

Paper 6- Laws, Ethics and Governance

PTP_Intermediate_Syllabus 2012_Dec 2015_Set 3

The following table lists the learning objectives and the verbs that appear in the syllabus learning aims and examination questions:

	Learning objectives	Verbs used	Definition
LEVEL B	KNOWLEDGE 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
	COMPREHENSION 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
	APPLICATION 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
	ANALYSIS 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 X 10 = 20

(a) Mr. Deepak of RB Textile Ltd. enters into a contract with RS Garments Show Room for supply of 1,000 pieces of Cotton Shirts at ₹3000 per shirt to be supplied on or before 31st December, 2015. However, on 1st November, 2015 RB Textiles Ltd informs the RS 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 ₹3500 per shirt. Examine the rights of the Retail Garments Show Room in this regard.

(b) Bikash holds agricultural land on a lease granted by Anit, the owner. The land revenue payable by Anit to the Government being in arrear, his land is advertised for sale by the Government. Under the Revenue law, the consequence of such sale will be termination of Bikash's lease. Bikash, in order to prevent the sale and the consequent termination of his own lease, pays the Government, the sum due from Anit. Referring to the provisions of the Indian Contract Act, 1872 decide whether Anit is liable to make good to Bikash, the amount so paid?

(c) Gopal's goods were seized by Custom Authorities. Whether this is bailment under Indian Contract Act, 1872?

(d) In an agreement between Priya and Rishab, there is a condition that they will not institute legal proceeding against each other without consent. Is the contract valid or void?

(e) R sent a consignment of goods worth ₹ 160,000 by railway and got railway receipt. He obtained an advance of ₹80,000 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 ₹ 160,000. Decide in the light of provisions of the Indian Contract Act, 1872, whether the bank would succeed in the said suit?

(f) What is the permissible limit of deductions from wages under the Payment of Wages Act, 1936.

(g) Joint Holder of shares in a public company are not a single member. Comment.

(h) A private company may, in its articles, incorporate additional disqualifications in respect of directorship of the company.

(i) What is meant by, 'Iron Law of responsibility'

(j) State what is meant by the principal of confidentiality in business ethics of a finance and accounting professional.

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Question 2: Answer any 4 questions

[4 × 12 =48]

Question 2(a)

- (i) State the circumstances where under an agent is personally liable to a third party for the acts during the course of agency?
- (ii) When a contract need not be performed?
- (iii) A sold his car to B for ₹175,000. After inspection and satisfaction, B paid ₹87,500 and took possession of the car and promised to pay the remaining amount within a month. Later on A refuses to give the remaining amount on the ground that the car was not in a good condition. Advise A as to what remedy is available to him against B.
- (iv) Kasim the owner of a Fiat car wants to sell his car. For this purpose he hands over the car to Munshi, a mercantile agent for sale at a price not less than ₹100, 000. The agent sells the car for ₹75,000 to Bibhu, who buys the car in good faith and without notice of any fraud. Munshi misappropriated the money also. Kasim sues Bibhu to recover the Car. Decide given reasons whether Kasim would succeed.

[4+2+3+3 = 12]

Question 2(b)

- (i) Miss Zoya, a film actress agreed to work exclusively for a period of 4 years, for a film production company. However, during the said period she enters into a contract to work for another film producer. Discuss the rights of the aggrieved film production company under the Indian Contract Act, 1872
- (ii) '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 current financial year, pending certain inquiry. Since there were no adverse findings 'X' was re-instated in service. Later, when the bonus as 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'.
- (iii) Briefly explain the difference between Partnership and Co-ownership.

[3+4+5 = 12]

Question 2(c)

- (i) State the circumstances in which surety is not discharged.
- (ii) Abhishek contracts to sell Bhusan, by showing sample, certain quantity of tea described as "Best quality Darjeeling tea". The tea when delivered matches with the sample, but it is not Darjeeling tea. Referring to the provisions of Sale of Goods Act, 1930 advise the remedy, if any, available to Bhusan.
- (iii) When is an employer liable and not liable to pay compensation to a workman for personal injury under Employees Compensation Act, 1923?
- (iv) A Bill of exchange dated 1st February, 2015 payable two months after date was presented to the maker for payment 10 days after maturity. What is the date of maturity? Explain with reference to the relevant provisions of the Negotiable Instruments Act, 1881 whether the endorser and the maker will be discharged by reasons of such delay.

[3+3+3+3 = 12]

Question 2(d)

- (i) Explain the concept of 'whistle blowing' with respect to the Limited Liability Partnership Act, 2008.
- (ii) X buys from Y a painting which both believe to be work of an old masterpiece and for which X pays a high price. The painting turns out to be only a modern copy. Discuss the validity of the contract.
- (iii) 'A' issue 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 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, discuss whether A's argument is valid or not.
- (iv) Under what circumstances breach of condition is treated as breach of warranty under the provisions of The Sale of Goods Act, 1930?

[3+2+3+4 = 12]

Question 2(e)

- (i) Makhan, seeing a mobile phone in a showcase of a shop which was marked for sale for ₹2,000, enters the shop, places ₹2,000 on cash counter and told to give him displayed mobile. Shop owner refused. Can the shop owner refuse to sale the displayed mobile?
- (ii) A, B, C are partners in a firm. As per terms of the partnership deed, A is entitled to 20% of the partnership property and profits. A retires from firm and dies after 15 days. B, C continues business of the firm without settling accounts. What are the rights of A's legal representatives against the firm under the Indian Partnership Act, 1932?
- (iii) Mr. Punit obtains fraudulently from Rohan a crossed cheque "Not Negotiable". He transfers the cheque to Sunit, who gets the cheque encashed from ABC bank limited which is not the drawee bank. Rohan on coming to know about the fraudulent act of Mr. Punit sues ABC Bank for the recovery of the money. Examine with reference to the relevant provisions of the Negotiable Instruments Act, 1881, whether Rohan will succeed in his claim. Would your answer be still the same in case Mr. Punit does not transfer the cheque and gets the cheque encashed from ABC Bank himself?
- (iv) What is Average Pay as per Industrial Disputes Act, 1947?

[3+3+4+2 = 12]

Question 3: Answer any 2 questions

[2 × 8 = 16]

Question 3(a)

- (i) Explain provisions of the Companies Act, 2013 regarding "document containing offer of securities for sale to be deemed prospectus".
- (ii) Is there any provision for exemption from Disclosure of Information under RTI Act, 2005?

[6+2 = 8]

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Question 3(b)

- (i) A Public Company secures residential accommodation for the use of its managing director by entering into a license arrangement under which the company has to deposit a certain amount with the landlord to secure compliance with the terms of the license agreement. Can it be considered as a loan to a director?
- (ii) Explain amended Cromme Code 2005 under “Transparency” in Germany Corporate Governance.

[5+3 =8]

Question 3(c)

- (i) What are the benefits of XBRL Web Services deployment for regulators and other government authorities?
- (ii) Explain the objectives of Right to Information Act, 2005.

[5+3 = 8]

Question 4: Answer any 2 questions

[2 × 8 = 16]

Question 4(a)

1. “Ethics are desirable for every business.” Comment.
2. Explain the interface between Ethics and Laws

[6+2 = 8]

Question 4(b)

- (i) Explain Business ethics as professional ethics.
- (ii) Discuss the ways of creating an ethical accounting environment.

[4+4 = 8]

Question 4(c)

- (i) What are the different types of threat that may affect the business environment and influence financial and accounting professionals?
- (ii) What is Ethical Conflict? What are the aspects to be considered to resolve the conflict?

[4+4 =8]