

Paper- 6: LAWS ETHICS AND GOVERNANCE

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Question No. 1 is compulsory

- 1. Choose the correct answer from the given four alternatives. 1 x 20 = 20**
- (i)** A partnership for which no period or duration is fixed under the Indian Partnership Act is known as:
(a) Unlimited partnership
(b) Co-ownership
(c) Particular partnership
(d) Partnership at will
- (ii)** Mr. Sexena is a director of Suvalaxmi Ltd. which failed to file its annual return from the year 2012-13. The maximum period for which Mr Seena will be disqualified from becoming a director in any public limited company is
(a) 3 years
(b) 5 years
(c) 7 years
(d) 10 years
- (iii)** Which of the following items requires special resolutions in a general meeting under the companies act, 1956?
(a) Issue of shares at discount
(b) Adoption of Statutory Report
(c) Appointment of Managing / whole-time Director
(d) Reduction of Share Capital
- (iv)** The partnership firms becomes an illegal association, when:
(a) The number of partners in a banking business exceeds 10
(b) The number of partners in a non-banking business exceeds 10
(c) The number of partners in a non-banking business exceeds 20
(d) Both (a) and (c)
- (v)** Ethics has been received from Greek Word
(a) Ethos
(b) Ethes
(c) Eths
(d) Ethose
- (vi)** _____ Refers to ethical or unethical behaviors by employees in the context of their jobs.
(a) Social ethics
(b) Business ethics
(c) Collusion
(d) Social Responsibility

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- (vii) In case of contract for the sale of specific or ascertained goods the property in goods passes to the buyer:
- (a) At such time as the parties to the contract intend it to be transferred
 - (b) When the price is paid
 - (c) When delivery is given
 - (d) When the contract is made
- (viii) For a valid contract of sale, delivery may be:
- (a) Actual delivery
 - (b) Symbolic delivery
 - (c) Constructive delivery
 - (d) All of these
- (ix) An agreement of agency must clear the _____ of a person to act on behalf of another person.
- (a) Intention
 - (b) Certainty
 - (c) Involvement
 - (d) None of the above
- (x) An agent is _____ between his principal and the third party
- (a) Connecting link
 - (b) Sub agent
 - (c) Partner
 - (d) None of the above
- (xi) Which of the following refers to an instrument in writing containing an unconditional order, signed by maker directing a certain person to pay on demand or at fixed or determinable future time a certain sum of money only to or to the order of, a certain person or to the bearer of the instrument?
- (a) Promissory note
 - (b) Bill of exchange
 - (c) Cheque
 - (d) Bearer debentures
- (xii) According to Negotiable Instrument Act 1881, which of the following is not the type of promissory note?
- (a) A promise to pay a certain sum of money to a person
 - (b) A promise to pay a certain sum of money to the order
 - (c) A promise to pay the bearer
 - (d) A promise to pay certain sum of money at some time
- (xiii) Every Banking Company, Financial Institution, Intermediary is required to communicate the name, designation and address of the _____ to the Director.
- (a) Principal Officer
 - (b) Agent
 - (c) Commissioner
 - (d) Inspector
- (xiv) To avoid overcrowding, there shall be posted in each workroom of a factory a notice specifying the _____ number of workers who may be employed.
- (a) Minimum

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- (b) Maximum
 - (c) Average
 - (d) None of the above
- (xv)** How many employment are contained in part 1 to Schedule 1 of the Minimum Wages Act, 1948
- (a) 10
 - (b) 15
 - (c) 18
 - (d) 21
- (xvi)** Which of the following statements about business ethics is true?
- (a) It concerns the impact of a business's activities on society.
 - (b) It refers to principles and standards that determine acceptable behavior in business organizations.
 - (c) It relates to an individual's values and moral standards and the resulting business decisions he or she makes.
 - (d) What is ethical is determined by the public, government regulators, interest groups, competitors, and each individual's personal moral values.
- (xvii)** Pick the odd one. It is UNCOMMON for business to behave ethically because
- (a) It has to meet stock holder expectations
 - (b) It has to ignore their employees relations
 - (c) To build trust with shareholders
 - (d) All of the above
- (xviii)** Permanent disablement benefit is paid at the rate of _____ of wages.
- (a) 120%
 - (b) 100%
 - (c) 79%
 - (d) 90%
- (xix)** Under the Companies Act, 1956, the first directors shall hold office upto
- (a) The end of the statutory meeting
 - (b) The end of the period as prescribed by the articles of the company
 - (c) The end of three years from the date of appointment
 - (d) Till the first Annual general Meeting
- (xx)** As per section 292a of the Companies Act, 1956 every public company having paid up capital of not less than _____ of rupees shall constitute a committee of the Board known as Audit Committee.
- (a) Fifty lakh
 - (b) Twenty-five crore
 - (c) Five crore
 - (d) Ten crore

SECTION A

Attempt any four questions.

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2. (a) P, Q and R jointly borrowed ₹500,000 from W. The whole amount was repaid to W by Q. Decide in the light of the Indian Contract Act, 1872 whether:
- (i) Q can recover the contribution from P and R,
 - (ii) Legal representatives of P are liable in case of death of P,
 - (iii) Q can recover the contribution from the assets, in case R becomes insolvent.
- (b) Explain the liabilities of a Partner to third parties?
- (c) Decide whether the following persons are entitled to get bonus under the Payment of Bonus Act, 1965:
- (i) An apprentice
 - (ii) A retrenched employee
 - (iii) A dismissed employee
- [3+6+3]**
3. (a) X, Y and Z were joint owners of a bus and possession of the said bus was with Y. P purchased the bus from Y without knowing that X and Z were also owners of the bus. Decide in the light of provisions of the Sale of Goods Act, 1930, whether the sale between Y and P is valid or not?
- (b) What are the remedies available to the buyer for breach of conditions?
- (c) Point out the defenses available to employers regarding personal injury caused to a workman by accident arising out of and in the course of employment.
- (d) What are the distinction between void agreement and illegal agreement?
- (e) 'Money laundering can provide short term benefits to economy.' Comment. **[2+2+3+3+2]**
4. (a) What are the liabilities of Buyer for rejecting, neglecting or refusing delivery of goods?
- (b) When is the director empowered to impose fine on a Banking Company, Financial Institution or Intermediary?
- (c) Write down the main objectives of Industrial Dispute Act.
- (d) A worker whose monthly wage is ₹ 2,000 loses one hand as a result of injury caused to him on 14th September, 2013. On 1st August, 2013 he had completed 30 years of age. Calculate the amount of compensation payable to him. Relevant factor for age 30 is 207.98. **[4+4+2+2]**
5. (a) Explain the treatment of goodwill when the firm is dissolved under section 55 of the Indian Partnership Act, 1932?
- (b) "Lock-out is employer's weapon"- Explain.
- (c) P appoints A as his agent to sell his estate. A, on looking over the estate before, selling it, finds the existence of a good quality Granite-Mine on the estate, which is unknown to P. A buys the estate himself after informing P that he (A) wishes to buy the estate for himself but conceals the existence of Granite-Mine. P allows A to buy the estate, in ignorance of the existence of Mine. State giving reasons in brief the rights of P, the principal, against A, the agent.
- What would be your answer if A had informed P about the existence of mine before he purchased the estate, but after two months, he sold the estate at a profit of ₹ 1 lac?
- (d) E was an employee of Tea Estate Ltd. The whole of the undertaking of Tea Estate Ltd. was taken over by a new company – Asia Tea Estate Ltd. The services of E remained continuous in new company. After serving for one year E met with an accident and became permanently disabled. E applied to the new company for the payment of gratuity. The company refused to pay gratuity on the ground that E has served only for a year in the company.
- Examine the validity of the refusal of the directors in the light of the provisions of the Payment of Gratuity Act, 1972. **[4+4+2+2]**

6. (a) In the respect of Factories Act given the definition of the following.
- (i) Hazardous process
 - (ii) Factory
- (b) When is an alteration in a negotiable instrument deemed to be a 'material alteration' under the Negotiable Instruments Act, 1881? What are the consequences of material alteration in a negotiable instrument?
- (c) Whether the person is a holder or not - Various cases-
- (i) X who obtains a cheque drawn by Y by way of gift.
 - (ii) A, the payee of the cheque, who is prohibited by a court order from receiving the amount of the cheque.
 - (iii) M, who finds a cheque payable to bearer, on the road and retains it.
 - (iv) B, the agent of C, is entrusted with an instrument without endorsement by C, who is the payee.
 - (v) B, who steals a blank cheque of A and forges A's signature. **[(2+2)+3+5]**

SECTION B

Attempt any two questions.

7. (a) A company is not authorized by its memorandum of association to run a canteen but it is obliged to do so under section 46 of the Factories Act, 1948. Under the facts and circumstances, should the company undergo the formalities of changing its objects clause?
- (b) State the provisions relating retirement of directors by rotation and filling of vacancies as applicable to a private company.
- (c) Explain in detail the restrictions imposed on the appointment or advertisement of directors. **[2+2+4]**
8. (a) SHIKSHA TELECOM LTD., a private mobile operator had furnished confidential information relating to customer complaints lodged with the company during the quarter ended 31.3.2012 to a public authority. On an application under the Right to Information Act, 2005, the public authority wants to furnish the said information. The authority seeks the objections of SHIKSHA TELECOM LTD.
- Can SHIKSHA TELECOM LTD. ask the public authority not to furnish the same on the grounds that the said information is confidential and that it may endanger its image in the market?
- What decision should the public authority take?
- (b) Write down the nature of Internal Audit? **[4+4]**
9. (a) What are the differences between e-governance and e-government?
- (b) Does increase in the rate of dividend payable to preference shareholders amount to variation in the rights of the equity shareholders under Section 106 of the Companies Act?
- (c) While incorporating a limited company the subscribers agreed to take 10 shares each @ ₹ 100 each per share. Immediately after incorporation the share unit has been changed

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from ₹ 100 to ₹ 10. Are the subscribers required to subscribe to 10 shares of ₹ 100 each or 100 shares of ₹ 10 each?

- (d) The Department of Company Affairs while sanctioning directors' remuneration restricts medical expenses to ₹ 5,000 per annum. The companies generally take insurance policy for the directors concerned and pay a small amount as premium. The actual medical expenses of the directors concerned may exceed ₹ 5,000 per year, but the entire amount is realized from the insurance company.

Under the above circumstances can the company be deemed to have contravened the central government approval, when the director concerned has been paid more than ₹ 5,000 as medical expenses whereas the company has only spent ₹ 500. **[4+1+1+2]**

SECTION C

Attempt any two questions.

10. (a) What are the types of threats that may affect the business environment and influence finance and Accounting professionals?
(b) 'X' have just starting working for a plc and all his colleagues have warned him that his predecessor was asked to inflate the value of products, as well as to overvalue stock, when reporting.
This was to benefit the director's bonus. To date 'X' has not been asked to do anything untoward, but wonder how best he can approach the issue should he be put in this position. Share your views with him. **[5+3]**
11. (a) How does business ethics relate to Corporate Social Responsibility (CSR)?
(b) List out the Importance of Business Ethics? **[4+4]**
12. (a) Write down the seven principles of public life.
(b) Write Short Notes on Ethical Conflict Resolution. **[6+2]**