

INTERMEDIATE EXAMINATION

December 2014

I-P6(CIA)

Syllabus 2008

Commercial and 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 questions 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): 2×7=14
 - (i) Mr. Rabin tells Miss Rekha that Mr. Rajib expressed his willingness to marry Miss Rekha on 25th December, 2014. This is a valid contract.
 - (ii) Employers are liable to contribute @ 10% of wages to EPF in respect of its members.
 - (iii) (a) The maximum ceiling of gratuity amount is ₹ 3,50,000.
(b) Ashim calculated bonus taking $15/30 \times$ No. of year of service.
 - (iv) Worker is punishable with fine which may extend to INR-250 if he contravenes any provisions of Factories Act, 1948.
 - (v) An unpaid seller can not exercise his right of lien when he is in possession of goods as agent for the buyer.
 - (vi) A limited liability partnership is bound by any act done by a partner in dealing with a person.
 - (vii) The employer is not liable to pay compensation in few cases under Workers Compensation Act, 1923.
2. (a) State with reasons in brief, if the followings are correct. Give correct answer.
 - (i) An agreement which is enforceable by law at the option of one or more of the parties thereto, but not at the option of the other or others is a "void contract". 1
 - (ii) An offer may contain a term, the non-compliance of which would amount to acceptance. 2
 - (iii) Mr. Shyamal learnt from Mr. Anil that Mr. Bhabesh would be director of XYZ Ltd. to be formed. Mr. Shyamal told this to Krishna in order to induce him to purchase shares of XYZ Ltd. Mr. Krishna did so. This is a case of fraud by Mr. Shyamal. 3
- (b) (i) Pledging of goods obtained on "sale or return" basis will complete the sale. Offer your views. 2
- (ii) Against Amal's tender, Bimal agrees to sale and deliver 1000 kgs. of potato @ INR 10/- per kg. Bimal delivered 700 kgs. of potato and agrees to deliver balance 300 kgs. next month. Amal accepted 700 kgs. sent by Bimal. Later on, Bimal failed to deliver the balance quantity. Amal refuses to pay the price for 700 kg. which he accepted on the ground that Bimal failed to execute the sale contract. Can Amal refuse to pay? 2

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- (c) State the provision of annual leave with wages in respect of workers. under Factories Act, 1948. 2
- (d) State the correct answer with reason if the following statement are wrong. 2
- (i) Wage period can not exceed 60 days.
 - (ii) Deduction on account of payment to co-operative societies cannot be more than 50% of wages.
 - (iii) No fine can be recovered in installments from the worker or after the expiry of 30 days from the day on which it was imposed.
 - (iv) Deduction for damages or loss cannot exceed double the amount of loss.
- (e) Barun's salary per month is INR 9,500/- whether Barun is entitled to bonus. 2
- (f) Examine with reference to the relevant provisions of the Competition Act, 2002, whether a person purchasing goods not for personal use but for resale can be considered as "consumer". 2
3. (a) Goods of ABC Ltd. seized by customs authorities in Kolkata Port after payment of customs duty. The seized goods were subsequently lost from the custom's custody. Hence customs authorities are responsible for loss. Offer your views on the basis of legal provisions. 2
- (b) Mr. A is employed as cashier on a monthly salary of INR 20,000 by PQR Bank for last three years. Mr. B gave surety for Mr. 'A'. After twelve months, the financial position of the Bank deteriorated. All the employees agreed to accept a lower salary with 20% reduction. Mr. A's salary was reduced to INR 16,000 per month. Six months later, it was revealed that Mr. A misappropriated cash since the time of his appointment. Whether surety can be held liable if Mr. A fails to repay. 2
- (c) Mere silence as to facts likely to affect the willingness of a person to enter into a contract is fraud.—Offer your views. 2
- (d) Sona bought Refrigerator from manufacture's authorized dealer for INR 30,000. This Refrigerator was defective right from beginning and it did not work inspite of repairs by the manufacture's authorized engineers. Can Sona return the Refrigerator and claim refund? 2
- (e) When lien is terminated (Sale of Goods Act, 1930)? 2
- (f) Give correct number of workers based on Factories Act, 1948, in respect of following: 2
- (i) In every factory wherein more than 100 workers are ordinarily employed, adequate shelters or Rest Rooms and suitable Lunch Room shall be provided.
 - (ii) In every factory where more than 250 workers are ordinarily employed, there shall be Ambulance Room.
 - (iii) In every factory wherein 1000 or more workers are ordinarily employed, there shall be Welfare Officer.
 - (iv) In every factory wherein 50 workers are employed, the factory shall provide First Aid Box/First Aid Appliances.
- (g) What are the items being related to "collective disputes" under Ind. Disputes Act? 2
- (h) As per payment of Gratuity Act, 1972, Mr. J. K. Roy makes his wife his nominee, but wife predeceased Mr. J. K. Roy. In such case the amount of gratuity has been transferred to company's benevolent fund— State the correct position. 2
- (i) A cheque is drawn payable to Mr. Binay or order. It is stolen and the thief forges Mr. Binay's endorsement and endorsed it to Mr. Kashi. The banker pays the cheque in due course. Can Mr. Binay recover the amount from Bank? 2

4. (a) (i) Ranabir sold 2500 kgs. of potato to Sunder who paid by cheque which was dishonoured. Ranabir gave a delivery order to Sunder. Sunder resold the whole lot of potatoes to Singh (who bought in good faith for valid consideration) and endorsed the delivery order to Singh. Ranabir refused to deliver the potato against that delivery order to Singh on the plea of non-payment. Advise Singh. 2
- (ii) Akhilesh entered into an agreement with Sekhar to deliver 5000 bags to be manufactured. The bags could not be manufactured and supplied because of strike by the workers. Decide whether Akhilesh is liable under the provisions of Contract Act, 1872. 4
- (b) (i) Mr. Amit is the owner of a writing table but he does not know that he is the owner of table. Mr. Sumit pretends to be the owner of that table and sells to Mr. Amit. Whether this is a sale as per the Sale of Goods Act, 1930? 2
- (ii) M/s. XYZ Ltd. supplied milk to Mr. Jacob who consumed the milk which was infected and died. Laboratory test report indicated that the milk contained typhoid germs. State the liability of M/s. XYZ Ltd. on the basis of Sale of Goods Act, 1930. 2
- (c) (i) Mr. Ram Chandra is a member of EPF and PF statement as on 31.03.2013 shows that he has the following balance.
- | | | |
|------------------|----|--------------|
| Employer's Share | .. | INR 1,50,000 |
| Employee's Share | .. | INR 2,00,000 |
- Whether Ram Chandra can take non-refundable loan from EPF balance for marriage of his daughter? 2
- (ii) Fill in the blanks 2
- An employer who intends to close down an undertaking of an Industrial Establishment shall in the prescribed manner apply for prior permission at least _____ days before the date on which the intended closure is to become effective to the appropriate Government. If the appropriate Government does not communicate the order granting or refusing grant permission to the Employer within _____ days from the date on which such application is made, the permission applied for shall be deemed to have been granted on the expiration of said _____ days.
- (iii) Answer based on Consumer Protection Act, 1986. 2
- On admission of a complaint by the District Forum, a copy of complaint is to be referred to Opposite Party, within 3 days directing him to give his version within _____ days. This period may be extended by another _____ days.
- Any person aggrieved by an order made by the District Forum may prefer appeal to _____ within _____ days from the date of order.
- (d) Mr. Mukesh did not get certain information about his provident fund contributions. He wants to proceed under RTI Act for obtaining the same. Advise him what he should do. 2

Section -II (50 Marks)**(Auditing)**

5. Comment on the following based on legal provisions (No mark for wrong reasons or justification): 2×7=14
- (a) Inventory turnover ratio is calculated by the auditor to obtain evidence concerning managements' ascertainment about valuation of inventory.
- (b) Auditor is not bound to attend the Annual General Meeting of the company.
- (c) Auditor advised to amend the faulty Profit & Loss A/c. but the director (finance) of the company disagreed. Hence auditor has no action to take.
- (d) It is an accepted fact that internal auditing function to be effective, must be independent of the activities to be audited.

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- (e) According to the Institute of internal auditors, internal audit involves five areas of operations (only give four names without explanation).
- (f) When it is an Information Technology audit, the Auditor is to know the meaning of “system”—What is it?
- (g) The Society at large also feels the need of Management Audit.
6. (a) What is audit evidence? 2
- (b) Information system Auditor is concerned with certain objectives— What are those objectives? 2
- (c) What are the internal control aspect in relation to Bank Reconciliation Statements? 2
- (d) An Audit Firm comprising of two partners hold office as Auditor of 41 Private Companies. Out of which paid up share capital of 20 companies exceed INR 50 lakhs. Senior Partner said, their present holding are permitted as per companies Act, 1956. (or Answer be based on Companies Act, 2013) 2
- (e) A company’s receivable turnover rate decreased from 7.3 to 4.3 over the last three years. Amal opined, this is due to stringent credit policy. Answer with workings. 2
- (f) The company Auditor has right to receive notice for Annual General Meeting only—Offer your views. 2
- (g) As an internal auditor, how you will verify the “Idle Facilities”? 2
- (h) Auditors specific objectives shall change due to processing the accounting data manually and by computer— Offer your views. 2
- (i) Is it correct that some of the appraisal areas can not be covered in a Management Audit System? 2
7. (a) Is it correct that “Intangible Assets” are prepared as per AS 18 whereas “Related Party” are dealt with AS 20? State the correct Answer if incorrect. 2
- (b) How you will verify the “Bad Debts” written off but has been recovered? 2
- (c) A firm of Cost Accountants having 3 practicing Cost Accountants and one partner appearing for final examination of Institute of Cost Accountants have been appointed as Cost Auditor by ABC Ltd. This is not a valid appointment—Offer your opinion. 2
- (d) How an auditor shall report to comply with CARO in respect of 2+2
- (i) “Default in repayment of dues”.
- (ii) “Guarantees of loan taken by others”.
- (e) How you will verify the “sales return”? 2
- (f) What are the areas shall be verified by an auditor is respect of 2+2
- (i) “System & Applications”.
- (ii) Information processing facilities.
- (g) State any four advantages of management audit. 2
8. (a) How you will verify livestock? 4
- (b) What are the liabilities of Auditor? Give only the names without details. 2
- (c) (i) CARO is not applicable to Government Companies as their Auditors are appointed by Comptroller & Auditor General of India. 2
- (ii) How an Auditor shall report in his audit report to comply with CARO in respect of “maintenance of Cost Records”? 2
- (d) How you can reduce the sample errors? 2
- (e) What is Computer Auditing? 4
- (f) Out of company’s talent (i.e. “Audit Committee”, “Officer on special Duty”) and outside management consultants, who will be the best for conducting the management audit? 2