

# **Paper 6 – Laws and Ethics**

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Full Marks: 100

Time allowed: 3 hours

**Section – A**

1. Answer all questions. [25 marks]

(a) Multiple Choice Questions [10 Marks]

- (i) In case of contractual obligations where the promisor dies before performance:
- (a) The legal representatives of the promisor must perform the promise
  - (b) The legal representatives of the promisor must perform the promise provided it is not one dependent on the personal qualifications of the promisor
  - (c) The legal representatives may not perform the promise
  - (d) **The legal representatives are not liable to pay damages for non-performance of the promise.**
- (ii) An anticipatory repudiation has the effect of:
- (a) An automatic putting an end to the contract
  - (b) **Putting an end to the contract only on acceptance of the repudiation by the other party**
  - (c) Putting an end to the contract only on failure to perform when performance is due.
  - (d) No putting an end to the contract.
- (iii) In pretended bidding, sale is \_\_\_\_\_.
- (a) Sale is voidable at the option of the seller
  - (b) **Sale is voidable at the option of the buyer**
  - (c) Valid
  - (d) Illegal
- (iv) According to Minimum Wages Act, 1948 wage slip shall be issued by every employer to his employees
- (a) **One day prior to disbursement of wages**
  - (b) On the date of disbursement of wages
  - (c) One day later to the disbursement of wages
  - (d) Anytime during the month
- (v) All monies received on application shall be kept in a separate bank account in a \_\_\_\_\_ bank.
- (a) Nationalised
  - (b) **Scheduled**
  - (c) Government
  - (d) Any of the above

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- (vi) Where a company issues shares with differential right, the \_\_\_\_\_ should be maintained under Section 88 of Companies Act, 2013.
- (a) List of share-holders
  - (b) Register of shares
  - (c) **Register of Members**
  - (d) List of shares
- (vii) Rule 34 provides that where the Tribunal has made winding up order of a LLP, the liquidator shall submit a report containing which of the following particulars:
- (a) Debts due to the LLP
  - (b) Guarantees given by the LLP
  - (c) Existing and contingent liabilities of the LLP
  - (d) **All of the above**
- (viii) At every AGM, not less than \_\_\_\_\_ of the total number of directors shall retire by rotation.
- (a) **One third**
  - (b) Two third
  - (c) Three fourths
  - (d) Half
- (ix) Every member of a company listed by shares and holding equity share capital shall have the right to \_\_\_\_\_ on every \_\_\_\_\_ placed before the company.
- (a) **vote; resolution**
  - (b) Speak; agenda
  - (c) Speak; resolution
  - (d) Any of the above.
- (x) This is not one of the 7 principles of public life.
- (a) Integrity
  - (b) Honesty
  - (c) **Content**
  - (d) Accountability

### (b) Fill in the Blanks

[5 Marks]

- (i) Share capital of the company includes **Stock**.
- (ii) Maximum number of partners in Banking Business is **50**.
- (iii) A warranty is a stipulation **Collateral** to the main purpose of the contract.
- (iv) After buyback a company shall not make a further issue of share within a period of **Six months**.
- (v) The wage limit contribution under EPFMP Act, 1952 has been fixed at **₹15,000** with effect from 01.09.2014.

### (c) True or False

[5 Marks]

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- (i) Cheque is a promissory note.

**False**

- (ii) Where the transfer of property in goods is to take place at a future date or subject to some conditions thereafter to be fulfilled, the contract is called sale.

**False**

- (iii) Bonus is a lump sum payable on consideration of the past services rendered by the employee.

**False**

- (iv) In case of alteration of memorandum, the Registrar of the State where the registered office is being shifted to shall issue a fresh certificate of incorporation.

**True**

- (v) Additional director shall hold office upto the date of next AGM.

**True**

**(d) Match and Pair**

**[5 Marks]**

	Column I		Column II
1	Debtor and creditor	A	Personal attribute
2	Employers contribution	B	Designated Partner Identification Number
3	Morals	C	4.75%
4	DPIN	D	No presumption of undue Influence
5	Honesty	E	General Principles

**Answer:**

	Column I		Column II
1	Debtor and creditor	D	No presumption of undue Influence
2	Employers contribution	C	4.75%
3	Morals	E	General Principles
4	DPIN	B	Designated Partner Identification Number
5	Honesty	A	Personal attribute

### Section – B

**2. Answer any 5 questions:**

**[5×15 = 75]**

**(A) (i) Discuss the position of a minor, as per Indian Contract Act, 1872.**

**(ii) What are the rights of a finder of goods under the Indian Contract Act, 1872?**

**[10+5 = 15]**

**Answer:**

**(A) (i) Position of a minor, as per Indian Contract Act, 1872.**

The position of Minor's agreement and effect thereof is as under:

1. An agreement with a minor is void ab-initio.
2. The law of estoppels does not apply against a minor. It means a minor can always his plead his minority despite earlier misrepresenting to be a major. In other words he cannot be held liable on an agreement on the ground that since earlier he had asserted that he had attained majority.
3. Doctrine of Restitution does not apply against a minor. In India the rules of restitution by minor are similar to those found in English laws. The scope of restitution of contract by minor was examined by the Privy Council in Mohiri Bibi case when it has held that the restitution of money under section 64 of the Indian Contract Act cannot be granted under section 65 because a minor's agreement is not voidable but absolutely void ab-initio. Similarly no relief can be granted under section 65 as this section is applicable where the agreement is discovered to be void or the contract becomes void.
4. No Ratification on Attaining Majority - Ratification means approval or confirmation. A minor cannot confirm an agreement made by him during minority on attaining majority. If he wants to ratify the agreement, a fresh agreement and fresh consideration for the new agreement is required.
5. Contract beneficial to Minor - A minor is entitled to enforce a contract which is of some benefit to him. Minority is a personal privilege and a minor can take advantage of it and bind other parties.
6. Minor as an agent - A minor can be appointed an agent, but he is not personally liable for any of his acts.
7. Minor's liability for necessities - If somebody has supplied a minor or his dependents with necessities, minor's property is liable but a minor cannot be held personally liable
8. A minor cannot be adjudged insolvent as he is incapable of entering into a contract.
9. Where a minor and an adult jointly enter into an agreement with another person the minor is not liable and the contract can be enforced against the major person.

**(A) (ii) A finder of goods has the following rights under the Indian Contract Act, 1872**

- (1) **Right of lien:** The finder of goods has a right of lien over the goods for his expenses. As such he can retain the goods against the owner until he receives compensation for trouble and expenses incurred in preserving the goods and finding out the owner. But he has no right to sue the owner for any such compensation (Section 168).
- (2) **Right to sue for reward:** The finder can sue for any specific reward which the owner has offered for the return of the goods. He may also retain the goods until he receives the reward. (Section 168)

- (3) **Right of resale:** The finder has a right to sell the goods in the following cases:
- (a) where the goods found is in danger of perishing;
  - (b) where the owner cannot, with reasonable diligence, be found out;
  - (c) where the owner is found out, but he refuses to pay the lawful charges of the finder; and
  - (d) where the lawful charges of the finder, in respect of the goods found, amount to  $\frac{2}{3}$ <sup>rd</sup> of its value.

**(B) (i) Explain in details the term 'designated partners' under LLP Act, 2008.**

- (ii) 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? [10 + 5 = 15]**

**Answer:**

**(B) (i) Designated Partners**

"Designated partner" in reference to Limited Liability Partnership means any partner designated as such pursuant to section 7 of Limited Liability Partnership Act 2008. Every limited liability partnership shall have at least two designated partners who are individuals and at least one of them shall be a resident in India. In case if no partner is designated as such, or if at any time there is only one designated partner, each partner shall be deemed to be a designated partner of the LLP.

Provided that in case of a limited liability partnership in which all the partners are bodies corporate or in which one or more partners are individuals and bodies corporate, at least two individuals who are partners of such limited liability partnership or nominees of such bodies corporate shall act as designated partners.

An individual cannot become a designated partner in any limited liability partnership unless he has given his prior consent to act as such to the limited liability partnership in such form and manner as may be prescribed and he is also required to obtain a Designated Partner Identification Number (DPIN).

The role of Designated Partners in case of LLP is on same footage as of Directors in case of Company. The Designated Partners as provided under Section 8 are directly responsible for the compliances of all provisions provided under LLP Act, 2008 and the provisions specified in the LLP Agreement.

Rights of Designated Partner are same as of other Partners. Alike other partners they are not entitled to any remuneration for their participation in management of LLP unless otherwise specifically provided in the LLP Agreement they , yet they have additional responsibilities to comply with.

**A designated partner shall be:**

- (i) responsible for the doing of all acts, matters and things as are required to be done by the limited liability partnership in respect of compliance of the provisions of this Act including filing of any document, return, statement and the like report pursuant to the provisions of this Act and as may be specified in the limited liability partnership agreement; and
- (ii) liable to all penalties imposed on the limited liability partnership for any contravention of those provisions.

**Major duties of Designated Partner**

- (i) Notify any changes in the LLP's to Registrar of Companies.
- (ii) Notify any changes in the Partners names & residential addresses to Registrar of Companies.
- (iii) Notify any change in Registered Office Address to Registrar of Companies.
- (iv) Filing of any Annual return, Statement of Accounts and other documents specified under the provisions of LLP Act with the Registrar of Companies.
- (v) Statement of Accounts & Solvency to be signed by the Designated Partners of the Company.
- (vi) to preserve and to produce before an inspector or any person authorized by him in this behalf with the previous approval of the Central Government, all books and papers of, or relating to, the limited liability partnership or, as the case may be, the other entity, which are in their custody or power
- (vii) Responsible for signing all the eforms filed with the Registrar of Companies.

Any vacancy arising in the office of Designated Partner shall be filled within 30 days and the change shall be intimated to the Registrar of Companies

**(B) (ii)**

This problem is based on Section 28 of the Sale of Goods Act, 1930 which lays down an exception to the general rule that a person cannot transfer a better title than that he himself possesses. A person who is one of joint owners may transfer a better title that he possesses. Section 28 provides that – “if one of several joint owners of goods has the sole possession of them by permission of the co-owners, the property in goods is transferred to any person who buys them of such joint owner in good faith and has not at the time of the contract of sale notice that the seller has no authority to sell”.

The given problem fulfills all such requirements. X, Y and Z are joint owners of the bus. Y had sole possession of it. In such a case if P has purchased the bus from Y in good faith without notice at the time of sale that Y had no authority to sell, then P acquires good title and becomes full owner although Y was not the full owner.

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- (C) (i) **On whom does the responsibility for payment of wages lie under the Payment of Wages Act, 1936?**
- (ii) **How is overtime Wages fixed as per Minimum Wages Act, 1948.** **[8+7 = 15]**

**Answer:**

(C) (i) Every employer shall be responsible for payment to persons employed by him of all wages required to be paid under the Payment of Wages Act, 1936 (Sec 3). But in the case of persons employed (otherwise than by a contractor) in factories, industrial establishments or upon railways, the following persons shall also be responsible for the payment of wages :

- (i) in factories if a person has been named as the manager of the factory under clause (f) of sub-section (1) of section 7 of the Factories Act, 1948;
- (ii) in industrial or other establishments if there is a person responsible to the employer for the supervision and control of the industrial or other establishments;
- (iii) upon railways (other than in factories) if the employer is the railway administration and the railway administration has nominated a person in this behalf for the local area concerned.
- (iv) in the case of contractor, a person designated by such contractor who is directly under his charge; and
- (v) in any other case, a person designated by the employer as a person responsible for complying with the provisions of the Act, the person so named, the person responsible to the employer, the person so nominated or the person so designated, as the case may be, shall be responsible for such payment.

Notwithstanding anything contained in sub-section(1), it shall be the responsibility of the employer to make payment of all wages required to be made under this Act in case the contractor or the person designated by the employer fails to make such payment.

(C) (ii) Section 14(1) provides that where an employee whose minimum rate of wages is fixed under this Act by the hour, by the day or by such a longer wage-period as may be prescribed, works on any day in excess of the number of hours constituting a normal working day, the employer shall pay him for every hour or for part of an hour so worked in excess at the overtime rate fixed under this Act or under any law of the appropriate government for the time being in force whichever is higher.

Rule 25 provides that when a worker works more than 9 hours on any day or more than 48 hours in a week, he shall be entitled to Overtime wages -

- in case of employment in agriculture - one and a half times the ordinary rate of wages;
- in case of any other scheduled employment – double the ordinary rate of wages.



A register in this regard shall be maintained. If no over time wage is paid for a particular month a NIL entry should be made.

Section 14(2) provides that this Act shall not prejudice the operation of the provisions of Section 59 of the Factories Act in any case where those provisions are applicable.

In 'Municipal Council, Hatta V. Bhagat Singh' – 1998 LLR 298 it was held that Section 14 provides for payment of overtime only to those employees who are getting minimum rate of wages under the Act. It does not apply to those getting better wages under other statutory rules.

**(D) (i) State the contents of Memorandum of Association.**

**(ii) What are the requirements for public placement?**

**[10+5 = 15]**

**Answer:**

**(D) (i) Contents of Memorandum of Association**

The Memorandum of Association of company is in fact its charter; it defines its constitution and the scope of the powers of the company with which it has been established under the Act. It is the very foundation on which the whole edifice of the company is built.

As per Section 4(1), the memorandum of a limited company must state the following:

(a) the name of the company with "Limited" as its last word in the case of a public company; and "Private Limited" as its last words in the case of a private company; (Name Clause)

This shall not apply in case of companies registered under section 8.

Similarly, in case of government companies the name of the company shall end with the words "Limited". This is as per the exemptions to Government Companies under Section 462 of Companies Act, 2013 vide notification dated June 5, 2013.

(b) the State in which the registered office of the company is to be situated; (Situation Clause)

(c) the objects for which the company is proposed to be incorporated and any matter considered necessary in furtherance thereof; (objects clause)

Provided that nothing in this clause shall apply to a company registered under section 8;

(d) the liability of members of the company, whether limited or unlimited, and also state,- (Liability Clause)

(i) in the case of a company limited by shares, that liability of its members is limited to the amount unpaid, if any, on the shares held by them; and

(ii) in the case of a company limited by guarantee, the amount up to which each member undertakes to contribute—

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- (A) to the assets of the company in the event of its being wound-up while he is a member or within one year after he ceases to be a member, for payment of the debts and liabilities of the company or of such debts and liabilities as may have been contracted before he ceases to be a member, as the case may be; and
- (B) to the costs, charges and expenses of winding-up and for adjustment of the rights of the contributories among themselves;
- (e) in the case of a company having a share capital,— (Capital Clause)
- (i) the amount of share capital with which the company is to be registered and the division thereof into shares of a fixed amount and the number of shares which the subscribers to the memorandum agree to subscribe which shall not be less than one share per subscriber; and
- (ii) the number of shares each subscriber to the memorandum intends to take, indicated opposite his name;
- (f) in the case of a One Person Company, the name of the person who, in the event of the death of the subscriber, shall become the member of the company.

According to section 4(7), any provision in the memorandum or articles, in the case of a company limited by guarantee and not having a share capital, purporting to give any person a right to participate in the divisible profits of the company otherwise than as a member, shall be void.

### **(D) (ii) Requirements for private placement**

Rule 14(2) (a) of Companies (Prospectus of Securities) Rules, 2014, provides that a company shall make a private placement after –

- getting the approval by the shareholders of the company, by a special resolution for the proposed offer of securities or invitation to subscribe securities;
- the explanatory statement annexed to the notice for the general meeting shall disclose the basis for justification for the price, including premium, if any, at which the offer or invitation is being made;
- in case of offer or invitation for non convertible debentures, it shall be sufficient if the company passes a previous special resolution only once in a year for all the offers or invitation for such debentures;
- in case of an offer or invitation for non convertible debentures made within a period of six months from 01.04.2014, the special resolution may be passed within the said period of six months from 01.04.2014.

**(E) (i) Mr. X has fraudulently made mis-statements in the prospectus. What liability does arise on behalf of Mr. X in this context?**

**(ii) State the disqualifications for a person to be appointed as a director. [7+8 = 15]**

**Answer:**

**(E) (i) Liability for mis-statement**

If there is any mis-statement in the prospectus then it would attract the liability on the issuer. The liability may be civil or criminal. Section 34 provides for criminal liability and section 35 provides for civil liability.

Section 34 provides that where a prospectus includes any untrue statement or misleading in form or context in which it is included or where any inclusion or omission of any matter is likely to mislead, every person who authorize the issue of such prospectus shall be liable under Section 447. The criminal liability will not arise if he proves that such statement or omission was immaterial or that he had reasonable grounds to believe, and did up to the time of the issue of prospectus believe, that the statement was true or the inclusion or omission was necessary.

Section 35 provides that where a person has subscribed for securities of a company based on the mis-statement in the prospectus and he has sustained any loss or damage as a consequence thereof, the company and every person who-

- is a director of the company at the time of the issue of the prospectus;
- has authorized himself to be named and is named in the prospectus as a director of the company, or has agreed to become to become such director, either immediately or after an interval of time;
- is a promoter of the company;
- ha authorized the issue of the prospectus; and
- is an expert,

shall be liable to pay compensation to every person who has sustained such loss or damage. This liability is without prejudice to any punishment to which any person may be liable under Section 36.

No person shall be liable if he proves-

- that, having consented to become a director of the company, he withdrew his consent before the issue of the prospectus, and that it was issued without his authority or consent; or
- that the prospectus was issued without his knowledge or consent and that on becoming aware of this issue, he forthwith gave a reasonable public notice that it was issued without his knowledge or consent.

Section 35(3) provide that if it is proved that a prospectus has been issued with intent to defraud the applicant for the securities of a company or any other person or any fraudulent purpose, every person shall be personally responsible without any limitation of liability, for all or any of the losses or damages that may have been incurred by any person who subscribed to the securities on the basis of such prospectus.

**(E) (ii) Disqualifications for appointment of director**

Section 164 of the Act details the disqualification of a person for the appointment as a Director. A person shall not be eligible for appointment as a Director of a company, if-

- (a) he is of unsound mind and stands so declared by a competent court;

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- (b) he is an undischarged insolvent;
- (c) he has applied to be adjudicated as an insolvent and his application is pending;
- (d) he has been convicted by a Court of any offence, whether involving moral turpitude or otherwise and sentenced to imprisonment for not less than 6 months and a period of 5 years has not elapsed from the date of expiry of the sentence;
- (e) if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of 7 years or more, he shall not be eligible to be appointed as a director in any company;
- (f) an order disqualifying him for appointment as a director has been passed by the Court or Tribunal and the order is in force;
- (g) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others and six months have elapsed from the last day fixed for the payment of the call;
- (h) he has been convicted of the offence dealing with related party transactions under Section 188 at any time during the last preceding five years; or
- (i) he has not obtain DIN.

A private company may by its articles provide for any disqualifications for appointment as a director in addition to the above disqualifications.

The disqualifications in (d), (e), (f) and (h) shall not take effect-

- for 30 days from the date of conviction or order of disqualification;
- where an appeal or petition is preferred within 30 days against the conviction resulting in sentence or order, until expiry of 7 days from the date on which such appeal or petition is disposed of; or
- where any further appeal or petition is preferred against order or sentence within 7 days until such further appeal or petition is disposed of.

- (F) (i) Discuss about the seven principles of public life in details.**  
**(ii) Narrate the circumstances which disqualify an employee to receive bonus.**

**[10+5 = 15]**

**Answer:**

- (F) (i)** The Seven Principles of Public Life were set out by Lord Nolan for the first time in the year 1995. These principles of public life will apply to any one who works as a public office holder, including elected and appointed to public office either locally or nationally. These principles apply to civil service, local government, the police, the Courts and probation of services, non departmental public bodies, health,

education, social care services. These principles also apply to other sector that delivers public services.

The British Government appointed a committee called as Committee on Standards in Public Life to advise the Prime Minister on ethical standards of public life. The Committee was established in October 1994. The term of reference to the committee is –

- to examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities; and
- to make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life.

The Committee submitted its first report in the year 1995 containing the seven principles of public life. The said principles have been amended over year. The seven principles of public life as amended up to and as on 2015 are as follows-

- (i) **Selflessness** – Holders of public office should act solely in terms of the public interest.
- (ii) **Integrity** - Holders of public office must avoid placing themselves under any obligation to people or organizations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- (iii) **Objectivity** - Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- (iv) **Accountability** - Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- (v) **Openness** - Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- (vi) **Honesty** - Holders of public office should be truthful
- (vii) **Leadership** - Holders of public office should exhibit these principles in their own behavior. They should actively promote and robustly support the principles and be willing to challenge poor behavior wherever it occurs.

### (F) (ii) **Disqualification for receiving bonus**

Section 9 provides that an employee shall be disqualified from receiving bonus, if he is dismissed from service for fraud or riotous or violent behavior while on the premises of the establishment or theft, misappropriation or sabotage of any property of the establishment.

In 'Pandian Roadways Corporation Limited Madurai V. Presiding Officer, Labor Court'- 1977 LLR 83 (Mad HC) the High Court held that the right of the management to forfeit bonus on the ground that the workman was dismissed from service for

misconduct, would be only with reference to the accounting year in which the said Act of misconduct was committed and not with reference to any year or years preceding or succeeding the accounting in question.

**(G) Write a note on: (Any Three)**

**[5 × 3 = 15]**

- (i) Pension Funds [Section 23 of PFRDA Act, 2013]**
- (ii) Alteration of share capital**
- (iii) Rights of an indemnity holder when sued**
- (iv) Importance of ethics**

**Answer:**

**(G) (i) Pension funds [Section 23]**

- (1) The Authority may, by granting a certificate of registration under sub-section (3) of Section 27, permit one or more persons to act as a pension fund for the purpose of receiving contributions, accumulating them and making payments to the subscriber in such manner as may be specified by regulations.
- (2) The number of pension funds shall be determined by regulations and the Authority may, in public interest, vary the number of pension funds:  
Provided that at least one of the pension funds shall be a Government company.  
  
EXPLANATION. — For the purposes of this sub-section, the expression "Government Company" shall have the meaning assigned to it in Section 617 of the Companies Act, 1956.
- (3) The pension fund shall function in accordance with the terms of its certificate of registration and the regulations made under this Act.
- (4) The pension fund shall manage the schemes in accordance with the regulations.

**(G) (ii) Alteration of share capital**

Section 61 provides that a limited company having a share capital may, if so authorized by its articles alter its memorandum in its general meeting-

- increase its authorized share capital by such amount as it thinks expedient;
- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. No consolidation and division which results in change in the voting percentage of the shareholders shall take effect unless it is approved by the Tribunal on an application made in the prescribed manner;
- convert all or any of its fully paid up shares into stock and reconvert that stock into fully paid up shares of any denomination;
- sub division of shares, or any of them, into shares of smaller amount than is fixed by the memorandum, so, however that in the sub division the proportion between the amount

paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;

- cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

The cancellation shall not be deemed to reduction of share capital.

### **(G) (iii) Rights of an indemnity holder when sued**

Section 125 provides the rights of indemnity holder when sued. This section provides that the promise, in a contract of indemnity, acting within the scope of his authority, is entitled to recover from the promisor -

- all damages which he may be compelled to pay in any suit in respect of any matter to which the promise to indemnify applies;
- all costs which he may be compelled to pay in any such suit if, in bringing or defending it, he did not contravene the orders of the promisor, and acted as it would have been prudent for him to act in the absence of any contract of indemnity, or if the promisor authorized him to bring or defend the suit;
- all the sums which he may have paid under the terms of any compromise of any suit, if the compromise was not contrary to the orders of the promisor, and was one which it would have been prudent for the promise to make in the absence of any contract of indemnity, or if the promisor authorized him to compromise the suit.

This section is not exhaustive and does not set out all the reliefs which an indemnity holder who has been sued may get. It leaves untouched certain equitable reliefs which he may get. The rights of the indemnity holder are not confined to those mentioned in this section. Even before damage is incurred, it is open to him to sue for the specific performance of the contract of indemnity, provided that it is show that an absolute liability has been incurred by him and that the contract of indemnity covers the said liability.

### **(G) (iv) Importance of ethics**

Ethics is a requirement for human life. It is our means of deciding a course of action. Without it, our actions would be random and aimless. There would be no way to work towards a goal because there would be no way to pick between a limitless numbers of goals. Even with an ethical standard, we may be unable to pursue our goals with the possibility of success. To the degree which a rational ethical standard is taken, we are able to correctly organize our goals and actions to accomplish our most important values. Any flaw in our ethics will reduce our ability to be successful in our endeavours.

A proper foundation of ethics requires a standard of value to which all goals and actions can be compared to. This standard is our own lives, and the happiness which makes them livable. This is our ultimate standard of value, the goal in which an ethical man must always aim. It is arrived at by an examination of man's nature, and recognizing his peculiar needs. A system

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of ethics must further consist of not only emergency situations, but the day to day choices we make constantly. It must include our relations to others, and recognize their importance not only to our physical survival, but to our well-being and happiness. It must recognize that our lives are an end in themselves, and that sacrifice is not only not necessary, but destructive.