

PAPER 6: LAWS, ETHICS AND GOVERNANCE

MTP_Intermediate_Syllabus 2012_Jun2015_Set 1

	Learning objectives	Verbs used	Definition
LEVEL B	KNOWLEDGE What you are expected to know	List	Make a list of
		State	Express, fully or clearly, the details/facts
		Define	Give the exact meaning of
	COMPREHENSION What you are expected to understand	Describe	Communicate the key features of
		Distinguish	Highlight the differences between
		Explain	Make clear or intelligible/ state the meaning or purpose of
		Identify	Recognize, establish or select after consideration
		Illustrate	Use an example to describe or explain something
	APPLICATION How you are expected to apply your knowledge	Apply	Put to practical use
		Calculate	Ascertain or reckon mathematically
		Demonstrate	Prove with certainty or exhibit by practical means
		Prepare	Make or get ready for use
		Reconcile	Make or prove consistent/ compatible
		Solve	Find an answer to
		Tabulate	Arrange in a table
	ANALYSIS How you are expected to analyse the detail of what you have learned	Analyse	Examine in detail the structure of
		Categorise	Place into a defined class or division
		Compare and contrast	Show the similarities and/or differences between
Construct		Build up or compile	
Prioritise		Place in order of priority or sequence for action	
Produce		Create or bring into existence	

Paper-6: LAWS, ETHICS AND GOVERNANCE

Full Marks: 100

Time Allowed: 3 Hours

This paper contains 4 questions. All questions are compulsory, subject to instructions provided against each question. All workings must form part of your answer. Assumptions, if any, must be clearly indicated.

Question 1: Answer all questions

[2 X 10 = 20]

- (i) A is sixteen years of age. He lends ₹1 lac to B on the strength of a mortgage executed in his favour. Is the borrower liable to repay the money? Give reasons.
- (ii) Can a minor appoint an agent?
- (iii) Does the endorsement of a Railway Receipt amount to Transfer of Ownership?
- (iv) What is 'Caveat Emptor'?
- (v) Gratuity can be attached by an order of the court.
- (vi) Eligibility to Bonus depends on the period of actual service.
- (vii) Jadoo Ltd. wants to be a small company. What are the conditions that need to be satisfied?
- (viii) What is meant by, information partly exempt, as per RTI Act, 2005.
- (ix) "Ethical Business can stop business malpractices". Comment.
- (x) How can ethics be used in production.

Question 2: Answer any 4 questions

[4 × 12 = 48]

Question 2(a):

- (i) A issues an open 'bearer' cheque for ₹ 10,000 in favour of B who strikes out the word 'bearer' and puts crossing across the cheque. The cheque is thereafter negotiated to C and D. When it is finally presented by D's banker, it is returned with remarks 'payment countermanded' by drawer. In response to this legal notice from D, A pleads that the cheque was altered after it had been issued and therefore he is not bound to pay the cheque. Referring to the provisions of the Negotiable Instruments Act, 1881, decide whether A's argument is valid or not? **[3]**

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(ii) Explain the power of Central Government to appoint Inquiry Committee under Section 41-D of the Factories Act, 1948. [3]

(iii) Akhilesh entered into an agreement with Shekhar to deliver him (Shekhar) 5,000 bags to be manufactured in his factory. The bags could not be manufactured because of strike by the workers and Akhilesh failed to supply the said bags to Shekhar. Decide whether Akhilesh can be exempted from liability under the provisions of the Indian Contract Act, 1872. [4]

(iv) 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. [2]

Question 2(b):

(i) When gratuity payable to an employee can be forfeited? [2]

(ii) Does threat to commit suicide amount to coercion? [2]

(iii) State the difference between coercion and undue influence. [4]

(iv) Is there presumption of undue influence in relationship of husband and wife? [2]

(v) X, a minor wanted to become a professional soccer player. He entered into a contract with Y, a soccer coach and agreed to pay him ₹10000/- per month to learn the game. Is X liable to pay the amount? [2]

Question 2(c):

(i) A purchased a car from B who had no title to it. A used the car for several months. After that, the true owner spotted the car and demanded it from A – Discuss the remedies available to A. [3]

(ii) Mr. Wrong, owner of Wrong Textiles enters into a contract with Retail Garments Show Room for supply of ₹1,000 pieces of Cotton Shirts at ₹300 per shirt to be supplied on or before 31st December. However, on 1st November, Wrong Textiles informs the Retail Garments Show Room that he is not willing to supply the goods as the price of Cotton shirts in the meantime has gone up to ₹350 per shirt. Examine the rights of the Retail Garments Show Room in this regard. [4]

(iii) 'X', a temporary employee drawing a salary of ₹3,000 per month, in an establishment to which the Payment of Bonus Act, 1965 applies was prevented by the employers from working in the establishment for two months during the financial year 2013-14, pending certain inquiry. Since there were no adverse findings 'X' was re-instated in service. Later, when the bonus was to be paid to other employees, the employers refused to pay bonus to 'X', even though he has worked for the remaining ten months in the year. Referring to the provisions of the Payment of Bonus Act, 1965 examine the validity of the employer's refusal to pay bonus to 'X'. [5]

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Question 2(d):

- (i) A to sell a horse to B who tells A that he (B) needs the horse for riding to Mumbai immediately. The horse is ill at the time of agreement. What are the rights of A and B? [3]
- (ii) Describe the provisions relating to contribution by the employees and the employer under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. [5]
- (iii) A seller agrees to supply to the buyer timber of $\frac{1}{2}$ " thickness for being made into cement barrels. The timber actually supplied varies in thickness from $\frac{1}{2}$ " to $\frac{5}{8}$ ". The timber is merchantable and commercially fit for the purpose for which it was ordered. The buyer rejects the timber. Is his action justified? [4]

Question 2(e):

- (i) 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]
- (ii) A hirer, who obtains possession of Machinery from its owner under a hire purchase agreement, sells the Machinery to a buyer who buys in good faith and without notice of the right of the owner. The buyer gets good title to the Machinery. [2]
- (iii) 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]
- (iv) 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]
- (v) 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. Comment. [2]
- (vi) In an Auction sale, a bid once made can be withdrawn by the Bidder. Comment citing rules. [2]

Question 3: Answer any 2 questions

[2 × 8 = 16]

Question 3(a):

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(i) The Right to Information is associated with which fundamental right? Discuss the rules for appointment of Central Information Commission as per The Right to Information Act, 2005.

[3]

(ii) The paid up share capital of Vishnu Private Ltd. is ₹ one crore consisting of 8,00,000 equity shares of ₹ 10 each fully paid up and 2,00,000 cumulative preference shares of ₹ 10 each fully paid up. Priya Pvt. Ltd. and Radha Pvt. Ltd. are holding 3,00,000 equity shares and 1,50,000 equity shares respectively in Vishnu Private Ltd. Priya Pvt. Ltd. and Radha Pvt. Ltd. are the subsidiaries of Parvati Estates Pvt. Ltd. Examine with reference to the provisions of the Companies Act, 2013 whether Vishnu Private Ltd. is a subsidiary of Parvati Estates Pvt. Ltd. Will your answer be different, if Parvati Estates Pvt. Ltd. controls the composition of Board of Directors of Vishnu Private Ltd.?

[5]

Question 3(b):

(i) Explain the rights of the Comptroller and Auditor General of India with respect to conduct of audit of government companies.

[4]

(ii) "Auditor not to render certain services". Comment

[4]

Question 3(c):

(i) 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.

[4]

(ii) What are the key corporate governance lessons from the financial crisis? What issues need the most urgent attention?

[4]

Question 4: Answer any 2 questions

[2 × 8 = 16]

Question 4(a):

(i) How does business ethics relate to Corporate Social Responsibility (CSR)?

[4]

(ii) What are the various threats which can be faced by a Finance and Accounting Professional while working as an Auditor, Consultant or an Employee in an organization?

[4]

Question 4(b):

(i) Is it possible to have single right answer to all ethical issues?

[4]

(ii) Point out the difference between Ethical Code and Ethical Contract.

[4]

Question 4(c):

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- (i) What is the difference between business ethics and an ethical business? [3]
- (ii) State the fundamental principles of Ethical Behaviour. [5]