

## Gurukripa's Guideline Answers to Nov 2015 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)	<p>'Amit' stands surety for 'Bikram' for any amount which 'Chander' may lend to 'Bikram' from time to time during the next three months subject to a maximum amount of ₹ 1,00,000. One month later 'Amit' Revokes the surety, when 'Chander' had already lent to 'Bikram' ₹ 10,000. Referring to the provisions of the Indian Contract Act, 1872, decide:</p> <p>(i) Whether 'Amit' is discharged from all the liabilities to 'Chander' for any subsequent loan given to 'Bikram'?</p> <p>(ii) What would be your answer in case 'Bikram' makes a default in paying back to 'Chander' the already borrowed amount of ₹ 10,000?</p>	<p><b>Refer: Q.No.5, Page 1.101, RTP, N 02 Qn Principles in Page 1.77, Para 1C.1.4</b></p> <p><b>Hint:</b> Continuing Guarantee can be revoked only regarding future transactions, and not for transactions which have already taken place. Here, Amit can revoke the surety for future transactions, but guarantee with respect to ` 10,000 already borrowed by Bikram, is not revocable.</p>	5
1(b)	<p>MNO Private Limited, a Subsidiary of PQR Limited, decides to give a loan of ₹ 4,00,000 to the HR (Human Resource) Manager, who is not a Key Managerial Personnel (KMP) of MNO Private Limited, drawing Salary of ₹ 30,000 per month, to buy 500 partly paid-up Equity Shares of ₹ 1,000 each in MNO Private Limited. Examine the validity of Company's decision under the provisions of the Companies Act, 2013.</p>	<p><b>Refer: Q.No.3, Page 11.15, N 10 Qn Principles in Page 11.7, Para 11.3.2</b></p> <p><b>Hint:</b> A Public Company should not, directly or indirectly, purchase its own Shares. Loans, upto 6 Months' Salary, to Employees (other than Directors or Managers) enabling them to purchase its fully paid Shares or Shares in its Holding Company can be given. The Board's decision is not valid.</p>	5
1(c)	<p>State with reasons whether the following statements are Correct or Incorrect:</p> <p>(i) Business Ethics helps to promote public reputation.</p>	<p><b>Answer: Correct</b></p> <p><b>Refer: Page 16.5, Para 16.2.3, Point 2</b></p>	3
	<p>(ii) In the long-run, those Business Entities which responds to society needs favourably will survive.</p>	<p><b>Answer: Correct</b></p> <p><b>Refer: Page 16.5, Para 16.2.3, Point 1</b></p>	2
1(d)	<p>State the reasons for selecting Oral Mode of communications instead of Written Mode of communications.</p>	<p><b>Refer: Q.No.20, Page 17.16, N10, M13</b></p> <p><b>Answer: Page 17.8, Para 17A.2.4</b></p>	5
2(a)	<p>1. State with reasons whether the following persons are entitled to receive Bonus under the Payment of Bonus Act, 1965:</p> <p>(i) A Retrenched Employee.</p> <p>(ii) A Dismissed Employee reinstated with back wages</p>	<p><b>Refer: Q.No.22, Page 3.20, N 96, N 06, N 07</b></p> <p><b>Answer: Page 3.5, Para 3.1.7</b></p>	2
	<p>2. Mr. X was an employee of Green Sugars Ltd. The whole of undertaking of Green Sugars Ltd was taken over by a new Company named Modern Sugars Ltd. The services of Mr. X remained continuous in the new Company. After serving for one year, Mr. X met with an accident and became permanently disabled. Mr. X applied to the new Company for the payment of Gratuity. The new Company refused to pay Gratuity on the ground that Mr. X has served only for a year in the new Company.</p> <p>Examine the validity of the refusal of the Company in the light of the provisions of the Payment of Gratuity Act, 1872.</p>	<p><b>Refer: Page 5.13, Q.No.1, RTP</b></p> <p><b>Answer: Principles in Page 5.1, Para 5.1.1</b></p> <p><b>Hint:</b> Refer <b>Pattathurila K. Damodaran vs M. Kassim Kanju</b> Case Decision. New Employer cannot escape from the liability of payment of gratuity to Mr.X, in this case.</p>	4
2(b)	<p>Explain the pragmatic reasons for maintaining ethical behavior in marketing through Marketing Executives.</p>	<p><b>Refer: Page 16.37, Q.No.76, RTP, N 09, M 12</b></p> <p><b>Answer: Page 16.23, Para 16.7.2</b></p>	4

Q	Questions	Reference	M
2(c)	Write short notes on the following :		
	(i) Proxemics	<b>Refer: Page 17.9, Para 17A.2.5</b>	<b>2</b>
	(ii) Haptics	<b>Refer: Page 17.10, Para 17A.2.5</b>	<b>2</b>
3(a)	(i) Under what circumstances the original contract need not be performed as stated under Section 62 to 67 of the Indian Contract Act, 1872?	<b>Refer: Page 1.69, Q.No.30 Answer: Page 1.54, Para 1B.2.10</b>	<b>4</b>
	(ii) Mr. U offered to sell his house to Mr. X for ₹ 15,00,000. Mr. X accepted the offer by post. On the very next day, Mr. X sent a telegram revoking the acceptance which reached Mr. U before the Letter of Acceptance. Is the revocation of acceptance valid? Would it make any difference if both the Letter of Acceptance and the telegram of revocation of acceptance reach Mr. U at the same time?	<b>Refer: Page 1.33, Q.No.17, RTP Hint: Refer Countess of Dunmore vs Alexander decision</b> <ul style="list-style-type: none"> <li>Revocation of acceptance is valid because the Acceptor may revoke his acceptance at any time before the Letter of Acceptance reaches the Offeror.</li> <li>If the Letter of Acceptance (Post) and the Telegram of revocation of acceptance reach at the same time, the formation of contract will depend on the fact that which of the two is opened first by U. [See Page 1.10, Para 1A.3.3]</li> </ul>	<b>4</b>
3(b)	(i) Explain any four sources of Ethical Standards.	<b>Refer: Q.No.4, Page 16.35, M 13 Answer: Page 16.3, Para 16.1.4</b>	<b>4</b>
	(ii) List out the characteristics of Group Personality under Group Dynamics.	<b>Refer: Page 17.36, Q.No.7, RTP, M 11 Answer: Page 17.28, Para 17C.2.2</b>	<b>4</b>
4(a)	(i) Explain the concept of Deemed Prospectus under the Companies Act, 2013. Under what circumstances such Prospectus need not be issued?	<b>Refer: Page 9.19, Q.No.12, M 03, M 04 Answer: Page 9.12, Para 9.3.4 &amp; Page 9.2, Para 9.1.4</b>	<b>4</b>
	(ii) Diminution of Share Capital does not constitute a Reduction within the meaning of Companies Act, 2013. State in what respects they differ from each other.	<b>Refer: Page 11.14, Q.No.17, RTP, M 96, M 04, N 06 Answer: Page 11.6, Para 11.2.8</b>	<b>4</b>
4(b)	What is meant by 'Critical Thinking'? Suggest the measures to develop Critical Thinking.	<b>Refer: Page 17.25, Q.No.10 &amp;12, N 07 M 13 Answer: Page 17.19, Para 17B.2.3, 17B.2.4</b>	<b>4</b>
4(c)	Prepare a check-list for organizing the messages in a Business Firm as a job of composing Business messages being assigned to you.	<b>Refer: Page 17.16, Q.No.31, N 14 Answer: Page 17.12, Para 17A.3.3</b>	<b>4</b>
5(a)	(i) Mr. A is the Payee of an order cheque. Mr. B steals the cheque and forges Mr. A's signature and endorses the cheque in his own favour. Mr. B then further endorses the cheque to Mr. C, who takes the cheque in good faith and for valuable consideration. Examine the validity of the cheque as per the provisions of the Negotiable Instruments Act, 1881 and also state whether Mr. C can claim the privileges of a Holder-in-Due course?	<b>Refer: Page 2.45, Q.No.17, M 10 Answer: Page 2.19, Para 2.3.12 Note</b>  <b>Hint:</b> The Holder of a forged NI cannot enforce payment thereon, even if he is a Holder in due course. Hence Mr. C cannot claim the privileges of Holder in due course.	<b>4</b>
	(ii) Explain the concept the different forms of Restrictive and Qualified Endorsement.	<b>Answer: Page 2.16, Para 2.3.7, Point 3,5</b>	<b>4</b>
5(b)	Examine the validity of the following referring to the provisions of the Companies Act, 2013 and / or Rules: "The Articles of Association of X Ltd. contained a provision that upto 4% of Issue Price of the Shares may be paid as Underwriting Commission to the Underwriters. The Board of Directors of X Ltd decided to pay 5% Underwriting Commission.	<b>Refer: Page 10.31, Q.No.7, M 03, N 08 Answer: Page 10.17, Para 10.2.11, Point 4</b> <b>Hint:</b> Board proposes to pay Underwriting Commission in excess of rate specified under AOA – Rate of Underwriting Commission, in no case, should be higher than the rate prescribed by the AOA, Hence the act of the Board of Directors is not valid. <b>(Also see Rate as per SEBI Guidelines)</b>	<b>4</b>

Q	Questions	Reference	M
5(c)	Discuss different Environmental Phenomena of Ethical Concern.	<b>Refer: Page 16.21, Para 16.6.6, 16.6.7, 16.6.8, 16.6.9</b>	4
6	(a) What is the importance of Registered Office of a Company? State the procedure for shifting of a Registered Office of the Company from one State to another State under the provisions of the Companies Act, 2013.	<b>Refer: Page 8.21, Q.No.12, N 13 Answer: Page 8.5, Para 8.1.7, Point D</b>	8
	(b) Draft a Notice for convening the Board of Directors Meeting of M/s. Growmore Limited where the agenda is to consider buy-back of the Company's Equity Share Capital to an extent of 5% of its Issued Share Capital, and also where Mr. Anand is to be co-opted as an Additional Director.	<b>Refer: Page 18.44, Q.No.7, M 08, M 14 Answer: Page 18.3, Para 18.4</b>	4
	(c) State whether the following statements are correct or incorrect:		
	(i) A Limited Company can become a Partner in Partnership Firm.	<b>Answer: Correct Refer: Page 6.8, Para 6.3.1, RTP</b>	1
	(ii) A Special Resolution is one, to pass, requires the votes cast in favour be twice the votes cast against it.	<b>Answer: Incorrect Refer: Q.No.3, Page 13.25, M 10, N 13 Answer: Page 13.2, Para 13.1.6</b>	1
	(iii) A cheque marked "Not Negotiable" is not transferable.	<b>Answer: Incorrect Refer: Page 2.41, Q.No.13, M 11 Qn. Answer: Page 2.11, Para 2.2.11</b>	1
	(iv) A Promissory Note duly executed in favour of a Minor, is valid.	<b>Answer: Correct Refer: Page 2.41, Q.No.10, N 09 Qn. Answer: Page 2.20, Para 2.3.16, Point 3</b>	1
7	<b>Answer any four of the following:</b>		
	(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?	<b>Refer: Page 4.21, Q.No.12, M 06 Qn. Answer: Page 4.4, Para 4.1.5</b>	4
	(b) A Company refuses to register transfer of Shares made by Mr. X to Mr. Y. The Company does not even send a notice of refusal to Mr. X or Mr. Y respectively within the prescribed period. Has the aggrieved party any right(s) against the Company for such refusal? Advise as per the provisions of the Companies Act, 2013.	<b>Refer: Page 12.20, Q.No.23, N 97, M 02 Answer: Page 12.10, Para 12.2.9</b>	4
	(c) When is an allotment of Shares treated as on irregular allotment? Briefly state the effects of an irregular allotment.	<b>Answer: Page 10.19, Para 10.3.2</b>	4
	(d) Explain the practices widely recognized as discriminatory in employment.	<b>Answer: Page 16.16, Para 16.5.7 Refer: Page 16.36, Q.No.50, RTP, M 12, M 14</b>	4
	(e) What are the basic principles of Inter-Personal Communication?	<b>Refer: Page 17.17, Para 17B.1.3 Refer: Page 17.24, Q.No.3, RTP, N 10</b>	4

**STUDENTS' NOTES**