

Paper 6- Law and Ethics

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Full Marks: 100

Time allowed: 3 hours

The figures in the margin on the right side indicate full marks.

This paper contains five questions.

All questions are compulsory, subject to instruction provided against each questions.

All workings must form a part of your answer.

Assumptions, if any, must be clearly indicated.

Section A

I. Answer all the following questions.

[20 ×1 = 20]

(a) Multiple choice questions:

- (i)** A cheque is crossed when it bears across its face an addition of the name of a banker, either with or without the words "not negotiable".

 - (a) Specially
 - (b) General
 - (c) Restrictive
 - (d) None of the above

- (ii)** The remuneration payable to any one Managing Director or whole time director or manager shall not exceed _____ of the company.

 - (a) 5% of the net profits
 - (b) 5% of the gross profits
 - (c) 10% of the net profits
 - (d) 10% of the gross profits

- (iii)** A party who does not suffer any loss in case of breach of contract, is entitled to:

 - (a) Statutory damages
 - (b) Liquidated damages
 - (c) Exemplary damages
 - (d) Nominal damages

- (iv)** The minimum age limit for appointment of Managing Director and the Whole time director is __ years.

 - (a) 21
 - (b) 18
 - (c) 30
 - (d) 40

- (v)** Which of the following are welfare measures according to Factories Act, 1948.

 - (a) washing facilities
 - (b) facilities for storing and drying clothing
 - (c) facilities for sitting

- (d) All of the above
- (vi) A prospectus which does not have complete particulars on the price of securities offered and the quantum of securities offered by the company is known as _____ .
- (a) Statement in lieu of prospectus
(b) Red-herring prospectus
(c) Deemed prospectus
(d) Shelf prospectus
- (vii) Section _____ of the Act provides for the formation of a company.
- (a) 6
(b) 5
(c) 4
(d) 3
- (viii) The A LLP shall file an annual return duly authenticated with the Registrar within _____ of closure of a financial year under Limited Liability Partnership Act, 2008.
- (a) 30 days
(b) 45 days
(c) 60 days
(d) 90 days
- (ix) Public Notice under the Indian Partnership Act, 1932 is given in the following manner:
- (a) Serving a copy of the Notice to the Registrar of firms
(b) Publishing the Notice in the Official Gazette
(c) Publishing the Notice in one vernacular newspaper circulating in the district where the firm's principal place of business is situated
(d) All of the above
- (x) Which of these is not a negotiable instrument as per the Negotiable Instrument Act, 1881:
- (a) Bill of exchange
(b) Delivery note
(c) Bearer Cheque
(d) Share Certificate
- (xi) Hundi's are Indigenous instrument written in _____ language:
- (a) Vernacular
(b) Hindi
(c) English
(d) Sanskrit
- (xii) In case of a _____, having a share capital, the memorandum must state the name of the person who, in the event of the death of the subscriber, shall become the member of the company.

- (a) Limited company
 - (b) Unlimited company
 - (c) One person company
 - (d) Company limited by guarantee
- (xiii)** The Employees Provident Funds Act, 1952 is applicable to every establishment mentioned in schedule 1 and employed _____
- (a) 10 persons or more
 - (b) 100 or more persons
 - (c) 20 or more persons
 - (d) 50 or more persons
- (xiv)** The employer's and employee's share of contribution of ESI fund is
- (a) 1.75% and 4.75% of wages respectively
 - (b) 4.75% and 1.75% of wages respectively
 - (c) 10% and 3.75% of wages respectively
 - (d) 11 % and 3.75% of wages respectively
- (xv)** Under Payment of wages Act, 1963, in any factory, in which 1200 persons are employed, wages must be paid
- (a) any time
 - (b) before the expiry of 10th day of the following month
 - (c) before the close of the month
 - (d) before the expiry of 7th day of the following month
- (xvi)** The primary purpose of employee safety programme is to preserve the employees:
- (a) Mental health
 - (b) Physical health
 - (c) Emotional health
 - (d) All of the above
- (xvii)** Who is an Adolescent as per Factories Act, 1948?
- (a) Who has completed 17 years of age
 - (b) Who is less than 18 years
 - (c) Who has completed 15 years but less than 18 years
 - (d) None of these
- (xviii)** "If you contract to sell peas, you cannot oblige a party to have beans" - This statement applies to:
- (a) a implied condition as to be description of goods
 - (b) the implied condition as to fitness of goods for a particular purpose
 - (c) implied condition as to sample
 - (d) implied condition as to title
- (xix)** Cash is withdrawn by a customer of a bank from the automatic teller machine is an example of
- (a) Express Contract

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- (b) Void Contract
- (c) Tacit Contract
- (d) Illegal Contract

- (xx) If the agreement is made by obtaining consent by doing an act forbidden by the Indian Penal Code, the agreement would be caused by:
- (a) Coercion
 - (b) Fraud
 - (c) Misrepresentation
 - (d) Undue influence

(b) Match the following:

[5 x 1 = 5]

	Column 'A'		Column 'B'
1.	Whole time Director	A.	nominated by any financial institution
2.	Nominee Director	B.	within nine months from the close of the first financial
3.	Form No. MGT-15	C.	capable of suing and being sued
4.	First AGM	D.	Section 2(94)
5.	LLP, by its name	E.	within 30 days of the conclusion of the AGM

Section B

2. Answer any Three questions:

[3 × 7 = 21]

- (a) 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. [7]
- (b) 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? [7]
- (c) Explain the types of endorsement of Negotiable Instruments? [7]
- (d) Ramesh, aged 16 years, was studying in an engineering college. On 1st March, 2012 he took a loan of ₹1 lakh from Suresh for the payment of his college fee and agreed to pay by 30th 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. [7]

Section C

- 3. Answer any Three questions: [3 × 6 = 18]**
- (a)** State the eligibility and disqualification for bonus under the Payment of Bonus Act. **[6]**
- (b)** What benefits are available to the insured person under ESI Act, 1948. **[6]**
- (c)** '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'. **[6]**
- (d) (i)** 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? **[3]**
- (ii)** Discuss the provisions relating to payment of gratuity as per Section 7(3) and 7(4) of Payment of Gratuity Act, 1972. **[4]**

Section D

- 4. Answer any two questions: [2 × 13 = 26]**
- (a)** Write a note on Related Party Transactions under Companies Act, 2013. **[13]**
- (b)(i)** Explain the powers of Board of Directors under Companies Act, 2013.
- (ii)** Define the term "court" as per Companies Act, 2013. **[9+4 = 13]**
- (c) (i)** The Articles of a Public Company clearly stated that Mr. Bibhu will be the solicitor of the company. The company in its general meeting of the shareholders resolved unanimously to appoint Sona in place of Bibhu as the solicitor of the company by altering the articles of association. Examine, whether the company can do so? State the reasons clearly. **[8]**
- (ii)** Define the following terms as per Companies Act, 2013.
1. Associate Company
 2. Employee Stock option
- [2½ × 2 = 5]**

Section E

- 5. Answer any one question: [1×10 = 10]**
- (a)(i)** How does business ethics relate to Corporate Social Responsibility (CSR)? **[5]**
- (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?
- (b)** Discuss the different types of Ethical Issues. **[10]**

