

Paper- 6: LAWS, ETHICS AND GOVERNANCE

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Question No. 1 is compulsory

1. Choose the correct answer from the given four alternatives. 1 x 20 = 20

- (i) Which of these are essential condition of a valid contract _____
- (a) Free consent
 - (b) Competency of parties
 - (c) Consideration
 - (d) All the three
- (ii) Under which Section of Companies Act, 1956 a private company can voluntarily converted into public company _____
- (a) 34
 - (b) 44
 - (c) 54
 - (d) 64
- (iii) Signature of memorandum and articles should be done by _____ number of persons in case of public company
- (a) 7
 - (b) 5
 - (c) 4
 - (d) None of these
- (iv) Every promise or set of promises forming the consideration for each other is called _____
- (a) Reciprocal promise
 - (b) Contract
 - (c) Agreement
 - (d) None of the above
- (v) When a bill of exchange has been noted or protested for non-acceptance or for better security, and any person accepts it supra protest for honor of the drawer or of any one of the endorser, such person is called an _____
- (a) Acceptor for request
 - (b) Acceptor for demand
 - (c) Acceptor for honour
 - (d) Acceptor in need
- (vi) Hundi's are Indigenous instrument written in _____ language
- (a) Vernacular
 - (b) Hindi
 - (c) English
 - (d) Sanskrit
- (vii) _____ can be ground for dissolution of a firm under section 44 of the Partnership Act.
- (a) A partner getting married without consent of other partners.
 - (b) One partner transferring whole of his interest to another partner

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- (c) One partner transferring whole of his interest to third party
(d) One partner transferring part of his interest to another partner.
- (viii)** Certain categories of information have been exempted from disclosure under the Right to Information Act, 2005 _____
(a) Where the disclosure prejudicially affects the sovereignty and integrity of India
(b) Where disclosure would cause a breach of privilege of the Parliament or the State Legislature
(c) Information received in confidence from foreign government
(d) All the above
- (ix)** The ESI Act, 1948 provides certain benefits to the employees in case of _____
(a) Case of sickness
(b) Maternity
(c) Employment injury
(d) All the three
- (x)** As per the Child Labour (Prohibition and Regulation) Act, 1986 a person who has not completed the age of _____ is treated as child
(a) 14
(b) 16
(c) 18
(d) 12
- (xi)** The Sarbanes-Oxley Act 2002 made it important for business to have an _____
(a) Ethics code
(b) Code of conduct
(c) Code of practice
(d) Business ethics
- (xii)** Business Ethics is a code of conduct which society should follow while conducting their social activities.
(a) True
(b) False
(c) Partly true
(d) None of the above
- (xiii)** An act, to be called on 'act of a firm', within the meaning of Section 2(a) of the Indian Partnership Act, 1932 is _____
(a) Every act of the partner
(b) Only such acts which give rise to a right enforceable by or against the firm
(c) Such acts which do not give rise to a right enforceable by or against the firm
(d) Either (a) or (b) or (c)
- (xiv)** According to Sec 2(n) "Occupier" of a factory means _____
(a) The person who has established the factory
(b) The person who has highest profit share in the factory
(c) The person who has ultimate control over the affairs of the factory
(d) The person who has ultimate control over the employees of the factory
- (xv)** Wages as per the Payment of Wages Act can not be paid in _____
(a) Currency notes
(b) Coins
(c) Kinds
(d) Cheques

- (xvi) Which of the following is a feature of business ethics?
(a) Business ethics is based on well accepted moral and social values
(b) Practice of business ethics gives protection to customers and other social groups related to a firm
(c) Business ethics provide the legal, social, moral, economical and cultural limits within which business has to be conducted
(d) All the above
- (xvii) The ethical issues in finance that companies and employees are confronted with include:
(a) Fraudulent asset valuations
(b) Insider trading
(c) Over billing of expenses
(d) All the above
- (xviii) Which company shares can be freely transferable
(a) Private Company
(b) Public Company
(c) Both (a) & (b)
(d) None of the above
- (xix) A sold his old car to B for ₹ 11,000. How the purchase consideration can be discharged by B _____
(a) Through cash/bank/draft/cheque only
(b) Equivalent value in kind
(c) Bank draft only
(d) Cash/bank draft/cheque or partly in cash /bankdraft/cheque and partly in kind
- (xx) Where the buyer has examined the goods, there is _____ as regards defects which such examination ought to have revealed.
(a) an implied warranty of merchantability
(b) an implied condition as to merchantability
(c) no implied condition as to merchantability
(d) either (a) or (b) or (c)

SECTION A

Attempt any four questions.

2. (a) Whether the following notes may be considered as valid Promissory notes:
(i) I promise to pay ₹ 5,000 or 7,000 to Mr. Ram.
(ii) I promise to pay to Mohan ₹ 500, if he secures 60% marks in the examination.
(iii) I promise to pay ₹ 3,000 to Ravi after 15 days of the death of A.
- (b) What is the objective of Know Your Customer (KYC) guidelines?
- (c) What is Specific Performance? When can Specific Performance of a contract be enforced? **[3+3+(2+4)]**

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3. (a) State whether the following alterations are material alterations under the Negotiable Instruments Act, 1881?
- (i) The holder of the bill inserts the word "or order" in the bill,
 - (ii) The holder of the bearer cheque converts it into account payee cheque.
 - (iii) A bill payable to X is converted into a bill payable to X and Y.
- (b) What will be the consequences when goods are sold by a person not the Owner and without Owner's consent?
- (c) What are the obligations of the parties to a Contract as regards Performance?
- (d) "Counter offer to an offer lapses the offer" Comment. **[3+2+4+3]**
4. (a) State the meaning of 'Salary' and 'wages' under the payment of Bonus Act, 1965.
- (b) Moon Ltd. contracts with Ohm Shanti Traders to make and deliver certain machinery to them by 30.01.2014 for ₹ 11.50 lakhs. Due to labour strike, Moon Ltd. could not manufacture and deliver the machinery to Ohm Shanti Traders. Later, Ohm Shanti Traders procured the machinery from another manufacturer for ₹ 12.75 lakhs. Ohm Shanti Traders was also prevented from performing a contract which it had made with Zenith Traders at the time of their contract with Moon Ltd. and were compelled to pay compensation for breach of contract. Advise Ohm Shanti Traders the amount of compensation which it can claim from Moon Ltd., referring to the legal provisions of the Indian Contract Act.
- (c) Write short notes on Reservation of Right of Disposal (Section 25 of the Sale of Goods Act). **[3+4+5]**
5. (a) A cheque payable to bearer is crossed generally and marked "not negotiable". The cheque is lost or stolen and comes into possession of B who takes it in good faith and gives value for it, B deposits the cheque into his own bank and his banker presents it and obtains payment for his customer from the bank upon which it is drawn. The true owner of the cheque claims refund of the amount of the cheque from B. Discuss the liability of the banker collecting the cheque and the banker paying the cheque and B to the true owner of the cheque referring to the provisions of the Negotiable Instruments Act, 1881.
- (b) Examine with reasons, the validity of the following nominations made under the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952:
- (i) J nominated N (his son) as a nominee.
 - (ii) M nominated S (his wife) and K (a friend) as nominees.
 - (iii) R who does not have a family nominated A (a close relative) as a nominee.
 - (iv) G nominated N (a friend) as a nominee because he does not have a family at the time of nomination. Later, after one year he gets married to Z.
 - (v) G nominated N (a friend) as a nominee because he does not have a family at the time of nomination. Later, after one year of nomination he gets married to N.
- (c) Whether a 'partner by holding out' will be liable under the Act? **[3+5+4]**

6. (a) How can an existing partner cease to be a partner of an LLP?
- (b) What are the distinction between void agreement and illegal agreement?
- (c) Prasad proposed to sell his house to Ranganathan. Ranganathan sent his Acceptance by Post. Next day, Ranganathan sends a telegram withdrawing his acceptance. Examine the validity of the acceptance, in the light of the following -
- (i) The telegram of revocation of acceptance is received by Prasad before the letter of acceptance (by Post).
- (ii) The telegram of revocation and letter of acceptance both reached together.
- (d) In 2013, the Electronics Corporation, a Public Sector establishment under the Department of Science and Technology, Government of West Bengal starts to sell mobile sets manufactured by it, in addition to T.V sets, so as to compete with private sector establishments of mobile sets in the market. The income from sale of mobile sets is 30 percent of the gross income of the corporation. The employees of the Corporation went to strike for demand of Bonus. Decide, whether the demand of the employees is tenable under the provisions of the Payment of Bonus Act, 1965. Would your answer be different if the income from sale of mobile sets is only 10 percent of the gross income of the Corporation? **[2+5+(1+2)+2]**

SECTION B

Attempt any two questions.

7. (a) Write down the procedure for obtaining information under the Right to Information Act, 2005.
- (b) Some of the creditors of M/s Get Rich Quick Ltd. have complained that the company was formed by the promoters only to defraud the creditors and circumvent the compliance of legal provisions of the Companies Act, 1956. In this context they seek your advice as to the meaning of corporate veil and when the promoters can be made personally liable for the debts of the company.
- (c) A certificate of incorporation issued by the Registrar of Companies is not valid if all the signatures of the subscribers to memorandum of association have been forged. Comment. **[3+4+1]**
8. (a) State the major 'characteristics' of good corporate governance.
- (b) K a member of MNO Limited appoints L as his proxy to attend the general meeting of the company. Later he (K) also attends the meeting. Both K (the member) and L (the Proxy) voted on a particular resolution in the meeting. K's vote was declared invalid by the chairman stating that since he has appointed the proxy and L's vote has been considered as valid. K objects to decision of the Chairman. Decide, under the provisions of the Companies Act, 1956 whether K's objections shall be tenable.

(c) Under Section 108 of the Companies Act, the instrument of transfer of shares has to be in the prescribed form and has to be delivered to the company within the time mentioned, from the date of the presentation thereof to the prescribed authority. In some cases on scrutiny by the company it is found that there are certain discrepancies in the instrument of transfer and by the time the discrepancies are rectified, the said period expires. Is it obligatory for a company to register such shares on receipt of the same after expiry of the said period in view of the fact that when the said instrument of transfer was originally delivered to the company the same was within the time? **[4+2+2]**

9. (a) A public company having been incorporated with seven subscribers one of whom was a public limited company issued right shares within two years of its incorporation on pro-rata basis to the existing seven share-holders/subscribers. All the six subscribers/shareholders renounced those right shares excepting the remaining shareholder which was a public limited company as already stated above. The said remaining subscriber/shareholder was offered all those right shares and in turn it also accepted the entire offer. Ultimately, the company was allotted all the right shares and thereby the subscribing company i.e., shareholder, became the "holding company of the former". In such case whether Section 372 of the Act will come into play? If so, why so, and if not, why not?

(b) A Public Limited Company earned profit during last three years as under:

Year	Profit (₹)
2010-11	10 Crores
2011-12	12 Crores
2012-13	15 Crores

All the directors of the said company are entitled to get remuneration by way of commission @ 1% of net profit. Therefore, directors received remuneration of ₹ 10lakh, ₹ 12 lakhs and ₹ 15 lakh during the year 2010-11, 2011-12 and 2012-13 respectively.

Hence, it is seen from the above that during the years 2010-11, 2011-12 and 2012-13 the remunerations of the directors are increasing. Now the question is whether the approval of the Central Government is required for increase of remuneration in every year pursuant to the provisions of Section 310 of the Companies Act, 1956 although the rate of commission of all directors together is fixed i.e., 1% of profit.

(c) Write down the qualification and disqualification of a cost auditor. **[2+2+(2+2)]**

SECTION C

Attempt any two questions.

10. (a) To pay proper attention to business ethics is certainly beneficial in the interest of business. Describe four such benefits which may be obtained by paying attention to business ethics.

(b) Write short notes on Business for Profit. **[6+2]**

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11. (a) 'O', a CMA is Finance Manager of QRB Ltd. He has been asked to conduct an activity-based costing with a very short deadline and too few resources. He thinks that his CEO may be planning to use this information to restructure the company – including making redundancies. He is not confident that this work will be robust enough, given the timescale, to inform such a big business decision, but feels under pressure to “deliver”. Advise him.

(b) Distinguish between 'Moral' and 'Ethics'.

[2+6]

12. (a) Give some examples of Intimidation Threats which can be faced by a Finance & Accounting Professional while working as (i) Auditor or Consultant, or (ii) Employee in a Company.

(b) "To maintain social contract between society and business, the trusteeship relations are essential". Describe the role of business ethics in this reference.

(c) Write short notes on Value-free Ethics.

[3+3+2]