

**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 offered to purchase shares of XYZ Ltd on 1<sup>st</sup> May 2014. The company made allotment of shares on 30<sup>th</sup> November 2014. A refused to accept the shares. Can it do so?
- (ii) Ascertain the date of maturity of a bill payable hundred days after sight and which is presented for sight on 4<sup>th</sup> September, 2014.
- (iii) 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. State whether this is correct as per the Minimum Wages Act, 1948?
- (iv) 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 is possible?
- (v) A contracts to sell B, by showing sample, certain quantity of lotion described as "Imported". The lotion when delivered matches with the sample, but is not "imported" but "Made in India" but of the same company. Referring to the provisions of Sale of Goods Act, 1930 advise the remedy, if any, available to B.
- (vi) When is a LLP not bound by act of its members?
- (vii) State the ethical objectives of a management accountant professional.
- (viii) What aspects should be considered for ethical conflict resolution?
- (ix) "Outsiders are bound to know the constitution of the company and not the indoor management". Justify.
- (x) State whether a promoter has legal right to claim promotional expenses for his services.

**Question 2: Answer any 4 questions**

4 X 12 = 48

**Question 2(a)**

- (i) X sent a consignment of mobile phones worth ₹60,000 to Y and obtained a railway receipt thereof. Later, he borrowed a loan of ₹40,000 from Star Bank and endorsed the railway receipt in favour of the Bank as security. In transit the consignment of mobile phones was lost. The Bank files a suit against the railway for a claim of ₹60,000, the value of the consignment. The railway contended that the Bank is entitled to recover the amount of loan i.e. ₹40,000 only. Examining

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the provisions of the Indian Contract Act, 1872, decide, whether the contention of the railway is valid.

(ii) TV is the holder of a bill of exchange made payable to the order of 'P'. The bill of exchange contains the following endorsements in blank:

First endorsement	'P'
Second endorsement	'Q'
Third endorsement	'R'
Fourth endorsement	'S'

'N' strikes out, without S's consent, the endorsements by 'Q' and 'R'. Decide with reasons whether 'N' is entitled to recover anything from 'S' under the provisions of Negotiable Instruments Act, 1881.

(iii) S retired from the services of PQR Limited, on 31<sup>st</sup> March, 2013. He had a sum of ₹5 lakh in his Provident Fund Account. It has become due for payment to S on 30<sup>th</sup> April, 2013 but the company made the payment of the said amount after one year. S claimed for the payment of interest on due amount at the rate of 15 percent per-annum for one year. Decide, whether the claim of S is tenable under the provisions of the Employee's Provident Funds and Miscellaneous Provisions Act, 1952.

[4+4+4= 12]

### Question 2(b)

(i) 'A' draws a bill of exchange payable to himself on 'X', who accepts the bill without consideration just to accommodate 'A'. 'A' transfers the bill to 'P' for good consideration. State the rights of 'A' and 'P'. Would your answer be different if 'A' transferred the bill to 'P' after maturity?

(ii) Ramesh, aged 16 years, was studying in an engineering college. On 1<sup>st</sup> March, 2012 he took a loan of ₹1 lakh from Suresh for the payment of his college fee and agreed to pay by 30<sup>th</sup> May, 2014. Ramesh possesses assets worth ₹10 lakhs. On due date Ramesh fails to pay back the loan to Suresh. Suresh now wants to recover the loan from Ramesh out of his assets. Whether Suresh would succeed? Decide, referring to the Provisions of the Indian Contract Act, 1872.

(iii) Mr. X was serving in Popular Company Limited. After serving for four years X met with an accident and became permanently disabled. X applied to the company for the payment of gratuity. The company refused to pay the gratuity on the ground that X has served only for four years. Decide, whether the contention of the company is valid?

[4+4+4=12]

### Question 2(c)

(i) State with reasons whether the following persons are entitled to receive bonus under the Payment of Bonus Act, 1965:

- A. An apprentice under the Apprentice Act.
- B. A probationer
- C. An employee employed through contractors on building operations
- D. A retrenched employee
- E. A dismissed employee reinstated with back wages

(ii) When an employee becomes disabled due to any accident or disease and is unable to do the same work and re-employed on the reduced wages, how the gratuity of such employee

shall be computed under the provisions of the payment of Gratuity Act, 1972?

(iii) X agreed to become an assistant for 5 years to Y who was a doctor practicing at Chennai. It was also agreed that during the term of agreement X will not practice on his own account in Chennai. At the end of one year, X left the assistantship of Y and began to practice on his own account. Referring to the provisions of the Indian Contract Act, 1872, decide whether X could be restrained from doing so?

[5+4+3=12]

**Question 2(d)**

(i) Mr. D started "Self Service" system in his shop. Mr. A entered the shop, took a basket and after taking article of his choice into the basket reached the cashier for payments. The cashier refused to accept the price. Can Mr. D be compelled by Mr. A to sell the said article? Decide.

(ii) State the rights and liabilities of 'A' in the following cases;

- A. 'A' is owner of the factory building and also product. 'A' authorizes 'B' to take an insurance policy on factory building for ₹2 lacs. 'B' procures a policy for ₹2 lacs on factory and another policy for ₹2,000 on products. 'A' refused to reimburse to 'B'
- B. 'A' authorizes 'B' to buy 500 pieces of sunlight soap for him but 'B' buys 500 pieces Henko at a price of ₹5,000. 'A' refused to pay to 'B'
- C. An Auctioneer advertised in a newspaper that sale of office furniture will be held at Kolkata on 29.10.2014. 'A' came from New Delhi to buy the furniture but the auction was cancelled. Whether 'A' can file a suit against the auctioneer for his loss of time and cost.

(iii) Mr. A agreed to purchase 100 bales of cotton from 'B' from his large stock. 'A' sent his men to take delivery of cotton. On completion of packing of only 70 bales there was accidental fire and entire stock including packed 70 bales were destroyed. There was no insurance cover. Who will bear the loss?

[4+6+2=12]

**Question 2(e)**

(i) State the exceptions to the consequences of not registering a partnership firm.

(ii) Comment on the following :

- A. 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.
- B. An individual dispute is not an industrial dispute under the Industrial Disputes Act, 1947.
- C. 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) Arun entered into a contract with Barun to let out the house under construction and received advance of ₹ 2 lakhs. The house was, however, requisitioned by government and, therefore, Arun failed to honour the contract. Can Barun recover damages for breach of contract? Justify

[3+6+3 = 12]

**Question 3: Answer any 2 questions**

**Question 3(a)**

(i) Can a listed company change its name as and when necessary? Give reasons to support your answer.

(ii) Priya Ltd. Co. issued and published its prospectus to invite the investors to purchase its shares. The said prospectus contained false statements. Mr. Lal purchased some partly paid shares of the company in good faith on the stock exchange. Subsequently, the company was wound up and the name of Mr. Lal was in the list of contributors. As per the provisions of Companies Act, 2013, Analyse:

A. Whether Mr. Lal is liable to pay the unpaid amount?

B. Can Mr. Lal sue the directors of the company to recover damages?

[3 + 5 = 8]

**Question 3(b)**

(i) "Right to Information Act, 2005 primarily envisages setting out a practical regime of right to information for citizens to secure access to information under the control of public authorities". Hence it should provide access to all information. Justify.

(ii) Who is a PIO and what is his duty?

[6 + 2 = 8]

**Question 3(c)**

(i) Highlight the role of institutional investors in promoting good Corporate Governance.

(ii) Write a short note on 'Related Party Transactions', with reference to accounting standards.

[5 + 3 = 8]

**Question 4: Answer any 2 questions**

2 X 8 = 16

**Question 4(a)**

(i) "Ethics is the first line of defense against corruption, while law enforcement is remedial and reactive. However, both fail to achieve the desired aim in the Indian set-up. "Do you agree? Give reasons in support of your answer.

(ii) Write notes on Social and ethical accounting.

[5+3=8]

**Question 4(b)**

(i) "A Commitment by corporate management to follow an ethical code of conduct confers a variety of benefits". What are these benefits?

(ii) Discuss briefly "Ethics in compliance".

[5+3=8]

**Question 4(c)**

**"It is now well recognized that the business ethics and financial performance of companies are**

interlinked". Discuss this statement.

[8]