

## Postal Test Papers\_P6\_Intermediate\_Syllabus 2012

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Paper 6 (Laws, Ethics and Governance)

Test Paper—I/6/LEG/2012/T-1

Section A

Answer Question 1 and any four from the rest.

**Question 1**

**Comment on the following based on legal provisions:**

**[20x 1 = 20]**

- (i) Proposal +Acceptance +Enforceable by Law=Contract.
- (ii) Minor under Contract Act is always beneficiary.
- (iii) There is presumption of undue influence in husband wife relationship.
- (iv) There is no difference between void and illegal agreements.
- (v) 'A' applies to a banker for a loan at a time where there is stringency in the money market. The banker declines to make the loan except at an unusually high rate of interest. A accepts the loan on these terms. Whether the contract is induced by undue influence? Decide.
- (vi) Risks follows ownership.
- (vii) A places an order with D for supply of tomato sauce of a particular brand. D supplies tomato sauce of a different brand. A rejects the lot. D redelivers the ordered lot with correct specifications. But A refuses to accept the same and cancels the order.
- (viii) X obtains possession of a motorcycle under hire-purchase agreement. He then sells the same to Y who purchased the same in good faith and for value. Meanwhile X defaults in paying the hire charges and the owner wants his motorcycle back. Y pleads ignorance of the defective title.
- (ix) Define 'goods' under Sale of Goods Act, 1930.
- (x) Factories employing women workers should maintain crèches.
- (xi) X met with an accident while returning from work. He was travelling by bus provided by his employer. He filed a civil suit against the employer for claim of compensation under the Employees' Compensation Act, 1923.
- (xii) 'A' joined FL Engineering Works (P) Ltd. on 5.3.2012. On 8<sup>th</sup> December, 2012 he was laid off as the management wanted to slow down due to shortage of power. 'A' was not allowed lay-off compensation on the ground that his period of service was less than one year. Can he claim compensation under the Industrial Disputes Act, 1947?
- (xiii) P, a major, and Q, a minor, executed a promissory note in favour of R. Examine with reference to the provisions of the Negotiable Instruments Act, the validity of the promissory note and whether it is binding on P and Q.
- (xiv) Who is a 'holder' under Negotiable Instrument Act, 1881?
- (xv) What is money laundering?
- (xvi) On whom does the burden of proof vest under the PMLA, 2002?
- (xvii) Is it possible for the partners in a firm having majority to expel a partner under the provisions of the Indian Partnership Act, 1932?
- (xviii) A minor may be admitted in the business of a partnership firm. State your views.
- (xix) The Limited Liability Partnership was enacted in 2009.
- (xx) Companies cannot form LLPs.

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### Question 2

- (i) What is the status of a "finder of goods" under the Indian Contract Act, 1872? What are his rights?  
(ii) Explain the general rules of relating to "Acceptance" under the Indian Contract Act, 1872. [3+3+4=10]

### Question 3

- (i) What are the consequences of "destruction of goods" under the Sale of Goods Act, 1930, where the goods have been destroyed after the agreement to sell but before the sale is affected.  
(ii) What do you understand by "Caveat-Emptor" under the Sale of Goods Act, 1930? [5+5=10]

### Question 4

- (i) Minimum wage rate may vary. Comment.  
(ii) When is a person allowed Gratuity even before completing 5 years of employment?  
(iii) K earns a salary Rs.9000/- per month. Bonus declared by the establishment is 12% of salary. Bonus received by K is Rs. 5040. Justify.  
(iv) ABC (P) Ltd. imposed a fine on D, one of its employees for regularly reporting late for work. The fine was imposed on 4<sup>th</sup> April, 2012. The management wanted to recover the amount in September, 2012 during half yearly increment. State your views.  
(v) Where should one file complaint under the Child Labour (Prohibition and Regulation ) Act, 1986? [5 x 2=10]

### Question 5

- (i) Distinguish between inland and foreign bills.  
(ii) State briefly the rules laid down under the Negotiable Instruments Act for determining the date of maturity of a bill of exchange. [5+5=10]

### Question 6

- (i) What do you understand by "Implied Authority" of a partner?  
(ii) Compare and contrast LLP and a Partnership firm. [5+5=10]

### Question 7

- (i) What tests can be applied in determining whether a person is an agent of another?  
(ii) In what ways does a "Sale" differ from "Hire-Purchase"? [5+5=10]

### Question 8

- (i) Comment on the following statement with reference to the provisions Negotiable Instruments Act, 1881: "Once a bearer instrument always a bearer instrument."  
(ii) Answer the following questions:  
(a) Who is an insurable employee under the ESI Act, 1948?  
(b) 'B' joined ADC (P) Ltd. on 6.3.2012. The employer said that he will have to wait for one year to be a member of EPF till he becomes permanent. Comment. [5 + (2+3) =10]

### Section B

### Answer Question 9 and any two from the rest.

### Question 9

- (i) What do you understand by the term 'body corporate'?  
(ii) What is meant by 'promotion' in relation to Companies Act, 1956?  
(iii) When is an Allotment of Shares treated as an irregular allotment?  
(iv) State any two ways to become a member of a company.  
(v) What do you understand by 'competent authority' under the Right to Information Act, 2005?  
(vi) In which section do you find definitions under the RTI Act, 2005?  
(vii) What led the Indian Government to introduce a programme of reforms in early 1990's?

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(viii) Sarbanes-Oxley Act (2002) is associated with which country?

[1 x 8 =8]

### Question 10

(i) 'A company is a person distinct from its members.' Explain.

(ii) Comment on the applicability of the Right to Information Act, 2005.

[3+3=6]

### Question 11

(i) Explain the provisions of the Companies Act, 1956 relating to establishment of an "Investors Education and Protection Fund."

(ii) Discuss the relationship between Corporate Governance and Internal Audit.

[3+3=6]

### Question 12

(i) The Board of Directors of M/s ABC Ltd. propose to pay interim dividend of Rs.2 per equity share of Rs. 10 each. Advise the Board regarding:

(a) The time limit for payment of interim dividend to the shareholders, and

(b) Steps to be taken in case any dividend amount remains unpaid in the books of the company.

(ii) State key characteristics influencing Indian Corporate Governance.

[4+2=6]

### Section C

Answer Question 13 and any one from the rest.

### Question No. 13

(i) State the need for business ethics.

(ii) Discuss the terms 'ethics' and moral. Are they same?

(iii) What do you understand by 'ethical conflict'?

(iv) How will you create ethical accounting environment? [3x4=12]

### Question No. 14

#### Finance Ethics: Do Small Errors need to be Reported?

X is a fresh qualified CMA who has just started his first job in the finance department of a major publicly traded Silicon Valley company. One of his main responsibilities is to create and distribute extensive Excel reports that analyze costs and revenues for different divisions. While X considers himself to be detailed-oriented, the complicated nature of the reports and the sheer volume of data he has to process can sometimes be a little overwhelming.

Each of these reports has a strict deadline, and once X is finished he sends them to his direct supervisor and the CFO. The CFO then uses the information while planning economic strategies and forecasting for the company. The CFO often references the data in the reports during critical meetings.

While X works hard to prepare the reports to the best of his ability, he often finds errors after he has already sent them off. When the errors are critical, he revises the reports and resends them. However, some of the errors are much less important, and X doubts that the CFO will use or look at those figures. X worries that if he sends out an

updated report for every mistake he catches and revises, he will look like he's not doing his job properly. He feels stuck between ensuring maximum quality of his work and meeting deadlines.

He really wants to move up in the company, and he is afraid that if he has to send out too many updates, he won't be trusted as reliable. On the other hand, he doesn't want to send out incorrect information, especially when the CFO could be using it to make critical decisions. Because he's only in his second year at the company, X does not have a comprehensive understanding of the implications of inaccurate information.

**Question:** What should X do when he catches a mistake? Especially since he works for a publicly traded company, is he obligated to report every error?

### Question No. 15

#### Uncomfortable Attention from a Supervisor

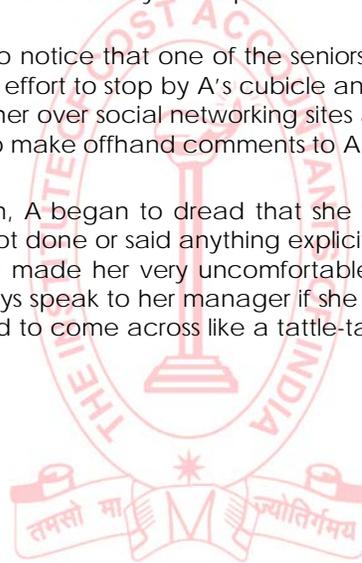
A has been recently hired full time at the major tech company where she interned for two summers during her college career. X loves her job and has established many strong relationships with her co-workers over the time she has worked there. The company encourages the interns and new hires to interact with seniors and upper management in order to create an open and friendly atmosphere.

During her time as an intern, A began to notice that one of the seniors s paid her extra attention. When he was around he would always make an extra effort to stop by A's cubicle and chat, something he did not do with any of the other interns. He reached out to her over social networking sites and even invited her to a gathering at his house. Some of her co-workers began to make offhand comments to A about the extra attention.

Now that she was in a full time position, A began to dread that she would soon have to work with this senior directly more frequently. While he has not done or said anything explicitly inappropriate, the extra attention (and the fact that her co-workers noticed it) made her very uncomfortable and impeded her work. When she was hired, she was told that she should always speak to her manager if she was uncomfortable or had issues with the work environment. However, she is afraid to come across like a tattletale, since the senior hasn't explicitly done anything wrong.

**Question:**

What course of action should A take?



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Paper 6 (Laws, Ethics and Governance)

Test Paper—I/6/LEG/2012/T-2

## Section A

Answer Question 1 and any four from the rest.

### Question 1

Comment on the following based on legal provisions:

[1x 20 = 20]

(i) D appoints his brother C who is 16 years 7 months as his agent.

(ii) '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 Rs.150,000. One month later X revokes the guarantee, when Z had lent to Y Rs.15,000. 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. Rs.15,000?

(iii) Explain the concept of 'misrepresentation' in matters of contract.

(iv) C delivered furniture items to AB Transport Co. for transporting the goods from Asansol to Kolkata. On the way the truck carrying the items met with an accident due to rash driving on part of the driver and the goods got damaged. C sued the owner of the Co. for the loss.

(v) A promises to cure B terminal illness by magic. B promises to reward A by paying Rs 10000. Decide on the nature of agreement.

(vi) What are the implied conditions in a contract of 'Sale by sample' under the Sale of Goods Act, 1930?

(vii) 'A stipulation may be a condition though called warranty in a contract.' Justify.

(viii) Explain the term 'seller's lien' under the Sale of Goods Act, 1930.

(ix) Performance of contract under the Sale of Goods Act, 1930 involves two aspects. Name them.

(x) State 'price' under a CIF contract.

(xi) X is owner of a cotton mill. The mill has certain persons on contract basis in putting the ginned cotton into *bojhas*. These persons are employed not by X but by merchants who owned the cotton. Their names do not appear in attendance register of the mill. Whether these persons can claim to be worker of the mill as per the Factories Act, 1948?

(xii) As per the Industrial Disputes Act, 1947, the Charitable Institutions are not industry.

(xiii) X, had undertaken a piece of work in course of his ordinary business. He sub-contracted a part of his work to Y who in turn sub-contracted a part to Z. F, an employee of Z got killed in an accident while working at a machine. The widow of F applied to the Commissioner for an order on X under the Employees' Compensation Act, 1923 to deposit the amount of compensation for the death of her husband.

(xiv) Ascertain the date of maturity of a bill payable hundred days after sight and which is presented for sight on 4th May, 2013.

(xv) What do you understand by 'noting' under the Negotiable Instrument Act, 1881.

(xvi) What is 'KYC' norm?

(xvii) Explain 'designated partners' under the Limited Liability Partnership Act, 2008.

(xviii) What is the duration of 'partnership at will'?

(xix) Under which circumstances a firm is compulsorily dissolved?

(xx) Define 'authorised person' under the PMLA Act 2002?

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### Question 2

- (i) What do you understand by "Agency by Ratification"? What is the effect of ratification?  
(ii) State the grounds upon which a contract may be discharged under the provisions of Indian Contract Act, 1872? [5+5=10]

### Question 3

- (i) State the difference between 'contract of sale' and 'contract of bailment'?  
(ii) Distinguish between a 'Condition' and a 'Warranty' in a contract of sale. When shall a 'breach of condition' be treated as 'breach of warranty' under the provisions of the Sale of Goods Act, 1930? Explain. [5+5=10]

### Question 4

- (i) The Minimum Wages Act, 1948 prescribes payment of wages in cash only. Comment.  
(ii) The balance to the credit of Provident Fund Account of an employee is attachable by the decree of a Court as per Employees' Provident Funds and Miscellaneous Provisions Act, 1952. State your views.  
(iii) Bonus payment under the Payment of Bonus Act, 1965 may be linked to production or productivity. Do you agree?  
(iv) Gratuity can be withheld by the employer non-vacation of official quarter by the employee under the Payment of Gratuity Act, 1972.  
(v) On whom does the responsibility for payment of wages lie under the Payment of Wages Act, 1936? [2x5=10]

### Question 5

- (i) Mr. C obtains fraudulently from K a cheque crossed 'Not Negotiable'. He later transfers the cheque to P, who gets the cheque encashed from ADC Bank, which is not the Drawee Bank. J, comes to know about the fraudulent act of C, sues ADC Bank for the recovery of money. Examine with reference to the relevant provisions of the Negotiable Instruments Act, 1881, whether K will be successful in his claim. Would your answer be still the same in case C does not transfer the cheque and gets the cheque encashed from ADC Bank himself?  
(ii) Explain clearly the meaning of the term 'Promissory Note' as provided in the Negotiable Instruments Act, 1881. In what way does a 'Promissory Note' differ from a 'Bill of Exchange'? [5+5=10]

### Question 6

- (i) "Mere sharing in the profits of a business is not a conclusive proof of existence of partnership." - State your views.  
(ii) What are the liabilities of designated partners under the LLP Act, 2008? [5+5=10]

### Question 7

- (i) Explain the concept of 'special courts' under the PMLA 2002?  
(ii) B buys goods from A on payment but leaves the goods in the possession of A. A then pledges the goods to C who has no notice of the sale to B. State whether the pledge is valid and whether C can enforce it. Decide with reference to the provisions of the Sale of Goods Act, 1930. [5+5=10]

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### Question 8

- (i) State the objectives of the Child Labor (Prohibition & Regulation) Act, 1986.
- (ii) What is the difference between a 'holder' and 'holder in due course' under the Negotiable Instrument Act 1881? [5+5=10]

### Section B

Answer Question 9 and any two from the rest.

### Question 9

- (i) What do you understand by the term 'incorporation' of a company?
- (ii) Mention the purpose of situation clause under Memorandum of Association of a Company.
- (iii) Who is a Director of a company?
- (iv) What is the ceiling of number of Directorships?
- (v) Who is eligible to right to information under the RTI Act, 2005?
- (vi) What is the constitution of State Information Commission?
- (vii) With which country do we relate 'Cadbury Report' (1992)?
- (viii) What is predominant business ownership structure in Japan known as? [1 x 8 =8]

### Question 10

- (i) Explain the position of a minor as director of a company under the Companies Act, 1956?
- (ii) What is 'Right to Information' under the RTI Act, 2005? [3+3=6]

### Question 11

- (i) State the qualifications a director should possess?
- (ii) Explain the basic features of Corporate Governance in UK. [3+3=6]

### Question 12

- (i) Explain the circumstances in which a company can alter its 'Objects' as slated in the Memorandum of Association.
- (ii) State the legal frame work of Corporate Governance in India. [3+3=6]

### Section C

Answer Question 13 and any one from the rest.

### Question 13

- (i) What do you understand by the term Business Ethics?
- (ii) Write short not on 'evolution' of Ethics.
- (iii) State the interface of Law and Ethics.
- (iv) Write the reasons for unethical behavior. [3x4=12]

### Question 14

#### A Job Search Dilemma

Y, a second-semester senior, is looking for a job. Anxious about finding work in the worst economy in decades, he sends out scores of resumes for a wide variety of positions. The first call he gets is for a position that doesn't really interest him, but he figures he should be open to every opportunity. He schedules an interview, which he acs. In fact, the recruiter offers Y the job on the spot. He would like Y to start as soon as possible. –

**Question: Should Y accept the offer? If he does, can he continue to pursue other jobs actively? [8]**

### Question 15

You are the senior finance manager of XYZ Ltd, a large Indian subsidiary of an internationally based financial services organisation, which has grown substantially in recent years. You have been in the role for 5 years and believe that there is a very real chance that you might be in line for promotion to the group finance director position within the next couple of years, as long as you play your cards right. You believe that such a promotion is merited. You have committed yourself to the organisation and your work-life balance is heavily weighted towards the former. Your work is your life, at least at the moment.

The group, has had a bad couple of years worldwide, partly to do with the economic downturn in most areas, but also to do with poor management in some key areas of operations (but not in the India). In response to these poor results, the US parent had insisted on 5% cost cutting efficiencies in the current year in all subsidiaries: for you in the Indian subsidiary, this was a very tough target and you have just about achieved it, but at the cost of a dispirited workforce and a range of economies which could not be sustained in the long term. The need to ensure that the company satisfies all of its regulatory requirements is a major issue and these cuts have left your organisation vulnerable.

At a recent video conference, Mr. Y, the American Group FD, informed you that all subsidiaries must achieve a further 10% efficiency saving in the subsequent year (for which you are currently preparing the budgets), but that all operational and sales targets must still be met. This news is greeted with a degree of incredulity by you and your colleagues but it is made very clear that this is not negotiable.

You know that this is going to be almost impossible to achieve in practice and so, the next day, you call Mr. Y and share these views with him. He tells you in no uncertain terms that your views are unhelpful and that if you are not prepared to implement these cuts then someone else will be found who can. You point out that the cuts will severely impact on the business's ability to satisfy its legal and regulatory responsibilities:

By the end of the call it is crystal clear: either cuts will be made or you will be fired.

**Question: You come to the same conclusion that this does not appear possible unless the company is willing to live with the significant risk that it will not comply with the regulatory requirements. What would you do? [8]**

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Paper 6 (Laws, Ethics and Governance)

Test Paper—I/6/LEG/2012/T-3

## Section A

Answer question 1 and any four from the rest.

### Question 1

Comment on the following based on legal provisions :

[1x20=20]

(i) A offered to sell his car to B for Rs. 20000/-. B replied that he can accept for only Rs. 17000/-. A rejected B's counter offer to buy for Rs.20000/-. B later changed his mind and was ready to buy the car for Rs.20000/-. Is A bound to sell the car?

(ii) S delivered his car to M for repairs. M completed the work, but did not return the car to S within reasonable time, though S repeatedly reminded M for the return of car. In the meantime a big fire occurred in the neighborhood and the car was destroyed. Decide whether M can be held liable under the provisions of the Indian Contract Act, 1872.

(iii) Mr. A of Delhi engaged Mr. S as his agent to buy a house in West Extension area. Mr. Singh bought a house for Rs.30 lacs in the name of a nominee and then purchased it himself for Rs.34 lacs. He then sold the same house to Mr. A for Rs.36 lacs. Mr. A later comes to know the mischief of Mr. S and tries to recover the excess amount paid to Mr. S. Is he entitled to recover any amount from Mr. S? If so, how much? Explain.

(iv) State an occasion when silence is equivalent to speech.

(v) What do you understand by the term 'past consideration'?

(vi) With a view to boost the sales HM Automobiles sells a motorcar to Mr. X on trial basis for a period of three days with a condition that if Mr. X is not satisfied with the performance of the car, he can return back the car. However, the car was destroyed in a fire accident at the place of Mr. X before the expiry of three days. Decide whether Mr. X is liable for the loss suffered.

(vii) A contracts to sell B, by showing sample, certain quantity of sunflower oil described as 'foreign refined sunflower oil'. The oil when delivered matches with the sample, but is not foreign refined sunflower oil. Referring to the provisions of Sale of Goods Act, 1930 advise the remedy, if any, available to B.

(viii) Give an example of an absolute contract of sale under the Sale of Goods Act, 1930.

(ix) State the broad classification of the term 'goods'.

(x) State two persons who can effect sale as non-owners.

(xi) It is illegal to pay Gratuity in excess of the limits prescribed in the Payment of Gratuity Act, 1972.

(xii) The payment of contribution to provident fund of an employee, to be made by his employer, who has become insolvent, a preferential payment as per the provisions of the Employees Provident fund and Miscellaneous Provisions Act, 1952. State your views.

(xiii) Daily working hours in a factory cannot be more than 8 hours on any day considering ceiling of 48 working hours in a week as per the Factories Act 1948. State your views.

(xiv) What is the immunity granted to Banking Companies under the PMLA, 2002?

(xv) Promissory note dated 1<sup>st</sup> February, 2013 payable two months after date was presented to the maker for payment 10 days after maturity. What is the date of Maturity?

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- (xvi) Name the type of Negotiable Instrument that requires notice of dishonour.
- (xv) What is qualified acceptance of a bill?
- (xvi) State any one case where there is sharing of profit but partnership relation does not exist.
- (xv) Registration of firm is not necessary. State any one consequence of non registration of firm.
- (xvi) State the minimum number of partners required to form LLP.
- (xvii) State any one effect of registration of LLP.
- (xviii) Who is a 'puffer' in an auction sale?
- (xix) What is the extent of liability of a surety?
- (xx) With which type of Negotiable Instrument the term 'crossing' is used?

### Question 2

- (i) Distinguish between offer and invitation of offer with example.
- (ii) What is meant by Anticipatory Breach of Contract? [5+5=10]

### Question 3

- (i) "Nemo Dat Quod Non Habet" – "None can give or transfer goods what he does not himself own." Explain the rule and state the cases in which the rule does not apply under the provisions of the Sale of Goods Act, 1930.
- (ii) Discuss the different modes of 'delivery' of goods under the Sale of Goods Act, 1930. [5+5=10]

### Question 4

- (i) An individual dispute is not an industrial dispute under the Industrial Disputes Act, 1947. Comment.
- (ii) W, a heart patient worked for four hours in a factory premises. He profusely sweated during the recess and died of heart failure which resulted on account of severe stress and strain inside the factory premises. Is the employer liable to pay compensation under the Employees Compensation Act, 1923?
- (iii) C failed to give details of travelling expenses on account of tour inspite of several reminders. His company deducted the amount of tour advance from C's salary after expiry of 3 months. Is the company justified under the Payment of Wages Act, 1936?
- (iv) X is engaged in two types of job in a factory, that of a mechanic and watchman. The wage rates are different for two different jobs. The employer calculates his minimum wage at an average rate. Comment.
- (v) What is the function of 'The Child Labour Technical Advisory Committee'? [2x5=10]

### Question 5

- (i) Whether a minor may be admitted in the business of a partnership firm? Explain the rights of a minor in the partnership firm.
- ii) What are the prerequisites of registering a LLP Firm? [5+5=10]

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### Question 6

- (i) In what way 'Discharge of a party' to a negotiable instrument differ from the 'Discharge of instrument' .  
(ii) State the privileges of a 'Holder in due course' . [5+5=10]

### Question 7

- (i) Distinguish between Contract of Indemnity and Contract of Guarantee.  
(ii) State the obligation of banking companies under the PMLA, 2002? [5+5=10]

### Question 8

- (i) WX is working as a marketing personnel in a company. The following payments were made to him by the company during the previous financial year –  
(a) overtime allowance,  
(b) dearness allowance  
(c) commission on sales  
(d) employer's contribution towards pension fund  
(e) value of food.  
Which items will be included for calculation of Bonus?  
(ii) State the rights of buyer under the Sale of Goods Act, 1930. [(1x5)+5=10]

### Section B

**Answer Question 9 and any two from the rest.**

### Question 9

- (i) State on restriction which is imposed on private limited company but not public limited company.  
(ii) State any one significance of Prospectus.  
(iii) List the types of liabilities of Directors of a company.  
(iv) What is the quorum for a Board Meeting of a company?  
(v) Specify one type of organization to which RTI Act, 2005 does not apply.  
(vi) What is meant by 'third party' under RTI Act, 2005?  
(vii) Write in one sentence the stakeholders in corporate governance.  
(viii) The Combined Code (1998) drew together recommendation from which reports? [1x8=8]

### Question 10

- (i) Who is a Managing Director under the Companies Act, 1956?  
(ii) Under the Right to Information Act, 2005 competent authority means authority competent to seek information. Comment. [3+3=6]

### Question 11

- (i) Explain the term 'minimum subscription'?  
(ii) Discuss the evolution of corporate governance in India. [3+3=6]

**Question 12**

(i) State the remedies available against a company to a subscriber for allotment of shares on the faith of a misleading prospectus.

(ii) Discuss Japanese approach towards Corporate Governance.  
[3+3=6]

**Section C**

**Answer Question 13 and any one from the rest.**

**Question 13**

(i) Discuss the elements of Ethics.

(ii) What do you understand by 'application' of ethics.

(iii) What are the fundamental principles of Ethical Behaviour for Finance Professionals?

(iv) What are the threats to ethical behavior?

[3x4=12]

**Question 14**

You are a management accountant working for a privately owned manufacturing company.

While the finance director is on leave, you are in charge of the finances. The managing director has a director's loan account and has asked you to make transactions on it, some of which are prior to the year end.

He has said this has been agreed by the other directors. You do not feel comfortable authorizing this and also feel that it will not reflect well on your year end.

**Question: What would you do in such situation.**

[8]

**Question 15**

You lead a finance team in a company with a significant government contract, providing goods/services on an open book, cost-plus basis.

You've been asked to reduce the figures for internal reporting by 15 per cent so that the costs don't look so high for the group, while showing the client the original figures.

Although you realise that you are not actually taking more money from your client, and that management wants to give the impression of lower costs to the group, neither yourself nor your team are happy about doing this and you have raised this in writing with management and also informed HR.

**Question: HR have now called a formal meeting. Do you now feel you are overreacting?**

[8]

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## Paper 6 (Laws, Ethics and Governance)

Test Paper—I/6/LEG/2012/T-4

### Section A

Answer question 1 and any four from the rest.

#### Question 1

Comment on the following based on legal provisions:

[1x20= 20]

- (i) As per Section 10 of the Contract Act 'consideration' is an important element for a contract to be valid. Hence all contracts without consideration are void.
- (ii) An offer must be communicated to the acceptor.
- (iii) D owes F Rs. 50,000/- only guaranteed by S. The debt becomes payable on 26<sup>th</sup> December 2012. F does not sue D for a year after the debt has become payable. S is discharged from his surety ship.
- (iv) G started "self service" system in his shop. P entered the shop, took a basket and after taking articles of his choice into the basket reached the cashier for payments. The cashier refuses to accept the price. Can G be compelled to sell the said articles to P?
- (v) A was given money to divorce her husband B and marry lender of money C. Examine the validity of the agreement.
- (vi) G has bought 20 kgs of foodstuff against cash payment from N under a contract of sale. But half the consignment is rotten and N is refusing to refund the money.
- (vii) Risk is transferred only on delivery.
- (viii) No one can give a better title than he himself has. State the exceptions to the rule under the Sale of Goods Act, 1930.
- (ix) X buys goods from Y on payment but leaves the goods in the possession of X. X then pledges the goods to Z who has no notice of the sale to Y. State whether the pledge is valid and whether Z can enforce it as per provisions of the Sale of Goods Act, 1930.
- (x) Is 'money' considered goods under the Sale of Goods Act, 1930?
- (xi) Who is a 'occupier' under the Factories Act, 1948 ?
- (xii) Differentiate between lay off and retrenchment under Industrial Dispute Act , 1947
- (xiii) How do you define 'disablement' under the Workmen's Compensation Act, 1923?
- (xiv) How does Sec 13 of the NI Act , 1881 define a negotiable instrument?
- (xv) "Mr. C, IOU Rs 1000". Examine whether this is a promissory note.
- (xvi) Name a type of Negotiable Instrument that does not require acceptance.
- (xvii) Who is a working partner?
- (xviii) State one ground for dissolution of partnership?
- (xix) When does a partner of LLP incur unlimited liability?
- (xx) On whom does burden of proof lies under the PMLA , 2002?

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### Question 2

(i) "An agreement made without consideration is void." With reference to provisions of the Indian Contract Act, 1872 examine the validity of the statement and explain the cases in which the statement does not apply.

(ii) Point out the distinction between 'Coercion' and 'Undue influence'.

[5+5=10]

### Question 3

(i) State the position of buyer in case of delivery of goods in wrong quantity.

(ii) State the rules regarding an auction sale.

[5+5=10]

### Question 4

(i) What is a 'Sans Recourse' endorsement?

(ii) When is an alteration of an instrument treated as a material alteration under the Negotiable Instruments Act, 1881? What is the effect of such an alteration?

[5+5=10]

### Question 5

(i) Normal wages of X along with his colleagues were reduced by his employer for a particular day in a month. The reason provided by management was that as they had worked for less than normal working hours on account of power failure, their wages have been proportionately reduced. Explain the rule in this context as per the Minimum Wages Act, 1948.

(ii) The employer of TGH Ltd made certain alteration in wage structure as a result of which certain allowances were discontinued. However the total salary of an employee remained unchanged. Will an application under Sec 15(2) of the Payment of Wages Act, 1936 lie for this?

(iii) Explain the provisions of Employees' Provident Funds and Miscellaneous Provisions Act, 1952 with regard to determination of 'Escaped Amount' after an officer has passed an order concerning 'Determination of Amount' due from an Employer under the Act.

(iv) Explain the term 'rate of gratuity' in relation to Payment of Gratuity Act, 1972.

(v) What do you understand by the term 'exempted employee' under the ESI Act, 1948?

[2 x 5=10]

### Question 6

(i) When is the registration of a Partnership firm deemed to be complete under the Indian Partnership Act, 1932?

(ii) Discuss the extent and limitation of liability of Limited Liability Partnership and Partners. [5+5=10]

### Question 7

(i) Explain the circumstances where under a party to a contract may be exempted from the performance of contract on the ground of 'Supervening impossibility' under the Indian Contract Act, 1872.

(ii) Explain the provisions of the **Payment of Bonus Act, 1965** relating to 'adjustment of customary bonus against bonus payable under the Act.'

[5+5=10]

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### Question 8

- (i) What are the authorities under the PMLA, 2002?  
(ii) C, the holder of an overdue bill of exchange drawn by A as surety for B, and accepted by B, contracts with X to give time to B. Is A discharged from his liability? [5+5=10]

### Section B

#### Answer Question 9 and any two from the rest.

### Question 9

- (i) Name a famous case that emphasized the separate legal entity principle of company.  
(ii) List the classification companies on basis of incorporation.  
(iii) What does liability clause under memorandum of association state?  
(iv) What is the minimum number of directors liable to retire by rotation?  
(v) What is the constitution of Central Information Commission?  
(vi) Who provides information to public under RTI Act, 2005?  
(vii) Define in one line 'e- governance'.  
(viii) What is XBRL? [1x8=8]

### Question 10

- (i) What conditions as required under the Companies Act, 1956 must be satisfied by a company for the forfeiture of shares of a member, who has defaulted the payment of calls? What are the consequences of such forfeiture?  
(ii) Discuss the salient features of the Combined Code (1998) [3+3=6]

### Question 11

- (i) What do you understand by the term 'minutes' as regards to the Companies Act, 1956?  
(ii) PIO under the RTI Act, 2005 rejected X's application because he wanted too many information which PIO found difficult to handle. Explain the provision. [3+3=6]

### Question 12

- (i) Enumerate the general duties of the directors under the Companies Act, 1956.  
(ii) Write short note on Financial Reporting Council. [3+3=6]

### Section C

#### Answer Question 13 and any one from the rest.

### Question 13

- (i) Discuss the seven principles of Public Life.  
(ii) Discuss the concept of 'Value-free' ethics.  
(iii) Discuss the safeguards to threats against ethical behavior created by Finance Professionals.  
(iv) Discuss the Ethics of Management Accountant Professional. [3x4=12]

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### Question 14

You are the financial manager for a listed company. You have worked there for three years and it has been doing well.

One of the directors is also a director at another firm. You have been asked to transfer a large sum of money between the two – unrelated – companies.

Although you have requested further information, as you do not feel comfortable, you have been asked to “sign off” the transfer urgently. You have been verbally told that it is in the business’s interest and has the support of the board.

But you do not want to be responsible for approving such a transfer without the appropriate paperwork and feel awkward questioning the director’s decision again.

**Question: What should you do now?**

**[8]**

### Question 15

You have just starting working for a Public Limited Company and your colleagues have warned you that your predecessor was asked to inflate the value of products, as well as to overvalue stock, when reporting.

**Question: This, you understand, was to benefit the Director’s bonus. To date you have not been asked to do anything untoward, but wonder how best you can approach the issue should you be put in this position. [8]**

