

**PAPER 6: LAWS, ETHICS AND GOVERNANCE**

## PTP\_ Intermediate\_Syllabus 2012\_Dec2015\_Set 2

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 × 10 = 20

- (a) Discuss 'Hazardous process' under the Factories Act, 1948
- (b) K works in a social welfare organization. Examine whether the Payment of Bonus Act, 1965 is applicable to him.
- (c) The employer of TGH Ltd made certain alteration in wage structure as a result of which certain allowances were discontinued. However the total salary of an employee remained unchanged. Will an application under Sec 15(2) of the Payment of Wages Act, 1936 lie for this?
- (d) 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?
- (e) 'X' agreed to become an assistant for 5 years to 'Y' who was a Lawyer practicing at Delhi. It was also agreed that during the term of agreement 'X' will not practice on his own account in Delhi. At the end of one year, 'X' left the assistantship of 'Y' and began to practice on his own account. Referring to the provisions of the Indian Contract Act, 1872, decide whether 'X' could be restrained from doing so?
- (f) X lends a sum of ₹10,000 to Y, on the security of five shares of a Limited Company on 1<sup>st</sup> April 2011. On 15<sup>th</sup> September, 2011, the company issues bonus shares. Y returns the loan amount of ₹ 10,000 with interest but X returns only five shares which were pledged and refuses to give the bonus shares. Advise Y in the light of the provisions of the Indian Contract Act, 1872.
- (g) State the legal requirements of subscription to memorandum during formation of a company.
- (h) Jeevan Jyoti Co. has 50% of its share held by State Government of Maharashtra. It claims to be a Government Co. Comment.
- (i) List the OECD guidelines.
- (j) State how a good environment improves corporate performance.

**Question 2: Answer any 4 questions**

[4 × 12 = 48]

**Question 2(a)**

- (i) Anil borrowed a sum of ₹ 3 lakh from Shubhas. Anil appointed Shubhas as his agent to sell his land and authorized him to appropriate the amount of loan out of the sale proceeds.

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Afterwards, Anil revoked the agency. Decide under the provisions of the Indian Contract Act, 1872 whether the revocation of the said agency by Anil is lawful?

- (ii) A appoints B as his agent to sell his estate. B, on looking over the estate before selling it, finds the existence of a good quality Granite-mine on the estate, which is unknown to A. B buys the estate himself after informing A that he (B) wishes to buy the estate for himself but conceals the existence of Granite-Mine. A allows B to buy the estate, in ignorance of the existence of Mine. State giving reasons in brief the rights of B, the principal, against B, the agent.

What would be your answer if B had informed A about the existence of Mine before he purchased the estate, but after two months, he sold the estate at a profit of Rs. 1 lakh?

- (iii) Ram sent a consignment of goods worth ₹ 1,00,000 by railway and got railway receipt. He obtained an advance of ₹ 40,000 from the bank and endorsed and delivered the railway receipt in favour of the bank by way of security. The railway failed to deliver the goods at the destination. The bank filed a suit against the railway for ₹ 1,00,000.

Decide in the light of provisions of the Indian Contract Act, 1872, whether the bank would succeed in the said suit?

- (iv) M lends a sum of ₹ 5,000 to B, on the security of two shares of a Limited Company on 1st April 2015. On 15th June, 2015, the company issued two bonus shares. B returns the loan amount of ₹ 5,000 with interest but M returns only two shares which were pledged and refuses to give the two bonus shares. Advise B in the light of the provisions of the Indian Contract Act, 1872.

[2+3+5+2 = 12]

### Question 2(b)

- (i) S delivered his car to M for repairs. Mahesh completed the work, but did not return the car to S within reasonable time, though S repeatedly reminded Mahesh for the return of car. In the meantime a big fire occurred in the neighbourhood and the car was destroyed. Decide whether M can be held liable under the provisions of the Indian Contract Act, 1872.

- (ii) Amal hires a carriage of Bimal and agrees to pay ₹ 500 as hire charges. The carriage is unsafe, though Bimal is unaware of it. Amal is injured and claims compensation for injuries suffered by him. Bimal refuses to pay. Discuss the liability of Bimal.

- (iii) Amit, the bailor, pledges cinema projector and other accessories with Cine Association Co-operative Bank Limited, the bailee, for loan. Amit requests the bank to allow the pledged goods to remain in his possession and promises to hold the same in trust for the bailee and also further promises to handover the possession of the same to the bank whenever demanded.

Examining the provisions of Indian Contract Act, 1872 decide, whether a valid contract of pledge has been made between Amit, the bailor and Bank, the bailee?

- (iv) C, the holder of an overdue bill of exchange drawn by A as surety for B, and accepted by B, contracts with X to give time to B. Is A discharged from his liability?

[3+3+4+2 = 15]

### Question 2(c)

- (i) What do you understand by the term 'partial disablement' under the Employees' Compensation Act, 1923?

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- (ii) X was engaged as a car driver by Y, Manager of BOK Bank who received an allowance in this regard. Examine whether X can be held as an employee of the Bank under the Industrial Dispute Act, 1947, if the car is maintained at the Bank's expenses
- (iii) 'Receipt of goods by buyer does not necessarily result in acceptance of goods by him under contract of sale.' State when can a buyer be deemed to have accepted the goods?
- (iv) A contracts with B for sale of 50 quintals of 'Desi Ghee', delivery to be done in batches within a specified period. A delivers 40 quintals of ghee but does not supply the residue. A claims price for the quantity supplied, and refuses to supply the remainder unless price is paid for the quantity delivered. Decide.

[3+3+3+3 = 12]

### Question 2(d)

- (i) W is engaged in two types of job in a factory, that of a mechanic and watchman. The wage rates are different for two different jobs. The employer calculates his minimum wage at an average rate.
- (ii) Progressive Ltd. is a navratna undertaking having its factories throughout India. The company has an impeccable record of best welfare measures and working conditions. Do the company require to appoint welfare officers?
- (iii) What are the implied conditions in a contract of 'Sale by sample' under the Sale of Goods Act, 1930?
- (iv) X sold a stock of wheat to Y at an agreed price per ton. The wheat was to be weighed by the agents of X and Y for ascertainment of price. A part of wheat was weighed and carried away by Y's agent but remainder was swept away by the flood. Who will bear the loss for the remainder?

[3+3+3+3 = 12]

### Question 2(e)

- (i) Explain the theory of notional extension of employment under the Employees' Compensation Act, 1923.
- (ii) ABC(P) Ltd. imposed a fine on Q, one of its employees for irregular attendance. No prior notice specifying this particular act in respect of which could be imposed was exhibited. ABC(P) Ltd deducted the fine in four installments from salary of Q. Is the employer justified?
- (iii) R buys goods from S on payment but leaves the goods in the possession of S. S then pledges the goods to T who has no notice of the sale to R. State whether the pledge is valid and whether T can enforce it. Decide with reference to the provisions of the Sale of Goods Act, 1930.
- (iv) Goods are delivered by P to Q on 'sale or return' basis. They are further delivered by Q to R and then by R to S. The goods are stolen when in custody of R. Examine who is/are to bear the loss and why?

[3+3+3+3 = 12]

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### Question 3: Answer any 2 questions

[2 × 8 = 16]

#### Question 3(a)

- (i) The object clause of the Memorandum of Association of RST Limited authorizes it to publish and sell text-books for students. The company, however entered into an agreement with Q to supply 100 laptops of worth ₹ 5 lac for resale purposes. Subsequently, the company refused to make payment on the ground that the transaction was ultra vires the company. Examine the validity of the company's refusal for payment to Q under the provisions of the Companies Act.
- (ii) The residents of HBC locality wanted one street in the area to be repaired before monsoon which was in highly dilapidated state. They approached the local MLA who expressed inability due to exhaustion of MLA Funds. The residents refuse to believe. Advice them in context of Right to Information Act, 2005.

[5+3 = 8]

#### Question 3(b)

- (i) Define the term "Contributory" as per Companies Act, 2013.
- (ii) The annual general meeting of a company was held in November, 2013. The company did not hold any general meeting in 2014. R, S and T are the directors liable to retire at the general meeting. Can they continue in office?

[2+6 = 8]

#### Question 3(c)

- (i) Mr. Ashim, a director of ABC Limited proceeding on a long foreign tour, appointed Mr. Amit as an alternate director to act for him during his absence. The articles of the company provide for the appointment of an alternate director. Mr. Ashim claims that he has a right to appoint an alternate director. Examine the given case in the light of the provisions of the Companies Act, 2013.
- (ii) How is Central Information Commission constituted under the RTI Act, 2005?

[5+3 = 8]

### Question 4: Answer any 2 questions

[2 × 8 = 16]

#### Question 4(a)

- (i) What are the reasons for which unethical behaviour might arise in an organization?
- (ii) What is the concept of ethical dilemma in context of finance and accounting professionals?

[4+4 = 8]

#### Question 4(b)

Discuss the code of ethic, to be followed by Management Accountant professional.

[8]

**Question 4(c)**

- (i) Mr. ROY is a CEO of a pharmaceutical company. His R&D department, while experimenting with a chemical molecule, sees the possibility that the molecule may be developed into a rug for a rare, painful, life-threatening genetic disease that afflicts only one child in ten million. But to develop the drug, his company may have to invest huge sum of the shareholder's money, despite the drug not wide salability. Is Mr. ROY confronted by an ethical dilemma? How should he resolve the issue?
- (ii) Differentiate between ethical code and contract.

**[5+3 = 8]**