

## **Paper 6- Laws, Ethics and Governance**

## MTP\_Intermediate\_Syllabus 2012\_Dec 2015\_Set 1

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

	<b>Learning objectives</b>	<b>Verbs used</b>	<b>Definition</b>
<b>LEVEL B</b>	<b>KNOWLEDGE</b>  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
	<b>COMPREHENSION</b>  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
	<b>APPLICATION</b>  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
	<b>ANALYSIS</b>  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) Mr. E joined as Supervisor on monthly salary of ₹ 3450 on 1st Feb 2015 and resigned on 28th Feb 2015. His employer paid Bonus @ 10% to all the eligible employees. Hence Mr. E is entitled to Bonus for the period of his service. Comment
- (b) Factories Act 1948 is applicable to all the factories wherein 50 or more workers are working. Comment
- (c) X draws a cheque in favour of Y. After having issued the cheque he informs Y not to present the cheque for payment and also informs the bank to stop payment. Does the said act of X constitute an offence against him?
- (d) Mr. A purchased a Refrigerator from Mr. B on "hire purchase agreement" expiring on 31.12.17. Mr. A sold on 01.05.15 that Refrigerator to C who purchased against adequate consideration. A has right to give good title to Mr. C. Comment
- (e) Mr. Menon offered on 1st December, 2014 to sell his house to Mr. Polson at INR Thirty Five Lakhs. Mr. Polson accepted by email on 2nd December, 2014 at 8 A.M. At 10 A.M, Mr. Polson sent a Fax revoking the acceptance. Both email (i.e. acceptance) and Fax (i.e. revocation) reached Menon at the same time. Comment
- (f) Provisions of Indian Partnership Act 1932 are applicable to LLPs and the body Corporate may be partner of LLP.
- (g) What may be the probable modes of payment of remuneration to promoters?
- (h) A transferee becomes a member of the company when the instrument of transfer is submitted with company. Comment.
- (i) "Business ethics helps to promote public reputation". Comment.
- (j) "A nation should satisfy its social and economic requirements without damaging the interest of future generations". Comment.

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**Question 2: Answer any 4 questions**

**[4 × 12 = 48]**

**Question 2(a)**

- (i) Mr. Ashoke obtains two loans from Mr. Natobar. First loan ₹ 3000 guaranteed by Mr. Roy and second loan 5000. Ashoke send a cheque of ₹2000 to Mr. Natobar without indicating how this amount is to be appropriated. Mr. Natobar appropriated against loan of ₹5000 which was unsecured. Whether this apportionment was lawful?
- (ii) M/s. wholeseller agreed to supply 500 bales of cotton to M/s. Retailer at ₹ 6,000 per bale by 31.05.2015. On 01.05.2015 M/s.Wholeseller informs the Retailer that he is not willing to supply the cotton bales as the price of cotton has increased to ₹ 7,000 per bale. Examine the right of M/s. Retailer.
- (iii) Mr.Malhotra sold 1000 kgs. of rice to Mr. Basu who delayed in taking the rice from Mr. Malhotra. In the meantime Mr. Malhotra sold that rice to Mr. Roy who took the delivery for value & without notice of prior sale. Hence Mr. Roy has no good title of ownership to goods — Comment.
- (iv) Write a note on Filing of Annual Return by an LLP.

**[3+3+3+3 = 12]**

**Question 2(b)**

- (i) While an employee may increase his contribution to Provident Fund, is an employer also liable to proportionately increase his contribution to the above under the Employees Provident Fund and Miscellaneous Provision Act, 1952? Explain.
- (ii) Wages cannot be paid by cheque but can be paid in kind. Answer based on provision of Payment of Wages Act 1936.
- (iii) What are the benefits a member of an Employees Provident Fund & Miscellaneous Provisions Act 1952 can get on retirement/death?
- (iv) ABC Pvt. Ltd. Incorporated on 2nd January 1980 carrying on business from the date of incorporation employing 50 persons. Due to loss, the number of employees reduced to Five w.e.f. 02.06.2011. Mr. A who retired on 31.05.2013 was refused gratuity on the ground that the total number of employees is below 10(ten). Sate whether employer was justified?
- (v) As per factories Act, adequate shelters, restrooms and lunch rooms are mandatory in all the factories. Do you agree?

**[3+2+2+2+3 = 12]**

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### Question 2(c)

- (i) "Minimum wage rate may vary". Discuss with the provisions of Minimum Wages Act, 1948.
- (ii) Vishal (P) Ltd. imposed a fine on Divya, one of its employees for regularly reporting late for work. The fine was imposed on 4th April, 2013. The management wanted to recover the amount in September, 2013 during half yearly increment.
- (iii) A company, employing 50 persons, has been incurring losses right from the commencement of its business. Accordingly, it has made an application to the appropriate Government to exempt it from the application of all the provisions of the Payment of Bonus Act. Do you think that the appropriate Government will exempt from the application of all the provisions of the Payment of Bonus Act, and if so, on what grounds? Give reasons for your answer.
- (iv) Dharma Ltd discontinued deduction towards contribution to provident fund from its employees salary and stopped remitting contribution of its share of provident fund when the number of its employees on its roll fell to thirteen. Do the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 cease to be applicable under such circumstances?

[3+2+4+3 = 12]

### Question 2(d)

- (i) Binod fraudulently induces Chirag and obtains a Bill of Exchange from Chirag in his own favour. Later, he endorses the same to Asim under a commercial deal as a consideration. Asim gets the bill as holder in due course. Asim subsequently endorses it back to Binod for some other deal and for value. On maturity Chirag refuses to pay up and Binod sues him for recovery of money. With reference to the provisions of the Negotiable Instruments Act, should Binod succeed in the case?
- (ii) X has balance of ₹ 3000/- in YZ Bank. He draws a cheque of ₹ 10,000/- in favour of C knowing fully that he has no O/D facility. The cheque is dishonoured. Is 'notice of dishonour' to X necessary?
- (iii) When is a LLP not bound by act of its members?
- (iv) When is forfeiture of Gratuity possible?

[3+2+3+4 = 12]

### Question 2(e)

- (i) List the circumstances under which an LLP formed under the Limited Liability Partnership Act, 2008 may be wound up by tribunal?

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(ii) Explain 'committee method' and 'notification method' for fixation of minimum wages under the Minimum Wages Act, 1948.

(iii) H retired from services on attaining the age of superannuation. After his retirement, it was noticed that he had misappropriated amount from travelling allowance drawn by him. The employer wants to deduct the misappropriated amount from gratuity payable to him. Is the action of the employer legally tenable?

(iv) 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?

[3+3+3+3=12]

**Question 3: Answer any 2 questions**

[2 × 8 = 16]

**Question 3(a)**

(i) The principal business of Vriddhi Company Ltd. was the acquisition of vacant plots of land and to erect the houses. In the course of transacting the business, the Chairman of the Company acquired the knowledge of arranging finance for the development of land. The Vriddhi Company introduced a financier to another company Janata Ltd. and received an agreed fee of ₹ 2 lakhs for arranging the finance. The Memorandum of Association of the company authorises the company to carry on any other trade or business which can in the opinion of the board of directors, be advantageously carried on by the company in connection with the company's general business. Referring to the provisions of the Companies Act, examine the validity of the contract carried out by Vriddhi Company Ltd. with Janata Ltd.

(ii) Mr. Konar failed to receive certain information in connection with his Provident Fund accumulation. He intends to take shelter under RTI Act 2005. Please advise the steps or Procedure to be followed.

[6+2 = 8]

**Question 3(b)**

(i) What is the effect of Doctrine of Constructive notice, explain with an example.

(ii) Mr. Sarkar filed an application with requisite fees (IPO) to the Public Information Officer (PIO) who returned the application and IPO stating that this application was not related to his department. Whether PIO's action justified?

[6+2 = 8]

**Question 3(c)**

- (i) XYZ Ltd. Issued a prospectus inviting the public for subscription of its equity shares stating in it that company possesses good financial health and paying dividends to its equity shareholders consistently and regularly at 20 percent over the last five years. The fact was, the company was running in loss since last three years and it was paying dividends to its shareholders out of accumulated profits. Mr. Ankur read the prospectus and bought 500 shares of the company. Discovering the misstatement made by the company in its prospectus, he wants to rescind the contract and claim damages from the company. Referring to the provisions of Companies Act, 2013, state whether Mr. Ankur will succeed.
- (ii) Nitya Builders Ltd decides to pay 2.5 percent of value of debentures as underwriting commission to the underwriters but the articles of the company authorizes to pay only 2 percent underwriting commission on debentures. Comment on the validity based on Companies Act, 2013.

[5+3 = 8]

**Question 4: Answer any 2 questions**

[2 × 8 = 16]

**Question 4(a)**

- (i) What is meant by the term 'Stake-holders'. Can you name a few?
- (ii) What are the integrity issues that are required to be addressed by a financial and accounting professional while carrying on his responsibility?

[4+4 = 8]

**Question 4(b)**

- (i) "To maintain social contract between society and business, the trusteeship relations are essential". Discuss the role of business ethics in this reference.

- (ii) Explain the Conflict resolution process.

[4+4 = 8]

**Question 4(c)**

- (i) What are the consequences of Unethical behavior?
- (ii) State the relation of Business and ethics.

[5+3 = 8]