

MOCK TEST PAPER – 2
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. As per the provisions of the Payment of Gratuity Act, 1972, the employer shall arrange to pay the amount of gratuity within from the date it becomes payable to the person as gratuity.
 - (a) 15 days
 - (b) 30 days
 - (c) 90 days
 - (d) 6 months

(1 Mark)
2. As per the Negotiable Instruments Act, 1881, when the day on which a promissory note or bill of exchange is at maturity is a public holiday, the instrument shall be deemed to be due on the.....
 - (a) said public holiday
 - (b) 5 days succeeding public holiday
 - (c) next succeeding business day
 - (d) next preceding business day

(1 Mark)
3. Examine which of the following does form part of 'Basic Wages' under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952:
 - (a) Cash value of food concession
 - (b) Piece rate wages
 - (c) Value of puja gift
 - (d) Presents made by the employer

(1 Mark)
4. Payment of Bonus Act, 1965, is applicable to:
 - (a) Seamen as defined under the Merchant Shipping Act, 1958.
 - (b) Employees employed by the Unit Trust of India
 - (c) A temporary workman
 - (d) An apprentice

(1 Mark)
5. A section 8 company can call its general meeting by giving a clear at least _____ notice.
 - (a) 7 days
 - (b) 14 days
 - (c) 21 days
 - (d) 27 days

(1 Mark)

6. Apple Company limited issued a prospectus on 5th October 2018, to offer 50 lac equity shares of Rs. 100 each to general public. The offer period was open un till 8th October 2018. The minimum subscription amount as stated in the prospectus was 90% of the issued amount. The application money to be paid with the application was Rs. 10 per share. Unfortunately the IPO did not get a good response and the company could not get minimum subscription amount as stated in the prospectus during the offer period. From the following options tick the correct option which states the period for which company can wait for receiving minimum subscription amount and the sums payable on application—
- A period of 10 days from the date of opening of the IPO
 - A period of 30 days from the date of issue of the prospectus
 - A period of 90 days from the date of issue of the prospectus
 - A period of 60 days from the date of filing the papers with the Registrar regarding such IPO
- (1 Mark)**
7. Shelf prospectus remains valid upto-
- 6 months
 - 1 year
 - 2 years
 - 5 years
- (1 Mark)**
8. A private company may issue securities through the way of , except-
- Public offer
 - Rights issue
 - Bonus issue
 - Private placement
- (1 Mark)**
9. Every company shall pay a penal rate of interest _____ for the overdue period in case of deposits, whether secured or unsecured, matured and claimed but remaining unpaid.
- 9% p.a.
 - 10% p.a.
 - 12% p.a.
 - 18% p.a.
- (1 Mark)**
10. Purvi Pvt. Ltd. is maintaining a register of charges along with all other necessary books and registers. The entry for every creation, modification and satisfaction of charges is being done properly. The company is also preserving every instrument related to such charges. From the following for how long the instrument of charges shall be maintained/preserved by the company--
- for minimum 8 years from the date of creation of charge
 - For minimum 10 years from the date of creation of charge
 - For minimum 8 years from the date of satisfaction of charge
 - permanently, without any time limit
- (1 Mark)**
11. 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.
- 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. **(1 Mark)**
12. The Annual General meeting of Tirupati Limited was scheduled for 28th December, 2017. 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. Feel Rich Co. Ltd. Having its registered office at New Delhi, is a subsidiary of a German company named Richman Company limited. The financial year of the parent/holding company ends on 31st December every year. The subsidiary company intends to follow a different financial year for consolidation of its accounts with its parent company, situated outside India. For doing so it is required to take prior permission of the competent authority. For the purpose from the following who will be this competent authority---
- (a) Registrar of Companies at New Delhi
- (b) Tribunal
- (c) Ministry of Corporate Affairs
- (d) SEBI **(1 Mark)**
14. Validity period for the presentment of cheque in bank is—
- (a) 3 months
- (b) 6 months
- (c) 1 year
- (d) 2 years **(1 Mark)**
15. Food lovers Inc. was incorporated as a one person company (OPC) on 1st September 2015 with paid up share capital of Rs. 25 lacs. This OPC wants to convert itself into a private limited company during the year ending on 31st March 2017. But the provisions of the Companies Act, 2013 prohibits an OPC from doing so before the expiry of a specified period. From the following options in which situation this OPC will mandatorily be converted into a private/public company even before expiry of such period—
- (a) After the expiry of two years from the date of its incorporation
- (b) Paid up share capital of the company is increased beyond fifty lakh rupees
- (c) The average annual turnover during the relevant period exceeds one crore rupees
- (d) If the application is filed with the ROC within 90 days of its incorporation as OPC, to be converted into a Private Limited company. **(2 Marks)**
16. The paid up share capital of ABC Ltd. Is 5000000 shares of Rs. 200 each. 20% of its paid up share capital is held by 4 of its promoters, who wants to off load their holding by making an offer of sale to the public by issuing a prospectus. They want to authorise someone to take all actions and complete all formalities related to such offer of sale. From the following who can be authorised by them to do so—
- (a) Any person who has agreed to fulfil all the formalities related to such offer of sale
- (b) Any one or more director of the company.

- (c) Company itself whose shareholding they want to offload.
- (d) Any competent officer of the company. **(2 Marks)**
17. The Authorised share capital clause of LMN & Co. Ltd. consisted of Preference share capital and Equity share capital both. With regard to equity share capital, the article of association of the company has given authorisation to issue differential equity shares. Apart from authorisation by the Articles, from the following strike out the condition, which is not mandatory to comply with—
- (a) Such issue of shares must be authorised by an ordinary resolution passed at a general meeting of the shareholders or by postal ballot, as the case may be
- (b) The company must have consistent track record of distributable profit for the last five years.
- (c) The company has no subsisting default in the payment of the declared dividend to its shareholders.
- (d) The company has not defaulted in filing financial statements and annual returns for three financial years immediately preceding the financial year in which it is decided to issue such shares
- (2 Marks)**
18. A bonus of Rs. 14,000 was payable to Mr. Amit for the 2018-19. The company adjusted Rs. 4,000 puja bonus paid to Mr. Amit. Decide the amount of balance to be paid to Mr. Amit.
- (a) Rs. 10,000
- (b) Rs. 14,000
- (c) Rs. 8,000
- (d) The company cannot adjust the puja bonus from the total payable bonus. **(2 Marks)**
19. Mr. and Mrs. Sharma dressed up in rich attire went to an electronics item showroom in a big car. Highly impressed and influenced by their looks showroom's manager sold them different high-ended electronic items worth Rs. 6.5 lakhs. Sharma's gave them a cheque towards payment for the goods purchased by them and insisted upon same day delivery of the goods. The goods were delivered in a very posh area of the city and the manager was very much confident of the receipt of the payment. The cheque got bounced and at the address where the goods were delivered neither the Sharma's nor the goods could be found. Sharma's were non traceable. This act of Sharma's can be termed as---
- (a) Undue influence
- (b) Misrepresentation
- (c) Fraud
- (d) Coercion **(2 Marks)**
20. Mr. Chopra transferred his farm house to his son Mr. Prem by executing a gift deed in his favour. However the gift deed contained a direction to pay Rs. 3000 every month to Mr. Chopra's younger daughter Neha, sister of Mr. Prem; irrespective of the income, which Mr. Prem will generate from the farm house. Mr. Prem executed an agreement in favour of his sister Neha, to pay her 3000 Rs. Per month. However after paying the amount for 6 months he refused to do so, citing the reason that he is not liable to do so. From the following tick the correct option related to liability of Mr. Prem—
- (a) Mr. Prem is not liable to pay Neha Rs. 3000 Per month as no consideration had moved from her to Mr. Prem
- (b) Mr. Prem is liable to pay Neha Rs. 3000 per month
- (c) Mr. Prem is liable to pay Mr. Chopra, who in turn can pay the amount to Neha, as the consideration had moved from Mr. Chopra to Mr. Prem
- (d) Mr. Prem is liable to pay both Mr. Chopra and Ms. Neha **(2 Marks)**

21. Both the parents of Ramesh died in an accident and left behind a bunch of properties. The court appointed, one loyal friend of Ramesh's father as his guardian. At the time of his parents death Ramesh was 16 years old and after their death he entered into some agreement. From the following which statement is not correct with regard to Ramesh—
- Ramesh would attain majority on completion of 21 years.
 - Any agreement entered into by Ramesh is altogether void.
 - After attaining majority Ramesh can ratify/validate any agreement which he entered into when he was a minor
 - Ramesh can always plead minority for the acts done even after attaining majority. **(2 Marks)**
22. A draws a cheque in favour of M, a minor. M endorses the same in favour of X. The cheque is dishonoured by the bank on grounds of inadequate funds. As per the provisions of Negotiable Instruments Act, 1881:
- M is liable to X
 - X can proceed against A
 - No one is liable in this case
 - M can proceed against A **(2 Marks)**

DIVISION B

1. (a) MNO a One Person company (OPC) was incorporated during the year 2015-16 with an authorised capital of Rs. 45 lakhs (4.5 lakhs shares of Rs. 10 each). The capital was fully subscribed and paid up. Turnover of the company during 2015-16 and 2016-17 was Rs. 2 crores and Rs. 2.5 crores respectively. Promoter of the company seeks your advice in the following circumstances, whether MNO (OPC) can convert into any other kind of company during 2017-18. Please, advise with reference to relevant provisions of the Companies Act, 2013 in the below mentioned circumstances:
- If promoter increases the paid up capital of the company by Rs. 10 lakhs during 2017-18
 - If turnover of the company during 2017-18 was Rs. 3 crores. **(6 Marks)**
- (b) What is the difference between 'Morals' and 'Ethics'? **(4 Marks)**
- (c) Explain clearly the process of Communication. **(4 Marks)**
2. (a) N Limited, a manufacturing company situated in Pune Industrial Estate, wants to declare bonus to their employees for the year ended 31-03-2018. Calculate the available funds for distribution of bonus to employees on the basis of the following information:

Gross Profit Rs. 1,20,00,000

The company has to provide for the following items to arrive at the available funds.

(a)	Depreciation on assets to be provided as per the Companies Act, 2013. Rs. 28,00,000. Depreciation to be provided as per the Income Tax Act, 1961.	Rs. 41,50,000
(b)	Development rebate	Rs. 3,40,000
(c)	Direct taxes payable	Rs. 10,00,000
(d)	Paid up equity capital as on 1-4-2017	Rs. 1,00,00,000
(e)	Reserves and Surplus	Rs. 25,000

(6 Marks)

- (b) What is meant by 'Environmental ethics'? How does its non-adoption lead to 3 Ps Viz, Polluter Pays and Principles? Explain. **(4 Marks)**
- (c) What are the tips for improving inter-personal skills in a business organization? **(4 Marks)**
3. (a) Mr. K is due to retire as a factory manager from a Paint Manufacturing Company and his present salary is Rs. 40,000. He has worked in the factory for about 22 years and was on leave for 6 months in the 15th year due to an injury suffered at the factory. After recovery he resumed his duty as a Chief Supervisor and worked for 7 years. In June 2018, he damaged an engine part and the company has to incur a sum of Rs.1,00,000 to set right the machinery and the loss is not yet recovered from him. Please calculate the amount of gratuity payable to him? **(3 Marks)**
- (b) What do you mean by Proxy? Explain the provisions relating to appointment of proxy under the Company Act, 2013. **(3 Marks)**
- (c) State with reasons whether the following statement is correct or incorrect:
Fairness and honesty are the pillars of success in business. **(4 Marks)**
- (d) Explain the concept of "Negotiation". What are its techniques? **(4 Marks)**
4. (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. **(6 Marks)**
- (b) A retailer was purchasing goods regularly from XYZ Ltd. for the purpose of resale. There were defects in the goods in one of the purchase lot and as a result the retailer suffered loss of his share in competition. The retailer sued the said company for this reason. The company contended that the goods were purchased for the purpose of resale and therefore, not bound. Is it a valid contention? Explain clearly the provisions of the Competition Act, 2002 in this regard. **(4 Marks)**
- (c) Draft a notice for ABC Limited's Annual General Meeting with four ordinary business. **(4 Marks)**
5. (a) A General Meeting was scheduled to be held on 15th April, 2018 at 3.00 P.M. As per the notice the members who are unable to attend a meeting in person can appoint a proxy and the proxy forms duly filled should be sent to the company so as to reach at least 48 hours before the meeting. Mr. X, a member of the company appoints Mr. Y as his proxy and the proxy form dated 10-04-2018 was deposited by Mr. Y with the company at its registered Office on 11-04-2018. Similarly, another member Mr. W also gives two separate proxies to two individuals named Mr. M and Mr. N. In the case of Mr. M, the proxy dated 12-04-2018 was deposited with the company on the same day and the proxy form in favour of Mr. N was deposited on 14-04-2018. All the proxies viz., Y, M and N were present before the meeting.
According to the provisions of the Companies Act, 2013, who would be the persons allowed to represent at proxies for members X and W respectively? **(6 Marks)**
- (b) Write a note on "Social Accountability-8000". **(4 Marks)**
- (c) Explain the key elements involved in the innovation frame work of an organisation. **(4 Marks)**
6. (a) What is meant by "Sans recourse endorsement" on a bill of exchange? How does it differ from "sans frais endorsement"? **(3 Marks)**
- (b) Explain in the light of the provisions of the Companies Act, 2013, the circumstances under which a subsidiary company can become a member of its holding company. **(3 Marks)**
- (c) Explain the reasons for unethical behaviour among finance and accounting professionals. **(4 Marks)**
- (d) Mr. A has not received a dividend warrant of Rs. 1,500 for 150 shares of XYZ Ltd. Draft an indemnity bond, to be given to the company for seeing release of Dividend. **(4 Marks)**