

PAPER 6 – Laws, Ethics & Governance

[Answer to Question No.1 is compulsory]

1. Choose the correct answer from the given four alternatives:

[1*20=20]

- (i) An Industrial Establishment employing minimum Workmen's is required to have one or more Grievances Redressal Committee to redress workmen's grievances.
(a) 5
(b) 10
(c) 15
(d) 20
- (ii) The Factories Act came into force with effect from:
(a) 1st April 1881
(b) 1st April 1934
(c) 1st April 1948
(d) 1st April 1949
- (iii) Section 2(b) defines, "When the person to whom the proposal is made, signifies his assent thereto, the proposal is said to be accepted. A proposal when accepted becomes a/an"
(a) Contract
(b) Agreement
(c) Promise
(d) Offer
- (iv) Which of the following is NOT necessary to assess ethical behavior?
(a) Gather Facts
(b) Make a judgment based on the Tightness or wrongness of the activity or policy.
(c) Consider appropriate moral values
(d) Listen to what is the being said in the rumour.
- (v) As per Rule 10 of the Prevention of Money Laundering Act, 2002, the record of identity of client is required to be maintained for a time period of:
(a) 5 years
(b) 7 years
(c) 10 years
(d) 12 years
- (vi) As per the Payment of Wages Act 1936, no fine can be imposed on a person who is under the age of:
(a) 13 years
(b) 14 years
(c) 15 years
(d) 16 years

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- (vii) A private company becomes a public company by process of law where:
- (a) Not less than 25% of its paid-up share capital is held by one or more bodies corporate
 - (b) Its entire paid-up share capital is held by another private company
 - (c) Not less than 25 % of the paid-up share capital of a public company is held by it
 - (d) It is a subsidiary of a public company
- (viii) Appropriate Government reviews the rates of minimum wages within:
- (a) 2 years
 - (b) 4 years
 - (c) 5 years
 - (d) 6 years
- (ix) The Payment of Bonus Act 1965 extends to:
- (a) The whole of India
 - (b) The whole of India except Jammu & Kashmir
 - (c) The whole of India except Kerala
 - (d) The whole of India except Jammu & Kashmir and Kerala
- (x) 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
- (xi) Clause 49 is applicable to all the listed companies which has a minimum paid-up capital of:
- (a) ₹5 crores
 - (b) ₹3 crores
 - (c) ₹6 crores
 - (d) ₹4 crores
- (xii) The minimum ceiling on gratuity as per the Payment of Gratuity Act, 1972 is:
- (a) ₹5 lakhs
 - (b) ₹10 lakhs
 - (c) ₹15 lakhs
 - (d) ₹20 lakhs
- (xiii) "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

- (xiv) 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
- (xv) The Charter of a Company is its:
(a) Articles of Association
(b) Prospectus
(c) Memorandum of Association
(d) Statement in lieu of Prospectus
- (xvi) Section 4 of The Prevention of Money Laundering Act, 2002 provides for:
(a) Fine and Imprisonment
(b) Fine only
(c) Imprisonment only
(d) Fine or Imprisonment
- (xvii) A monthly return of contribution in the prescribed form 6 is required to be filed with the Commissioner within days of the close of the month as per Employees' Provident Funds and Miscellaneous Provisions Act, 1952.
(a) 15
(b) 20
(c) 25
(d) 30
- (xviii) Business Ethics helps the organisation in:
(a) Retaining people
(b) Getting people
(c) Attract the best talent
(d) All of the above
- (xix) If a minor draws, endorses, delivers or negotiates an instrument, such instrument binds
(a) all parties to the instrument including the minor
(b) only the minor and not other parties to the instrument
(c) all parties to the instrument except the minor
(d) none of the above
- (xx) Indian LLP is basically on the pattern of model of LLP.
(a) UK
(b) Singapore
(c) Both (a) and (b)
(d) Japan

SECTION A

[Attempt any 4 questions]

2. (a) Y holds agricultural land in Assam on a lease granted by X, the owner. The land revenue payable by X to the Govt. being in arrear, his land is advertised for sale by the Govt. Under the Revenue law, the consequence of such sale will be termination of Y's lease. Y, in order to prevent the sale and the consequent termination of his own lease, pays the Govt., the sum due from X. Referring to the provisions of the Indian Contract Act, 1872 decide whether X is liable to make good to Y, the amount so paid? [2]
- (b) Examine when a holder of a negotiable instrument shall be considered as a holder in due course under the provisions of the Negotiable Instruments Act, 1881. [4]
- (c) Mr. Sharma is a supervisor in a factory drawing a salary of ₹3500 per month. In a particular accounting year he was on one month leave with salary. His employer declared minimum bonus as per the Payment of Bonus Act, 1965 to all eligible employees. State in this connection:
- (i) What shall be the salary that shall be taken into account for the purpose of calculating bonus payable to him?
- (ii) What shall be the total bonus payable to him in that accounting year?
- (iii) What would be your answer if the Company suffers losses in that accounting year?
- (iv) Is bonus payable to him if he was illegally terminated. [4]
- (d) Arup, a 57 years old district judge was appointed by Central Govt. as presiding officer of the Employees Provident Funds Appellate Tribunal from a period of 5 years. After 3 years, he (Arup) 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 Govt. till that date. Examine the validity of Arup's action to cease work under the provisions of the Employee's Provident Funds and Miscellaneous Provisions Act, 1952. [2]
3. (a) State the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952 relating to the protection of the amount standing to the credit of an employee in the Provident Fund against attachment. [3]
- (b) What are the essential elements of Contract of Sale? [6]
- (c) Miss Zoya, a film actress agreed to work exclusively for a period of 4 years, for a film production company. However, during the said period she enters into a contract to work for another film producer. Discuss the rights of the aggrieved film production company under the Indian Contract Act, 1872. [3]
4. (a) Bani obtains Adi's acceptance to a bill of exchange by fraud. Bani endorses it to Chiza who is a holder in due course. Chiza endorses the bill to Dia who knows of the fraud. Referring to the provisions of the Negotiable Instruments Act, 1881, decide whether Dia can recover the money from Adi in the given case. [2]

(b) How does the Child Labour (Prohibition and Regulation) Act, 1986 define 'a child'? How is this definition different from that under the Factories Act, 1948? [2]

(c) A and B were partners in a business of letting lock up garages and requiring cars. B was a sleeping partner. A clause in the partnership deed prohibited partners from buying and selling cars on behalf of the firm. A, the acting partner, sold a car to which the firm had no title and obtained \$700. When the buyer found that the seller had no title to sell, he claimed \$700 from B, the sleeping partner. Referring to the provisions of the Indian Partnership Act, 1932 decide:

Whether B is liable to pay? [3]

(d) Does a laundry attached to the hospital (main institution) used for washing linen used in the hospital, is a factory within the meaning of the Factories Act, 1948? [5]

5. (a) In an accounting year, a company to which the Payment of Bonus Act, 1965 applies, suffered heavy losses. The Board of directors of the said company decided not to give bonus to the employees. The employees of the company move to the Court for relief. Decide in the light of the provisions of the said Act whether the employees will get relief. [3]

(b) Mr. Adi takes the delivery of a furniture from Amit under an agreement which provides for: (i) an immediate down payment of ₹300, (ii) the balance by way of 12 monthly instalments of 100 each, (iii) transfer of ownership on the payment of last instalment, (iv) Amit's right to or possess the goods in case of non-payment of instalments due. Before the 12th instalment was paid, Adi sold the furniture to Zia. Can Amit recover the furniture from Zia? State your answer in each of the following cases:

Case (a): If the agreement does not provide for any other stipulation.

Case (b): If the agreement also provides that Adi can return the goods. [2]

(c) On whom does the burden of proof vest under the PMLA, 2002? What are the obligations of Banking Companies, Financial Institutions and Intermediaries as per Section 12? [2+3=5]

(d) A Limited Liability Partnership is a body corporate, so it can carry on business with any number of partners under the Limited Liability Partnership Act, 2008. Do you agree? [2]

6. (a) Referring to the provisions of the Payment of Bonus Act, 1965, state whether an employee dismissed on the ground of misconduct is entitled to bonus under the Act. [3]

(b) What is Caveat Emptor? What are the exceptions to the Doctrine of Caveat Emptor? [2+5=7]

(c) Examine the following case in light of laws relating to employees:

Y, a laboratory assistant consumes a chemical during the night shift and dies. The chemical was not of the laboratory kit. His wife claimed compensation under the Employees Compensation Act, 1923. [2]

SECTION B

[Answer any two questions]

7. (a) A company was started with the object of building 'A mall with shops'. The building was destroyed by fire and the company wanted to alter the objects clause in the memorandum by substituting the words 'A mall with shops' with the words 'Shops, Residential buildings and Warehouses for letting purposes'. Will this alteration of the memorandum for the purpose be permissible? Decide referring to the provisions of the Companies Act, 1956. [4]
- (b) Discuss the provisions of Audit Committee as per Clause 49 of the Listing Agreement. [4]
8. (a) A Public Limited Company with a paid up share capital of ₹3.00 crores and free reserves of ₹2.00 crores has not so far given any guarantee. Advise the company about the legal requirements under the Companies Act in respect of the following transactions:
- (i) To give guarantee to a housing finance company in respect of ₹40 lakhs borrowed by the company's employees.
- (ii) To give security to a finance company for a loan of ₹2 crores obtained by its subsidiary company. [2+2=4]
- (b) Write a short note on Statutory Audit. [4]
9. (a) PQR Limited held three board meetings till 31st December, 2011 during the financial year 2011-12. The next board meeting was due to be held on 27th March, 2012, but for want of quorum the meeting could not be held. A group of shareholders complained that the company has violated the provisions of Section 285 of the Companies Act, 1956 in not holding the required board meetings. Further, Mr. P and Mr. Q who are the directors of the company informed the company their inability to attend the meeting because the notice of the meeting was not served on them. Discuss whether there is any default on the part of the company and the consequences thereof. What will be the quorum in the given situation? [4]
- (b) State the powers and functions of the Information Commissions as per the Right to Information Act, 2005. [4]

SECTION C

[Answer any two questions]

10. (a) What do you understand by the term 'Ethical Dilemma'? Discuss the steps on how to resolve an ethical dilemma. [2+2=4]
- (b) How can one create an ethical environment in an organization? [4]
11. (a) Discuss the types of Ethical issues. [4]
- (b) State with reasons whether the following statement is correct or incorrect:
"There is no difference between ethics and morals." [4]
12. State the fundamental principles relating to ethics. [8]