

PAPER 6: LAWS, ETHICS AND GOVERNANCE

PTP_ Intermediate_Syllabus 2012_Dec2015_Set 1

The following table lists the learning objectives and the verbs that appear in the syllabus learning aims and examination questions:

	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

- (a) S induced R to buy his motorcycle saying that it was in a very good condition. After taking the motorcycle, R complained that there were many defects in the motorcycle. S proposed to get it repaired and promised to pay 40% cost of repairs. After a few days, the motorcycle did not work at all. Now R wants to rescind the contract.
- (b) P contracts with Q for a fixed price to construct a house for Q within a stipulated time. Q would supply the necessary material to be used in the construction. R guarantees P's performance of the contract. Q does not supply the timber as per the agreement. Is R discharged from his liability?
- (c) Explain the provisions of the Payment of Bonus Act, 1965 relating to adjustment of customary bonus against bonus payable under the Act.
- (d) F sells the goodwill of his shop to G for ₹6,00,000 and promises not to carry on such business forever and anywhere in India. Comment on the validity of the contract.
- (e) State the rules regarding fixation of wage periods under the Payment of Wages Act, 1936.
- (f) P rents out his house situated at Kolkata to Q for a rent of ₹5000/- per month. A sum of ₹2 lac, the house tax payable in arrears, his house is advertised for sale by the Municipal Corporation. Q pays the Corporation, the sum due from P to avoid legal consequences. Referring to the provisions of Indian Contract Act, 1872, decide whether Q is entitled to get reimbursement of the said amount from P.
- (g) Define "sweat equity shares".
- (h) A charge requiring registration with Registrar of Companies was created on 1st August, 2014 by XYZ Limited. The secretary of the Company realized on 15th September, 2014 that the charge was not filed with the registrar. State whether the charge can be registered after 30 days of its creation.
- (i) Business and industry are closely linked with environment and resource utilization. Comment.
- (j) State the ICCR principles.

Question 2: Answer any 4 questions

[4 × 12 = 48]

Question 2(a)

- (i) Father promised to pay his son a sum of ₹ one lakh if the son passed CMA examination in the first attempt. The son passed the examination in the first attempt, but father failed to pay the amount as promised. Son files a suit for recovery of the amount. State along with reasons whether son can recover the amount under the

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Indian Contract Act, 1872.

- (ii) Mr. Sachin started “Self-Service” system in his shop. Mr. Sunny 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. Sachin be compelled by Mr. Sunny to sell the said article? Decide.
- (iii) Mr. C, an old man, by a registered deed of gift, granted certain landed property to A, his daughter. By the terms of the deed, it was stipulated that an annuity of ₹ 2,000 should be paid every year to B, who was the brother of Mr. C. On the same day, A made a promise with B and executed in his favour an agreement to give effect to stipulation. A failed to pay the stipulated sum. In an action against her by B, she contended that since B had not furnished any consideration, he has no rights of action. Examining the provisions of Indian Contract Act, 1872, decide whether the contention of A is valid?
- (iv) Rama is the wife of Ram, who is lunatic, purchases a diamond set of ₹10 lacs from Fashion Jeweller on credit. Referring to the provisions of the Indian Contract Act, 1872, decide whether the Fashion Jeweller is entitled to claim the above amount from the property of Ram.

[3+3+4+2=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) Nibedita Textiles Limited has three separate units at three separate places in the country. Every unit of the said company prepares and maintains separate Balance Sheet and Profit and Loss Account. One of these units is incurring continuous losses and hence bonus is not paid to the employees of this unit. Decide, under the Payment of Bonus Act, 1965 whether the employees of the said unit can claim bonus on the ground that the unit incurring loss is a part of one single establishment.
- (iii) Mr. ‘E’ joined as supervisor on monthly salary of ₹ 3,400 on 1.02.2015 and resigned from his job on 28.02.2015. The company declared bonus of 20% to all eligible employees and paid it on time. Mr. ‘E’ knowing the facts made a claim to HRD, which in turn rejected the claim. Examine the validity in the light of the provisions of the payment of Bonus Act, 1965.

[5+5+2 =12]

Question 2(c)

- (i) Ramesh, a 57 years old District Judge was appointed by Central Government as Presiding Officer of the Employees Provident Funds Appellate Tribunal for a period of five years. After three years, he (Ramesh) resigns from his office and ceases to work with immediate effect without handing over the charge to his successor, who was not appointed by the Government till that date. Examine the validity of Ramesh’s action to cease work under the provisions of the Employee’s Provident Funds and Miscellaneous Provisions Act, 1952.
- (ii) Mr. X was an employee of Multistore Limited. He retired from the company after completing 30 years of continuous service. He applied to the company for the payment of gratuity within the prescribed time. The company refused to pay the gratuity and contended that due to stringent financial conditions the company is unable to pay the gratuity. Mr. X applied to the appropriate authority for the recovery of the amount of gratuity.

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Examine the validity of the contention of the company and also state the provisions of law to recover the gratuity under the Payment of Gratuity Act, 1972.

- (iii) M/s Hitech Ltd. has been regularly depositing the provident fund contributions to the government. Owing to adverse market conditions, the company suffered loss for the past two years. The management is considering the reduction of salary of the employees to reduce the company's contribution to Provident Fund, and instead, to pay compensatory allowance, so that the employees' pay packet remains the same. Explain in terms of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952, whether the company can effect such reduction.
- (iv) PQR Limited, Kolkata refused to pay bonus to its employees on the ground that an authorized controller appointed by the West Bengal Government controls its management and as such is exempt from the liability to pay bonus. Referring to the provisions of the Payment of Bonus Act, 1965, decide whether the plea of the company is tenable.

[3+3+2+4 = 12]

Question 2(d)

- (i) A induced B by fraud to draw a cheque payable to C or order. A obtained the cheque, forged C's endorsement and collected proceeds to the cheque through his bankers. B, the drawer, wants to recover the amount from C's bankers.

Decide in the light of the provisions of Negotiable Instruments Act, 1881–

- I. whether B, the drawer, can recover the amount of the cheque from C's bankers?
 - II. whether C is the fictitious payee?
 - III. would your answer be still the same in case C is a fictitious person?
- (ii) Rakesh of Mumbai sends his agent Mohan to purchase certain goods from Global Enterprise, Kolkata on credit for him. Later on Rakesh pays the amount for the goods purchased. On another occasion, he again sends Mohan to purchase goods but this time pays sufficient cash to Mohan for the purpose. Mohan, however again purchases the goods from Global Enterprises but on credit and soon thereafter he dies. Global Enterprise files a suit against Rakesh for recovery of the said amount. Decide whether Global Enterprise would be given any relief by the Court under the provisions of the Indian Contract Act 1872.

- (iii) Mr. A of Mumbai engaged Mr. Singh as his agent to buy a house in West Extension area. Mr. Singh bought a house for ₹ 20 lakhs in the name of a nominee and then purchased it himself for ₹ 24 lakhs. He then sold the same house to Mr. A for ₹ 26 lakhs. Mr. A later comes to know the mischief of Mr. Singh and tries to recover the excess amount paid to Mr. Singh. Is he entitled to recover any amount from Mr. Singh? If so, how much? Explain.

[6+3+3 = 12]

Question 2(e)

- (i) Mr. X was shopping in a self-service Super market. He picked up a bottle of cold drink from a shelf. While he was examining the bottle, it exploded in his hand and injured him. He files a suit for damages against the owner of the market on the ground of breach of condition. Decide, under the Sale of Goods Act, 1930, whether Mr. X would succeed in his claim?
- (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

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valid and whether C can enforce it. Decide with reference to the provisions of the Sale of Goods Act, 1930.

(iii) P purchased from Q 5000 tins of canned fruit to be packed in cases, each containing 50 tins but Q supplied cases containing 25 tins. Does P have right to reject the goods?

(iv) W contracted to erect machinery on V's premises on the condition that the price shall be paid on completion of work. During the progress of work the premises and machinery were destroyed by an accidental fire. Referring to the provisions of the Sale of Goods Act, 1930, decide whether the parties are bound to perform their promises and can W recover the price of the work actually done?

[4+3+2+3= 12]

Question 3: Answer any 2 questions

[2 × 8 = 16]

Question 3(a)

(i) Under the Articles of Association of Sunrise Ltd. Company directors had power to borrow up to ₹ 10,000 without the consent of the general meeting. The Directors themselves lent ₹35,000 to the company without such consent and took debentures of the Company. Decide under the provisions of the Companies Act, whether the company is liable? If so, what is the extent of liability of the company in this case?

(ii) What is Project Governance?

[5+3=8]

Question 3(b)

(i) X, a registered shareholder of Y limited left his share certificates with his broker. A forged the transfer deed in favour of Z, and lodged the transfer deed alongwith the share certificates with the company for registration. The Company Secretary who had certain doubts, wrote to X informing him of the proposed transfer and in the absence of a reply from him (X) within the stipulated time, registered the transfer of shares in the name of Z. Subsequently, Z sold the shares to J and J's name was placed in the register of shareholders. Later on, X discovered that forgery has taken place.

Referring to the provisions of the Companies Act, 2013 state the remedy available to X, Z and J in the given case. Explain.

(ii) A Limited held equity shares in B Limited. Later on Anson Limited became a subsidiary company of B Limited. Decide under the Companies Act, 2013 whether it is necessary for A Limited to surrender the equity shares of B Limited and will it have any voting right in B Limited?

[5+3 = 8]

Question 3(c)

(i) X, a chemical manufacturing company distributed 25 lac (₹ Twenty five Lac) to scientific institutions for furtherance of scientific education and research. Referring to the provisions of the Companies Act, decide whether the said distribution of money was 'Ultra vires' the company?

(ii) Explain the term 'right to information' and 'Competent Authority' under the RTI Act, 2005.

[3+5=8]

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Question 4: Answer any 2 questions

[2 × 8 = 16]

Question 4(a)

- (i) How would you evaluate Corporate Governance?
- (ii) What is value free ethics? Discuss about its concept and evolution.

[3+5=8]

Question 4(b)

Discuss the 7 principles of public life and state the relationship between law and business ethics.

[7+1 =8]

Question 4(c)

- (i) Discuss about the fundamental principles of ethical behavior.
- (ii) Write a short note on Business for profit.

[5+3 = 8]