

MTP_Intermediate_Syllabus 2008_Jun2014_Set 2

Paper-6: COMMERCIAL AND INDUSTRIAL LAWS AND AUDITING

SECTION – A

Answer Q No. 1 (Compulsory) and any 2 from the rest of Section A

Question: 1

Comment on the following based on legal provisions (no mark for wrong reasons or justification)
2X7=14

(a) G, the holder of an over due bill of exchange drawn by P as surety for Q, and accepted by Q, contracts with X to give time to Q. Is P discharged from his liability?

(b) White elephant of rare kind was entrusted by ABC Zoo to the Indian Railway for carriage to Kolkata from Assam. The cage broke by jolts received during the journey and the elephant escaped. The elephant mowed down a herd of sheep belonging to X before being crushed under the wheels of the engine. Discuss the liability of Railway administration to ABC Zoo and X.

(c) R sells the goodwill of his shop to S for ₹10,00,000 and promises not to carry on such business forever and anywhere in India. Examine the validity of the contract.

(d) Mr. A offered to purchase shares of Xee Ltd on 1st May 2013. The company made allotment of shares on 30th November 2013. Mr. A refused to accept the shares. Can he do so?

(e) What tests can be applied in determining whether a person is an agent of another?

(f) Mr. "E" joined as supervisor on monthly salary of ₹ 9,900 on 01.02.2013 and resigned from his job on 28.02.2013. The company declared a bonus of 20% to all eligible employees and paid to on time. Mr. "E" knowing the facts made a claim to HRD, which in turn rejected the claim. Examine the validity in the light of the provisions of the Payment of Bonus Act, 1965.

(g) Mr. Amit joining on 01/11/2013 as an accountant wanted to become member of PF from 01/11/2013 but personnel manager disagreed.

Question: 2

(a) An employee agrees not to institute any legal proceedings against his employer. Can the agreement be enforced by the employer?

(b) "A mere mental acceptance not evidenced by words or conduct is, in the eyes of the law, no acceptance." Comment.

(c) Write a note on 'Counter Offer'.

(d) Distinguish between an 'agent' and a 'servant'.

(e) Write a note about Bailee's lien.

(f) Mr. A found some lost goods. Is he eligible to retain or sell those goods?

[6 × 3 =18]

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Question: 3

(a) A bill of exchange is payable to Shyam on order. At maturity another person of the same name wrongfully gets possession of the bill and presents it to the acceptor for payment. After being satisfied that the person presenting is Shyam, the acceptor makes payment on it in due course. Is the acceptor discharged?

(b) Define the followings as per The Competition Act, 2002

- i. Dominant Position
- ii. Predatory Price.

(c) What are the documents required for a limited liability partnership to be incorporated?

(d) A draws for his own accommodation a bill for ₹1,000 on B, and after acceptance by B, endorses it to C as security for ₹500. B is adjudged insolvent. Discuss the rights of C.

(e) Describe the events when gratuity becomes payable?

(f) Write short notes on – Rights of a consumer under the Consumer Protection Act, 1986?

[6 × 3 =18]

Question: 4

(a) Perfect Ltd. is a navratna undertaking having its factories throughout India. The company has an impeccable record of best welfare measures and working conditions. Does the company require appointing welfare officers?

(b) PQR Ltd. orders ex parte dismissal of A, an employee for unauthorized absence without leave for more than 10 days. Examine the validity of the order under the Industrial Dispute Act, 1947.

(c) X was engaged as a car driver by Y, Manager of India Bank who received an allowance in this regard. Examine whether X can be held as an employee of the Bank under the Industrial Dispute Act, 1947, if the car is maintained at the Bank's expenses.

(d) X, an employee of Fortune Industries Ltd. lost mental balance in an accident while reporting to work early and committed suicide. Is the employer liable to pay compensation under the Employees' Compensation Act, 1923?

(e) ABC(P) Ltd. imposed a fine on Q, one of its employees for irregular attendance. No prior notice specifying this particular act in respect of which could be imposed was exhibited. ABC (P) Ltd deducted the fine in four installments from salary of Q. Is the employer justified?

(f) R was occupying service quarters of ABC Ltd at the time of retirement. He did not vacate the quarter's in spite of reminders. In retaliation, the company withheld the gratuity payable to him. Is action of the company justified?

[6 × 3 =18]

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SECTION – B

Answer Qs No. 5 (Compulsory) and any 2 from the rest of Section B

Question: 5

Comment on the following based on legal provisions (no mark for wrong reasons or justification)
2X7=14

- (a) Procedural error arises as a result of transactions having been recorded in a fundamentally incorrect manner.
- (b) An auditor requires more reliable evidence to reach the conclusion regarding materiality.
- (c) The auditor examines debit notes to vouch sales return.
- (d) Inventory turnover ratio is calculated by the auditor to obtain evidence concerning management's ascertain about valuation of inventory?
- (e) Shareholders, by a majority vote, have authorized the Board of Directors to keep the books of accounts of the company in its Administrative Office, as against the earlier practice of keeping them in the Registered Office. No Government authority has been informed about this. Company contends that this practice is in order.
- (f) What do you understand by Computer Information System (CIS) environment?
- (g) An adverse report is one where an auditor gives an opinion subject to certain reservation.

Question: 6

- (a) 'Doing an audit is full of risk'. Narrate the factors which cause the risk.
- (b) As an auditor, how will you vouch and /or verify Borrowing from Banks.
- (c) One of the debtors of Ayush Ltd. from whom ₹60 lacs is recoverable for credit sales gives a motor car in full settlement of dues. The directors estimate that the market value of the car transferred is ₹60.50 lacs. As on date of Balance Sheet, the car has not been registered in the name of Ayush Ltd. Comment
- (d) M/s Delphi Ltd. has taken a Group Gratuity Policy from an Insurance Company. During accounting year 2013-14 it received a communication from an Insurance Company informing that premium amount for the accounting year 2012-13 was less charged by ₹95 lacs on account of arithmetical error on the part of Insurance Company. M/s Delphi Ltd. paid the said sum of ₹95 lacs during the accounting year 2013-14 by debiting the same to Prior period expenses. Justify
- (e) At the Annual General Meeting of Disha Ltd., Mr. Q is appointed as the auditor which later is held to be void ab initio. The company holds another general meeting and appoints Mr. R as new auditor. Comment

[5+4+3+3+3 = 18]

Question: 7

- (a) The auditor of a company wanted to see the minute's book of Directors meetings. The

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Chairman of the company refused for the same on the ground that matters of confidential nature were contained therein. Comment

(b) The Financial Controller of Giya Limited refuses to provide for proposed dividend in books of accounts for the year ended 31.3.2013 on the ground that it is pending approval of shareholders in Annual General Meeting to be held on 17th October 2013. Comment

(c) A company had subscribed to shares of associate companies amounting to ₹15 crores. These associate companies have incurred substantial losses and have been referred to BIFR for being declared as sick companies. The company does not want to make any provision for the fall in the value of the investments. Comment

(d) In the books of accounts of M/s Bee Ltd. huge differences are noticed between the control accounts and subsidiary records. The Chief Accounts Officer informs that this is common due to huge volume of business done by the company during the year. Comment

(e) What do you understand by Audit Note Book?

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

Question: 8

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

(b) 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. Comment

(c) At an Annual General Meeting, Mr. B a retiring auditor claims that he has been reappointed automatically, as the intended resolution of which a notice had been given to appoint Mr. A, could not be proceeded with, due to Mr. A's death. Comment

(d) Khushi Ltd. in which 24 per cent of the subscribed capital is held by a public financial institution at the time of issuing the notice for the Annual General Meeting, appoints AB & Co. as auditors by an ordinary resolution at the Annual General Meeting when the Public Financial Institution increased its stake in Khushi Ltd. to 25 per cent of its subscribed capital. Comment

(e) At the Annual General Meeting of the Company, a resolution was passed by the entire body of shareholders restricting some of the powers of the Statutory Auditors. Can the powers of the Statutory Auditors can be restricted?

(f) The auditor of High Ltd. did not report on the matters specified in sub-section (1A) of Section 227 of the Companies Act, 1956, as he was satisfied that no comment is required. Justify

[6 × 3 = 18]