

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**
- (a)** An agreement was entered into on 11.10.2013 between the owner of building and Mr. Ramesh for exhibition cum sales centre. On 30.11.2013 owner expressed his intention to cancel the agreement as the building is unsafe as declared by Municipal Corporation on 29.11.2013.
 - (b)** Every termination of employment is retirements.
 - (c)** A maker of the bill of exchange can't be discharged until the payment against bill is made.
 - (d)** Mr. Ramesh purchased 10 kgs fish. On returning home, he found that fish was not fresh, Ramesh demand replacement or refund but the seller refused.
 - (e)** Consumer under Consumer Protection Act, 1986 means persons who obtain goods for resale or for any commercial purpose.
 - (f)** Public Information Officer shall as expeditiously as possible and in any case within 30 days of receipt of request provide the required information.
 - (g)** Workmen working in a public utility services have right to go on strike even without giving notice.
- 2. (a)** P, Q and R jointly borrowed ₹5,00,000 from W. The whole amount was repaid to W by Q. Decide in the light of the Indian Contract Act, 1872 whether:
- (i)** Q can recover the contribution from P and R,
 - (ii)** Legal representatives of P are liable in case of death of P,
 - (iii)** Q can recover the contribution from the assets, in case R becomes insolvent. **[1+1+1]**
- (b)** State the power of Central Government to appoint Inquiry Committee under Section 41-D of the Factories Act, 1948. **[3]**
- (c)** Explain the powers of Labour Courts, Industrial Tribunals and National Tribunals to give appropriate relief in case of discharge or dismissal of workmen under section 11 A of the Industrial Dispute Act, 1947. **[4]**
- (d)** "Lock-out is employer's weapon"- Explain. **[4]**
- (e)** P appoints A as his agent to sell his estate. A, on looking over the estate before, selling it, finds the existence of a good quality Granite-Mine on the estate, which is unknown to P.

PTP_Intermediate_Syllabus 2008_Jun2014_Set 2

A buys the estate himself after informing P that he (A) wishes to buy the estate for himself but conceals the existence of Granite-Mine. P allows A to buy the estate, in ignorance of the existence of Mine. State giving reasons in brief the rights of P, the principal, against A, the agent.

What would be your answer if A had informed P about the existence of Mine before he purchased the estate, but after two months, he sold the estate at a profit of ₹ 1 lac? [2]

(f) E was an employee of Tea Estate Ltd. The whole of the undertaking of Tea Estate Ltd. was taken over by a new company – Asia Tea Estate Ltd. The services of E remained continuous in new company. After serving for one year E met with an accident and became permanently disabled. E applied to the new company for the payment of gratuity. The company refused to pay gratuity on the ground that E has served only for a year in the company.

Examine the validity of the refusal of the directors in the light of the provisions of the Payment of Gratuity Act, 1972. [2]

3. (a) X, Y and Z were joint owners of a bus and possession of the said bus was with Y. P purchased the bus from Y without knowing that X and Z were also owners of the bus. Decide in the light of provisions of the Sale of Goods Act, 1930, whether the sale between Y and P is valid or not? [2]
- (b) What are the remedies available to the buyer for breach of conditions? [2]
- (c) Point out the defenses' available to employers regarding personal injury caused to a workman by accident arising out of and in the course of employment. [3]
- (d) What are the distinction between void agreement and illegal agreement? [3]
- (e) What are the liabilities of Buyer for rejecting, neglecting or refusing delivery of goods? [4]
- (f) Write down the permissible limits of exposure of chemical and toxic substances under section 41-F of the Factories Act, 1948? [2]
- (g) A worker whose monthly wage is ₹ 2,000 loses one hand as a result of injury caused to him on 14th September, 2013. On 1st August, 2013 he had completed 30 years of age. Calculate the amount of compensation payable to him. Relevant factor for age 30 is 207.98 [2]

4. (a) Answer any Four: [4 × 4]
- Effects of 'coercion' on a contract.
 - Powers of Inspector (Minimum Wages Act)
 - Recovery of Gratuity
 - Seller's lien
 - Rights of the unpaid seller.
- (b) Partnership by holding out is also a partner with full rights. 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]

(a) Internal Auditor has a big role to play in preventing fraud.

(b) ABC Ltd. has made provision for payment of dividend out of Capital Redemption

PTP_Intermediate_Syllabus 2008_Jun2014_Set 2

Reserve fund.

- (c) It is mandatory to provide cash flow statement with annual accounts of all companies. Do you agree?
- (d) Interest on loan for purchase of raw materials is included in the cost of production.
- (e) While auditing in computer information system, auditor should make assessment of inherent risk.
- (f) ABC Ltd. is not listed on any stock-exchange. Hence provision relating to Audit Committee is not applicable.
- (g) M/s. S. S. & Associates. Chartered Accountants who were appointed as Auditor by the members in A.G.M. refuses to accept the appointment. In such cases Central Govt. only appoint another Auditor.
6. (a) What are the main sources of GAAP in India? [2]
(b) How will you verify Development of Property? [3]
(c) Distinguish between – Negative Opinion and Disclaimer of Opinion. [3]
(d) Subsequent to the issue of audit opinion, the auditor of a company came to know about an important matter about the company. Had he known about this earlier, he would have given a different opinion. How you will as an auditor deal under this situation? [3]
(e) What are the advantages of Working Papers? [3]
(f) Financial audit suffers from a number of limitations. Discuss. [4]
7. (a) How will you vouch / verify stock lying with job-worker? [3]
(b) What are the rights of the Branch Auditor and the Company Auditor, with regard to audit of Branches? [3]
(c) What are the responsibilities of joint auditor? [2]
(d) Write short note on – Qualities of Management Auditor. [3]
(e) The overall objective and scope of audit does not change in computerized environment – Explain. [4]
(f) Write short note on – Types of CAATs. [3]
8. (a) State the basis and types of liability of auditors. [2]
(b) Z Ltd. wanted to treat the heavy advertisement expenditure incurred by them to launch a new product as Revenue Expenditure. The product did not pick up and the sales were negligible. It is anticipated that no material benefit would accrue in future from such heavy advertisement expenditure. Comment. [3]
(c) List the areas in which internal audit operate. [2]
(d) List the factors to be considered for preparing an Audit Programme? [2]
(e) Mention any four items that are not suitable for test checking. [3]
(f) List the situations where statistical sampling methods may not be appropriate. [3]
(g) “Doing an audit in an EDP environment is simpler since the Trial Balance always tallies.” Analyse critically. [3]