about all the decisions and actions that they take.
- (xix) Who is responsible for ethical behaviour?
- (a) Lecturers and Supervisors
 - (b) The Psychologist
 - (c) The Participants
 - (d) The Psychological Community

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- (xx) The three C's of business ethics are
- (a) Commitment, Contribution and Consequences
 - (b) Compliance, Contribution and Consequences
 - (c) Compliance, Customs and Contribution
 - (d) Codes, Compliance and Contributions

SECTION A

Attempt any four questions.

2. (a) (i) 'A' contracts with 'B' for a fixed price to construct a house for 'B' with stipulated time. 'B' would supply the necessary material to be used in the construction. 'C' guarantees A's performance of the contract. 'B' does not supply the material as per the agreement. Is 'C' discharged from his liability? 2
- (ii) W offered to sell his house to M for ₹ 40 lakhs. M replied purporting to accept the offer and enclosed a cheque for ₹ 20 lakhs. He also promised to pay the balance amount in twenty equal installments. Examine the validity of the contract. 2
- (b) Mr. Sharma is a supervisor in a factory drawing salary of ₹ 3500 pm. In a particular accounting year he was on one month leave with salary. His employer declared minimum bonus payable as per the Payment of Bonus Act, 1965, to all eligible employees. State in this connection:
- (i) What shall be the salary that shall be taken into account for the purpose of calculating bonus payable to him?
 - (ii) What shall be the total bonus payable to him in that accounting year?
 - (iii) What would be your answer if the company suffer losses in that accounting year?
 - (iv) Is bonus payable to him if he was illegally terminated? 1×4=4
- (c) Briefly explain the difference between Partnership and Co-ownership. 4
3. (a) (i) Explain the concept of 'whistle blowing' with respect to the Limited Liability Partnership Act, 2008. 3
- (ii) X buys from Y a painting which both believe to be work of an old masterpiece and for which X pays a high price. The painting turns out to be only a modern copy. Discuss the validity of the contract. 2
- (b) 'A' issue an open 'bearer' cheque for ₹ 10,000 in favour of 'B' who strikes out the word 'bearer' and puts crossing across the cheque. The cheque is thereafter negotiated to 'C' and 'D'. When it is finally presented by D's banker, it is returned with remarks 'payment countermanded' by drawer. In response to this legal notice from 'D', A pleads that cheque was altered after it had been issued and therefore he is not bound to pay the cheque. Referring to the provisions of the Negotiable Instruments Act, 1881, discuss whether A's argument is valid or not. 3
- (c) Under what circumstances breach of condition is treated as breach of warranty under the provisions of The Sale of Goods Act, 1930? 4
4. (a) (i) 'Money laundering can provide short term benefits to economy'. Comment. 3
- (ii) Ram is employed in Sweet Sugar factory, a seasonal establishment. The factory was in operation for four months only during the financial years 2011-12. Ram was not in continuous service during this period. However, he has worked only 60 days. Referring to the provisions of The Payment of Gratuity Act, 1972, decide whether Ram is entitled to gratuity payable under the Act. Would your answer be the same in case Ram works for 100 days? 3

- (b) Mr. Z bought a refrigerator from a dealer's shop. But he did not mention the required purpose i.e., whether it is fit to make ice. After using the same, Mr. Z came to know that the refrigerator was unfit for the purpose. State giving reasons as per the provisions of The Sale of Goods Act, 1930, is the dealer liable to refund the price? 4
- (c) D joined Be Engineering Works (P) Ltd. on 05.03.2012. On 8th he was laid off as the management wanted to slow down due to shortage of power. 'X' was not allowed lay-off compensation on the ground that his period of service was less than one year. Is the claim of management valid under the Industrial Disputes Act, 1947? 3
5. (a) (i) Explain Cost of living Index Number under The Minimum Wages Act, 1948. 2
(ii) State the nature of dispute as to gratuity that may be decided by the Controlling Authority. 3
- (b) On a Bill of Exchange for Rupees one lakh, X's acceptance to the Bill is forged. 'A' takes the Bill from customer for value and in good faith before the bill becomes payable. State with reasons whether 'A' can be considered as a "Holder in due course" and whether he can receive the amount of the Bill from 'X'? 4
- (c) A, B and C were partner in a firm of drapers. The partnership deed authorized the expulsion of a partner when he was found guilty of flagrant breach of duty. A was convicted of travelling without ticket. On this ground, he was expelled by the other partners B and C. Is the expulsion justified? 3
6. (a) Explain basic wages under The Employees Provident Fund Act, 1952. Enumerate the items which are not included in it. 3
- (b) (i) Deposit of money in a bank does not constitute bailment. Justify. 2
(ii) Does a laundry attached to the hospital (main Institution) used for washing linen used in the hospital is factory within the meaning of the Factories Act, 1948? 3
- (c) (i) A Limited Liability Partnership is not bound by any act of its member. Justify. 2
(ii) In a contract of Guarantee, A surety is discharged from his liability where there is a failure of consideration between the creditor and the principal debtors. Comment. 2

SECTION B*Attempt any two questions.*

7. (a) In a public company the total number of Directors are 9 and 2 offices of the Directors have fallen vacant. Referring to the relevant provisions of the Companies Act, 1956:
(i) What would be the quorum for the Board Meeting?
(ii) Can the articles of a company fix the quorum (higher or lower) for the Board Meeting? 2
- (b) Explain briefly the need for Corporate Governance in India. 3
- (c) Explain the objectives of Right to Information Act, 2005. 3
8. (a) Mr. Lalit, a Director of XY Limited proceeding on a long foreign tour, appointed Mr. Mohan as an alternate director to act for him during his absence. The articles of the company provide for appointment of alternate directors. Mr. Lalit claims that he has a right to appoint alternate director. State whether Mr. Lalit is correct based on legal provision? 3

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- (b) How far effective legal framework is necessary for e-Governance? 5
9. (a) The MOA of a Company was signed by two adult members and by a guardian of the other five minor members, the guardian signing separately for each minor member. The Registrar registered the company and issued under his hand a certificate of incorporation. The plaintiff contented that (a) conditions of registration were not duly compiled with, (b) that there were no seven subscribers to the MOA. Will the Court upheld his contention? 3
- (b) "The German Corporate Governance System is based on a dual board system". Explain. 3
- (c) Explain the meaning of Competent Authority under Right to Information Act, 2005. 2

SECTION C

Attempt any two questions.

10. (a) "Business Ethics is the study of business situations, activities and decisions where issues of right and wrong are addressed". Explain. 4
- (b) Discuss the important principles of Ethical Behaviour. 4
11. (a) Explain the interface between Ethics and Laws. 3
- (b) Discuss the different types of Ethical issues. 5
12. (a) What are the different types of threat that may affect the business environment and influence financial and accounting professionals? 4
- (b) What is Ethical Conflict? What are the aspects to be considered to resolve the conflict? 4
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