

PAPER 6: LAWS, ETHICS AND GOVERNANCE

	Learning objectives	Verbs used	Definition
LEVEL B	KNOWLEDGE	List	Make a list of
	What you are expected to know	State	Express, fully or clearly, the details/facts
		Define	Give the exact meaning of
		COMPREHENSION	Describe
	What you are expected to understand	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	Apply
	How you are expected to apply your knowledge	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	Analyse	Examine in detail the structure of
	How you are expected to analyse the detail of what you have learned	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

(i) "Sweet smell" Soap Co. advertised that it would give a reward of ₹ 1,000 who developed skin disease after using, "Sweet smell" soap of the company for a certain period according to the printed directions. Miss Deepa purchased the advertised "Sweet smell" soap and developed skin disease in spite of using this soap according to the printed instructions. She claimed reward of ₹ 1,000. The company refused the reward on the ground that offer was not made to her and that in any case she had not communicated her acceptance of the offer. Decide whether Miss Deepa can claim the reward or not. Refer the relevant case law, if any.

(ii) A draws a bill on B. B accepts the bill without any consideration. The bill is transferred to C without consideration. C transferred it to D for value. Decide -

A. Whether b can sue the prior parties of the bill, and

B. Whether the prior parties other than D have any right of action intense?

Give your answer with reference to the Provisions of Negotiable Instruments Act, 1881.

(iii) Mr. Suri is working as an accountant in a company on salary basis. The following payments were made to him by the company during the previous financial year -

(a) Overtime allowance,

(b) Dearness allowance

(c) Commission on sales

(d) Employer's contribution towards pension fund

(e) Value of free food.

Examine as to which of the above payments form part of 'salary' of Mr. Suri under the provisions of the Payment of Bonus Act, 1965.

(iv) While an employee may increase his contribution to Provident Fund, is an employer also liable to proportionately increase his contribution to the above under the Employees Provident Funds and Miscellaneous Provisions Act, 1952? Comment.

(v) Strong Steels Limited decided to forfeit the amount of gratuity of its employee Sunny on account of disorderly conduct and other acts which caused loss to the property belonging to the company. Sunny, committed the following act. He, after superannuation, continued to occupy the quarter of the company for six months.

Against the decision of the company, Sunny applied to the court for relief. The Company contented that the right to gratuity is not a statutory right and the forfeited amount of gratuity was within the law.

Examine the contention of the company and the decision taken by the company to forfeit the amount of gratuity in the light of the Payment of Gratuity Act, 1972.

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(vi) With a view to boost sales Harmeet Automobiles sells a motorcar to Ms. Nikki on trial basis for a period of three days with a condition that if Ms. Nikki is not satisfied with the performance of the car she can return it back. However the car was destroyed in a fire accident at the place of Ms. Nikki, before the expiry of three days. Would Ms. Nikki be liable for the loss suffered?

(vii) A company is a citizen. Comment.

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

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

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

Question 2: Answer any 4 questions

[4 × 12 =48]

Question 2(a)

(i) Comment on the following:

- A. 'Goods seized by Customs Authority are a case of bailment under Indian Contract Act', offer your views.
- B. Mr. A, Mr. B & Mr. C are Sureties to Mr. D for the sum of ₹6000 lent to Mr. E failed to repay on due date. Mr. A. one of the sureties disagreed to pay. Advice whether 'A' is right.
- C. A deceit which does not deceive is not a fraud.

(ii) Rashi instructed Sashi, a transporter, to send a consignment of apples to Mumbai. After covering half a distance, Sashi found that the apples will perish before reaching Mumbai. Hence, he sold the same at a half the market price. Rashi sued against Sashi. Will he succeed?

(iii) 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?

[6+3+3 = 12]

Question 2(b)

Comment on the following:

(i) In case of personal injury, the employer is liable to pay compensation within 3 months from the date when it falls due. State legal provisions

(ii) Personal Manager told to Director that at least one canteen shall be provided in every factory. Do you agree?

(iii) Calculate the amount of gratuity of Mr. X who joined the company on 1.5.84 and retired on 30.11.2014 when his salary was ₹ 26,000 per month. During November, 2014 he received overtime and incentive ₹5,000.

(iv) When and under what circumstances a person can receive pension under Employees Provident Fund Scheme?

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(v) Dr. B has been dismissed by the Manager of an Industrial Establishment. Workmen demanded his reinstatement. Comment legal position.

(vi) 'A' saved life of 'B' who was drowning, Latter A' demanded remuneration from 'B' for saving of life was valid consideration, A' would succeed.

[6 × 2 = 12]

Question 2(c)

(i) Mr. Swift, a known smuggler, was caught in transfer of funds by illegally exporting narcotic drugs from India to some countries in America. State the maximum punishment that can be awarded to him under prevention of Money Laundering Act.

(ii) How the surety is discharged from liability?

(iii) There are in total two parties to a Promissory Note. Comment.

[4+6+2 = 12]

Question 2(d)

(i) Mr. Naresh an agent of a buyer obtained goods from Railways and loaded such goods on his truck on 02.10.14. In the meantime, the Railways received a Notice from the seller (i.e. consignor) for stopping goods in transit as the Buyer become insolvent. Referring to the provisions of the Sale of Goods Act, 1930 decide whether the Railways can stop goods in transit as instructed by the seller?

(ii) Mr. Rishi sold to Mr. Ray certain quantity of foreign refined palm oil warranted equal to sample. The samples consisted of palm oil mixed with vegetable oil. The oil tendered corresponds with the sample but it was not such as is known in market as foreign refined palm oil. Mr. Ray wants to reject the oil on the ground that the oil supplied was not in accordance with the foreign refined palm oil. Advise Mr. Ray.

(iii) During 2001-2002, the employees were 50 and subsequently reduced to 10 during 2013-2014, Employer discontinued deduction as EPF not applicable due to reduction of Employees. Comment.

(iv) Manager of the factory fixed the working hours of women from 6:00 P.M. to 1:00 A.M. during the period from Monday to Friday of first week of May 2014. Whether it is permissible, cite with Rule position.

(v) What are the circumstances in which limited liability partnership may be wound up by Tribunal?

[2+2+2+2+4 = 12]

Question 2(e)

(i) Mr. Sujan was an employee of Super Builders Limited. He retired from the company after 30 years of continuous service. He applied to the company for payment of gratuity within the prescribed time. The company refused to pay the gratuity and contended that due to stringent financial conditions the company is unable to pay the gratuity. Mr. Sujan applied to the appropriate authority for recovery of the amount of the gratuity. Examine the validity with reference to Payment of Gratuity Act, 1972

(ii) Rekha is an employee of Satya software limited, which works 5 days a week. Rekha was not in continuous service during the financial year 2013-14. However, she worked only for 150 days because she was on maternity leave with full pay for 50 days. Referring to the provisions of Payment of Gratuity Act, 1972 decide whether Rekha is entitled to gratuity payable under this Act. Would your answer be different had Satya Software worked for 6 days a week.

(iii) Emraan, a temporary employee drawing a salary of ₹3000 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 financial year 2013-14, pending certain injury. Since there were no adverse findings Emraan was re-instated in service. Later when the bonus was to be paid to the other employees, the employers refused to pay bonus to Emraan, even though he had worked for the remaining ten months in the year. Referring to the provisions of Payment of Bonus Act, 1965 examine the validity of employers refusal to pay bonus.

[2+5+5 = 12]

Question 3: Answer any 2 questions

[2 × 8 = 16]

Question 3(a)

(i) State the meaning of 'Records' under the Right To Information Act, 2005.

(ii) Under Right to Information Act if life or liberty of any person is involved, the Public Information Officer expected to reply within one month. Correct the statement with relevant provisions if it is wrong.

(iii) The paid up share capital of Asha Pvt. Ltd. Company is ₹ 20 lakhs consisting of 2,00,000 Equity shares of ₹ 10 each fully paid-up. Disha Pvt. Ltd and its subsidiary Nisha Pvt. Ltd. are holding 60,000 and 50,000 shares respectively in Asha Pvt. Ltd Company.

Demonstrate with reference to the provisions of Companies Act, 2013 whether Asha Pvt. Ltd. Company is a subsidiary of Disha Pvt. Ltd. Company. Would your answer be different if Nisha Pvt. Ltd. Company id holding 1,10,000 shares in Asha Pvt. Ltd. Company and no shares are held by Disha Pvt. Ltd. Company in Asha Pvt. Ltd. Company.

[2+2+4 = 8]

Question 3(b)

(i) Write a note on:

1. Appointment of Cost Auditor by Board
2. Cost Audit Report

(ii) The Xee Traders Association was constituted by four Joint Hindu Families consisting of 605 major and 10 minor members. The association was carrying on the business of trading as retailers with the object for acquisition of gains. The association was not registered as a company under the Companies Act, 2013 or any other law.

State whether Xee Traders Association is having any legal status? Will there be any change in the status of this Association if the members of XYZ Traders Association subsequently were reduced to 40?

[3+3+2 = 8]

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Question 3(c)

(i) Define free reserves as per section 2(43) of Companies Act, 2013.

(ii) What are the steps to measure corporate governance?

[3+5 = 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) Differentiate between Ethics and Morals.

[5+3 = 8]

Question 4(b)

(i) Discuss the benefits of Ethical business.

(ii) 'Small ethical lapses do not result into unethical behaviour'. Comment.

[6+2 = 8]

Question 4(c)

(i) What are the key factors that influence ethical decisions?

(ii) Does Ethical behavior has any importance in workplace? What are they, if any.

[4+4 = 8]