

# P6\_Practice Test Paper\_Syl12\_Dec13\_Set 2

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## PAPER 6 : Laws, Ethics & Governance

Full Marks: 100

Time : 3 hours

[Answer to Question No.1 is compulsory]

1. Choose the correct answer from the given four alternatives: [1\*20=20]

- (i) Business Ethics is a code of conduct which businessmen should follow while conducting their .....
- (a) Normal activities
  - (b) Special activities
  - (c) Specific activities
  - (d) None of the above
- (ii) The Negotiable Instruments Act, 1881 came into force on:
- (a) 9<sup>th</sup> December, 1881
  - (b) 19<sup>th</sup> December, 1881
  - (c) 1<sup>st</sup> March, 1882
  - (d) None of the above
- (iii) The first case on the 'doctrine of frustration' as decided by the Supreme Court of India is:
- (a) Basanti Bastralaya v. River Steam Navigation Co. Ltd.
  - (b) Raja Dhuruv Dev Chand v. Raja Harmohinder Singh
  - (c) Sushila Devi v. Hari Singh
  - (d) Satyabrata Ghosh v. Mugneeram
- (iv) A, B and C are partners of an unregistered firm. D owns this firm ₹1000 on a contract. The firm filed a suit against D the suit is dismissed for non-registration of the firm. The firm is registered later on. In this case which one of the following statements is MOST APPROPRIATE:
- (a) The firm can successfully bring the suit against D
  - (b) Registration must have been effected by the firm, before a suit is filed in the court
  - (c) The firm cannot file suit against D
  - (d) None of the above
- (v) Employer carrying on any public utility service cannot declare lock out without giving ..... notice.
- (a) 3 weeks
  - (b) 4 weeks
  - (c) 5 weeks
  - (d) 6 weeks
- (vi) A makes a contract with B to buy his house for ₹50,000 if he is able to secure to bank loan for that amount. The contract is:
- (a) Void for vagueness
  - (b) Wagering contract
  - (c) Contingent contract
  - (d) Voidable contract
- (vii) Where a partnership contract is rescinded on grounds of fraud or misrepresentation, the party entitled to rescind, is also entitled to rank, in respect of any payment made by him for the firm's debts as a:
- (a) Creditor
  - (b) Debtor
  - (c) Lender
  - (d) Guarantor

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- (viii) Employee pension scheme is 8.33% of .....
- (a) Employer
  - (b) Manager
  - (c) Employer contribution
  - (d) Manager contribution
- (ix) For contravention of provisions of Factories Act or Rules, the occupier shall liable for punishment up to:
- (a) 2 years or fine upto ₹1,00,000 or both
  - (b) 6 months or fine upto ₹10,000 or both
  - (c) 3 years or fine ₹10,000 or both
  - (d) None of these
- (x) A cheque is crossed ..... when it bears across its face an addition of the name of a banker, either with or without the words "not negotiable".
- (a) Specially
  - (b) General
  - (c) Restrictive
  - (d) None of the above
- (xi) In the case of sale by auction, the seller of goods has a right to bid at the auction:
- (a) with the permission of the auctioneer
  - (b) only when the right to bid has been expressly reserved
  - (c) even when the right to bid has been impliedly reserved
  - (d) with the permission of the bidder
- (xii) Claim for compensation should be preferred before the Commissioner within ..... of the occurrence of accident.
- (a) 1 year
  - (b) 2 years
  - (c) 3 years
  - (d) 4 years
- (xiii) State as to why a business should behave ethically?
- (a) To unprotect its own interest and of the business community as a whole
  - (b) To keep its commitment to society to act ethically
  - (c) To not meet stakeholder expectations
  - (d) To build distrust with key stakeholder groups
- (xiv) Which of the following statements is incorrect?
- (a) Unless otherwise agreed, the goods are not to be delivered by instalments
  - (b) The delivery of goods to a carrier or a wharfinger in pursuance of a contract of sale, is prima facie deemed to be delivery of goods to buyer
  - (c) Force majeure clause gives an excuse to the parties in case of non-performance of contract
  - (d) Any risk of deterioration in the goods necessarily incident to the course of transit shall be borne by the seller
- (xv) A party who does not suffer any loss in case of breach of contract, is entitled to:
- (a) Statutory damages
  - (b) Liquidated damages
  - (c) Exemplary damages
  - (d) Nominal damages

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- (xvi) Where an appeal is preferred against an order made by a Central Public Information Officer or a State Public Information Officer, as the case may be, under section 11 to disclose third party information, the appeal by the concerned third party shall be made within ..... days from the date of order.
- (a) 30 days
  - (b) 45 days
  - (c) 60 days
  - (d) 90 days
- (xvii) Application for Director Identification Number(DIN) is to be made to Central Govt. in Form:
- (a) DIN-1
  - (b) DIN-2
  - (c) DIN-3
  - (d) None of the above.
- (xviii) The minimum paid-up capital for a Public company is:
- (a) ₹2 lakhs
  - (b) ₹3lakhs
  - (c) ₹4lakhs
  - (d) ₹5lakhs
- (xix) Offences by companies under The Prevention of Money Laundering Act, 2002 are dealt in:
- (a) Section 48
  - (b) Section 42
  - (c) Section 45
  - (d) Section 70
- (xx) A Drawer is:
- (a) A person, who draws a cheque
  - (b) A bank on whom a cheque is drawn
  - (c) A person in whose favour a cheque is drawn
  - (d) None of the above

### SECTION A

**[Attempt any 4 questions]**

2. (a) Mr. X transferred his house to his daughter Meera by way of gift. The gift deed, executed by Mr. X, contained a direction that Meera shall pay a sum of ₹10,000 per month to Nina (the sister of the executants). Consequently Meera executed an instrument in favour of Nina agreeing to pay the said sum. Afterwards, Meera refused to pay the sum to Nina saying that she is not liable to Nina because no consideration had moved from her. Decide with reasons under the provisions of the Indian Contract Act, 1872 whether Meera is liable to pay the said sum to Nina.  
**[3]**
- (b) Point out the differences between 'transfer by negotiation' and 'transfer by assignment' under the provisions of the Negotiable Instruments Act, 1881. **[5]**
- (c) Shaan is employed in Golden ice-cream factory, a seasonal establishment. The factory was in operation for four months only during the financial years 2011-12. Shaan was not in continuous service during this period. However, he has worked only 60 days. Referring to the provisions of the

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payment of Gratuity Act, 1972 decide whether Shaan is entitled to gratuity payable under the Act. Would your answer be the same in case Shaan works for 100 days?  
**[2]**

**(d)** What do you mean by Auction Sale? What are the liabilities of an Auctioneer?**[1+1=2]**

3. **(a)** 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. **[3]**

**(b)** '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 financial year 2011-12, pending certain inquiry. Since there were no adverse findings 'X' was re-instated in service. Later, when the bonus was 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'.  
**[4]**

**(c)** Briefly explain the difference between Partnership and Co-ownership. **[5]**

4. **(a)** Jai accepted a bill of exchange and gave it to Kia for the purpose of getting it discounted and handing over the proceeds to Jai. Kia having failed to discount it returned the bill to Jai. Jai tore the bill in two pieces with the intention of cancelling it and threw the pieces in the street. Kia picked up the pieces and pasted the two pieces together, in such manner that the bill seemed to have been folded for safe custody rather than cancelled. Kia put it into circulation and it ultimately reached Lisa, who took it in good faith and for value. Is Jai liable to pay the bill under the provisions of the Negotiable Instruments Act, 1881? **[3]**

**(b)** What are the essential elements of Contract of Sale? **[6]**

**(c)** Referring to the provisions of the Payment of Bonus Act, 1965, state whether an employee dismissed on the ground of misconduct is entitled to bonus under the Act. **[3]**

5. **(a)** Ramesh sent a consignment of goods worth ₹60,000 by railway and got railway receipt. He obtained an advance of ₹30,000 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 ₹60,000.  
Decide in the light of provisions of the Indian Contract Act, 1872, whether the bank would succeed in the said suit? **[4]**

**(b)** Can a person apply for review of any order passed by the appropriate authority or any official under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952? If so, state the provisions. **[4]**

**(c)** A issues 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 the cheque was altered after it had been issued

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and therefore he is not bound to pay the cheque. Referring to the provisions of the Negotiable Instruments Act, 1881, decide whether A's argument is valid or not?  
**[4]**

6. (a) Pataudi, a renowned sportsman assumed the honorary presidentship of a publishing business bringing out a sports magazine because other partners requested him to do so. A supplier gave credit to the firm in the bona fide belief that Pataudi was a partner in the firm. Is Pataudi liable to the supplier?  
**[2]**

(b) What is the law relating to determination of compensation, on breach of contract, contained in Section 73 of the Indian Contract Act, 1872?  
**[5]**

(c) What are the days on which an employee shall be deemed to have worked for the purpose of computation of Bonus payable to him? State with reasons whether such computation of number of working days on which an employee has worked is required in an establishment paying minimum bonus to its employees where none of the employees earned less than ₹2,400 in an accounting year.  
**[1+4=5]**

### SECTION B

**[Answer any two questions]**

7. (a) What do you mean by Lifting of Corporate Veil? Discuss the circumstances when the Corporate Veil can be lifted.  
**[1+5=6]**

(b) A company issued a prospectus. All the statements contained therein were literally true. It also stated that the company had paid dividends for a number of years, but did not disclose the fact that the dividends were not paid out of trading profits, but out of capital profits. An allottee of shares wants to avoid the contract on the ground that the prospectus was false in material particulars. Decide.  
**[2]**

8. (a) DJ Company Ltd. has only 50 preference shareholders. A meeting of the preference shareholders was called by the company for amending the terms of these shares. Mr. B, was the only preference shareholder who attended the meeting. He, however, held proxies from all other shareholders. He took the Chair, conducted the meeting and passed a resolution for amending the terms of the issue of these shares. Referring to the provisions of the Companies Act, 1956, examine the validity of the meeting and the resolution passed thereat.  
**[3]**

(b) State the particulars that is required to be published by every public authority within 120 days from the enactment of The Right to Information Act, 2002.  
**[5]**

9. Discuss the composition and scope of Audit Committee as per Clause 49 of the Listing Agreement.  
**[2+6=8]**

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**SECTION C**  
**[Answer any two questions]**

10. (a) Discuss the seven principles of the holders of Public Office. **[4]**  
(b) State the reasons for Unethical Behaviour. **[4]**
11. (a) What is Ethical Conflict? What are the aspects to be considered to resolve the conflict?  
**[1+3=4]**
- (b) Explain the various safeguards that should be adopted for overcoming threats faced by an accounting and finance professional. **[4]**
12. Discuss the standards of ethical conduct for practitioners of management accounting and financial management. **[8]**