

MTP_Intermediate_Syllabus 2012_Jun2014_Set 2

Paper-6: LAW, ETHICS AND GOVERNANCE

SECTION - A

Answer Q No. 1 (Compulsory) and any 4 from the rest of Section A

Question 1:

Choose the correct answer from the given four alternatives:

[1×20=20]

A. Business Ethics is a code of conduct which businessmen should follow while conducting their

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- (a) Normal activities
- (b) Special activities
- (c) Specific activities
- (d) None of the above

B. The first case on the 'doctrine of frustration' as decided by the Supreme Court of India is:

- (a) Basanti Bastralaya v. River Steam Navigation Co. Ltd.
- (b) Raja Dhuruv Dev Chand v. Raja Harmohinder Singh
- (c) Sushila Devi v. Hari Singh
- (d) Satyabrata Ghosh v. Mugneeram

C. A, B and C are partners of an unregistered firm. D owns this firm ₹1000 on a contract. The firm filed a suit against D the suit is dismissed for non-registration of the firm. The firm is registered later on. In this case which one of the following statements is MOST APPROPRIATE:

- (a) The firm can successfully bring the suit against D
- (b) Registration must have been effected by the firm, before a suit is filed in the court
- (c) The firm cannot file suit against D
- (d) None of the above

D. Employer carrying on any public utility service cannot declare lock out without giving notice.

- (a) 3 weeks
- (b) 4 weeks
- (c) 5 weeks
- (d) 6 weeks

E. 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

F. 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

G. Application for Director Identification Number(DIN) is to be made to Central Govt. in Form:

- (a) DIN-1
- (b) DIN-2

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- (c) DIN-3
(d) None of the above
- H. A Drawer is:**
(a) A person, who draws a cheque
(b) A bank on whom a cheque is drawn
(c) A person in whose favour a cheque is drawn
(d) None of the above
- I. In case of conflict of jurisdiction of the courts, the incidence of a contract shall be governed by the law of the place where the:**
(a) Contract is made
(b) Contract is performed
(c) Acceptor resides
(d) Proposer resides
- J. Offences by companies under The Prevention of Money Laundering Act, 2002 are dealt in:**
(a) Section 48
(b) Section 42
(c) Section 45
(d) Section 70
- K. When parties enter into a contract on telephone the contract becomes complete at the place where acceptance is heard by the proposer. This has been provided:**
(a) In no section of Indian Contract Act but so decided by the Supreme Court
(b) In section – 2
(c) In section – 3
(d) In section – 4
- L. 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
- M. In order to prosecute an employer under section 14 of The Child Labour (Prohibition and Regulation) Act, 1986, the age of the child must be proved to be less than of age.**
(a) 12 years
(b) 13 years
(c) 14 years
(d) 15 years
- N. Under the provisions of section 143 of the Negotiable Instruments Act, 1881, all offences under the Act are to be tried by:**
(a) any Judicial Magistrate
(b) Judicial Magistrate of the First Class or by a Metropolitan Magistrate
(c) only a District Judge
(d) none of the above
- O. As per Employees' State Insurance Act, 1948, the rate of Employer's contribution is:**
(a) 4.25%
(b) 4.50%

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- (c) 4.75%
- (d) 4.95%

P. 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

Q. 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

R. In case of employee covered under the ESI, the accident report shall be sent in to local office of the ESI to which the company attached.

- (a) Form No. 18
- (b) Form No. 18A
- (c) Form No. 25
- (d) Form No. 16

S. The Sarbanes-Oxley Act was formed by the US in the year:

- (a) 2002
- (b) 2003
- (c) 2004
- (d) 2005

T. Which of the following is not a threat that may affect the business environment and influence finance and accounting professionals:

- (a) Self-interest threats
- (b) Advocacy threats
- (c) Functional threats
- (d) Intimidation threats

Question 2:

(a) 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? [3]

(b) Explain the power of Central Government to appoint Inquiry Committee under Section 41-D of the Factories Act, 1948. [3]

(c) 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

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exempted from liability under the provisions of the Indian Contract Act, 1872. [4]

(d) Mr. Amit, who retired on 30/11/2013, did not vacate office quarter which was provided by his employer. Employer withheld the Gratuity to force him to vacate the quarter. [2]

Question 3:

(a) When gratuity payable to an employee can be forfeited? [2]

(b) Does threat to commit suicide amount to coercion? [2]

(c) State the difference between coercion and undue influence. [4]

(d) Is there presumption of undue influence in relationship of husband and wife? [2]

(e) X, a minor wanted to become a professional soccer player. He entered into a contract with Y, a soccer coach and agreed to pay him ₹10000/- per month to learn the game. Is X liable to pay the amount? [2]

Question 4:

(a) A purchased a car from B who had no title to it. A used the car for several months. After that, the true owner spotted the car and demanded it from A – Discuss the remedies available to A. [3]

(b) Mr. Wrong, owner of Wrong Textiles enters into a contract with Retail Garments Show Room for supply of ₹1,000 pieces of Cotton Shirts at ₹300 per shirt to be supplied on or before 31st December. However, on 1st November, Wrong Textiles informs the Retail Garments Show Room that he is not willing to supply the goods as the price of Cotton shirts in the meantime has gone up to ₹350 per shirt. Examine the rights of the Retail Garments Show Room in this regard. [4]

(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'. [5]

Question 5:

(a) A to sell a horse to B who tells A that he (B) needs the horse for riding to Mumbai immediately. The horse is ill at the time of agreement. What are the rights of A and B? [3]

(b) Describe the provisions relating to contribution by the employees and the employer under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. [5]

(c) A seller agrees to supply to the buyer timber of ½" thickness for being made into cement barrels. The timber actually supplied varies in thickness from ½" to 5/8". The timber is merchantable and commercially fit for the purpose for which it was ordered. The buyer rejects the timber. Is his action justified? [4]

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Question 6:

(a) B selects certain furniture in a shop. The price is settled. He arranges to take delivery of the furniture the next day and agrees to pay on the first of the next month. The furniture was destroyed by fire the same evening. Is B liable to pay the price? Give reasons. [2]

(b) A hirer, who obtains possession of a Machinery from its owner under a hire purchase agreement, sells the Machinery to a buyer who buys in good faith and without notice of the right of the owner. The buyer gets good title to the Machinery. [2]

(c) 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? [2]

(d) A watchman whose duty was to guard the property of the premises of a rest house had his quarters within the premises of the rest house. His duty ended at 11 p.m. At 2.30 a.m. (i.e. within 3.5 hours of the said 11 p.m.) he was found murdered near his quarters. Is the employer liable to pay compensation? [2]

(e) An Agreement was entered into on 11.10.2013 between the owner of building and Mr. Ramesh for exhibition cum sales centre. On 30.11.2013 owner expressed his intention to cancel the agreement as the building is unsafe as declared by Municipal Corporation on 29.11.2013. Comment. [2]

(e) In an Auction sale, a bid once made can be withdrawn by the Bidder. Comment citing rules. [2]

SECTION - B Answer any 2 from the Section B

Question 7:

(a) The Right to Information is associated with which fundamental right? Discuss the rules for appointment of Central Information Commission as per The Right to Information Act, 2005. [1+3=4]

(b) Why is Internal audit necessary to Management? Discuss. [4]

Question 8:

(a) X, a minor was gifted 100 shares of Techno Ltd by his father Y. In light of the Companies Act, 1956, decide how far can a minor become a member of a company under the Companies Act, 1956? [3]

(b) PQR Ltd was in the process of incorporation. Promoters of the company signed an agreement for the purchase of certain furniture for the company and payment was to be made to the suppliers of office equipments by the company after incorporation. The company was incorporated and the office equipments were used by it. Shortly after incorporation, the company went into liquidation and the debt could not be paid by the company for the purchase of above office equipments. As a result suppliers sued the promoters of the company for the recovery of money.

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Examine whether promoters can be held liable for payment under the following situations:

- (i) When the company has already adopted the contract after incorporation? [5]
- (ii) When the company makes a fresh contract with the suppliers in terms of pre-incorporation contract? [5]

Question 9:

(a) PIO under the RTI Act, 2005 rejected X's application because he wanted too many information which PIO found difficult to handle. Explain the provision. [4]

(b) What are the key corporate governance lessons from the financial crisis? What issues need the most urgent attention? [4]

SECTION - C

Answer any 2 from the Section C

Question 10:

(a) How does business ethics relate to Corporate Social Responsibility (CSR)? [4]

(b) 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? [4]

Question 11:

(a) Is it possible to have single right answer to all ethical issues? [4]

(b) Point out the difference between Ethical Code and Ethical Contract. [4]

Question 12:

(a) What is the difference between business ethics and an ethical business? [3]

(b) State the fundamental principles of Ethical Behaviour. [5]