

PAPER 6: LAWS, ETHICS AND GOVERNANCE

PTP_Intermediate_Syllabus 2012_June2016_Set 1

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	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	Put to practical use
	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

- (a) Mr. A, who is a dealer in coconut oil only, agrees to sell to B '100 tons of oil' at the rate of ₹ 300 per Litre. Is the agreement void?
- (b) X is an employee in a Company. The amount of bonus payable to him during the year 2014-15 is ₹ 15,000. The company deducted a sum of ₹ 5,000 against the "Puja Bonus" already paid to him during the said year and paid the remaining amount. X files a suit against the company for recovery of the deducted amount. Decide, under the Payment of Bonus Act, 1965, whether X would be given any relief by the Court?
- (c) M/s Hitech Ltd. has been regularly depositing the provident fund contributions to the government. Owing to adverse market conditions, the company suffered loss for the past two years. The management is considering the reduction of salary of the employees to reduce the company's contribution to Provident Fund, and instead, to pay compensatory allowance, so that the employees' pay packet remains the same. Explain in terms of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952, whether the company can effect such reduction.
- (d) Mr. Seth an industrialist has been fighting a long drawn litigation with Mr. Raman another industrialist. To support his legal campaign Mr. Seth enlists the services of Mr. X a legal expert stating that an amount of ₹ 5 lakhs would be paid, if Mr. X does not take up the brief of Mr. Raman. Mr. X agrees, but at the end of the litigation, Mr. Seth refuses to pay. Decide whether Mr. X can recover the amount promised by Mr. Seth under the provisions of the Indian Contract Act, 1872.
- (e) 'N' is employed in ABC Limited, a seasonal establishment. The factory was in operation from 1st March to 30th June during the financial year 2014-15. Though, N was not in continuous service during this period, he had worked for 95 days. Referring to the provisions of the Payment of Gratuity Act, 1972, decide whether N is entitled to gratuity.
- (f) Define "beneficial owner" under The Prevention of Money Laundering Act, 2002
- (g) Define "Public Company" under The Companies, Act, 2013.

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(h) Define “Appropriate Government” under The Right to Information Act, 2005.

(i) State how a shareholders derivative litigation addressed in Japan?

(j) State the right of a shareholder as per listing agreement.

Question 2: Answer any 4 questions

[4 × 12 =48]

Question 2(a)

(i) In 2015, the Electronics Corporation, a public Sector establishment under the Department of Science and Technology, government of Rajasthan starts to sell mobile sets manufactured by it, in addition to T.V sets, so as to compete with private sector establishments of mobile sets in the market. The income from sale of mobile sets is 30 percent of the gross income of the corporation. The employees of the Corporation went to strike for demand of Bonus. Decide, whether the demand of the employees is tenable under the provisions of the payment of bonus Act, 1965. Would your answer be different if the income from sale of mobile sets is only 10 percent of the gross income of the Corporation?

(ii) V makes a gift of ₹ 10,000 to W through a cheque issued in favour of W. Later he (V) informs W not to present the cheque for payment and informs the bank also to stop payment. Examining the provisions of the Negotiable Instruments Act, 1881, decide whether V's above acts constitute an offence.

(iii) State the provisions applicable for wage during leave period.

[3+3+6=12]

Question 2(b)

(i) Define the term “Dependent” under The Employees’ State Insurance Act, 1948.

(ii) 'A' applies to a banker for a loan at a time when there is stringency in the money market. The banker declines to make the loan except at an unusually high rate of interest. A accepts the loan on these terms. Whether the contract is induced by undue influence? Decide.

(iii) Decide with reasons in the light of the Payment of Bonus Act, 1965 whether the following persons are entitled for bonus :

(1) A University teacher

(2) A retrenched employee who worked for 45 days in a year on a salary of ₹ 12,000 p.m.

(3) An apprentice

[5+4+3 =12]

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Question 2(c)

- (i) List the situations where the specific performance of the contract is not allowed?
- (ii) A lady buys synthetic pearls for a high price thinking that they are natural pearls. The seller does not correct her mistake. Has she any remedies against the seller? Would your decision be different if the lady had told the seller; "I think they are natural pearls and, therefore, agree to buy them at your price," and the seller was silent?
- (iii) Wives of 3 workmen employed in a textile factory work in place of their husbands for about half an hour every day after 7 P.M. while the latter take meals brought by them. Discuss if there is a violation of any provision of the Factories Act, 1948.
- [4+5+3 = 12]

Question 2(d)

- (i) A draws a bill on B who accepts it without consideration. He indorses the bill to C for valuable consideration. On due date when C presents the bill to B for payment, B contends absence of consideration. Decide the case giving reasons.
- (ii) A, B and C run a partnership business as druggists. A orders on credit a basket of mangoes to be delivered at this house for the use of the family. The order is made out on the firm's note paper and in the name of the firm.
- (1) Is the firm liable for the price of the mangoes supplied ?
- (2) Would your decision be different if A had ordered the mangoes to be delivered at the firm's business premises to be used at a party arranged in honour of an important dignitary visiting the firm ?
- (iii) List the duties of the ESI Corporation.
- [3+4+5 = 12]

Question 2(e)

- (i) Distinguish between Retrenchment and Closure.
- (ii) Mr. U offered to sell his house to Mr. X for ₹ 15,00,000. Mr. X accepted the offer by post. On the very next day Mr. X sent a telegram revoking the acceptance which reached Mr. U before the letter of acceptance. Is the revocation of acceptance valid? Would it make any difference if both the letter of acceptance and the telegram of revocation of acceptance reach Mr. U at the same time?
- (iii) R, a 57 years old district judge was appointed by Central Government as Presiding Officer of the Employees Provident Funds Appellate Tribunal from a period of five years. After three years, he (R) resigns from his office and ceases to work with immediate effect without handing over the charge to his successor, who was not appointed by the

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Government till that date. Examine the validity of R's action to cease work under the provisions of the Employee's Provident Funds and Miscellaneous Provisions Act, 1952.

[4+4+4= 12]

Question 3: Answer any 2 questions

[2 × 8 = 16]

Question 3(a)

(i) Define the term "Public Authority" under the Right to Information Act, 2005.

(ii) State the provisions of Execution of a Bill of Exchange under the Companies Act, 2013.

[3+5=8]

Question 3(b)

(i) List the effects of the incorporation of a company.

(ii) Define pre-incorporation contracts.

[6+2 = 8]

Question 3(c)

(i)

Fin. Yr	Events
2010-2011	Annual Accounts and Returns not filed. Deposits that matured on 20.06.2009 were repaid on 30.06.2010.
2011-2012	Annual Accounts and Returns not filed.
2012-2013	Annual Accounts and Returns not filed. Defaulted in payment of interest on Debentures.
2013-2014	Annual Accounts and Returns for FYs 2010-2011, 2011-2012, 2012-2013 and 2013-2014 filed. Interest due on Debentures remitted in full.

State whether the Director of ABC Ltd is disqualified, in case he is proposed to be appointed as Director in PQR Ltd on 15.06.2014. Will it make any difference if Annual Accounts and Returns for 2012-2013 have been filed in time? Will your answer change if the appointment is proposed to be made in PQR (P) Ltd?

(ii) Define 'paid up share capital'.

[6+2=8]

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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) Interpret the “virtue approach”, as an approach towards an ethical standard.

[6+2=8]

Question 4(b)

- (i) Write down the seven principles of public life.
- (ii) Write short notes on Value-free Ethics.

[6+2 =8]

Question 4(c)

- (i) Give some examples of Intimidation Threats which can be faced by a Finance & Accounting Professional while working as (i) Auditor or Consultant, or (ii) Employee in a Company.
- (ii) R' a CMA has recently been appointed as manager of finance of XYZ Ltd. and is responsible for the year-end accounts.
His salary and related bonus is based on the outcome of this. This was established as a *key performance indicator* of his predecessor.
Although, from what he can tell, the accounts and reporting have been solid in the past few years, he does feel that this is an inappropriate indicator, but his CEO and HR want to retain it. He seeks your advice as professional brethren.

[4+4 = 8]