

## **Paper 6- Laws and Ethics**

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Full Marks:100

Time allowed: 3 hours

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

This paper contains five questions.

All questions are compulsory, subject to instruction provided against each questions.

All workings must form a part of your answer.

Assumptions, if any, must be clearly indicated.

**Section A**

1. Answer the following questions

[20 × 1 = 20]

(a) Multiple choice questions:

- (i) Section 4(1) provides that gratuity shall be payable to an employee on the termination of his employment after he has rendered continuous service for not less than \_\_\_\_\_ years
- (a) Five
  - (b) Three
  - (c) Ten
  - (d) None of the above
- (ii) 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
- (iii) 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
- (iv) Section 53 provides that if a worker is deprived of any of the weekly holidays he shall be allowed within \_\_\_\_\_ in which the holidays were due to him compensatory holidays of equal number to the holidays so lost shall be given.
- (a) Two following weeks
  - (b) Three months

- (c) The month  
(d) None of the above
- (v) 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
- (vi) 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
- (vii) Application for Director Identification Number (DIN) is to be made to Central Govt. in Form:  
(a) DIR-3  
(b) DIR-2  
(c) DIR-1  
(d) None of the above
- (viii) 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
- (ix) In case of conflict of jurisdiction of the courts, the incidence of a contract shall be governed by the law of the place where the:  
(a) Contract is made  
(b) Contract is performed  
(c) Acceptor resides  
(d) Proposer resides
- (x) The remuneration payable to any one Managing Director or whole time director or manager shall not exceed \_\_\_\_\_ of the company.  
(a) 5% of the net profits  
(b) 5% of the gross profits  
(c) 10% of the net profits  
(d) 10% of the gross profits
- (xi) When parties enter into a contract on telephone the contract becomes complete at the place where acceptance is heard by the proposer. This has been provided:

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- (a) In no section of Indian Contract Act but so decided by the Supreme Court  
(b) In section – 2  
(c) In section – 3  
(d) In section – 4
- (xii) The primary purpose of employee safety programme is to preserve the employees':  
(a) Mental health  
(b) Physical health  
(c) Emotional health  
(d) All of the above
- (xiii) The minimum age limit for appointment of Managing Director and the Whole time director is \_\_\_\_\_ years.  
(a) 25  
(b) 18  
(c) 21  
(d) 40
- (xiv) Under the provisions of section 143 of the Negotiable Instruments Act, 1881, all offences under the Act are to be tried by:  
(a) any Judicial Magistrate  
(b) Judicial Magistrate of the First Class or by a Metropolitan Magistrate  
(c) only a District Judge  
(d) none of the above
- (xv) As per Employees' State Insurance Act, 1948, the rate of Employer's contribution is:  
(a) 4.25%  
(b) 4.50%  
(c) 4.75%  
(d) 4.95%
- (xvi) A person shall not be eligible for appointment as a Director of a company, if-  
(a) is of unsound mind  
(b) is an undischarged insolvent  
(c) has applied to be adjudicated as an insolvent  
(d) All of the above
- (xvii) 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

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(xviii) 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

(xix) The Sarbanes-Oxley Act was formed by the US in the year:

- (a) 2002
- (b) 2003
- (c) 2004
- (d) 2005

(xx) 'Small shareholders' means a shareholder holding shares of nominal value of not more than \_\_\_\_\_

- (a) ₹10000
- (b) ₹1000
- (c) ₹2000
- (d) ₹20000

(b) Match the following:

[5 x 1 = 5]

	Column 'A'		Column 'B'
1.	Whole time Director	A	nominated by any financial institution
2.	Nominee Director	B	within nine months from the close of the first financial year
3.	Form No. MGT-15	C	capable of suing and being sued
4.	First AGM	D	Section 2(94)
5.	LLP, by its name	E	within 30 days of the conclusion of the AGM

### Section B

2. Answer any Three questions:

[3 × 7 = 21]

(a) Akhilesh entered into an agreement with Shekhar to deliver him (Shekhar) 5,000 bags to be manufactured in his factory. The bags could not be manufactured because of strike by the workers and Akhilesh failed to supply the said bags to Shekhar. Decide whether Akhilesh can be exempted from liability under the provisions of the Indian Contract Act, 1872. [7]

(b) 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 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? [7]

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- (c) (i) A seller agrees to supply to the buyer timber of  $\frac{1}{2}$ " thickness for being made into cement barrels. The timber actually supplied varies in thickness from  $\frac{1}{2}$ " to  $\frac{5}{8}$ ". The timber is merchantable and commercially fit for the purpose for which it was ordered. The buyer rejects the timber. Is his action justified? [4]
- (ii) B selects certain furniture in a shop. The price is settled. He arranges to take delivery of the furniture the next day and agrees to pay on the first of the next month. The furniture was destroyed by fire the same evening. Is B liable to pay the price? Give reasons. [3]
- (d) (i) State the right to resale, in case of an unpaid seller. [3]
- (ii) An Agreement was entered into on 11.10.2013 between the owner of building and Mr. Ramesh for exhibition cum sales centre. On 30.11.2013 owner expressed his intention to cancel the agreement as the building is unsafe as declared by Municipal Corporation on 29.11.2013. Comment. [2]
- (iii) In an Auction sale, a bid once made can be withdrawn by the Bidder. Comment citing rules. [2]

### Section C

3. Answer any Three questions: [3 × 6 = 18]
- (a) Explain the power of Central Government to appoint Inquiry Committee under Section 41-D of the Factories Act, 1948. [6]
- (b) Describe the provisions relating to contribution by the employees and the employer under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. [6]
- (c) '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 2013-14, 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'. [6]
- (d) (i) Twelve employed persons acting in concert absent themselves for 2 days without due notice and without reasonable cause. What is the maximum amount that may be deducted on account of the absence from duty of these persons? [3]
- (ii) Discuss the provisions relating to payment of gratuity as per Section 7(3) and 7(4) of Payment of Gratuity Act, 1972. [4]

**Section D**

4. Answer any two questions: [2 x 13 = 26]
- (a) (i) Having a common seal is compulsory for companies. Comment [7]
- (ii) What do you understand by an 'Associate Company'? [6]
- (b) (i) Companies may be differentiated based on their basis of control. Comment. [8]
- (ii) What are the conditions that need to be satisfied to be a small company, as per Companies Act, 2013? [5]
- (c) (i) The Articles of a Public Company clearly stated that Mr. Bibhu will be the solicitor of the company. The company in its general meeting of the shareholders resolved unanimously to appoint Sona in place of Bibhu as the solicitor of the company by altering the articles of association. Examine, whether the company can do so? State the reasons clearly. [8]
- (ii) Define the following terms as per Companies Act, 2013.
- Associate Company
  - Employee Stock option
- [2<sup>1</sup>/<sub>2</sub> x 2 = 5]

**Section E**

5. Answer any one question: [1x10 = 10]
- (a) (i) How does business ethics relate to Corporate Social Responsibility (CSR)? [5]
- (ii) What are the various threats which can be faced by a Finance and Accounting Professional while working as an Auditor, Consultant or an Employee in an organization? [5]
- (b) (i) Is it possible to have single right answer to all ethical issues? [5]
- (ii) Point out the difference between Ethical Code and Ethical Contract. [5]