

**MOCK TEST PAPER – 1**  
**INTERMEDIATE (IPC): GROUP – I**  
**PAPER – 2: BUSINESS LAWS, ETHICS AND COMMUNICATION**

*Division A is compulsory*

*In Division B, Question No.1 is compulsory*

*Attempt any **Four** questions out of the remaining **Five** questions*

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**DIVISION A**

1. The Payment of Bonus Act, 1965 is applicable on which of the following employees?
  - (a) Employees employed by Life Insurance Corporation of India
  - (b) Employees employed by the Reserve Bank of India
  - (c) Employees employed through contractors on building operations
  - (d) Employees employed by the Deposit Insurance Corporation **(1 Mark)**
  
2. Gratuity shall be payable to an employee after rendering continuous services for not less than .....
  - (a) 1 year
  - (b) 5 years
  - (c) 7 years
  - (d) 10 years **(1 Mark)**
  
3. Prince delivers his car to Manoj, a garage owner for repair. Who is the bailor in this case?
  - (a) Manoj
  - (b) Prince
  - (c) None of the above
  - (d) Both Manoj and Prince **(1 Mark)**
  
4. Days of grace provided to the Instruments at maturity is—
  - (a) 1 day
  - (b) 2 days
  - (c) 3 days
  - (d) 5 days **(1 Mark)**
  
5. S and P go into a shop. S says to the shopkeeper, C, "Let P have the goods, and if he does not pay you, I will". This is a
  - (a) Contract of Guarantee
  - (b) Contract of Indemnity
  - (c) Wagering agreement
  - (d) Quasi-contract **(1 Mark)**
  
6. A guarantee obtained by a creditor by keeping silence as to material circumstances is:
  - (a) valid
  - (b) voidable

- (c) unenforceable  
(d) invalid **(1 Mark)**
7. While drawing a bill of exchange, a person whose name is given in addition to the drawee who can be resorted in case of need, is called  
(a) Acceptor  
(b) Acceptor for honour  
(c) Drawee in case of need  
(d) Drawer **(1 Mark)**
8. Annual general meeting need to be called by giving 21 days' clear notice. However, it can be called on a shorter notice if members entitled to vote in that meeting give their consent in writing or by electronic mode. In such case, how many members have to give their consents?  
(a) 75% of members entitled;  
(b) 90% of members entitled;  
(c) 91% of members entitled;  
(d) 95% of members entitled; **(1 Mark)**
9. When an unlisted public company issues shares at a premium, amount of the premium received on those shares is transferred to a "securities premium account". For which purpose amount lying in securities premium account shall be used?  
(a) In writing off preliminary expenses of the company;  
(b) In writing off pre-incorporation expenses of the company;  
(c) For purchase of immovable assets;  
(d) For paying managerial remuneration; **(1 Mark)**
10. Shruti, a common friend of Suchitra and Sukanya, got incorporated OPC sometime before and during a chit-chat with her friends informed them that there is some limit on the maximum capital which her OPC can have and she would have to convert her OPC either into a private or public limited company if such limit exceeded. Suchitra and Sukanya who are desirous of forming a private limited company for carrying on textile trading business, are unsure about the maximum capital which a private limited company can have. Advise.  
(a) A private limited company can have maximum of Rs. One crore as share capital.  
(b) A private limited company can have maximum of Rs. Two crores as share capital.  
(c) A private limited company can have maximum of Rs. Five crores as share capital.  
(d) A private limited company can have unlimited share capital. **(1 Mark)**
11. High Aim Pvt. Ltd. wants to change its object clause of the Memorandum of Association of the Company. This needs:  
(a) Shareholders approval by way of Ordinary Resolution  
(b) Shareholders approval is not required for change of object clause of the company.  
(c) Shareholders approval by way of Special Resolution  
(d) The approval from Tribunal for changing object clause of the company. **(1 Mark)**
12. The Annual General meeting of Tirupati Limited was scheduled for 28<sup>th</sup> December, 2018. Mr. Ananat, shareholder of Tirupati Limited has desired to inspect inspection of proxies lodged with the company. The notice for inspection should be given at least ..... before the meeting:  
(a) 24 hours

- (b) 1 day  
(c) 2 days  
(d) 3 days **(1 Mark)**
13. In Roopali Marketing Company Private Limited (Authorised capital 50,000 shares of Rs. 10 each and paid-up share capital of Rs. 4,50,000), 1000 shares are jointly held by Abeer and Abheek; another 800 shares are jointly held by Seema and Srividya; and another 1200 are jointly held by Ramesh, Raksha and Rajneesh. Further, 42,000 shares are held by 193 individual persons in their individual capacity. Is it possible for the company to induct more persons?
- (a) The company is unable to induct more persons since it already has two hundred individual members.  
(b) The company can induct four more persons as members.  
(c) The company can induct another 20 persons (*i.e. 10% of two hundred individual members*) after seeking permission from the concerned ROC.  
(d) If the company does not want to seek permission of the concerned ROC, it can induct only 10 more persons (*i.e. 5% of two hundred individual members*). **(2 Marks)**
14. Corrupt Limited has received a request from Mr. Suresh for transfer of 100 partly paid equity shares, to Mr. Ramesh. However, Mr. Ramesh expired in the meantime, but no intimation of the same has been received by the company. In the given circumstances, advise as per the provisions of the Companies Act, 2013:
- (a) Corrupt Limited will not register the transfer the shares in the name of Mr. Ramesh, without verification from Mr. Suresh  
(b) Corrupt Limited can register the shares in the name of Mr. Ramesh as it is not aware of the untoward incident.  
(c) Corrupt Limited will not register the transfer the shares in the name of Mr. Ramesh, without verification from Mr. Ramesh  
(d) Corrupt Limited will give the shares back to Mr. Suresh. **(2 Marks)**
15. Supertech Computers Pvt. Ltd has 120 members. It sends notice to all of them. 20 members did not attend the meeting. Out of remaining 100 members, 20 members abstained from voting. Advise the company, how many members should vote in favour of resolution, if it has to be passed as a Special Resolution?
- (a) 60 Votes  
(b) 80 Votes  
(c) 41 votes  
(d) 20 votes **(2 Marks)**
16. ABC Infrastructures Limited is a listed company quoted at National Stock Exchange. The company closed its Register of Members in June and August, 2017 for 12 and 21 days respectively. The CFO of company has informed the company secretary to consider closing of register in December for another 15 days for some strategic reasons. Referring to the provisions of Companies Act, 2013, examine the validity of above action of the company.
- (a) Valid, as the closure of register of members by company each time is not exceeding 30 days.  
(b) Invalid, as company cannot go for closure of Register of members more than twice in a year.  
(c) Invalid, as the period of closing register of members exceeding 30 days in a year.  
(d) Invalid, as the period of closing the Register of members by the company is exceeding 45 days in a year. **(2 Marks)**

17. Angel Infrastructures Pvt. Ltd. with a paid up capital of Rs.45 Lacs and annual turnover of Rs.175 Lacs, is a wholly owned subsidiary of Almighty Infrastructure Development Ltd. a listed company. Can Angel Infrastructures be called a small company?
- (a) Yes. The paid up capital and annual turnover of Angel Infrastructure Pvt. Ltd. is not exceeding the limit as specified under the definition of Small company.
  - (b) No. Because Angel Infrastructure Pvt. Ltd. is a wholly owned subsidiary company.
  - (c) No. Because Angel Infrastructure Pvt. Ltd. is not a subsidiary of a listed company.
  - (d) No. Because the paid up capital is Rs. 45 lacs less than prescribed limit of Rs. 50 Lacs but its turnover is exceeding Rs.100 Lacs. **(2 Marks)**
18. On 30th June 2017, the liability side of Balance Sheet of X Ltd. showed balance of paid up share capital of Rs. 65 lacs, free reserve of Rs. 10 lacs, share premium account of Rs. 20 lacs, deposits of Rs. 25 lacs, repayable in the current financial year, during the month of September 2017. In July 2017, the company was in need of some short term funds to the tune of Rs. 20 lacs for a period of 6 months. The maximum amount which the company may hold as deposit together with existing deposits will be—
- (a) Rs. 33.25 Lacs
  - (b) Rs. 11.25 lacs
  - (c) Rs. 95 lacs
  - (d) Rs. 9.5 lacs. **(2 Marks)**
19. A had to travel to a different town for 5 days. He left his cow in the custody of B so that she can be taken care of. After two days the cow delivers a calf. Now, B has to return to A:
- (a) Only the cow
  - (b) Only the calf
  - (c) Both the cow and the calf
  - (d) Either the cow or the calf **(2 Marks)**
20. Aman contracts to indemnify Megha against the consequences of any proceedings which Chandar may take against Megha in respect of a sum of Rs. 15000/- advanced by Chandar to Megha. Now, Megha who is called upon to pay the sum of money to Chandar but she fails to do so. Now, as per the provisions of the Indian Contract Act, 1872, advise the future course of action to be taken by Chandar.
- (a) Chandar can recover the amount only from Megha
  - (b) Chandar can recover the full amount from Aman
  - (c) Chandar cannot recover the amount from Aman
  - (d) Chandar can recover at least 10% of the total amount from Megha **(2 Marks)**
21. The date of maturity of a bill payable hundred days after sight and which is presented for sight on 4th May, 2017, is:
- (a) 13 August, 2017
  - (b) 14 August, 2017
  - (c) 15 August, 2017
  - (d) 16 August, 2017 **(2 Marks)**

## DIVISION B

1. (a) Data Limited (listed on Stock Exchange) was incorporated on 1<sup>st</sup> October, 2018 with a paid-up share capital of Rs. 200 crores. Within this small time of 4 months it has earned huge profits and has topped the charts for its high employee friendly environment. The company wants to issue sweat equity to its employees. A friend of the CEO of the company has told him that they cannot issue sweat equity shares as 2 years have not elapsed since the time company has commenced its business. The CEO of the company has approached you to advise them about the essential conditions to be fulfilled before the issue of sweat equity shares especially since their company is just a few months old.?  
**(6 Marks)**
- (b) Explain the fundamental principles relating to ethics?  
**(4 Marks)**
- (c) Explain the various forms of formal communication.  
**(4 Marks)**
2. (a) (i) State with reasons whether following statements are correct or incorrect with respect to the Payment of Bonus Act, 1965.
  1. An employer can adjust the bonus from the amount of bonus payable to the employee in respect of that accounting year.
  2. A University employee is entitled to bonus.  
**(6 Marks)**
- (b) Write a note on 'There is no economic growth without ecological costs'.  
**(4 Marks)**
- (c) What is meant by "Active listening"? State the importance of 'Active listening' in the business communication skills.  
**(4 Marks)**
3. (a) State the provisions of Employees' Provident Funds and Miscellaneous Provisions Act, 1952 regulating the quantum of contribution to be made by the employer and employee to the Provident Fund. Is it possible for an employee to increase the amount of his contribution to the Provident Fund more than the minimum contribution as statutorily prescribed?  
**(3 Marks)**
- (b) Explain the provisions of the Companies Act, 2013 relating to the 'Service of Documents' on a company and the members of the company.  
**(3 Marks)**
- (c) State the "Common Corporate Social responsibility" (CSR) policies for business organizations.  
**(4 Marks)**
- (d) What are features of 'groups' in an organization?  
**(4 Marks)**
4. (a) Explaining the provisions of the Indian Contract Act, 1872, answer the following:
  - (i) A contracts with B for a fixed price to construct a house for B within a stipulated time. B would supply the necessary material to be used in the construction. C guarantees A's performance of the contract. B does not supply the material as per the agreement. Is C discharged from his liability?
  - (ii) C, the holder of an over due bill of exchange drawn by A as surety for B, and accepted by B, contracts with X to give time to B. Is A discharged from his liability?  
**(6 Marks)**
- (b) Answer whether the statement is correct or incorrect with brief reason.  
'Consumer interest' and 'Public interest' are synonymous'.  
**(4 Marks)**
- (c) Suggest guidelines for drafting of Press release.  
**(4 Marks)**

5. (a) Miraj Limited held its Annual General Meeting on September 15, 2018. The meeting was presided over by Mr. Venkat, the Chairman of the Company's Board of Directors. On September 17, 2018, Mr. Venkat, the Chairman, without signing the minutes of the meeting, left India to look after his father who fell sick in London. Referring to the provisions of the Companies Act, 2013, examine the manner in which the minutes of the above meeting are to be signed in the absence of Mr. Venkat and by whom. **(6 Marks)**
- (b) Describe the factors which influence the ethical behaviour at work in an organization. **(4 Marks)**
- (c) What are the elements that can be used to describe or influence Organizational Culture. **(4 Marks)**
6. (a) List the differences between Holder and Holder in Due Course. **(3 Marks)**
- (b) Walnut Limited has an authorized share capital of 1,00,000 equity shares of Rs. 100 per share and an amount of Rs. 3 crores in its Share Premium Account as on 31-3-2018. The Board of Directors seeks your advice about the application of share premium account for its business purposes. Please explain the same. **(3 Marks)**
- (c) Explain the following reasons for unethical behaviour among finance and accounting professionals:
- (i) Economic cycles
  - (ii) Accounting rules **(4 Marks)**
- (d) Draft a press release by the manufacturing company with respect to establishing of new business location. **(4 Marks)**