

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]

(i) S induced R to buy his motorcycle saying that it was in a very good condition. After taking the motorcycle, R complained that there were many defects in the motorcycle. S proposed to get it repaired and promised to pay 40% cost of repairs. After a few days, the motorcycle did not work at all. Now R wants to rescind the contract.

(ii) Z & Co. through a newspaper advertisement announced a season end sale of woolen garments and exhibited the articles in their showroom with the original and the reduced prices marked on them. H, who had read the advertisement, picks up a woolen sweater marked ₹ 500/- as original price and ₹ 200/- as reduced price. But when H offers ₹ 200/- at the counter, the salesman refuses to accept the amount and hand over the article to H. State the rights of H against Z & Co.

(iii) B buys goods from A on payment but leaves the goods in the possession of A. A then pledges the goods to C who has no notice of the sale to B. State whether the pledge is valid and whether C can enforce it. Decide with reference to the provisions of the Sale of Goods Act, 1930.

(iv) XYZ Ltd is running into losses and is unable to pay minimum rates of wages to its employees. The employees pleaded that employer is under obligation to pay the wages at minimum rates. XYZ Ltd. Intends to go to the court challenging the constitutional validity of the Minimum Wages Act, 1948. Will the company succeed?

(v) Safety officers in any factory are optional and not mandatory. Comment

(vi) P purchased from Q 5000 tins of canned fruit to be packed in cases, each containing 50 tins but Q supplied cases containing 25 tins. Does P have right to reject the goods?

(vii) The Superior Merchants Association was constituted by two Joint Hindu families consisting of 21 major and 5 minor members. The association was carrying the business of trading as retailers with the object for acquisitions of gain. The Association was not registered as a Company under companies Act or other law. State whether Superior Merchant Association is having any legal status?

(viii) Under Section 14 of Companies Act, 1956, the Memorandum of Association of a company may be in any form. Comment

(ix) Do you consider business ethics to be a professional code?

(x) What responsibility towards public should a Management Accountant professional have?

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Question 2: Answer any 4 questions

[4 × 12 = 48]

Question 2(a)

(i) Mr. Saxena received cheque dated 02.05.2014 for ₹10,000 from Mr. Malhotra towards cost of furniture. On 13.11.10 Mr. Malhotra closed the Bank Account. What action Mr. Saxena can take to receive the amount against the cheque which is still with him.

(ii) Jayanta, the owner of a car handovers the car with key to Partha (the mercantile agent) to sell the car at a price not below ₹ 1,00,000. Partha (the agent) sold at ₹ 90,000 to Amitava, who buys in good faith and without notice of reserve price/or any fraud. Partha misappropriated the money also. Jayanta filed a suit against Amitava to recover the car. Advice with reason whether Jayanta can succeed.

(iii) Write short notes on 'Forfeiture' based on Gratuity Act, 1972

[4+4+4 = 12]

Question 2(b):

(i) Under what circumstances pension under E.P.F can be applied for by an employee?

(ii) Amit draws a bill on Raja for ₹10,000 payable to his order. Raja accepts the bill but subsequently dishonours it by non-payments. Amit sues Raja on the bill. Raja proves that it was accepted for value as of ₹8,000 and as accommodation to Amit for ₹2,000. How much can Amit recover from Raja? Decide in the light of the provisions of the Negotiable Instruments Act, 1881?

(iii) Maker of a cheque is not liable under N.I. Act for dishonor of cheque under certain conditions. State such conditions.

(iv) While discussing, Rajib told his friends that, 'Contracts need not be performed under certain circumstances'. Deepak objected to it. State the correct position.

[4+2+2+4 = 12]

Question 2(c):

(i) Saxena lets to Mr. Menon for hire a horse for his own riding but Mr. Menon drives the horse in his carriage. What action Saxena can take?

(ii) As per order, Mr. Malhotra sent some goods to Mr. Paul at Kolkata through Rail. The Station Superintendent of Howrah station informed Mr. Paul that Goods are held at the Station at Paul's risk and cost. In the mean time, Mr. Paul became insolvent. Mr. Malhotra wants to enforce right as an unpaid seller. Comment.

(iii) Ashim sells 1600 kgs. of wheat out of large quantity lying in his godown forwarded to Bablu. Out of these, Bablu sells 600 kgs. to Chandan (wheat yet to be ascertained). Then Chandan the delivery order signed by Bablu to Ashim who confirmed that wheat would be dispatched in due course. Bablu then becomes insolvent. Ashim refused to deliver to Chandan. Advice Chandan based on rules. Comment

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(iv) Mr. Batliboi bought 50 kgs. of potato against cash payment from Mr. Joshi under a Contract of Sale but half of consignment was rotten and Mr. Joshi refused to change the rotten potato nor refunded the value. Comment.

(v) 'A' (workman) is laid-off by his employer 'B' because of strike in another part of 'B's' establishment. 'A' is entitled to get compensation for lay off under the Industrial Disputes Act, 1947. Comment

(vi) A workman while returning home after duty was murdered within the premises of the employer. A's widow is not entitled to compensation under the Workmen's Compensation Act 1923. Comment

[6 × 2 =12]

Question 2(d):

(i) Comment on the following based on legal provisions (no mark for wrong reasons or justification):

A. Mr. Menon offered on 1st December, 2013 to sell his house to Mr. Pandey at ₹ 35,00,000. Mr. Pandey accepted by email on 2nd December, 2013 at 8 AM. and at 10 A.M. Mr. Pandey sent a Fax revoking the acceptance. Both email (i.e. acceptance) and Fax (i.e. revocation) revoked Menon at the same time. Hence this was valid. Comment.

B. Provisions of Indian Partnership Act 1932 are applicable to LLPs and the body Corporate may be partner of LLP.

C. On 01.10.2014 Mr. Barun kept his Cow under the custody of Mr. Tarun for one month and paid ₹ 1000 for maintenance. On 15.10.2014, the Cow gave birth of a Calf. On 30.10.2014. Tarun returned the Cow retaining the Calf. Justify Tarun's action.

D. A surety is discharged from his liability where there is failure of Consideration between the Creditor and the Principal Debtor in a Contract of Guarantee. Comment

E. Whether Mr. Sham who joined the company on 1.7.2010 and died on 30.11.2014 is entitled Gratuity. Answer citing Rules.

F. Manager of ABC Ltd. told that total amount of deduction which may be made from (he wages of any workman during a month shall not exceed 90% of such wages. - State Legal provisions.

[6 × 2 =12]

Question 2(e):

(i) All the members of a limited partnership firm are "designated members".

(ii) 'A' the buyer ordered a patent smoke consuming furnace by its Patent name for his brewery on 'B'. Furnace received was however found to be unsuitable for the purpose. Hence seller is responsible.

(iii) ABC Ltd. who incurred heavy loss during 2013-14 has not paid Bonus to any of its employees.

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(iv) Works Manager has deducted ₹ 500 from wages towards the cost of tools and raw materials supplied to workers for purpose of employment (Payment of Wages Act).

[6+2+2+2 = 12]

Question 3: Answer any 2 questions

[2 × 8 = 16]

Question 3(a)

(i) 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.

(ii) F, an assessee, was a wealthy man earning huge income by way of dividend and interest. He formed three Private Companies and agreed with each to hold a bloc of investment as an agent for it. The dividend and interest income received by the company was handed back to F as a pretended loan. This way F divided his income into three parts in a bid to reduce his tax liability.

Decide, for what purpose three companies were established? Whether the legal personality of all the three companies may be disregarded?

[5 + 3 = 8]

Question 3(b):

(i) Define the term 'Associate Company', as per Companies Act, 2013.

(ii) Managing director of a company was convicted and sentenced to pay a fine for violation of the provisions of the Factories Act, 1948. A shareholder filed a petition for debarring the managing director from acting as such. Analyse the situation in light of Companies Act, 1956.

[3+5 =8]

Question 3(c):

(i) 'X' was appointed as managing director for life by the articles of association of a private company incorporated on 1st June, 2010. The articles also empowered 'X' to appoint a successor. 'X' appointed, by will, 'G' to succeed him after his death. Can 'G' succeed 'X' as managing director after the death of 'X'?

(ii) What are the probable steps for implementation of CSR.

[5+3 = 8]

Question 4: Answer any 2 questions

[2 × 8 = 16]

Question 4(a)

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

(ii) The responsibility of the corporate management lies towards shareholders only. Justify

[4+4 =8]

Question 4(b)

- (i) Knowledge without morality is a social sin. Justify.
- (ii) Fairness and honesty are the pillars of success in Business. Comment

[4+4 = 8]

Question 4(c)

- (i) State the requirements of 'business ethics'
- (ii) Is it possible to have single right answer to all ethical issues?

[4+4 = 8]