

Paper- 6: COMMERCIAL & 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 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)**

- 1. Comment on the following based on legal provisions (no mark for wrong reasons or justification) [2X7 = 14]**
- (a)** A complaint can be filed under Consumer Protection Act within 30 days from the date on which the cause of action arose.
 - (b)** Mr. Amit joining on 01/11/2013 as an accountant wanted to become member of PF from 01/11/2013 but personnel manager disagreed.
 - (c)** Mr. Amit, who retired on 30/11/2013, did not vacate office quarter which was provided by his employer. Employer withheld the Gratuity to force him to vacate the quarter.
 - (d)** Mr. Amit agrees to sale Mr. Rahim 20 bags of wheat out of 200 bags lying in his godown for ₹20,000. Wheat is completely destroyed by fire. Mr. Rahim cannot compel Mr. Amit to supply wheat as per contract.
 - (e)** A lost his dog. He sent his servant to search the dog. When he did not hear about the lost dog, he advertised a reward of ₹ 500 to any person who found the lost dog and returned it to A. The servant found the lost dog and returned the dog to A. When the servant came to know about the reward, he claimed the reward from A. Can he claim the reward? Give reasons.
 - (f)** Bonus is payable only if there is profit.
 - (g)** A drew cheques in favour of B. A's clerk forged B's endorsement and negotiated the cheques to C who took them in good faith and for value. C received payment of the cheques. A claims to recover the amount from C. Will he succeeds?
- 2. (a)** A's wife B paid ₹ 500 to C to be given as a bribe to a jailor for procuring release for her husband from jail. The Jailor failed to procure the release. Can B recover the amount? **[2]**
- (b)** B selects certain furniture in a shop. The price is settled. He arranges to take delivery of the furniture the next day and agrees to pay on the first of the next month. The furniture was destroyed by fire the same evening. Is B liable to pay the price? Give reasons. **[2]**
- (c)** A offers, by a letter, to sell a certain articles to B who receives the letter the next day. B immediately posts his letter of acceptance. The same evening A posts a letter revoking the offer. A's letter of revocation and B's letter of acceptance cross in the post. Is there a contract between A and B? **[2]**

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- (d) An employee committed an act in respect of which a fine was imposed. No prior notice specifying this particular act in respect of which fine could be imposed had been exhibited. The employer deducted the fine in 4 installments from the wages of the employee. What provisions of the Act does the employer violate? [2]
- (e) A watchman whose duty was to guard the property of the premises of a rest house had his quarters within the premises of the rest house. His duty ended at 11 p.m. At 2.30 a.m. (i.e. within 3.5 hours of the said 11 p.m.) he was found murdered near his quarters. Is the employer liable to pay compensation? [2]
- (f) A is the owner of a concern manufacturing cigars. 20 persons are employed in the concern. Of these 20 employees, one is a graduate for supervising the work and another apprentice learning work. The remaining 18 are employed not on the time wage system, but on the piece work system. Is the concern a factory within the meaning of that term under the Factories Act, 1948? [2]
- (g) The services of a woman worker who had completed 4 months' continuous service in a factory were terminated.
- To what leave will she be entitled?
 - To what leave will she be entitled if she were below 15 years of age? [1+1=2]
- (h) A sells his grocery business, including goodwill, to B for a sum of ₹ 50,000. It is agreed that A is not to open another grocery store in the whole of India for the next ten years. A opens another store in the same city two months later. What are the rights of A? [2]
- (i) A, B and C jointly promise to pay D ₹ 5,000. A and B are untraceable. Can D compel C to pay him in full? [2]
3. (a) An individual dispute is not an industrial dispute. Comment. [2]
- (b) Distinguish between Retrenchment and Lay Off. [2]
- (c) Whether Ministry has adopted a "Consultative Approach" while bringing out the LLP Act? [3]
- (d) At an auction sale, A makes the highest bid for a flower vase. Purporting to accept the bid, the auctioneer strikes the vase and breaks it. Who is to bear the loss? Would your decision differ if the auctioneer had struck the table on which the vase was kept with the hammer and the vase fell down and broke to pieces? [2]
- (e) When gratuity payable to an employee can be forfeited? [2]
- (f) Twelve employed persons acting in concert absent themselves for 2 days without due notice and without reasonable cause. What is the maximum amount that may be deducted on account of the absence from duty of these persons? [2]
- (g) A, a medical practitioner purchased an ultrasound scanner and the same stopped functioning within a short period of time. A claimed refund of the price from the supplier. The supplier pleaded that the complainant was not a consumer as the scanner was used for the professional purpose and A was making profit out of it. The complainant claimed that it was being run by his personal skill and to earn his livelihood. Decide. [3]
- (h) "Deficiency in service is a ground for preferring a complaint to the Consumer Protection Forum". Comment. [2]
4. (a) Write short notes on the following: (Any four). [4 × 4 = 16]
- Bailee's Lien
 - Essentials of a valid acceptance.
 - Personal liability of agent.
 - Permissible deduction under Payment of Wages Act.

- v. Sale and agreement to sell.
- (b) "A mere mental acceptance not evidenced by words or conduct is, in the eyes of the law, no acceptance." Comment. [2]

Section -II (50 Marks)
(Auditing)

5. **Comment on the following statements based on legal provisions: (No mark for wrong reasons or justification)** **[2X7=14]**
- (a) Year end stock ready for exports are proposed to be valued at realizable value.
- (b) 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.
- (c) S Ltd. is the Subsidiary of H Ltd. Ram owes S Ltd. ₹ 10,000, Laxman has given guarantee for the same. Can Laxman be appointed as statutory auditor of H Ltd.? Give reason for your answer.
- (d) Test checks refer to the out of routine checks that are carried out in the normal course of Audit.
- (e) It is mandatory that provisions of Audit Committee are applicable to all the companies.
- (f) When Chairman of a company is also Mg. Director, the Companies Act provides the constitution of Board of Directors.
- (g) Auditor's primary responsibility is to detect errors and frauds.
6. (a) "An auditor must select his sample carefully because the results of a representative and unbiased sample can be mathematically interpreted." – Comment. [2]
- (b) State the difference between India's GAAP & US GAAP regarding:
- i. Related Party Transactions
- ii. Pre-operative Expenses. [1+1=2]
- (c) Before accepting your appointment as auditor of a limited company, what steps will you take to ensure that your appointment is valid? [2]
- (d) A company has purchased Plant and Machinery from a foreign supplier on installment payment basis. The liability has been classified as "Secured Loan" by the Company. Give your opinion on the above. [2]
- (e) XYZ Ltd. has not deposited Provident Fund contributions of ₹ 15 lakhs to the authorities but accounted in the books. Comment on the above. [2]
- (f) List out the points of distinction between the Companies Auditor's Report Order (2003) (CARO) and section 227 of the Companies Act. [4]
- (g) State the behavioural problems involved in conducting Management Audit. [4]
7. (a) What are CAATs? Why CAATs are used? [3]
- (b) Write short notes on – Teaming and Lading [4]
- (c) Discuss the difference of nature and purpose of cost audit and management audit. [3]
- (d) Enumerate five cases when auditing through the computer must be used. [2]
- (e) Moon Ltd. had its Registered Office at Madras. During the current accounting year, it has shifted its Corporate Head Office to Kolkata though it has retained the Registered Office at

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- Madras. The Managing Director of the Company wants to shift its books of account to Kolkata from Madras, as he feels that there is no legal bar in doing so. Comment. [2]
- (f) What are the conditions or events peculiar to an EDP environment that increase the risk of fraud and error? [2]
- (g) State the circumstances in which a private limited company is exempt from the applicability of the Companies (Auditor's Report) Order 2003. [2]
8. (a) How will the auditor overcome loss of or changes in audit trail in an EDP environment? [2]
- (b) A company running a Departmental Store and having total turnover of ₹ 150 Cr. during the financial year, need not get its branch audited whose turnover is ₹ 2.85 cr. during the same year. Decide. [2]
- (c) The cost auditor of a company can be its internal auditor, and is to be appointed by the shareholders of the company. Comment on the validity. [2]
- (d) A company has paid interest on share capital to the shareholders, as there was a long gestation period before the company would start making profits. As the Statutory Auditor of a Public Limited Company, comment on the situation. [4]
- (e) What are the internal control aspects in relation to Bank Reconciliation Statement? [2]
- (f) ABC Ltd. has ₹ 55 lakh Paid up Capital and ₹ 4.5 Crores average annual turnover of past three years preceding the financial year under Audit. The company does not have any Internal Audit System as the Management does not think it mandatory. Comment. [4]
- (g) How does an audit programme help to plan and perform the audit? [2]