

Paper-6: COMMERCIAL AND INDUSTRIAL LAWS AND AUDITING

Full Marks: 100

Time Allowed: 3 Hours

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 question 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)

Question 1: Answer all questions

[2 X 7 = 14]

- (i) A is sixteen years of age. He lends ₹1 lac to B on the strength of a mortgage executed in his favour. Is the borrower liable to repay the money? Give reasons.
- (ii) Can a minor appoint an agent?
- (iii) Does the endorsement of a Railway Receipt amount to Transfer of Ownership?
- (iv) What is 'Caveat Emptor'?
- (v) Gratuity can be attached by an order of the court.
- (vi) Eligibility to Bonus depends on the period of actual service.
- (vii) As per Industrial Disputes Act, 1947, the Charitable Institutions are not industry

Question 2:

- (i) X stands surety for Y for any amount which 'Z' may lend to Y from time to time during the next three months subject to a maximum of ₹ 50,000. One month later X revokes the guarantee, when Z had lent to Y ₹ 5,000. Referring to the provisions of the Indian Contract Act, 1872 decide whether 'X' is discharged from all the liabilities to 'Z' for any subsequent loan. What would be your answer in case 'Y' makes a default in paying back to 'Z' the money already borrowed i.e. ₹ 5,000?
- (ii) What do you understand by "Agency by Ratification"? What is the effect of ratification?
- (iii) P rents out his house situated at Kolkata to Q for a rent of ₹ 5000/- per month. A sum of ₹ 2 lac, the house tax payable in arrears, his house is advertised for sale by the Municipal Corporation. Q pays the Corporation, the sum due from P to avoid legal consequences. Referring to the provisions of Indian Contract Act, 1872, decide Q is entitled to get reimbursement of the said amount from P.

(iv) Does threat to commit suicide amount to coercion?

(v) Mr. X was shopping in a self-service Super market. He picked up a bottle of cold drink from a shelf. While he was examining the bottle, it exploded in his hand and injured him. He files a suit for damages against the owner of the market on the ground of breach of condition. Decide, under the Sale of Goods Act, 1930, whether Mr. X would succeed in his claim?

(vi) "Nemo Dat Quod Non Habet" — No one can give a better title than he himself has. State the exceptions to the rule.

[4+4+2+2+2+4 = 18]

Question 3:

(i) State difference between lien and stoppage in transit.

(ii) Write a note on Constructive delivery.

(iii) Safety officers in any factory are optional and not mandatory.

(iv) 'X' joined BE Engineering Works (P) Ltd. on 25.3.2014. On 8.12.2014 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.

(v) A laboratory assistant consumes a chemical during the night shift and dies. The chemical was not of the laboratory kit. His wife claimed compensation under the Employees Compensation Act, 1923.

(vi) P is an employee in a XYZ Ltd. The following payments were made to him during the previous year :

- Piece rate wages
- Productivity bonus
- Additional dearness allowance
- Value of Puja gift.

Examine as to which of the above payments form part of "Basic Wage" of P under the Employees Provident Fund and Miscellaneous Provisions Act, 1952.

[4+2+3+2+3+4 =18]

Question 4:

(i) H retired from services on attaining the age of superannuation. After his retirement, it was noticed that he had misappropriated amount from travelling allowance drawn by him. The employer wants to deduct the misappropriated amount from gratuity payable to him. Is the action of the employer legally tenable?

(ii) Discuss 'Hazardous process' under the Factories Act, 1948.

(iii) Have the Government employees a fundamental or statutory right to go on strike under the Industrial Disputes Act, 1947?

(iv) Explain the term 'arising out of employment and in course of employment' in relation to the Employees' Compensation Act, 1923.

(v) A Limited Liability Partnership is a body corporate, so shall have perpetual succession and can carry on business with any number of partners under the Limited Liability Partnership Act, 2008. Do you agree?

(vi) Comment on the following statement with reference to the provisions Negotiable Instruments Act. 1881: "Once a bearer instrument always a bearer instrument."

[4+3+2+3+2+4 = 18]

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

Question 5: Answer all questions

[2 X 7 = 14]

- (i) Audit is concerned with ethics of business.
- (ii) In auditing, the concept of materiality can be judged only in relative context.
- (iii) Contingent Liabilities do not form part of Balance Sheet, hence need not be verified.
- (iv) Auditing in depth means checking all the transactions in minute details.
- (v) All expenses /losses incurred during construction period should be capitalized including abnormal losses.
- (vi) Test check approach and random sampling approach are same.
- (vii) Auditor should qualify audit report if any Secret Reserve is created.

Question 6:

- (i) Mention briefly the conditions or events, which increase the risk of fraud or error leading to material misstatement in Financial Statements.
- (ii) In the course of audit of a trade, you noticed that although there is no change in either selling or purchase price of the goods, there is considerable increase in Gross Profit Ratio in comparison to previous year. What matters would you examine to assess the reason for such increase? Comment, as an auditor.
- (iii) The company has sent semi-finished goods to third parties for further processing, which is lying with them at the end of the year. Comment, as an auditor.
- (iv) Audit in EDP environment is easier as the Trial Balance always tallies.

[5+6+4+3 = 18]

Question 7:

- (i) As an auditor, how will you vouch and/or verify the following?

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1. Receipt of capital subsidy
2. Provision for income tax

(ii) Fixed assets have been revalued and the resulting surplus has been adjusted against the brought forward losses.

(iii) A sum of ₹10,00,000 is received from an Insurance company in respect of a claim for loss of goods in transit costing ₹12,00,000. The amount is credited to the Purchases Account.

(iv) What are the review areas of an IS Auditor?

[(4+4)+3+3+4 = 18]

Question 8:

(i) An Audit of expenditure is one of the major components of Government Audit. In the context of "Government Expenditure Audit" write in brief, what do you understand by:

1. Audit against Rules and Orders
2. Audit of Sanctions
3. Audit against Provision of Funds

(ii) Mention the special points in the case of an audit of the organisation from Incomplete Records.

(iii) Draft an audit programme to audit the receipts of an amusement park owned by a partnership firm.

[6+6+6 = 18]