

P6_Practice Test Paper_Syl12_Dec13_Set 3

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) The crucial step in understanding business ethics is:
- (a) Establishing codes of ethics
 - (b) Learning to recognize ethical issues
 - (c) Having efficient operations
 - (d) Implementing a strategic plan
- (ii) Business ethics is based on well accepted
- (a) Moral and social values
 - (b) Social values only
 - (c) Moral values only
 - (d) None of the above
- (iii) Public Notice under the Indian Partnership Act, 1932 is given in the following manner:
- (a) Serving a copy of the Notice to the Registrar of firms
 - (b) Publishing the Notice in the Official Gazette
 - (c) Publishing the Notice in one vernacular newspaper circulating in the district where the firm's principal place of business is situated
 - (d) All of the above
- (iv) Which of the following reason is / are applicable for unethical business practices?
- (a) Workplace surveillance
 - (b) Administrative corruption
 - (c) Profit making by some of the big companies
 - (d) All of above
- (v) As per The Child Labour (Prohibition and Regulation) Act, 1986, no child shall be permitted or required to work between:
- (a) 7 p.m. and 8 a.m.
 - (b) 6 p.m. and 8 a.m.
 - (c) 7 p.m. and 9 a.m.
 - (d) 6 p.m. and 9 a.m.
- (vi) In case of employee covered under the ESI, the accident report shall be sent in to local office of the ESI to which the company attached.
- (a) Form No. 18
 - (b) Form No. 18A
 - (c) Form No. 25
 - (d) Form No. 16

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- (vii) If, after the arrival of goods at their destination, Carrier or other Bailee acknowledges to Buyer or his agent that he holds goods on his behalf, and continues possession of the goods, the transit is at an end:
- (a) even if the buyer indicates further destination for the goods to the Carrier
 - (b) only when the buyer takes delivery of the goods
 - (c) only when the buyer is solvent
 - (d) only when the seller's agent takes delivery of the goods
- (viii) In the 60's salaries of Bargainable workers increased due to
- (a) Success of Union
 - (b) Success of company
 - (c) Success of Labour
 - (d) Profit of Manager
- (ix) The Institute of Internal Auditors (Ghana) was formally registered in:
- (a) April 2001
 - (b) June 2001
 - (c) July 2002
 - (d) November 2003
- (x) If a minor draws, endorses, delivers or negotiates an instrument, such instrument binds:
- (a) all parties to the instrument including the minor
 - (b) only the minor and not other parties to the instrument
 - (c) all parties to the instrument except the minor
 - (d) none of the above
- (xi) In which of the following situations, the right of lien available to the Unpaid Seller is lost?
- (a) Where the Goods have been sold without any stipulation as to credit;
 - (b) Where the Goods have been sold on credit, but the credit period has expired;
 - (c) Where the Buyer becomes insolvent;
 - (d) Where the Unpaid Seller has parted with the possession of the goods.
- (xii) Prior to the enactment of Indian Partnership Act, 1932 the law on this subject was contained in:
- (a) Code of Civil Procedure, 1908
 - (b) Indian Contract Act, 1872
 - (c) Companies Act, 1913
 - (d) Negotiable Instruments Act, 1881
- (xiii) is a form of combination of buyers to prevent competition among themselves at an auction sale.
- (a) Knock-out agreement
 - (b) Monopoly agreement
 - (c) Oligopoly agreement
 - (d) Puffing agreement
- (xiv) "Nemo dat quad non habet", means:
- (a) no one is greater than god
 - (b) none can give who does not himself possess
 - (c) every one can give everything he has
 - (d) everyone is bound by is habit

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- (xv) Section 69(3) of the Companies Act, 1956 provides that the amount payable on application on each share shall not be less than of the nominal amount of the share.
- (a) 2%
 - (b) 4%
 - (c) 5%
 - (d) 7.5%
- (xvi) The Chief Information Commissioner shall hold office upto the age of:
- (a) 50 years
 - (b) 55 years
 - (c) 60 years
 - (d) 65 years
- (xvii) The Cromme Code was amended in:
- (a) 2002
 - (b) 2004
 - (c) 2005
 - (d) 2006
- (xviii) is often considered as one of the "four pillars" of corporate governance.
- (a) Internal Auditor
 - (b) Shareholders
 - (c) Stakeholders
 - (d) None of the above
- (xix) Section 193 imposes a statutory obligation on, to keep minutes of all proceedings of every meeting of the company.
- (a) Private Company
 - (b) Public Company
 - (c) Every Company, whether Private or Public
 - (d) Foreign Company
- (xx) 'Goods' as per The Sale of Goods Act, 1930 can be:
- (a) Existing goods, Future Goods and Contingent Goods
 - (b) Future Goods, Contingent Goods and Specific Goods
 - (c) Specific goods, Ascertained Goods and Unascertained Goods
 - (d) All of the above

SECTION A

[Answer any 4 questions]

2. **(a)** Jeet and Arijit purchased a taxi and they were plying it in partnership. The firm was not registered. After 1 year, Jeet sold the taxi without Arijit's consent and did not pay anything to Arijit. Arijit filed a suit against Jeet to recover his share in the sale proceeds. Jeet defended the suit on the ground that the firm was not registered. State the position of Arijit whether the suit is maintainable or not as per The Indian Partnership Act, 1932. **[2]**
- (b)** Examine when a holder of a negotiable instrument shall be considered as a holder in due course under the provisions of the Negotiable Instruments Act, 1881. **[3]**

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(c) Y holds agricultural land in Assam on a lease granted by X, the owner. The land revenue payable by X to the Govt. being in arrear, his land is advertised for sale by the Govt. Under the Revenue law, the consequence of such sale will be termination of Y's lease. Y, in order to prevent the sale and the consequent termination of his own lease, pays the Govt., the sum due from X. Referring to the provisions of the Indian Contract Act, 1872 decide whether X is liable to make good to Y, the amount so paid? [2]

(d) What do you mean by Dissolution of Firm? What are the modes of Dissolution of a Firm? [1+4=5]

3. (a) What is the time limit within which payment of bonus due to an employee under the Act, be paid? [3]

(b) Mr. Z bought a refrigerator from a dealer's shop. But he did not mention the required purpose i.e., whether it is fit to make ice. After using the same, Mr. Z came to know that the refrigerator was unfit for the purpose. State giving reasons as per the provisions of The Sale of Goods Act, 1930, is the dealer liable to refund the price? [4]

(c) Kiara is an employee of RSS Limited, a software company which works 5 days in a week. Kiara was not in continuous service during the financial year 2011-12. However, she worked only for 150 days because she was on maternity leave with full pay for 50 days. Referring to provisions of the Payment of Gratuity Act, 1972 decide whether Kiara is entitled to gratuity payable under the Act. Would your answer remain the same in case RSS Limited works 6 days in a week? [3]

(d) X draws a cheque for ₹2000 and Y, a holder without the consent of X alters the figure of ₹2000 to ₹20000 and makes the instrument look like a cheque drawn for ₹20000. The banker pays the cheque in due course. Discuss the legal position of the banker. [2]

4. (a) Mira Ltd. contracts with Shanti Traders to make and deliver certain machinery to them by 30.06.2012 for ₹11.50 lakhs. Due to labour strike, Mira Ltd. could not manufacture and deliver the machinery to Shanti Traders. Later, Shanti Traders procured the machinery from another manufacturer for ₹12.75 lakhs. Shanti Traders was also prevented from performing a contract which it had made with Zenith Traders at the time of their contract with Mira Ltd. and were compelled to pay compensation for breach of contract. Advise Shanti Traders the amount of compensation which it can claim from Mira Ltd., referring to the legal provisions of the Indian Contract Act. [3]

(b) What is Auction Sale? Discuss the rules regarding Sale by Auction. [2+4=6]

(c) X picked up a diamond from the floor of Y's shop and handed it over to Y to keep it till owner is founded, Y did his best to find out the owner but true owner could not be found. After sometime, X offered Y the lawful charges incurred by Y for finding out the true owner and asked him to return the diamond to him. Y refused to do so. Discuss the legal position. [3]

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5. (a) What are the various rights and liabilities of a partner on dissolution? [6]
- (b) Jai, a shareholder of a Company purchased for his personal use certain goods from a Mall (Departmental Store) on credit. He sent a cheque drawn on the Company's account to the Mall (Departmental Store) towards the full payment of the bills. The cheque was dishonoured by the Company's Bank. Jai, the shareholder of the company was neither a Director nor a person - in - charge of the Company. Examining the provisions of the Negotiable Instruments Act, 1881 state whether Jai has committed an offence under Sec. 138 of the Act and decide whether he (Jai) can be held liable for the payment, for the goods purchased from the Mall (Departmental Store). [4]
- (c) In an accounting year, a company to which the Payment of Bonus Act, 1965 applies, suffered heavy losses. The Board of directors of the said company decided not to give bonus to the employees. The employees of the company move to the Court for relief. Decide in the light of the provisions of the said Act whether the employees will get relief. [2]
6. (a) Point out the distinction between 'Coercion' and 'Undue influence'. [4]
- (b) A owes a certain sum of money to B. A does not know the exact amount and hence he makes out a blank cheque in favour of B, signs and delivers it to B with a request to fill up the amount due payable by him. B fills up fraudulently the amount larger than the amount due, payable by A and endorses the cheque to C in full payment of dues of B. Cheque of A is dishonoured. Referring to the provisions of the Negotiable Instruments Act, 1881, discuss the rights of B and C. [2]
- (c) Arup, a 57 years old district judge was appointed by Central Govt. as presiding officer of the Employees Provident Funds Appellate Tribunal from a period of 5 years. After 3 years, he (Arup) 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 Govt. till that date. Examine the validity of Arup's action to cease work under the provisions of the Employee's Provident Funds and Miscellaneous Provisions Act, 1952. [2]
- (d) Discuss the procedure and powers of Appellate Tribunal as per The Prevention of Money laundering Act, 2002. [4]

SECTION B [Answer any two questions]

7. (a) Fairy Ltd. was registered as a public company. There are 64 members in the company as noted below:
- | | |
|--|-----------|
| (i) Directors and their relatives | 34 |
| (ii) Employees | 10 |
| (iii) Ex-employees (shares were allotted when they were employees) | 5 |
| (iv) 5 couples holding shares jointly in the names of husband and wife (5*2) | 10 |
| (v) Others | 5 |
| Total no. of members | 64 |

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The board of Directors of the company proposes to convert it into a private company. Advise the board of directors about the steps to be taken for conversion into a private company including reduction in the number of members, if necessary. **[4]**

(b) "The development of corporate governance in the UK was initially the findings of a trilogy of codes"- Explain the same. **[4]**

8. **(a)** Discuss the procedure for appointment of Cost Auditor. **[6]**

(b) M/s India Computers Ltd. was registered as a public company on 1st July, 2012 in the State of Maharashtra. Another company by name M/s All India Computers Ltd. was registered in Delhi on 15th July, 2012. The promoters of India Computers Ltd. have failed to persuade the management of All India Computers Ltd. to change the company's name, as it closely resembles with the name of the first registered company. **[2]**

9. **(a)** M Ltd. served a notice of general meeting upon its shareholders. The notice stated that the issue of sweat equity shares would be considered at such meeting. Mr. A, a shareholder of the M Ltd. complains that the issue of sweat equity shares was not specified fully in the notice. Is the notice issued by M Ltd. regarding issue of sweat equity shares valid according to the provisions of the Companies Act, 1956? Explain fully. **[3]**

(b) "Internal auditing is an independent appraisal function established within the organization to examine and evaluate its activities as a service to the organization."
In the light of the above statement, state the importance of Internal Audit for Governance. **[5]**

SECTION C

[Answer any two questions]

10. **(a)** Discuss the key factors which influence the Ethical decisions in an organization and list some of the examples of ethical issues faced by the employees in the workplace. **[3+3=6]**

(b) How to create an Ethical Accounting Environment? **[2]**

11. **(a)** Write a short note on:

(i) Ethics and Ethical Dilemma

(ii) Evolution of Ethics **[2+2=4]**

(b) Explain the reasons for unethical behavior among finance and accounting professional. **[4]**

12. What are the benefits of Business Ethics? **[8]**