

**Paper- 6: COMMERCIAL & INDUSTRIAL LAWS AND AUDITING**

Time Allowed: 3 Hours

Full Marks: 100

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

- Please: (i) Answer all bits of a question at one place  
(ii) Open a new page for answer to a new question  
(iii) Attempt the required number of question only.

**Answer Question No. 1 and Question No. 5 which are compulsory and attempt any two from the rest in Section-I and any two from the rest in Section-II.**

**Section-I (50 Marks)  
(Commercial and Industrial Laws)**

1. Comment on the following based on legal provisions (no mark for wrong reasons or justification) 2X7
- (a) Mr. "E" joined as supervisor on monthly salary of ₹ 9,900 on 01.02.2014 and resigned from his job on 28.02.2014. The company declared a bonus of 20% to all eligible employees and paid to on time. Mr. "E" knowing the facts made a claim to HRD, which in turn rejected the claim. Examine the validity in the light of the provisions of the Payment of Bonus Act, 1965.
- (b) A bank when gives a guarantee on behalf of a principal debtor, is called a guarantor.
- (c) As per Industrial Dispute Act, 1947, the Charitable Institutions are not industry.
- (d) Drawee in case of need and Acceptor for honour is the same.
- (e) An hirer, who obtains possession of a car from its owner under a hire purchase agreement, sells the car to a buyer who buys in good faith and without notice of the right of the owner. The buyer gets good title to the car.
- (f) Stop payment instruction can stop prosecution (N.I.Act).
- (g) When contract becomes impossible to perform subsequent to the agreement, it is called "Doctrine of Frustration".
- 2 (a) R of New Delhi sends his agent M to purchase certain goods from Global Enterprise, Mumbai on credit for him. Later on R pays the amount for the goods purchased. On another occasion, he again sends M to purchase goods but this time pays sufficient cash to M for the purpose. M, however again purchases the goods from Global Enterprises but on credit and soon thereafter he dies. Global Enterprise files a suit against R for recovery

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- of the said amount. Decide whether Global Enterprise would be given any relief by the Court under the provisions of the Indian Contract Act, 1872. [2]
- (b) Examine the entitlement of a dismissed employee to receive bonus under the Payment of Bonus Act, 1965. [4]
- (c) 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]
- (d) S is employed in Golden ice-cream factory, a seasonal establishment. The factory was in operation for four months only during the Financial year 2013-14. S was not in continuous service during this period. However, he has worked only sixty days. Referring to the provisions of the Payment of Gratuity Act, 1972 decide whether S is entitled to gratuity payable under the Act, would your answer be the same in case S works for 100 days? [3]
- (e) A, B and C are partners in a firm. They jointly promise to pay ₹ 1,50,000 to P. C became insolvent and his private assets are sufficient to pay only 1/5 of his share of debts. A is compelled to pay the whole amount to P. Examining the provisions of the Indian Contract Act, 1872, decide the extent to which A can recover the amount from B. [2]
- (f) Distinguish between lock-out and closure. [4]
3. (a) In an Auction sale, a bid once made can be withdrawn by the Bidder. Comment citing rules. [2]
- (b) Has the property in the goods passed in the following cases?
- (i) B offers for a specific horse ₹ 20,000, the horse to be delivered on 5th January, and the price to be paid on the 1st February following
  - (ii) B orders A, a boat-builder, to make him a boat. While the boat is being built, B pays to A money from time to time on account of price.
  - (iii) A, having a quantity of sugar which is more than twenty quintals, contracts to sell to B ten quintals out of it. Afterwards A puts ten quintals of sugar in sacks and gives notice to B that the sugar is ready and requires him to take it away, B says he will take it as soon as he can. [1+1+1]
- (c) Write down the specific responsibility of the occupier in relation to hazardous processes under Section 41 –C of the Factories Act. [4]
- (d) State the grounds upon which a contract may be discharged under the provisions of the Indian Contract Act, 1872. [2]

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- (e) State the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 regarding the following:  
(i) rate of interest on amount due from the employer under the Act  
(ii) maximum limit of interest rate  
(iii) the period for which the employer is liable to pay the said interest. [1+1+1]
- (f) State eligibility and disqualification for bonus under the Payment of Bonus Act, 1965. [4]
4. (a) Answer any Four: [4 × 4]  
(i) Restrictive trade practice  
(ii) Bid rigging  
(iii) Sale and Contract for work and material (Sale of Goods Act).  
(iv) Service (Consumer Protection Act, 1986).  
(v) Negotiation and Endorsement of a Negotiable Instrument.
- (b) A limited liability Partnership is a body corporate. Comment. [2]

### Section -II (50 Marks) (Auditing)

5. Comment on the following statements based on legal provisions: (No mark for wrong reasons or justification) [2X7]
- (a) Retiring Auditor is always reappointed automatically.
- (b) The directors of a company object to the critical examination of a particular entry by the auditor, on the ground that the impugned entry is merely a "book entry", not having any bearing on the Company's results. Is the objection sustainable?
- (c) Capitalisation of Borrowing Costs would continue during extended periods in which active development is interrupted.
- (d) A chartered accountant who has taken a loan of ₹ 10,000 from a Kolkata Branch of a Nationalised Bank can audit the accounts of Chennai Branch of the same Bank.
- (e) In the case of amalgamation by takeover, the statutory reserves of the transferor company need not be shown in the financial statements of transferee company.
- (f) Materials in the inventory are to be valued always at cost.
- (g) Shareholders of Hide Ltd. pass a special resolution that the Branch Auditor of the company need not verify the stock and cash balances at the branches.
6. (a) Can a Limited Liability Partnership be appointed as an auditor? [2]  
(b) How as an Auditor you will verify the 'Sales Tax/VAT'? [4]  
(c) As an Auditor, how you will audit in case of data processing through computer service

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- centre? [4]
- (d) Explain the procedure for appointment of first auditor, as per Companies Act, 2013. [4]
- (e) Find out the difference between India's GAAP & US GAAP in respect of:  
(i) Goodwill;  
(ii) Foreign currency transaction. [2+2]
- 7 (a) How you will conduct the:  
(i) Physical verification of Fixed Capital assets;  
(ii) Idle facilities. [2+2]
- (b) Write short notes on 'Audit in Depth'. [4]
- (c) How will you verify Goods in Bond? [4]
- (d) Dividends can be distributed out of reserves. Comment. [2]
- (e) State with reasons whether you, as an auditor, would approve the payment of dividend if the company has incurred losses in the current financial year. [4]
8. (a) What are the types of internal controls likely to be found in a computer based system? [3]
- (b) What are the major phases in the audit of computerized accounts? [4]
- (c) Audit procedures and audit techniques are not the same thing – Discuss. [3]
- (d) How Internal Audit become an important Management tool? [4]
- (e) Auditors are to observe certain standards in field work and reporting under GAAP/GAAS. Explain. [4]