

## Gurukripa's Guideline Answers to May 2016 Exam Questions CA Inter (IPC) Law, Ethics & Communication

Question No.1 is compulsory (4 X 5 = 20 Marks).

Answer **any five** questions from the **remaining six** questions (16 X 5 = 80 Marks). [Answer any 4 out of 5 in Q.7]

**Note:** References are from "Padhuka's LAW, ETHICS AND COMMUNICATION A REFERENCER"

Q	Questions	Reference	M
1 (a)	Mr. Bean is a Promoter who has taken a Loan on behalf of Company, but he is neither a Director nor a Person-in-Charge of the Company. He sent a cheque from the Company's account to discharge its legal liability. Subsequently, the cheque was dishonoured and a complaint was lodged against him. Can he be held liable for an offence u/s 138 of the Negotiable Instruments Act, 1881?	<b>Refer Q.No.52, Page 2.48, RTP N 06 Qn</b> <b>Refer Principles in Page 2.36, Para 2.6.11</b> <b>Hint:</b> The Promoter, who is neither a Director nor a Person-in-Charge of the Company, borrowed the money, but for Company's purposes.  Promoter discharged the liability by drawing a Cheque from the Company's A/c, which is neither opened by him nor he is maintaining the account and further he is not a Drawer of the cheque.  Hence, upon dishonor of the cheque he shall not be held liable u/s 138 [H.N.D. Mulla Feroze vs K.V.D. Prasad Rao And Another (AP)]	5
1(b)	Rishi Pharmacy Ltd decided to take up the business of Food Processing because of the downward Trend in Pharmacy Business. There is no provision in the Objects Clause of the MOA to enable the Company to carry on such business. State whether its Objects Clause can be amended. Mention briefly the procedure to be adopted for change in the Objects Clause.	<b>Refer Q.No.5, Page 8.22,</b> <b>RTP, M 05, N 09 (PE II) Qn</b> <b>Principles in Page 8.7, Para 8.1.8</b> <b>Hint:</b> The Company can amend the Objects Clause, by passing a Special Resolution, and filing of documents with ROC.	5
1(c)	"A Nation or Society should satisfy its requirements without jeopardizing the interest of future generations". Comment with reference to Sustainable Development.	<b>Refer Q.No.56, Page 16.36,</b> <b>M 07, M 08, N 10, N 11</b> <b>Principles in Page 16.19, Para 16.6.1, Point 3</b>	5
1(d)	What is an Indemnity Bond? Mr. Ajay Sinha has not received a Dividend Warrant of ₹ 1,500 for 150 Shares of XYZ Ltd. Draft an Indemnity Bond, to be given to the Company, for seeking release of Dividend.	<b>Refer Q.No.25 &amp; 26, Page 18.45, M 07 Qn</b> <b>Principles in Page 18.11, Para 18.15</b> <b>See below for Draft Indemnity Bond.</b>	5
2(a)	'X' agreed to become an Assistant for 2 years to 'Y' who was practicing Chartered Accountant at Jodhpur. It was also agreed that during the term of agreement 'X' will not practice as a Chartered Accountant on his own account within 20 kms. of the office of 'Y' at Jodhpur. At the end of 1 year, 'X' left the assistantship of "Y" and started practice on his own account within the said area of 20 kms. Referring to the provisions of the Indian Contract Act, 1872, decide whether 'X' could be restrained from doing so?	<b>Refer Q.No.3, Page 1.70, N 13 Qn</b> <b>Principles in Page 1.39, Para 1B.1.5</b> <b>Hint:</b> Agreement for Service by which a person binds himself during the term of the agreement not to take service with anyone else directly or indirectly to promote any business in direct competition with that of the Employer is not in restraint of trade. Therefore, X can be restrained by injunction from practicing on his own account in Jodhpur. (Sec.27)	4
2(b)	Akshay is an Employee in a Company. The Bonus payable to him during a year is ₹ 1,25,000. The Company deducted a sum of ₹ 25,000 against the "Diwali Bonus" already paid to him during the said year and paid the remaining amount. Akshay files a suit against the Company for recovery of the deducted amount. Decide whether Akshay would be given relief by the Court on adjustment of already paid interim bonus on Diwali under the Payment of Bonus Act, 1965.	<b>Refer Q.No.21, Page 3.23, M 08 Qn</b> <b>Principles in Page 3.13, Para 3.2.11</b> <b>Hint:</b> The Employer is entitled to deduct the amount of Festival Bonus paid, and the Employee is entitled to receive only the balance.	4
2(c)	"Corporate Governance is about Stakeholders' Satisfaction." Comment.	<b>Principles in Page 16.6, Para 16.3.1 &amp; 16.3.2</b> <b>Refer Page 16.35, Q.No.16,17 &amp; 18</b> <b>RTP, M 09, N 12 Qn</b>	4

Q	Questions	Reference	M
2(d)	The Press Release should be written in a journalistic style. Comment on the statement highlighting guidelines for drafting a Press Release.	<b>Refer Q.No.11, Page 18.44, RTP Qn Principles in Page 18.6, Para 18.9</b>	4
3(a)	Atul Ltd has passed a resolution in its General Meeting, regarding accepting Deposits from its Members. Can this Company accept deposits from its Members under the Companies Act, 2013? If yes, state the conditions to be fulfilled regarding this.	<b>Refer Principles in Page 14.11, Para 14.3.4</b>	8
3(b)	Mr. A of Alwar engaged Mr. S as his Agent to buy a house. Mr. S bought a house for ₹ 40 Lakhs in the name of a Nominee and then purchased it himself for ₹ 44 Lakhs. He then sold the same house to Mr. A for ₹ 46 Lakhs. Mr. A later comes to know about the mischief of Mr. S and tries to recover the excess amount paid to Mr. S. Is he entitled to recover any amount from Mr. S? If so, how much? Explain.	<b>Refer Q.No.42, Page 1.103, RTP, M 89, N 05 Qn</b> <b>Refer Principles in Page 1.93, Para 1C.4.15, Point 5</b> <b>Hint:</b> Mr. A is entitled to recover ₹ 6 Lakhs from Mr. S, being the amount of profit earned by Mr. S out of the transaction. <b>(Refer S.215 &amp; S.216)</b>	4
3(c)	What do you mean by the "Iron Law of Responsibility"? Mention the resulting benefits which may be acquired by achieving the long term objectives through the Business Activities.	<b>Refer Principles in Page 16.9, Para 16.4.3</b>	4
4(a)	List out the points of difference between Fraud and Misrepresentation.	<b>Refer Q.No.55, Page 1.31, N 84, M 89, M 93, N 94, N 03 Qn</b> <b>Refer Principles in Page 1.23, Para 1A.5.8</b>	4
4(b)	Mr. Y was working in ABC Limited for the last seven years as an Accounts Executive. He resigned from the services of the Company on 30 <sup>th</sup> April 2015. His resignation was not accepted by the Company. However, after serving for the notice period, he stopped coming to the Company. After some time he applied for his gratuity. The Company refused on the ground that his resignation was not accepted. Discuss the legal position about this in the light of the Payment of Gratuity Act, 1972.	<b>Refer Q.No.6, Page 5.13, RTP Qn Principles in Page 5.5, Para 5.2.3</b> <b>Hint:</b> The contention of the Company is wrong. Gratuity shall be payable to an Employee on the termination of his employment after he has rendered continuous service for not less than 5 years, on his retirement or resignation. Non-acceptance of resignation is <b>not</b> a valid ground for denial of Gratuity.	4
4(c)	Explain the concept of "Dormant Company" as envisaged in the Companies Act, 2013.	<b>See below for the concept of Dormant Company</b>	4
4(d)	What are the safeguards created by the Profession, Legislation or Regulation, about Accounting and Finance which may eliminate or reduce the threats relating to Unethical Behaviour?	<b>Refer Q.No.104, Page 16.38, Similar to N 07, N 08, M 10, N 14 Qn Principles in Page 16.30, Para 16.8.6</b>	4
5(a)	State, giving reasons, whether the following statements are correct or incorrect:		6
	(i) In a Promissory Note, the promise to pay must be conditional.	<b>False.</b> [Unconditional Promise is required.] <b>Refer Principles in Page 2.6, Para 2.2.1</b>	
	(ii) A Bill of Exchange may not be in writing.	<b>False.</b> [Bill of Exchange shall be in writing only.] <b>Refer Principles in Page 2.7, Para 2.2.2</b>	
	(iii) A Subsidiary Company cannot hold Shares of its Holding Company.	<b>True.</b> Refer Principles in Page 6.9, Para 6.3.2 [Sec.19]	
	(iv) Quorum for General Meeting for a Public Company, where Members are not more than 1000, is 5 Members personally present.	<b>True.</b> Refer Principles in Page 13.12, Para 13.3.6	
5(b)	State the documents and information for registration of One Person Company (OPC) required to be filed with the ROC.	<b>Refer Principles in Page 7.11, Para 7.3.5</b>	6
5(c)	PQR Ltd wants to hold its Annual General Meeting, on 15 <sup>th</sup> September 2016. Draft a notice for calling Annual General Meeting of its Shareholders to discuss the matters relating to ordinary business.	<b>Refer Q.No.3, Page 18.44, N 08 Qn Principles in Page 18.1, Para 18.2</b>	4

Q	Questions	Reference	M
6(a)	State in brief the guidelines for managing ethics, and to prevent the need for whistle-blowing in the work place.	Refer Q.No.55, Page 16.36, M 11 Qn Refer Principles in Page 16.17, Para 16.5.9	4
6(b)	Swad Papad Udyog is a Co-Operative society registered under the Co-Operative Societies Act, 1912, employing 40 persons and working without the aid for power. With reference to the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, state whether the provisions of this Act are applicable to it.	Refer Principles in Page 4.2, Para 4.1.2 [Similar to RTP, M 85, M 87, M 00, N 02, N 13 Qn]	4
6(c)	Briefly explain the law relating to "Resolutions requiring Special Notice" under the Companies Act, 2013. Mention the resolutions that require "Special Notice" under the Act.	Refer Q.No.30, Page 13.27 [N 06 Qn] Principles in Page 13.3, Para 13.1.8 [Sec. 115]	4
6(d)	Explain the term 'Paralanguage' relating to non-verbal Communication.	Principles in Page 17.9, Para 17A.2.5	4
7(a)	Distinguish between a Wagering Contract and a Contingent Contract.	Refer Q..17, Page 1.69 [RTP, M 98F, N 00F Qn] Principles in Page 1.47, Para 1B.1.14	4
7(b)	P Ltd issued and published its Prospectus, to invite the investors to purchase its shares. The said Prospectus contained a false statement. Mr. X purchased some partly – paid Shares of the Company in good faith from the Stock Exchange. Subsequently, the Company was wound up and the name of Mr. X was included in the List of Contributories. Decide: (i) Whether Mr. X is liable to pay the unpaid amount? (ii) Can Mr. X sue the Directors of the Company to recover damages?	Refer Principles in Page 9.13, Para 9.4.3 [Similar to N 06 Qn] Hint: Refer Peek vs Gurney decision. No remedy is available to Mr. X since he purchased Shares from the Stock Exchange (Secondary Market). To sue the Directors of the Company, the he must have <b>relied</b> on the statement in the Prospectus while applying for Shares. So, X's claim for damages is not justified and he is liable to pay the unpaid amount.	4
7(c)	Objective of the Central Consumer Protection Council in India are to promote and protect the rights of Consumers. Elucidate the rights of Consumers in relation to Competitive Law in India.	Refer Q.No.95, Page 16.37, [M 14 Qn] Principles in Page 16.27, Para 16.7.13	4
7(d)	What are the functions of Inter-Personal Communication?	Refer Q.No.5, Page 17.24, RTP, M 10 Qn Principles in Page 17.18, Para 17B.1.5	4
7(e)	Explain the factors that influence Ethical Communication.	Refer Q.No.20, Page 17.25, N 11 Qn Principles in Page 17.22, Para 17B.3.3	4

**Q.1(d): Specimen Indemnity Bond for Release of Dividend**

I, Ajay Sinha, Son of Sri....., aged about ..... years, presently residing at ....., Holder of 150 Equity Shares of XYZ Limited vide S.No.....to....., do hereby undertake to indemnify XYZ Limited, a Company incorporated under the Companies Act, 2013, having Company Registration Number ....., and having Registered Office at ....., against any loss that may be caused by granting of a Duplicate Dividend Warrant for ₹ 1,500 on the said 150 Shares, for the Financial Year ....., the original whereof was lost in transit and not received by me.

Date: 18/05/2016

Place: Chennai

Signature

**Q.4(c): Dormant Company [Sec.455 provisions apply.]**

Following Companies are eligible to obtain the status of a Dormant Company –

1. A Company is formed and registered under this Act for a future project or to hold an asset or intellectual property and has no significant accounting transaction, or
2. **Inactive Company** (It means a Company which has not been carrying on any business or operation, or has **not made any significant accounting transaction** during the last 2 Financial Years, or has not filed Financial Statements and Annual Returns during the last 2 Financial Years.)

**Note: Significant Accounting Transaction** means any transaction other than –

- (a) payment of fees by a Company to the Registrar,
- (b) payments made by it to fulfil the requirements of this Act or any other law,
- (c) allotment of Shares to fulfil the requirements of this Act, and
- (d) payments for maintenance of its office and records.