

Paper 6- LAWS AND ETHICS

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Full Marks : 100

Time allowed: 3 hours

Section - A

1. Answer the following questions

(a) Multiple choice questions:

[10x1=10]

- (i) Which is not the circumstance in which the transit of the goods is at end?
- (a) If the buyer or his agents obtains delivery of the goods before their arrival at the appointed destination;
 - (b) Where the earlier or other bailee wrongfully refuses to deliver the goods to the buyer or his agents in that behalf;
 - (c) **If the goods are rejected by the buyer and the carrier or other bailee continues in possession of them;**
 - (d) Where the carrier or other bailee wrongfully refuses to deliver the goods to the buyer or his agents in that behalf.
- (ii) Intimation of the reconstitution of change in a registered partnership is to be given to the Registrar of firms-
- (a) **No time limit;**
 - (b) Within 30 days;
 - (c) Within 60 days;
 - (d) Within 90 days.
- (iii) Which one of the following is not correct in regard to share certificate?
- (a) **The company secretary shall issue the share certificate;**
 - (b) The share certificate shall be issued in pursuance of a resolution of the board;
 - (c) Every share certificate shall be distinguished to its distinctive number;
 - (d) The shares may be in the dematerialized form.
- (iv) Which one of the following is not the discharge by operation of law?
- (a) By merger;
 - (b) By insolvency;
 - (c) **By breach of contract;**
 - (d) By the unauthorized alteration of items of a written document.
- (v) At every AGM, not less than _____ of the total number of directors shall retire by rotation.
- (a) One third;
 - (b) **Two third;**
 - (c) Three fourth;
 - (d) Half.

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- (vi) Holder in due course means any person-
- (a) Drawing the instrument;
 - (b) **Who for consideration became the possession of a promissory note;**
 - (c) Named in the instrument to whom or to whom order the money is directed to be paid;
 - (d) None of the above.
- (vii) Which shall be deemed to be absent by an employed person?
- (a) Refused to work;
 - (b) Participating in work;
 - (c) None of the above;
 - (d) **Either (a) or (b).**
- (viii) Schedule II of this act relates to an employment of –
- (a) State government;
 - (b) Central government;
 - (c) **Agriculture;**
 - (d) Local authority.
- (ix) Which one of the following documents is required to keep for more than 5 years?
- (a) Copies of Government order relating to LLP;
 - (b) **All papers, registers, refund orders and correspondence relating to the LLP liquidation accounts;**
 - (c) Copies of statistical returns furnished to Government;
 - (d) Annual return of a LLP.
- (x) Who is not eligible to get bonus?
- (a) A temporary workman;
 - (b) A piece rated employee;
 - (c) A retrenched employee;
 - (d) **A dismissed employee.**

(b) Match the following:

[5x1=5]

	Column 'A'		Column 'B'
1.	Annual return	A	Moral judgemental.
2.	Recovery of wages	B	Donation
3.	Meta ethics	C	Bar of suits
4.	ESI Fund	D	MGT-7
5.	Cancellation	E	Rescission

Answer:

	Column 'A'		Column 'B'
1.	Annual return	D	MGT-7
2.	Recovery of wages	C	Bar of suits
3.	Meta ethics	A	Moral judgemental

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4.	ESI Fund	B	Donation
5.	Cancellation	E	Rescission

(c) Fill in the blanks: [5×1=5]

- (i) Immediate payment is required in case of _____. No grace days are allowed.
- (ii) Substitution of a new contract in place of the existing contract is known as _____.
- (iii) The claim for minimum wages shall be made in _____.
- (iv) _____ is the principles and standards that determines acceptable conduct in business organisations.
- (v) A company may issue _____ in any foreign currency.

Answer:

- (i) Cheque.
- (ii) Novation of contract.
- (iii) Duplicate.
- (iv) Business ethics.
- (v) Depository receipts.

(d) State whether the following statements are true or false: [5×1=5]

- (i) 'Listed company' as a company which has any of its securities listed on any recognised stock exchange.
- (ii) An unregistered firm can file a suit to enforce a right, arising from a contract, in any court against any third party.
- (iii) An unpaid seller, who is in possession of goods sold, may exercise his lien on the goods.
- (iv) The cancellation of shares shall not be deemed to reduction of share capital.
- (v) The ethical operation of a company is directly related to profitability in both short and long term.

Answer:

- (i) True;
- (ii) False;
- (iii) True;
- (iv) True;
- (v) False.

Section - B

Answer any five from the following. Each question carries 15 marks (5×15=75)

- 2. (a) Who is minor? Describe the position of minor's agreement and effect. [10]
- (b) What are the rights of the finder of goods ? [5]

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Answer: 2(a)

MINOR:

As per section 3 of the Indian Majority Act of 1875, every person in India is a minor if he has not attained the age of 18 years of age. However in case of a minor of whose person or property or both a guardian has been appointed under the Guardian and Wards Act, 1890 or whose property is under the superintendence of any court of wards before he attains 18 years of age is 21 years.

The position of Minor's agreement and effect thereof is as under:

1. An agreement with a minor is void ab-initio.
2. The law of estoppel does not apply against a minor. It means a minor can always plead his minority despite earlier misrepresenting to be a major. In other words, he cannot be held liable on an agreement on the ground that since earlier he had asserted that he had attained majority.
3. Doctrine of Restitution does not apply against a minor. In India, the rules of restitution by minor are similar to those found in English laws. The scope of restitution of contract by minor was examined by the Privy Council in Mohiri Bibi case when it has held that the restitution of money under section 64 of the Indian Contract Act cannot be granted under section 65 because a minor's agreement is not voidable but absolutely void ab-initio. Similarly no relief can be granted under section 65 as this section is applicable where the agreement is discovered to be void or the contract becomes void.
4. No Ratification on Attaining Majority - Ratification means approval or confirmation. A minor cannot confirm an agreement made by him during minority on attaining majority. If he wants to ratify the agreement, a fresh agreement and fresh consideration for the new agreement is required.
5. Contract beneficial to Minor - A minor is entitled to enforce a contract which is of some benefit to him. Minority is a personal privilege and a minor can take advantage of it and bind other parties.
6. Minor as an agent - A minor can be appointed an agent, but he is not personally liable for any of his acts.
7. Minor's liability for necessities - If somebody has supplied a minor or his dependents with necessities, minor's property is liable but a minor cannot be held personally liable
8. A minor cannot be adjudged insolvent as he is incapable of entering into a contract.
9. Where a minor and an adult jointly enter into an agreement with another person, the minor is not liable and the contract can be enforced against the major person.

Answer: 2(b)

Right of finder of goods

Section 168 provides that the finder of goods has no right to sue the owner for compensation for trouble and expense voluntarily incurred by him to preserve the goods and to find out the owner; but he may retain the goods against the owner until he receives such compensation; and, where the owner has offered a specific reward for the return of goods lost, the finder may sue for such reward, and may retain the goods until he receives it.

Section 169 provides that when a thing which is commonly the subject of sale is lost, if the owner cannot, with reasonable diligence, be found or if he refuses, upon demand, to pay the lawful charges of the finder, the finder may sell it-

- when the thing is in danger of perishing by or of losing the greater part of its value; or
- when the lawful charges of the finder, in respect of the thing found, amount to two thirds of its value.

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In 'MJR Steels (P) Limited V. Chrisomar Corporation' –AIR 2007 (NOC) 234 (Cal.) it was held that it is not always necessary that sale should be by owner himself; sale by agent or anyone with the consent of owner is valid. Finder of asset can also sale and give good title. There can also sale by estoppels.

3. (a) Describe transfer of title by non owner of goods.State the exception to this doctrine which seeks to protect the interest of bona fide buyers. [7]

(b) Difference between promisory note and cheque . [8]

Answer: 3(a)

Transfer of Title by Non-Owners of Goods:

As per section 27 of the Sale of Goods Act, where goods are sold by a person who is not the owner thereof and who does not sell them under the authority or with the consent of the owner, the buyer acquires no better title to the goods than the seller had, unless the owner of the goods is by conduct precluded from denying the seller's authority to sell.

A buyer cannot get good title to the goods unless he purchased the goods from a person who is the owner thereof and sell them under the authority or with the consent of real owner.

"Nemo dat qui non habet" means that no one can give what he himself does not have. It means a non owner cannot make valid transfer of property in goods. If the title of the seller is defective, the buyer's title will also be subject to same defect. If the seller has no title, the buyer does not acquire any title although he might have acted honestly and might have acquired the goods after due payment. This rule is to protect the real owner of the goods. Though this doctrine seeks to protect the interest of real owners, but in the interest of the trade and commerce, there must be some safeguard available to a person who acquired such goods in good faith for value.

Accordingly the Act provides the following exceptions to this doctrine which seek to protect the interest of bona fide buyers:

1. Sale by a mercantile agent: If a mercantile agent is authorized by the owner of the goods to sell on his behalf, then such sale shall be valid. In such cases, the buyer can acquire a good title of the goods. This exception will be implemented subject to fulfilment of the following conditions:-
 - The person must be in possession of goods or documents of title to the goods in his capacity as a mercantile agent and with the consent of his owner
 - The person must sell the goods while acting in the ordinary course of business.
 - The buyer must act in good faith without having any notice, at the time of contract that the mercantile agent has no authority to sell the goods.
2. Transfer of title by Estoppels: This exception is based on the principle of personal estoppels. Sometime, the real owner may lead the buyers by virtue of his conduct or words or by act to believe that the seller is the owner of the goods or has the authority to sell them. In such case, he may not thereafter deny the seller's authority to sell.
3. Sale by a joint owner: As per Section 28, if there are several joint owners of goods, one of them if has sole possession of the goods by permission of the co-owners, then the property in goods is transferred to any person who buys them from such joint owner. In order to apply this exception, following conditions must be fulfilled.
 - One of the several owners must be in sole possession of the goods.
 - The joint owner must have permission of co-owners.
 - The buyer must purchase goods in good faith.
 - The buyer should not have notice regarding the matter that the seller has no authority to sell.

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4. Sale by person in possession under voidable contract: According to the Section 29 a person in possession of goods under a voidable contract which is not rescinded, can transfer a good title to the buyer. The buyer should purchase the goods in good faith and without notice of the seller's defective title.
5. Sale by seller in possession after sale: Under Section 30 (1) it is laid down that where a person has sold goods but he continues in possession of goods or of the documents of title to the goods, he may sell them to a third person and if such person obtains delivery thereof in good faith and without notice of the previous sale, the person can get a good title to them. In order to apply this exception, the seller must be in possession after sale of goods and there must be delivery or transfer of the goods or documents of title by the seller.

Answer:3(b)

Sl. no.	PROMISORY NOTE	CHEQUE
1.	It is defined in Sec. 4 of NI Act, 1881.	It is defined in Sec. 6 of the NI Act, 1881.
2.	There are two parties: • Maker. • Payee. If it is given a guarantee, then there will be a third person, who is called as "Guarantor" or "Surety".	There are three parties: • Drawer. • Drawee. • Payee.
3.	Promissory note contains a promise to pay the sum with interest or without interest at a later date.	A cheque is payable immediately on demand without any days of grace.
4.	Promissory note is not crossed.	Cheque can be crossed.
5.	No protection is available to the payee of note.	Statutory protection is given to the drawee banker. (Sec. 128)
6.	A promissory note cannot be self drawn.	A cheque can be self drawn or bearer cheque.
7.	No criminal liability shall be imposed on the maker.	Criminal Liability may be imposed on drawee for the dishonor of cheques in certain circumstances.
8.	Stamp is necessary.	Stamp is not necessary.
9.	Limitation: 3 years.	Limitation: 6 months.

4. (a) Elaborate the procedure for fixing and revising minimum wages. [7]
- (b) What is employees' state insurance fund and for what purposes the fund may be expanded ? [8]

Answer:4(a)

Procedure for fixing and revising minimum wages

Section 5 (1) provides that In fixing minimum rates of wages in respect of any scheduled employment for the first time under this Act or in revising minimum rates of wages so fixed, the appropriate government shall, either –
appoint as many committees and sub-committees as it considers necessary to hold enquiries and advise it in respect of such fixation or revision as the case may be; or

by notification in the Official Gazette, publish its proposals for the information of persons likely to be affected thereby and specify a date not less than two months from the date of the notification on which the proposals will be taken into consideration.

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Section 5(2) provides that after considering the advice of the committee or committees all representations received by it before the date specified in the notification, the appropriate government shall by notification in the Official Gazette, fix, or, as the case may be revise the minimum rates of wages in respect of each scheduled employment and unless such notification otherwise provides it shall come into force on the expiry of three months from the date of its issue. Where the appropriate government proposes to revise the minimum rates of wages by the mode specified in clause (b) of sub-section (1) the appropriate government shall consult the Advisory Board also.

In 'Bijay Unchana Paul V. State of Assam' – 1969 (19) FLR 11 it was held that it is necessary that the appropriate Government in issuing notifications for prescribing the rates of minimum wages under the Minimum Wages Act, 1948, punctiliously follows the letter of law and strictly complies with all the procedures laid down in the Act.

In 'T.G. Lakshmaiah Setty & Sons, Adoni V. State of Andhra Pradesh' – 1981 Lab IC 690 it was held that what is contemplated by the Act to be notified under Section 5(1)(b) is no doubt draft proposals. The objection to draft proposals can be made both by employers and employees as well. Thus, if the employees had exercised their privilege to represent and ask for higher wages and if eventually the State authorities had adopted higher rates of minimum wages.

Answer:4(b)

Employees' State Insurance Fund

Section 26 of the Act provides for the creation of Employees' State Insurance Fund held and administered by the Corporation. All contributions paid under this Act and all other moneys received on behalf of the corporation shall be paid into this fund. The grants, donations and gifts received from the Central Government or any State Government, local authority or any individual or body whether incorporated or not, are also paid into this Fund.

Purposes for which the fund may be expended

Section 28 of the Act provides the Central Government may utilize the State Insurance Fund only for the following purposes:

- payment of benefits and provision of medical treatment and attendance to insured persons and, where the medical benefit is extended to their families, the provision of such medical benefit to their families in accordance with the provisions of this Act and defraying the charges and costs in connection therewith;
- payment of fees and allowances to members of the Corporation, the Standing Committee and the Medical Benefit Council, the Regional Boards, Local Committees and Regional and Local Medical Benefit Councils;
- payment of salaries, leave and joining time allowances, travelling and compensatory allowances, gratuities and compassionate allowances, pensions, contributions to provident or other benefit fund of officers and servants of the Corporation and meeting the expenditure in respect of offices and other services set up for the purpose of giving effect to the provisions of this Act;
- defraying the cost (including all expenses) of auditing the accounts of the Corporation and of the valuation of its assets and liabilities;
- defraying the cost (including all expenses) of the Employees' Insurance Courts set up under this Act;

5. (a) Discuss the procedure of alteration of memorandum.

[10]

(b) Write a short note on red herring prospectus.

[5]

Answer:5(a)

Procedure of alteration of memorandum:

Section 13 of the Companies Act, 2013 provides the provisions that deal with the alteration of the memorandum. These provisions are:-

1. Alteration by special resolution: Company may alter the provisions of its memorandum with the approval of the members by a special resolution.

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2. Name Change of the company : Any change in the name of a company shall be effected only with the approval of Central Government in writing. However, no such approval shall be necessary where the change in the name of the company is only the deletion there from, or addition thereto, of the word "Private", consequent on the conversion of any one class of companies to another class.
3. Entry in register of companies: On any change in the name of a company, the Registrar shall enter the new name in the register of companies in place of the old name and issue a fresh certificate of incorporation with the new name and the change in the name shall be complete and effective only on the issue of such a certificate.
4. Change in the registered office: The alteration of the memorandum relating to the place of the registered office from one State to another shall not have any effect unless it is approved by the Central Government on an application in such form and manner as may be prescribed.
5. Disposal of the application of change of place of the registered office: The Central Government shall dispose of the application of change of place of the registered office within a period of sixty days. Before passing of order, the Central Government may satisfy itself that-
 - The alteration has the consent of the creditors, debenture-holders and other persons concerned with the company, or
 - that the sufficient provision has been made by the company either for the due discharge of all its debts and obligations, or adequate security has been provided for such discharge.
6. Filing with Registrar: A company shall, in relation to any alteration of its memorandum, file with the Registrar—
 - the special resolution passed by the company under sub-section (1) of Section 13;
 - the approval of the Central Government under sub-section (2), if the alteration involves any change in the name of the company.
7. Filing of the certified copy of the order with the registrar of the states: Where an alteration of the memorandum results in the transfer of the registered office of a company from one State to another, a certified copy of the order of the Central Government approving the alteration shall be filed by the company with the Registrar of each of the States within such time and in such manner as may be prescribed, who shall register the same.
8. Issue of fresh certificate of incorporation: The Registrar of the State where the registered office is being shifted to, shall issue a fresh certificate of incorporation indicating the alteration.
9. Change in the object of the company: A company, which has raised money from public through prospectus and still has any unutilised amount out of the money so raised, shall not change its objects for which it raised the money through prospectus unless a special resolution through postal ballot is passed by the company and—
 - the details, in respect to of such resolution shall also be published in the newspapers (one in English and one in vernacular language) which is in circulation at the place where the registered office of the company is situated and shall also be placed on the website of the company, if any, indicating there in the justification for such change;
 - the dissenting shareholders shall be given an opportunity to exit by the promoters and shareholders having control in accordance with regulations to be specified by the Securities and Exchange Board.
10. Registrar to certify the registration on the alteration of the objects: The Registrar shall register any alteration of the memorandum with respect to the objects of the company and certify the registration within a period of thirty days from the date of filing of the special resolution.
11. Alteration to be registered: No alteration made under this section shall have any effect until it has been registered in accordance with the provisions of this section.
12. Only member have a right to participate in the divisible profits of the company: Any alteration of the memorandum, in the case of a company limited by guarantee

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and not having a share capital, intending to give any person a right to participate in the divisible profits of the company otherwise than as a member, shall be void.

Answer:5(b)

Red herring prospectus

The Explanation to Section 32 defines the term 'red herring prospectus' as a prospectus which does not include complete particulars of the quantum or price of the securities included therein.

Section 32 provides that a company proposing to make an offer of securities may issue a red herring prospectus prior to the issue of a prospectus. The same shall be filed with the Registrar at least three day prior to the opening of the subscription list and the offer. It shall carry the same obligations as are applicable to a prospectus and any variation between the red herring prospectus and a prospectus shall be highlighted as variations in the prospectus.

At the time of closing of the offer, the prospectus stating the total capital raised, whether by way of debt or share capital and the closing price of the securities and any other detail as are not included in the red herring prospectus shall be filed with the Registrar and the SEBI.

- 6. (a) State the disqualification for appointment of directors. [8]**
(b) Describe the procedures for the resignation of a director. [7]

Answer:6.(a)

Disqualifications for appointment of director

Section 164 of the Act details the disqualification of a person for the appointment as a Director. A person shall not be eligible for appointment as a Director of a company, if-

- (a) he is of unsound mind and stands so declared by a competent court;
- (b) he is an undischarged insolvent;
- (c) he has applied to be adjudicated as an insolvent and his application is pending;
- (d) he has been convicted by a Court of any offence, whether involving moral turpitude or otherwise and sentenced to imprisonment for not less than 6 months and a period of 5 years has not elapsed from the date of expiry of the sentence; If a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of 7 years or more, he shall not be eligible to be appointed as a director in any company;
- (e) an order disqualifying him for appointment as a director has been passed by the Court or Tribunal and the order is in force;
- (f) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others and six months have elapsed from the last day fixed for the payment of the call;
- (g) he has been convicted of the offence dealing with related party transactions under Section 188 at any time during the last preceding five years; or
- (h) he has not obtain DIN.

A private company may by its articles provide for any disqualifications for appointment as a director in addition to the above disqualifications.

The disqualifications referred under (d), (e) and (g) above shall continue to apply even if the appeal or petition has been filed against the order of conviction or disqualification.

Answer:6(b)

Resignation of a director

Section 168 provides the procedure for the resignation of a director as detailed below:

- A director may resign from his office by giving a notice in writing to the company;

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- He shall within 30 days from the date of resignation, forward to the Registrar a copy of his resignation along with the reasons for the resignation, in Form No. DIR – 11 along with the fee;
- A foreign director may authorize in writing a practicing Chartered Accountant or Cost Accountant in practice or Company Secretary in practice or any other resident director of the company to sign the Form No. DIR – 11 and file the same on his behalf intimating the reasons for the resignation;
- The Board shall on receipt of such notice take notice of the same;
- The company shall intimate the Registrar in Form No. DIR-12 within one month from the date of receipt of such notice;
- The said information is to be posted on the website of the company;
- The fact of the resignation shall be included in the report of directors laid in immediately following general meeting by the company;
- The resignation of a director shall take effect from the date on which the notice is received by the company or the date, if any, specified by the director in the notice, whichever is later;
- The director who has resigned shall be liable even after his resignation for the offences which occurred during his tenure;

Where all directors of a company resign from their offices the promoter or , in his absence, the Central Government shall appoint the required number of directors, who shall hold the office till the directors are appointed by the company in general meeting.

7. (a) **What are the areas in business ethics and write the note of the same.** [8]
(b) **What is allocable surplus ? Describe 'set on' and 'set off' of allocable surplus.** [7]

Answer:7(a)

Areas in business ethics

- Corporate Social Responsibility;
- Fiduciary responsibility to stake holders;
- Industrial espionage.

Ethical behavior and corporate social responsibility can bring significant benefits to a business. For example, they may:

- attract customers to the firm's products, which means boosting sales and profits
- make employees want to stay with the business, reduce labour turnover and therefore increase productivity
- attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees
- attract investors and keep the company's share price high, thereby protecting the business from takeover. Knowing that the company, they deal with, has stated their morals and made a promise to work in an ethical and responsible manner allows investors' peace of mind that their money is being used in a way that arranges with their own moral standing. When working for a company with strong business ethics, employees are comfortable in the knowledge that they are not by their own action allowing unethical practices to continue. Customers are at ease buying products or services from a company they know to source their materials and labor in an ethical and responsible way.

A company which sets out to work within its own ethical guidelines is also less at risk of being fined for poor behavior, and less likely to find themselves in breach of one of a large number of laws concerning required behavior. Reputation is one of a company's most important assets, and one of the most difficult to rebuild should it be lost. Maintaining the promises it has made is crucial to maintaining that reputation. Businesses not following any kind of ethical code or carrying out their social responsibility leads to wider consequences. Unethical behavior may damage a firm's reputation and make it

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less appealing to stakeholders. This means that profits could fall as a result. The natural world can be affected by a lack of business ethics. For example, a business which does not show care for where it disposes its waste products, or fails to take a long-term view when buying up land for development, is damaging the world in which every human being lives, and damaging the future prospects of all companies.

Answer:7(b)

Allocable Surplus [Section 2(4)]

It means –

- (a) in relation to an employer, being a company (other than a banking company) which has not made the arrangements prescribed under the Income-tax Act for the declaration and payment within India of the dividends payable out of its profits in accordance with the provisions of Section 194 of that Act, sixty-seven per cent of the available surplus in an accounting year;
- (b) in any other case sixty per cent of such available surplus.

Set on and set off of allocable surplus

Section 15(1) provides that if the allocable surplus, in any accounting year, exceeds the amount of maximum bonus payable then the excess shall subject to a limit of 20% of the total salary or wage of the employees be carried forward for being set on in the succeeding accounting year and so on up to and inclusive of the fourth accounting year to be utilized for the purpose of bonus.

Section 15(2) provides that where for any accounting year, there is no available surplus or allocable surplus in respect of that year falls short of the amount of minimum bonus payable to the employees and there is no amount or sufficient amount carried forward and set on which could be utilized for the purpose of payment of the minimum bonus, then such minimum amount or the deficiency, as the case may be, shall be carried forward for being set off in the succeeding accounting year and so on up to and inclusive of the fourth accounting year in the manner illustrated in Fourth Schedule.

Section 15(4) provides that where in any accounting year any amount has been carried forward and set on or set off, then, in calculating bonus for the succeeding accounting year, the amount of set on or set off carried forward from the earliest account year, shall first be taken into account.

8. Write short notes on any three of the following:

[3×5=15]

- (a) Distinction between Indemnity and Guarantee.
- (b) Write a short note on 'Doctrine of ultra vires'.
- (c) Advantages of business ethics.
- (d) Write a short note on 'Hazardous processes'.

Answer:

8(a) Differences between Branch Account and Departmental Account:

SL. NO	CONTRACT OF INDEMNITY	CONTRACT OF GAURANTEE
1.	In this contract there are two parties – the indemnifies and the indemnified.	In this contract three parties are involved – principal debtors, surety and creditor
2.	The primary liability is on the indemnifier	The principal liability is on the principal debtors. Secondary liability is on the surety.

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3.	The possibility of any loss happening is the only contingency against which the indemnifier undertakes to indemnify.	There is an existing debt for which the surety gives guarantee to the creditor on behalf of the principal debtor.
4.	The indemnifier cannot sue the third party in his own, unless there is an assignment.	The surety is entitled to proceed against the principal debtor when he is obliged to perform the guarantee
5.	The indemnifier is not acting at the request of the debtor	The surety gives contract at the request of the principal debtor.

8(b) DOCTRINE OF ULTRAVIRES:

The meaning of the term ultra vires is simply "beyond (their) powers". The legal phrase "ultra vires" is applicable only to acts done in excess of the legal powers of the doers. This presupposes that the powers are in their nature limited. To an ordinary citizen, the law permits whatever does the law not expressly forbid. It is only when the law has called into existence a person for a particular purpose or has recognised its existence- such as in the case of a limited company - that the power is limited to the authority delegated expressly or by implication and to the objects for which it was created. In the case of such a creation, the ordinary law applicable to an individual is somewhat reversed, whatever is not permitted expressly or by implication, by the constituting instrument, is prohibited not by any express prohibition of the legislature, but by the doctrine of ultra vires. It is a fundamental rule of Company Law that the objects of a company as stated in its memorandum can be departed from only to the extent permitted by the Act - thus far and no further [Ashbury Railway Company Ltd. vs. Riche]. In consequence, any act done or a contract made by the company which travels beyond the powers not only of the directors but also of the company is wholly void and inoperative in law and is therefore not binding on the company. On this account, a company can be restrained from employing its fund for purposes other than those sanctioned by the memorandum. Likewise, it can be restrained from carrying on a trade different from the one it is authorised to carry on. The impact of the doctrine of ultra vires is that a company can neither be sued on an ultra vires transaction, nor can it sue on it. Since the memorandum is a "public document", it is open to public inspection. Therefore, when one deals with a company, one is deemed to know about the powers of the company. If in spite of this you enter into a transaction which is ultra vires the company, you cannot enforce it against the company. For example, if you have supplied goods or performed service on such a contract or lent money, you cannot obtain payment or recover the money lent. But if the money advanced to the company has not been expended, the lender may stop the company from parting with it by means of an injunction; this is because the company does not become the owner of the money, which is ultra vires the company. As the lender remains the owner, he can take back the property in specie. If the ultra vires loan has been utilised in meeting lawful debt of the company then the lender steps into the shoes of the debtor paid off and consequently he would be entitled to recover his loan to that extent from the company. An act which is ultra vires the company being void cannot be ratified by the shareholders of the company. Sometimes, act which is ultra vires can be regularised by ratifying it subsequently. For instance, if the act is ultra vires the power of the directors, the shareholders can ratify it; if it is ultra vires the articles of the company, the company can alter the articles; if the act is within the power of the company but is done irregularly, shareholder can validate it.

8(c) Advantages of business ethics

The following are the advances for following the principles of business ethics-

- It offers a company a competitive advantage;
- Goodwill of the firm hikes depending on its responds towards its ethical issues;
- Productivity through rigid, firm and sincere workers as well as other business chain members;
- Through increasing morale and trust business can increase their market share;
- Publicity due to well and ethical performance;
- Acceptance of products of the company by the public;
- Overall growth of the society;
- Makes change management easy;
- Value integration with quality, strategy and pende;

8(d) Hazardous processes:

Chapter IVA provides for making provisions relating to hazardous process. The State Government may, for purposes of advising it to consider applications for grant of permission for the initial location of a factory involving a hazardous process or for the expansion of any such factory, appoint a Site Appraisal Committee. The Site Appraisal Committee shall examine an application for the establishment of a factory involving hazardous process and make its recommendation to the State Government within 90 days of the receipt of such application. The Committee has the power to call for any information from the person making an application. When the application is got approved by the State Government, it shall not be necessary to obtain a further approval from the Central Board of the State Board of pollution authorities.