

Roll No.

INTERMEDIATE (IPC)

MAY 2017

Total No. of Questions

GROUP I - PAPER 2
BUSINESS LAWS, ETHICS
AND COMMUNICATION

Total No. of Printed Pages – 8

Time Allowed – 3 Hours

Maximum Marks – 100

BDT

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi medium answers in Hindi, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any five questions from the remaining six questions.

In case any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra questions(s) answered shall be ignored.

Wherever necessary suitable assumptions may be made and disclosed by way of note.

Marks

1. (a) PM Ltd., contracts with Gupta Traders to make and deliver certain machinery to them by 30.6.2014 for ₹ 21.50 lakhs. Due to labour strike, PM Ltd. could not manufacture and deliver the machinery to Gupta Traders. Later Gupta Traders procured the machinery from another manufacturer for ₹ 22.75 lakhs. Gupta Traders was also prevented from performing a contract which it had made with Zenith Traders at the time of their contract with PM Ltd. and were compelled to pay compensation for breach of contract. Advise Gupta Traders the amount of compensation which it can claim from PM Ltd., referring to the legal provisions of the Indian Contract Act, 1872. **5**

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(2)

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- (b) ABC Company Ltd. is holding 46% of total equity shares in SVS Company Ltd. The Board of Directors of SVS Company Ltd. (incorporated on January 1st, 2014) decided to raise the share capital by issuing further Equity shares. The Board of Directors resolved not to offer any shares to ABC Company Ltd. on the ground that it was already holding a high percentage of the total number of shares already issued, in SVS Company Ltd. The Articles of Association of SVS Company Ltd. provides that the new shares be offered to the existing shareholders of the company. On March 1st, 2014 new shares were offered to all the shareholders except ABC Company Ltd. Referring to the provisions of the Companies Act, 2013 examine the validity of the decision of the Board of Directors of SVS Company Limited of not offering any further shares to ABC Company Limited. **5**
- (c) Explain the term "Virtue Approach" as one of the sources of Ethical Standards ? **5**
- (d) What is meant by corporate culture ? Enumerate the important elements of corporate culture ? **5**
2. (a) (i) During the financial year 2015-16 Mr. Mohan who was a temporary employee in Golden Products Limited and was drawing a salary of ₹ 6,000 per month. On the basis of charges of violent behaviour within the premises of the company, he was prevented from working in the company for 60 days pending certain inquiry. Since there was no adverse findings against him, he was reinstated in service with back salary. He worked for the remaining ten months in that financial year and thereafter resigned from the service. Afterwards, when bonus was paid to other employees, the company refused to pay bonus to Mr. Mohan. Decide, whether Mr. Mohan will be entitled to bonus under the provisions of the Payments of Bonus Act, 1965 ? **4**

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(3)

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Marks

- (ii) Explain the provisions of the Payment of Gratuity Act, 1972 in respect of forfeiture of amount of gratuity payable to an employee. Also explain how the gratuity payable to a disabled employee is calculated. **4**
- (b) "Certain fundamental principles need to be adhered with for behaving in an ethical manner." Explain the Principle of Integrity and the Principle of Objectivity in this respect. **4**
- (c) Write short notes on the following : **2+2**
=4
- (i) Advantages of Ethical Communication.
- (ii) The Press Communique.
3. (a) (i) Ram, the bailor, pledges a cinema projector and other accessories with Movie Association Co-operative Bank Limited, the bailee, for a loan. Ram requests the bank to allow the pledged goods to remain in his possession and promises to hold the same in trust for the bailee and also further promises to handover the possession of the same to the bank whenever demanded. Examining the provisions of the Indian Contract Act, 1872 decide, whether a valid contract of pledge has been made between Ram, the bailor and Bank, the bailee ? **4**
- (ii) What do you understand by "coercion", describe its effect on the validity of a contract ? **4**

BDT

P.T.O.

(4)

BDT

Marks

- (b) "The UN Guidelines call upon Governments to develop, strengthen and maintain a strong consumer policy, and provide for enhanced protection of consumer by enunciating various steps and measures around eight themes." State what are these eight themes. **4**
- (c) What important factors should be considered to make oral communication effective ? Explain in brief. **4**
4. (a) (i) In a General Meeting of PQR Limited, the Chairman directed to exclude certain matters detrimental to the interest of the company from the minutes. M, a shareholder contended that the minutes of the meeting must contain fair and correct summary of the proceedings thereat. Decide, whether the contention of M is maintainable under the provisions of the Companies Act, 2013 ? **4**
- (ii) The object clause of the Memorandum of Vardhman Industries Ltd., empowers it to carry on real-estate business and any other business that is allied to it. Due to a downward trend in real-estate business the management of the company has decided to take up the business of Food processing activity. The company wants to alter its Memorandum, so as to include the Food Processing Business in its objects clause. **4**
- State whether the company can make such change as per the provisions of the Companies Act, 2013 ?

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(5)

BDT

Marks

(b) Write short notes on :

**2+2
=4**

(i) United Nation Global Compact

(ii) The Iron Law of Responsibility

(c) Piyush Company Ltd. proposed to launch new technologies in its Annual General Meeting to accomplish from coming financial year so that their profit rate may be increased. But the strong resistance was there against the change. State the reasons why people afraid of changes in the system. **4**

5. (a) (i) Q draw a bill on S but signs it in the fictitious name of R. The bill is payable to the order of R. The bill is duly accepted by S. P obtains the bill from Q thus becoming its holder in due course. Can S avoid payment of the bill ? Decide in the light of the provisions of the Negotiable Instruments Act, 1881. **4**

(ii) A drawer of a cheque after having issued the cheque, informs the drawee not to present the cheque as well as inform the bank to stop the payment. Decide whether it constitutes an offence against the drawer under the Negotiable Instruments Act 1881 ? **4**

(b) Explain the provisions of the Companies Act, 2013 relating to "Resolutions requiring Special Notice". State the resolutions that require "Special Notice" under the Act. **4**

(c) What do you mean by the term "Acid Rain" ? How does it adversely affect the environment ? **4**

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(6)

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6. (a) A General Meeting was scheduled to be held on 15th April, 2016 at 4.00 P.M. As per the notice the members who are unable to attend the 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 10-04-2016 was deposited by Mr. Y with the company at its Registered Office on 11-04-2016. However, Mr. X changes his mind and on 12-04-2016 gives another proxy to Mr. Z and it was deposited on the same day with the company. 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 12-04-2016 was deposited with the company on the same day and the proxy form in favour of Mr. N was deposited on 14-04-2016. All the proxies viz., Y, Z, M and N were present before the meeting.

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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 ?

- (b) What is a Power of Attorney ? Draft a Power of Attorney to execute a Sale Deed. **4**
- (c) State whether the following statements are correct or incorrect : **1×4 =4**
- (i) An agreement with alien friend is void but an agreement with alien enemy is valid.
 - (ii) Consumer purchases goods and health services for personal purposes only.
 - (iii) Right shares are those shares which are issued by newly formed company.
 - (iv) Television advertisements and visual clips giving required details can be treated as prospectus.

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7. Answer any **four** of the following :

- (a) Sarika Group of Industries sold its textile unit to Big Group of Industries. Sarika Group contributed 25% of total contribution in Pension Scheme, which was due before sale under the provisions of Employees Provident Funds and Miscellaneous Provisions Act, 1952. The transferee company (Big Group of Industries) refused to pay the remaining 75% contribution in the Pension Scheme. Decide, in the light of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, who will be liable to pay for the remaining contribution in case of transfer of establishment and upto what extent ? 4
- (b) With a view to issue shares to the general public a prospectus containing some false information was issued by a company. Mr. Damu received copy of the prospectus from the company, but did not apply for allotment of any shares. The allotment of shares to the general public was completed by the company within the stipulated period. A few months later, Mr. Damu bought 4,000 shares through the stock exchange at a higher price which later on fell sharply. Damu sold these shares at a heavy loss. Mr. Damu claims damages from the company for the loss suffered on the ground that the prospectus issued by the company contained a false statement. Referring to the provision of the Companies Act, 2013 examine whether Damu's claims for damages is justified ? 4

(8)

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Marks

- (c) Describe the factors which influence the ethical behaviour at work in an organisation. 4
- (d) What are the major causes of inter-departmental communication problems ? Explain giving suitable examples. 4
- (e) What is electronic filing ? List at least five advantages of E-filing under MCA-21. 4
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