

INTERMEDIATE EXAMINATION

GROUP - I

(SYLLABUS 2016)

SUGGESTED ANSWERS TO QUESTIONS

DECEMBER - 2019

Paper - 6 : LAWS & ETHICS

Time Allowed : 3 Hours

Full Marks : 100

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

This question paper has two Sections A and B.

Both the Sections are to be answered subject to instructions given against each.

Wherever necessary, candidates may make appropriate assumptions and clearly state them.

Please : (1) Answer all bits of a question at one place.

(2) Open a new page for answer to a new question.

SECTION – A

Section - A contains Question No. 1. All parts of this question are compulsory.

1. Answer all the following questions:

(a) Choose the correct answer from the given alternatives (you may write only the Roman numeral and the alphabet chosen for your answer): 1x10=10

(i) A person is said to be of sound mind for the purposes of making a contract if, at the time when he makes it, he is capable of

- (A) listening it
- (B) hearing it
- (C) understanding it
- (D) interpreting it

(ii) Ankit agrees to pay Bina ₹1500 if it rains today, otherwise Bina pays Ankit ₹ 2000.

This is a

- (A) Gambling
- (B) Wagering agreement
- (C) Valid agreement
- (D) Speculation

(iii) Writing of a person's name on the face or back of an instrument or on a slip of paper attached to it is known as

- (A) Endorsement
- (B) Transfer
- (C) Negotiation
- (D) Transmission

SUGGESTED ANSWERS TO QUESTIONS_SYL2016_DEC2019_PAPER-6

- (iv) Anusua and Shrita formed a partnership to undertake a construction of a shopping complex in New Delhi. This partnership is called
- (A) Partnership at will
 - (B) Particular partnership
 - (C) Unlimited partnership
 - (D) Partnership with undefined mission
- (v) As per the Minimum Wages Act 1948, Adolescent means a person who has completed the age of 14 years but not completed the age of
- (A) 15
 - (B) 14
 - (C) 21
 - (D) 18
- (vi) Every employee shall be entitled to receive bonus from his employer in
- (A) a financial year
 - (B) an accounting year
 - (C) a calendar year
 - (D) a manufacturing year
- (vii) The annual return of an OPC shall be signed by
- (A) the company secretary
 - (B) the director
 - (C) the chief accountant
 - (D) the auditor
- (viii) The minimum age limit for appointment of managing director and the whole time director is
- (A) 18 years
 - (B) 21 years
 - (C) 25 years
 - (D) 30 years
- (ix) A company cannot remove a director appointed
- (A) at the annual general meeting
 - (B) at the extra ordinary general meeting
 - (C) by the promoter
 - (D) by the tribunal
- (x) Moral management requires ethical
- (A) producer
 - (B) leadership
 - (C) market
 - (D) customer

SUGGESTED ANSWERS TO QUESTIONS_SYL2016_DEC2019_PAPER-6

(b) Match and pair:

1x5=5

	Column I		Column II
1.	Right of lien	(A)	Industrial Establishment
2.	Certificate of Incorporation	(B)	Minimum rates of wages have been fixed
3.	Lord Nolan	(C)	Keep the goods in his possession
4.	Plantation	(D)	Seven principles of public life
5.	Cost of living index number	(E)	Form No. INC-11

(c) State whether the following statements are True or False:

1x5=5

- (i) A promise in return for promise means Cross promises.
- (ii) Section 65 provides that the Central Government shall appoint one or more Inspectors to investigate the affairs of a LLP.
- (iii) The information Memorandum shall be deemed to be a Red herring prospectus.
- (iv) A holder of depository receipts may become a member of the company.
- (v) Value chain as a strategic framework for analysis of competitive advantage was promoted by Peter Drucker.

(d) Fill in the blanks:

1x5=5

- (i) Section 92 of the Companies Act provides that every company shall prepare an Annual Return in Form No. _____ .
- (ii) No fine shall be imposed on any employed person who is under the age of _____.
- (iii) The ESI Act, 1948 is the first major legislation on _____ security for the employees in India.
- (iv) A company whose principal business is the acquisition of shares, debentures or other securities is termed as _____ company.
- (v) _____ is the principles and standards that determine acceptable conduct in business organizations.

Answer:

1. (a) (i) (C) understanding it
(ii) (B) Wagering agreement
(iii) (A) Endorsement
(iv) (B) Particular Partnership
(v) (D) 18
(vi) (B) an accounting year
(vii) (A) the company secretary
(viii) (B) 21 years
(ix) (D) by the tribunal
(x) (B) leadership

SUGGESTED ANSWERS TO QUESTIONS_SYL2016_DEC2019_PAPER-6

(b)

	Column I		Column II
1.	Right of lien	(C)	Keep the goods in his possession
2.	Certificate of Incorporation	(E)	Form No. INC-11
3.	Lord Nolan	(D)	Seven principles of public life
4.	Plantation	(A)	Industrial Establishment
5.	Cost of living index number	(B)	Minimum rates of wages have been fixed

- (c)
- (i) False
 - (ii) False
 - (iii) False
 - (iv) True
 - (v) False

- (d)
- (i) MGT - 7
 - (ii) 15 years
 - (iii) Social
 - (iv) Investment
 - (v) Business Ethics

SECTION – B

**Answer any five questions from question numbers 2 to 8
Each question carries 15 marks.**

2. (a) Discuss the different modes of terminating contractual relationship between the parties.

(b) Anita and Sonali are friends, Sonali treats Anita during Anita's illness.

Sonali does not accept payment from Anita for treatment and Anita promises Sonali's daughter Tania to pay her ₹ 75,000. Anita being in poor circumstances is unable to pay.

Tania sues Anita for the money. Can Tania recover?

Offer your views based on provisions of the Indian Contracts Act, 1872. 10+5=15.

Answer:

2. (a) When the rights and obligations created by a contract comes to an end, the contract is said to be discharged or terminated. Discharge of contract means termination of contractual relationship between the parties. The following are the various modes or methods by which a contract is discharged:

1. Discharge by performance:

Performance is the usual mode of discharge of a contract. Performance may be (a) actual performance (b) attempted performance. Actual performance is the fulfillment of the obligations arising from a contract by the parties to it, in

accordance with the terms of the contract. Offer of performance is also known as attempted performance or tender of performance. A valid tender of performance is equivalent to performance.

2. Discharge by agreement:

The parties may agree to terminate the existence of the contract by any of the following ways: (a) Novation, (b) Alteration (c) Rescission (d) Remission (e) Waiver

- a. Novation: Substitution of a new contract in place of the existing contract is known as "Novation of Contract". It discharges the original contract. The new contract may be between the same parties or between different parties. Novation can take place only with the consent of all the parties. Example: A owes money to B under a contract. It is agreed between A, B and C that B should accept C as his debtor, instead of A. The old debt of A and B is at an end and a new debt from C to B has been contracted. There is novation involving change of parties.
- b. Alteration: Alteration means change in one or more of the terms of the contract. In case of novation there may be a change of the parties, while in the case of alteration, the parties remain the same. But there is a change in the terms of the contract.
- c. Rescission: Rescission means "cancellation". All or some of the terms of a contract may be cancelled. Rescission results in the discharge of the contract. Example: A promises to deliver certain goods to B at a certain date. Before the date of performance A and B mutually agree that the contract need not be performed. The contract stands discharged by rescission.
- d. Remission: Remission means acceptance of a lesser performance than what is actually due under the contract. There is no need of any consideration for remission. Example: A has borrowed ₹ 500 from B. A agrees to accept ₹ 250 from B in satisfaction of the whole debt. The whole debt is discharged.
- e. Waiver: Waiver means giving up or foregoing certain rights. When a party agrees to give up its rights, the contract is discharged. Example: A promises to paint a picture of B. B afterwards forbids him to do so. A is no longer bound to perform the promise.

3. Discharge by lapse of time:

Every contract must be performed within a fixed or reasonable period. Lapse of time discharges the contract. The Indian Limitation Act has prescribed the period within which the existing rights can be enforced in courts of law. Example: If a creditor does not file a suit within three years of debt, the debt becomes time-barred. He is deprived of his legal remedy.

4. Discharge by operation of law:

A contract may be discharged by operation of law in the following cases, (a) Death (b) Insolvency (c) Unauthorized material alteration, (d) Merger

- a. Death: In contracts involving personal skill or ability, death terminates the contracts. In other cases, the rights and liabilities of the deceased person will pass on to his legal representatives.
- b. Insolvency: The insolvency of the promisor discharges the contract. The promisor is discharged from all liabilities incurred prior to his

adjudication, c. Unauthorized material alteration: Material alteration in the terms of the contract without the consent of the other party discharges the contract. Change in the amount of money to be paid, date of payment, place of payment etc. are examples of material alteration, d. Merger: When inferior rights of a person under a contract merge with superior rights under a new contract, the contract with inferior rights will come to an end. Example: Where a part-time lecturer is made full-time lecturer, merger discharges the contract of part time lectureship.

5. Discharge by impossibility of performance:

Impossibility of performance results in the discharge of the contract. An agreement which is impossible is void, because law does not compel to do impossible things.

6. Discharge by breach:

Breach means failure of a party to perform his obligations under a contract. Breach brings an end to the obligations created by a contract. Example: A and B wanted to marry each other. Before the time fixed for marriage, A goes mad. The contract becomes void.

Termination of Contract:

The proper way, in which the agreement could have been terminated by issuing of a notice to the plaintiff, calling upon to complete the transaction within a particular time, failing which the contract will be treated as cancelled. That this is the proper way of terminating the contract is cleared from what has been observed in "Narayana Swami Pillai V. Dhanakodi Ammal" - (1971) 1 Mys. L.J., 245 that when the contract is for the sale of immovable property the vendor must given reasonable notice requiring the performance within a definite time.

- (b) No, Tania cannot recover the money from Anita. The agreement between Tania and Anita is not a contract in the absence of consideration. In this case, Tania's mother Sonali, voluntarily treats Anita during her illness. Apparently it is not a valid consideration because it is voluntary whereas consideration to be valid must be given at the desire of the promisor-void Section 2(d).

The question now is whether this case is covered by the exception given in Section 25(2) which inter-alia provides.

"If it is a promise to compensate a person who has already voluntarily done something for the promisor...."

Thus as per the exception the promise must be to compensate a person who has himself done something for the promisor and not to a person who has done nothing for the promisor.

As Sonali's daughter, Tania to whom the promise was made, did nothing for Anita, so Anita's promise is not enforceable even under the exception.

SUGGESTED ANSWERS TO QUESTIONS_SYL2016_DEC2019_PAPER-6

3. (a) Discuss the procedure of conversion from private limited company into limited liability partnership.

(b) Mr. S. K drew a cheque in favour of Mr. P. K who was seventeen years old. Mr. P. K settled his rental due by endorsing the cheque in favour of Mrs. R. K the owner of the house in which he stayed. The cheque was dishonoured when Mrs. R. K presented it for payment on the grounds of inadequacy of funds. Advice to Mrs. R. K how she can proceed to collect her dues. 9+6=15

Answer:

3. (a) The procedure of conversion from private limited company into Limited Liability Partnership (LLP) is discussed as under:

Para 1(b) of the third schedule defines the term 'convert' in relation to a private company converting into a LLP, as a transfer of the property, assets, interests, rights, privileges, liabilities, obligations and the undertaking of the private company to the LLP in accordance with the third schedule.

A company may apply to convert itself into a LLP if and only if -

- there is no security interest in its assets subsisting or in force at the time of application; and
- the partners of the LLP to which it converts comprise all the shareholders of the company and no one else.

Upon the conversion of a private company into an LLP, the company and its shareholders, the LLP and the partners of the LLP shall be bound by the provisions of this schedule that are applicable to them.

The company has to apply with the Registrar by filing the following documents:

- A statement by all its shareholders in Form No. 18 and fees containing the following particulars
 - The name and registration number of the company;
 - The date on which the company was incorporated; and
- incorporation document and statement; On the receipt of the above said documents, the Registrar shall register the documents subject to the provisions of the Act and the rules made there under. The Registrar may require the documents to be verified as he considers fit. The Registrar shall issue a certificate of registration in Form No. 19 as the Registrar may determine stating that the LLP is, on and from the date specified in the certificate.

The LLP shall inform the concerned Registrar of Companies within 15 days of the date of registration about the conversion and of the particulars of LLP in Form along with the fees.

If the Registrar is not satisfied with the particulars or other information furnished the Registrar may refused to register. Against this order appeal may be made before the Tribunal.

SUGGESTED ANSWERS TO QUESTIONS_SYL2016_DEC2019_PAPER-6

- (b) Section 26 of Negotiable Instrument Act 1881, provides that every person capable of contracting may bind himself and be bound by the making, drawing, acceptance, indorsement, delivery and negotiation of a promissory note, bill of exchange or cheque. However A minor may draw, indorse, deliver and negotiate such instrument so as to bind all parties except himself.

As per the facts given in the question, Mr. S.K drew a cheque in favour of Mr P.K a minor. Mr. P. K endorses the same in favour of Mrs. R. K. to settled his rental dues. The cheque was dishonoured when it was presented by Mrs. R. K. to the bank on the grounds of inadequacy of funds. Here in this case, Mr. P. K. being a minor may draw, endorse, deliver and negotiate the instrument so as to bind all parties except himself. Therefore, Mr. P. K is not liable. Mrs. R. K can thus, proceed against Mr. S. K to collect her dues.

4. (a) Discuss the welfare measures to be taken in a factory for the workmen employed therein as per the Factories Act, 1948.

(b) Mention any seven purposes for which the ESI fund may be expended. 8+7=15

Answer:

4. (a) The following are the welfare measures prescribed in the Factories Act, 1948 to be provided by the factory to their workmen:

Washing facilities:

Section 42 provides that in every factory adequate and suitable facilities for washing shall be provided and maintained for the use of the workers. Separate and adequately screened facilities shall be provided for the use of male and female workers. The washing facility shall be conveniently accessible and shall be kept clean.

Facilities for storing and drying clothing:

Section 43 provides that the State Government may, in respect of any factory or class or description of factories, make rules requiring the provision therein of suitable places for keeping clothing not worn during working hours and for the drying of wet clothing.

Facilities for sitting:

Section 44 provides that suitable arrangements for sitting shall be provided and maintained for all workers obliged to work in a standing position, in order that they make take advantage of any opportunities for rest which may occur in the course of their work.

First aid appliances:

Section 45 provides that first aid appliances shall be provided and maintained so as to be readily accessible during all working hours or cupboards equipped with the prescribed contents and the number of such boxes or cupboards to be provided and maintained shall not be less than for every 150 workers at any one time in the factory. Each first aid box or cupboard shall be kept in charge of a separate reasonable

SUGGESTED ANSWERS TO QUESTIONS_SYL2016_DEC2019_PAPER-6

person who holds a certificate in the first aid treatment recognized by the State Government and he should always be readily available during the working hours of the factor. In a factory where more than 500 workers are employed an ambulance of the prescribed size containing the prescribed equipment, nursing staff etc., shall be provided and made readily available at all times.

Canteens:

Section 46 provides that if more than 250 workers are employed in a factory a canteen or canteens shall be provided and maintained by the occupier for the use of the workers. The items of expenditure in the running of the canteen which are not to be taken into account in fixing the cost of foodstuffs shall be borne by the employer.

Shelters, rest rooms and lunch rooms:

Section 47 provides that if more than 150 workers are employed adequate and suitable shelters or rest rooms and a suitable lunch room with provision for drinking water shall be provided and maintained for the use of the workers. The same shall be sufficiently lighted and ventilated and shall be maintained in a cool and clean condition.

Creches:

Section 48 provides that if more than 30 women workers are employed there shall be provided and maintained a suitable room for the use of children under the age of 6 years of such women. The same shall be adequately ventilated and shall be maintained in clear and sanitary conditions and under the charge of women trained in the care of children and infants.

Welfare Officers:

Section 49 provides that if 500 or more than workers are employed in a factory, the occupier shall employ in the factory such number of welfare officers as may be prescribed. In 'Shyam Vinyals Limited V. T. Prasad' - (1993) 83 FJR 18 (SC) it was held that an Assistant Personnel Officer cannot be held that he was in fact appointed as a Labor Welfare Officer simply because as a Assistant and Personnel Officer he was looking after the problems of the laborers and the welfare of the laborers.

(b) Section 28 of the Employees State Insurance Act, 1948 provides the Central Government may utilize the State Insurance Fund only for the following purposes:

- payment of benefits and provision of medical treatment and attendance to insured persons and, where the medical benefit is extended to their families, the provision of such medical benefit to their families in accordance with the provisions of this Act and defraying the charges and costs in connection therewith;
- payment of fees and allowances to members of the Corporation, the Standing Committee and the Medical Benefit Council, the Regional Boards, Local Committees and Regional and Local Medical Benefit Councils;

SUGGESTED ANSWERS TO QUESTIONS_SYL2016_DEC2019_PAPER-6

- payment of salaries, leave and joining time allowances, travelling and compensatory allowances, gratuities and compassionate allowances, pensions, contributions to provident or other benefit fund of officers and servants of the Corporation and meeting the expenditure in respect of offices and other services set up for the purpose of giving effect to the provisions of this Act;
- establishment and maintenance of hospitals, dispensaries and other institutions and the provision of medical and other ancillary services for the benefit of insured persons and, where the medical benefit is extended to their families;
- payment of contributions to any State Government, local authority or any private body or individual, towards the cost of medical treatment and attendance provided to insured persons and, where the medical benefit is extended to their families, including the cost of any building and equipment, in accordance with any agreement entered into by the Corporation;
- defraying the cost (including all expenses) of auditing the accounts of the Corporation and of the valuation of its assets and liabilities;
- defraying the cost (including all expenses) of the Employees' Insurance Courts set up under this Act;
- payment of any sums under any contract entered into for the purpose of this Act by the Corporation or the Standing Committee or by any officer duly authorized by the Corporation or the Standing Committee in that behalf;
- payment of sums under any decree, order or award of any Court or Tribunal against the Corporation or any of its officers or servants for any act done in the execution of his duty or under a compromise or settlement of any suit or other legal proceeding or claim instituted or made against the Corporation;
- defraying the cost and other charges of instituting or defending any civil or criminal proceedings arising out of any action taken under this Act;
- defraying expenditure, within the limits prescribed, on measures for the improvement of the health, welfare of insured persons and for the rehabilitation and re-employment of insured persons who have been disabled or injured; and
- such other purposes as may be authorized by the Corporation with the previous approval of the Central Government.

5. (a) Sweat equity shares are issued to directors or employees at a discount or for consideration other than cash. Discuss under the provisions of the Companies Act, 2013.

(b) XYZ Ltd. issued Notice for holding of its Annual General Meeting on 30th September 2019. The notice was posted to the members on 7th September 2019. Some members of the company allege that the company had not complied with the provisions of the Companies Act. Referring to the provisions of the Act, decide.

(i) Whether the meeting has been validly called?

(ii) If there is a shortfall, state and explain by how many days does the notice fall short of the statutory requirement?

(iii) Can the delay in giving notice be condoned?

8+7=15

Answer:

SUGGESTED ANSWERS TO QUESTIONS_SYL2016_DEC2019_PAPER-6

5. (a) Section 2(88) defines the expression 'sweat equity shares' as such equity shares as are issued by a company to its directors or employees at a discount or for consideration, other than cash, for providing their know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

For this purpose the term 'employee' means-

- a permanent employee of the company who has been working in India or outside India; or
- a director of the company, whether a whole time director or not; or
- an employee or a director as defined above of a subsidiary, in India or outside India, or of holding company of the company.

The expression 'value additions' means actual or anticipated economic benefits derived or to be derived by the company from an expert or a professional for providing know-how or making available rights in the nature of intellectual property rights, by such person to whom sweat equity is being issued for which the consideration is not paid or included in the normal remuneration payable under the contract of employment, in the case of employee.

Section 54 provides that a company may issue sweat equity shares of a class of shares already issued, if the following conditions are fulfilled:

- the issue is authorized by a special resolution passed by the company;
- the resolution specifies the number of shares, the current market price, consideration, if any, and the class or classes of directors or employees to whom such equity shares are to be issued;
- where the equity shares of the company are listed on a recognized stock exchange, the sweat equity shares are issued in accordance with the regulations made by SEBI in this behalf. If they are not so listed, the sweat equity shares are issued in accordance with such rules as may be prescribed.

Rule 8(1) provides that a company other than a listed company shall not issue sweat equity shares to its directors or employees at a discount or for consideration other than cash, for their providing know-how or making available rights in the nature of intellectual property rights or value additions unless the issue is authorized by a special resolution passed by the company in general meeting.

- (b) According to the Section 101(1) of the Companies Act, 2013, annual general Meeting of a company may be called by giving not less than clear twenty-one days notice either in writing or through electronic mode in such manner as may be prescribed.

Also, it is to be noted that clear 21 days notice mean that date of which notice is served and the date of meeting are excluded for sending the notice. Further, Rule 35(6) of the Company (incorporation Rules, 2014, provides that in case of delivery by post, such service shall be deemed to have been effected - in the case of the notice of meeting, at the expiration of forty eight hours after the letter containing the same is posted. Hence, in the given question:

- (i) A 21 days clear notice must be given. In the given question, only 20 days notice is served (after excluding 48 hours from the time of its posting and day of sending

SUGGESTED ANSWERS TO QUESTIONS_SYL2016_DEC2019_PAPER-6

and date of meeting). Therefore, the meeting was not validly called.

- (ii) As explained in (i) above, notice falls short by 1 day.
- (iii) The Companies Act, 2013 does not provide anything specific regarding the condonation of delay in giving of notice. Hence the delay in giving the notice calling the meeting cannot be condoned.

6. (a) What are the different duties of a director in a company as per the Companies Act, 2013?

(b) What are the disqualifications of a person for the appointment as a director under the Companies Act, 2013? **7+8=15**

Answer:

6. (a) As per Section 166 of the Companies Act, 2013 a director of a company is bound to perform the following duties as mentioned below:

- A director of a company shall act in accordance with the articles of the company.
- A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
- A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- A director shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company,
- A director of a company shall not achieve or attempt to achieve any undue gain or advantages either to himself or to his relatives, partners or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company,
- A director of a company shall not assign his office and any assignment so made shall be void,

If a director of a company contravenes the provisions of Section 166 such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

(b) Section 164 of the Companies Act, 2013 details the disqualification of a person for the appointment as a Director. A person shall not be eligible for appointment as a Director of a company, if

- (a) he is of unsound mind and stands so declared by a competent court;
 - (b) he is an undercharged insolvent;
 - (c) he has applied to be adjudicated as an insolvent and his application is pending;
 - (d) he has been convicted by a Court of any offence, whether involving moral turpitude or otherwise and sentenced to imprisonment for not less than 6 months and a period of 5 years has not elapsed from the date of expiry of the sentence;
- If a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of 7 years or more, he shall not be eligible to be

SUGGESTED ANSWERS TO QUESTIONS_SYL2016_DEC2019_PAPER-6

appointed as a director in any company.

- (e) an order disqualifying him for appointment as a director has been passed by the Court or Tribunal and the order is in force;
- (f) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others and six months have elapsed from the last day fixed for the payment of the call;
- (g) he has been convicted of the offence dealing with related party transactions under Section 188 at any time during the last preceding five years; or
- (h) he has not obtain DIN.

A private company may by its articles provide for any disqualifications for appointment as a director in addition to the above disqualifications. The disqualifications in (d), (e), and (g) above shall continue to apply even if the appeal or petition has been filed against the order of conviction or disqualification.

7. (a) What is Value Chain? What are the new themes and challenges that managers face currently?

(b) Discuss the procedure for recovery of bonus in case the employer has not paid under a settlement. **9+6=15**

Answer:

7. (a) Value chain is a visualization of complete business as a sequence of activities in which usefulness is added to the products or services produced and sold by an organization. Management accountants provide decision support for managers in each activity of value chain.

The design of management accounting system has to take into consideration the decision needs of the managers. Also it has to take into consideration the new themes and challenges that managers face currently.

- **Customer focus:** The challenge for managers is to invest sufficient resources to enhance customer satisfaction. But every action of the organization has to result in enhanced profitability or maintained profitability for the organization.
- **Key Success Factors:** These are nonfinancial factors which have an effect on the economic viability of the organization. Cost, quality, time and innovation are important key success factors. Management accounting systems need to have provisions for tracking the performance of the organization and its divisions as well as competitors on these success factors.
- **Continuous improvement:** Continuous improvement or kaizen is a popular theme. Innovation related to this area in costing is kaizen costing.
- **Value Chain and Supply Chain Analysis:** Value chain as a strategic framework for analysis of competitive advantage was promoted by Michael Porter. Management accountants have to become familiar with the framework and provide information to implement the framework by strategic planners.

(b) Section 21 of the Payment of Bonus Act, 1965 provides the procedure for the recovery of bonus in case the employer has not paid under a settlement or an award

SUGGESTED ANSWERS TO QUESTIONS_SYL2016_DEC2019_PAPER-6

or agreement. In such cases-

- the employee himself; or
- any other person authorized by him in writing in this behalf; or
- in the case of death of the employee, his assignee or heirs

may make an application to the appropriate Government for the recovery of the money due to him. If the appropriate Government or such authority authorized is satisfied that any money is due, it shall issue a certificate to the Collector for that amount to the Collector who shall proceed to recover the said amount in the same manner as an arrear of land revenue.

It may be noted that every such application shall be made within one year from the date on which the money become due to the employee from the employer. As such application may be entertained after the expiry of the said period of one years; if the Appropriate Government is satisfied that the applicant had sufficient cause for not making the application within the said period.

8. Write short notes on any three of the following terms:

5×3=15

- (a) Misrepresentation**
- (b) Director Identification Number**
- (c) Advantages of Business Ethics**
- (d) Dependent**

Answer:

8. (a) MISREPRESENTATION: [Sec. 18]

A statement of fact which one party makes in the course of negotiation with a view to induce the other party to enter into a contract is known as misrepresentation. It must relate to some fact which is material to the contract. It may be expressed by words spoken or written or implied from the acts and conduct of the parties.

A representation when wrongly made either innocently or unintentionally is a misrepresentation. When it is made innocently or unintentionally, it is misrepresentation and when made intentionally or willfully it is fraud. Misrepresentation has been defined in section 18 of the Indian Contract Act 1872 as under:

"Misrepresentation" means and includes—

- 1) The positive assertion, in a manner not warranted by the information of the person making it, of that which is not true, though he believes it to be true;
- 2) Any breach of duty which, without an intent to deceive, gains an advantage to the person committing it, or any one claiming under him, by misleading another to his prejudice or to the prejudice of anyone claiming under him ;
- 3) Causing, however innocently, a party to an agreement to make a mistake as to the substance of the thing which is the subject of the agreement.

(b) Director Identification Number (DIN)

Director Identification Number is allotted by the central government to every

SUGGESTED ANSWERS TO QUESTIONS_SYL2016_DEC2019_PAPER-6

individual who is to be appointed as director of a company after receiving the application form in prescribed Form No. DIR-3 along with the fees for the same. The form shall be attested by a chartered accountant in practice or a company secretary in practice or a cost accountant in practice. The central government shall process the application form within 30 days of receiving the same and allot the Director Identification Number to the applicant after approving the application or give intimation of rejection of the application. The DIN once allotted shall remain valid for the life time of the director and it will not be allotted to any other person. The director on allotment of DIN is to intimate the company in Form No. DIR-3C within 15 days from the intimation given to him. Every company shall within 15 days of the receipt of intimation furnish the same with the Registrar. If company fails to furnish DIN the company shall be punishable with fine which shall not be less than ₹ 25,000 but which may extend to ₹ 1 lakh. Every officer of the company who is default shall be punishable with fine which shall not be less than ₹ 25,000 but which may extend to ₹ 1 lakh.

(c) Advantages of Business Ethics:

Business ethics deals with morality in the business. It is a system of moral principles and values applied to business activities. This means the business activities should be conducted according to ethics or moral standard. Business ethics is an art or science of maintaining harmonious relationship with society, its various groups and institution as well as reorganizing for right or wrong of business conduct. The following are the advantages for following the principles of business ethics

- It offers a company a competitive advantage;
- Goodwill of the firm hikes depending on its response towards its ethical issues;
- Productivity through rigid, firm and sincere workers as well as other business chain members;
- Through increasing morale and trust business can increase their market share;
- Publicity due to well and ethical performance;
- Acceptance of products of the company by the public;

(d) Section 2(6A) of The Employees' State Insurance Act, 1948, defines the term 'dependent' as any of the following of a deceased insured person:

- a widow, a legitimate or adopted son who has not attained the age of 25 years, an unmarried legitimate or adopted daughter;
- a widowed mother;
- if wholly dependent on the earnings of the insured person at the time of his death, a legitimate or adopted son or daughter who has attained the age of 25 years and is infirm;
- if wholly or in part dependent on the earnings of the insured person at the time of his death-
- a parent other a widowed mother;
- a minor illegitimate son, an unmarried illegitimate daughter or a daughter legitimate or adopted or illegitimate if married and a minor or if widowed and a minor;
- a minor brother or an unmarried sister or a widowed sister if a minor;
- a widowed daughter-in-law;

SUGGESTED ANSWERS TO QUESTIONS_SYL2016_DEC2019_PAPER-6

- a minor child of a pre-deceased son;
- a minor child of a pre-deceased daughter where no parent of the child is alive; or
- a paternal grand-parent if no parent of the insured person is alive.