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Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 4

Time Allowed – 3 Hours

Maximum Marks – 100

GMR

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 has not opted for Hindi medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Attempt any five questions from the remaining six questions.

- | | Marks |
|---|-------------|
| 1. (a) Explain in brief the rules relating to 'acceptance' of an offer under the provisions of the Indian Contract Act, 1872. | 5 |
| (b) Explain the provisions of the Companies Act, 1956, relating to the utilization, by a company, of the amount standing to the credit of Securities Premium Account. | 5 |
| (c) State with reasons whether the following statements are correct or incorrect : | 2×2½
= 5 |
| (1) Fairness and honesty are the pillars of success in the business. | |
| (2) Ethical behaviour is essential to working environment at the working place. | |
| (d) Explain the socio-psychological barriers of communication in relation to an organization. | 5 |

(2)

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Marks

2. (a) (i) Explain the provisions of the Payment of Bonus Act, 1965 relating to the time limit within which an employer must pay the amount of bonus due to an employee. 4
- (ii) Explain as to when is the gratuity payable to an employee of an establishment, under the provisions of the Payment of Gratuity Act, 1972. 4
- (b) What reasons force a marketing executive to adopt ethical practices in marketing? Explain. 4
- (c) In what way is the 'Ethical Communication' advantageous to a business establishment? Explain. 4
3. (a) What do you understand by the term 'Consideration'? Are there any circumstances under which a contract, under the provisions of the Indian Contract Act, 1872, without consideration is valid? Explain. 8
- (b) State the special responsibilities of industries that are based on natural resources. How does the adoption of 'Green Accounting System' help in avoiding policy decisions which are non-sustainable for the country? Explain. 4
- (c) What do you understand by non-verbal communication? Explain its methods in brief. 4
4. (a) Explain the doctrine of 'Indoor Management' as applicable in case of companies. Explain also the circumstances in which an outsider dealing with a company cannot claim any relief on the basis of doctrine of 'Indoor Management'. 8

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(3)

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Marks

- (b) What do you understand by the term 'discrimination' in employment as sometime found in an establishment ? Explain the basic elements of 'discrimination'. 4
- (c) Why is the 'Active Listening' important for an individual ? State the guidelines for 'Active Listening'. 4
5. (a) Examining the provisions of the Negotiable Instruments Act, 1881, distinguish between a 'Bill of Exchange' and a 'Promissory Note'. 3
- (b) What do you understand by the term 'Floating charge' ? State the circumstances under which 'Floating charge' becomes 'Fixed charge'. 4
- (c) Mr. X has received a cheque book from his bank (Sun Bank) where he (X) has his savings account. Write a letter to the Bank acknowledging the receipt of the cheque book. 4
6. (a) Explain the procedure for change of name of a company, as provided in the Companies Act, 1956. 8
- (b) Mr. V is a shareholder of M/s Brown Limited, holding 150 Equity Shares of ₹ 10 each, on which the company has declared a total dividend of ₹ 1,500 for the year 2011-12. Mr. V did not receive the dividend warrant sent by the company.
- Draft an 'Indemnity Bond' to be sent to the company requesting the company to issue a duplicate dividend warrant. 4

(4)

GMR

Marks

- (c) State whether the following statements are correct or incorrect : 4×1
= 4
- (i) 'An agreement with an alien friend is valid but an agreement with an alien enemy is void'.
 - (ii) 'All contracts are agreements, but all agreements may not be contracts'.
 - (iii) 'A private limited company must have a minimum of two directors, while a public limited company must have atleast three directors.
 - (iv) 'A holder of share-warrant of a company is not a member of the company'.

7. Answer any **FOUR** of the following : 4×4
= 16

- (a) Explain clearly the meaning of the term 'Basic wages' as defined under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. State also what is not included in the term 'Basic Wages'. 4
- (b) In what way a 'Member' of a company is different from that of a 'shareholder' of the company ? 4
- (c) State the ordinary business which may be transacted at an Annual General Meeting of a public limited company incorporated under the Companies Act, 1956. 4
- (d) Explain the role played by different committees in regulating the 'Corporate Governance'. 4
- (e) Explain the importance of 'Ethics' for finance and accounting professionals. 4

Answer 1(a) :When, at the desire of the Promisor, Promisee or any other person has done or abstained from doing or does or abstains from doing or promises to do or abstain from doing something such act or abstinence or promise is called a consideration for the promise.

Essential requirements of valid consideration

- 1) It must be given only at the Desire of the Promisor : A consideration must move at the desire of Promisor. Thus, an act done at the desire of a third party or without the desire of the promisor cannot constitute a valid consideration.
- 2) It may Move from Promisee or any other Person : An act constituting consideration may be done by the Promisee himself or any other person (i.e. stranger to consideration).
- 3) It may be past or present or Future : The consideration may be Past, Present or Future.
- 4) Adequacy of Consideration is not required : Law requires that there must be a consideration in every contract. However adequacy of consideration is not required. It is understood in the sense .of something in return and that something can be anything, adequate or grossly inadequate.
- 5) It must be Real and not illusory : The consideration must be real and not illusory.
- 6) Must be different from performance of existing duties : The act constituting consideration must be something which the parties is not Already bound to do.
- 7) Consideration must be Lawful

Answer 1(b) : As per Sec 78 of Companies act,1956 Where a company issues shares at a premium such amount shall be transferred to securities premium account

The securities premium account can be applied by the company

- (a) For issuing fully paid bonus shares
- (b) Writing off preliminary expenses of the company
- (c) Writing off expenses/commission/discount on any issue of securities of the company or
- (d) Providing for premium on redemption of redeemable preference shares/debentures of the company

Answer 1(c) :

(1) : The statement is Correct.

The success of the business depends very much on fairness and honesty in the business. Fairness and honesty are at the heart of the business ethics and relate to the general values of decision makers. It helps to create a positive image of the organisation which leads to higher sales & profitability. It help in Creating a sense of belonging between employees which leads to higher productivity.

Also helps the organisation to comply with rules & regulations of the Government and in turns avoid penalties & fines.

Therefore we can say that fairness & honesty are pillars of success in business

(2) : The statement is Correct.

Ethical Behaviour is essential to working environment at working place because :

(1) Better Image & Reputation : If work place ethics followed, it creates better harmony in the organisation. which leads to better image & reputation in the society.

(2) Reduced Labour turnover : Following work place ethics leads to reduction in conflicts and therefore organisation is able to retain its employee & hence results in reduction of labour turnover.

(3) Higher Sales & Return : Due to work place ethics, productivity of employee is increased leading to Increase in Sales & Increase in return to Shareholders.

(4) Avoiding Legal action : Following work place ethics leads to reduction in conflicts & less legal action. Lock outs & strikes are also reduced

Answer 1(d) :

Socio – Psychological Barriers : The Society & State of mind of Individual also effects communication.

Every person has his own way to look at the world, at people, at events and situations. A way of thinking of a person many times takes a shape of strong base of communication. No two persons possess accurately similar frames of reference.

For egample if a person in state of anger, depression, confusion etc than his view point will not be accurately understood by the listener. This will hamper effective communication.

Answer 2(a) :

(i) : As per Sec 19 of Payment of Bonus Act,1965, The time limit for payment of bonus is

If there is a dispute : Where there is a dispute regarding payment of bonus pending before any authority u/s 22, Bonus shall be paid within 1 month from the date on settlement

If is no dispute : Bonus shall be paid within a period of eight months from the close of the accounting year

Extension of time beyond 8 months : Upon Application made by the employer to Appropriate Government for sufficient reasons, by order, Extended the said period of eight months to such further period or periods as it thinks fit so, however, that the total period so extended shall not in any case exceed two years.

(ii) : As per Sec 4 of Payment of Gartuity Act,1972 Gratuity shall be payable to an employee on the Termination of his employment after he has rendered Continuous service for not less than five years -

(a) on his Superannuation, or

(b) on his Retirement or Resignation, or

(c) on his Death or Disablement due to accident or disease :

Provided that the completion of continuous service of five years shall not be necessary where the termination of the employment of any employee is due to death or disablement

Provided further that in the case of death of the employee, gratuity payable to him shall be paid to his Nominee or, if no nomination has been made, to his Heirs.

Answer 2(b) : Reason for adaptation of Ethics in Marketing

1. Increase in Image/Goodwill : Organisation following Ethical practices in marketing have more brand image as customers prefer their products.
2. Increase Turnover, Revenue & Profits : As customers prefer organisation following Marketing Ethics, the turnover of the business increases resulting in greater profits & revenue.
3. Reduced Govt. Regulations : Organisation which do follows Ethics in Marketing are liable for government Intervention. The various laws e.g. Consumer Protection Act, 1986, Competition Act, 2002, Prevention of Food Adulteration Act, 1954 may apply
4. Matching Power & Responsibility :
 1. Unethical conduct may help an organisation to make profit in the short run but these profits are not sustainable in long run.
 2. The marketers have the power to influence customers. If such power is not utilised in socially acceptable manner then such power will become useless.

Answer 2(c) : Advantages of Ethical Communication

1. It helps the organisation in fulfilling its social responsibility.
2. Develops healthy relationships with its stakeholders.
3. Helps build Goodwill & Image of the organisation.
4. Profitability in the long run and Increases shareholders wealth.
5. Creates culture of honesty amongst employees

Answer 3(a) : When, at the desire of the promisor, promisee or any other person has done or abstained from doing or does or abstains from doing or promises to do or abstain from doing something such Act or Abstinence or promise is called a consideration for the promise.

Exception to the rule that 'No Consideration, No Contract'

- 1) Agreements made on Account of Natural Love and Affection : Agreement made without consideration is valid if It is expressed in writing and registered under the law & It is made on account of love and affection.
- 2) Past Voluntary Services : A promise to pay for past voluntary services is binding even if such promise is in writing and duly signed.
- 3) Promise to pay time-barred debt : A promise to pay a time-barred debt is enforceable if such promise is in writing & duly signed by promisor
- 4) Completed Gifts : The gifts actually made by a donor and accepted by the donee are valid even without consideration.
- 5) Agency : No consideration is necessary to create an agency.

Answer 3(b) :

Special responsibilities of industries based on natural resources : Industries that are based on natural resources, like minerals, timber, fibre, and foodstuffs etc. have a special responsibility for :

1. Adopting practices that safeguard the environmental
2. Introducing processes that minimize the use of natural resources and energy, reduce waste, and prevent pollution.
3. Making products that are 'environment-friendly', with minimum adverse impact on people & Ecosystem

Green accounting systems: Conventional accounts may result in policy decisions which are non sustainable for the country. Green accounting on the other hand is, focused on addressing such deficiencies in conventional accounts with respect to environment. If the environmental costs are properly reflected in the prices paid for goods and services then companies and ultimately the consumer would adjust market behaviour in a way that would reduce damage to environment, pollution and waste production. Such measures would facilitate the approach of 'polluter pays principle'. Removing subsidies that encourage environmental damage is another measure.

Answer 3(c) : Non verbal Communication means Communication without use of words

Types of Non Verbal communication

1. Sign Language : In this type of communication different Pictures / Symbols are used to transfer the message. It is dividend into 2 categories

- Visual Signs : Red light on traffic signals stc
- Audio/Sound signs : Sirens,Hooters etc

2. Body Language (KINESICS) : It refers to Body movements, Gestures, Postures,Face expressions ,Eye contact etc.

3. Para Language : Use of Non - Verbal elements of Voice. e.g. Tone, Pitch, Speed, Volume etc.

4. Proxemics : Proxemics is language of Time & Space. It means our surrounding environment, place, distance which does the communication.

Proxemics are divided into 3 categories :Space Language,Time Language & Surrounding

5. Touch (Haptics) : Physical touch also helps to communicate various thoughts, views & opinions. Eg Shaking hand, Patt on Back ,Slapping etc

6. Silence : Silence touch also helps to communicate the opinion of the person. Silence can also be due to Fear, Greed , Respect etc.

Answer 4(a) : Doctrine of Indoor management or Turquand's rule

As per this doctrine, outsiders dealing with the company are not required to enquire into the internal management of the company. Outsiders dealing with the company are entitled to assume that as far as internal proceedings of the company are concerned, everything has been done regularly. Thus, the doctrine protects an innocent outsider from any irregularity present in the working of the company (provided he had actual knowledge of the memorandum and articles, and he complied with the requirements contained in the memorandum and articles).

Effect of the doctrine : If a contract is entered into on behalf of the company by any director or officer of the company, it is enforceable against the company, if provisions contained in the memorandum and articles have been complied with, even though while entering into such a contract, some internal irregularity had arisen of which the outsider was unaware.

Royal British Bank v Turquand

■ The articles of a company stated that the directors could borrow money on behalf of the company, if they are so authorised by a resolution passed by the shareholders in GM. The directors borrowed money from T without obtaining any authorization from shareholders. T had lent the money to the company assuming that the shareholders had authorised the directors to borrow money as per the requirement of the articles. It was held that borrowing of money by the directors without any authorization from the shareholders amounted to a mere internal irregularity, and since T had no knowledge of such internal irregularity, he would not be prejudiced by such internal irregularity.

Exceptions to the Doctrine of Indoor Management

1. Knowledge of irregularity : Where the persons dealing with the company have knowledge of an internal irregularity, they cannot assume that everything has been done regularly.
Relevant case : Howard v Patent Ivory Manufacturing Company
2. Negligence Suspicious circumstances or unusual magnitude of transactions : If there are suspicious grounds surrounding a transaction, but the person dealing with the company fails to make reasonable inquiry, the benefit to doctrine of indoor management will not be available.
Relevant case : Anand Bihari Lal v Dinshaw & Company
3. No Knowledge of articles : If the authority to enter into a contract on behalf of the company could be delegated to an officer or employee of the company as per the articles, but such authority has not been actually delegated to him, an outsider who deals with such an Officer cannot assume that the required authority has been delegated to him, if the outsider has not read the articles.
Relevant case : Rama Corporation v Proved tin & General Investment Company Ltd
4. Illegal transactions : The benefit of doctrine of indoor management is not available in case of any ultra vires or illegal transaction. If the contract is ultra vires, it is not and can never be a made, enforceable against any of the parties to the contract.
5. Forgery : Relevant case : Ruben v Great Fingall Consolidated Company

Answer 4(b) : Employment Discrimination Means treating a Person Favourably or Unfavourably on basis other than individuals merit is known as Employment discrimination e.g. on basis of Gender, Age, Religion, Colour, Nationality, Martial Status etc

Elements of Job Discrimination

- (1) Not based on Merit/Qualifications : Decision against employee which is not based on his Merit & Qualities. E.g. Senior & qualified employee is not promoted but Junior & less qualified is promoted.
- (2) Bias/Prejudice : Decision is usually taken on the basis of bias/ Negative Prejudice against race/ caste to which person belongs.
- (3) Adverse Effect : Discrimination has a negative impact on the employee morale & organisational reputation.

Answer 4(c) : Active Listening :

Hearing is through ears, while Listening is through mind. Listening takes place when the receiver hears the message and understands the message as Intended by sender. **“We Often hear but do not listen”**

Advantages :

1. Understanding the message : Active Listening helps to the Understand the message as per the objective of the Sender.
2. Strong Relationship : Active Listening helps to build Cordial & Strong relationship between Sender & Receiver.
3. Focus : Active Listening helps the receiver to Focus & not get lost in the communication.
4. Avoid Conflict : Active Listening helps to Avoid Conflicts with sender.

Guidelines for Active Listening

1. Pay Attention :
 - a) Give the speaker undivided attention and acknowledgement the message.
 - b) Put aside other work
 - c) Put aside distracting thoughts.
 - d) Refrain from side conversation in a group setting
 - e) Pay attention to body language of speaker.
2. Show that you are listening :
 - a) Noding of head
 - b) Smile & other facial expressions
 - c) Take notes
3. Provide Feedback : If something is not understood, ask questions from the speaker.
4. Defer Judgment : Don't form judgment until the speaker has finished speaking.
5. Aware of own feelings & Emotions: Be Alert about yourself otherwise personal feelings can lead to disturbance in Communication.

Answer 5(a) : The following are the points of distinction between a promissory note and a bill of exchange:

- There are three parties to a bill of exchange, namely, the drawer, the drawee and the payee, while in a promissory note there are only two parties - maker and payee.
- In a bill of exchange there is an unconditional order to pay, while in a promissory note there is an unconditional promise to pay.
- A bill of exchange is drawn by creditor whereas a promissory note is drawn by the debtor.
- A bill of exchange may require an acceptance of the drawee before it is presented for payment, while a promissory note does not require any acceptance since it is signed by the person who is liable to pay.
- As per RBI regulations bills of exchange cannot be payable to bearer on demand but promissory note cannot be payable to bearer whether on demand or time.
- The liability of a maker of a bill of exchange is primary and while the liability of a drawer of a bill of exchange is secondary and conditional. It arises only when the drawee fails to pay that the drawer would be liable as a surety.

Answer 5(b) : Floating Charge

1. It is created on a class of assets, present as well as future
2. Without obtaining the consent of the charge holder, the company can deal in such asset in the Ordinary course of business
3. Floating charge is generally created on such assets as are always circulating, e.g., stock, debtors, etc.

Crystallisation of a floating charge means that the right of the company to deal in the assets, which are subject of floating charge, comes to an end

Cases in which crystallization takes place

- (a) Where the company is ordered to be wound up.
- (b) Where the company ceases to carry on business.
- (c) Where a receiver is appointed
- (d) Where the company makes a default in payment in payment of interest or repayment of principal to the charge holder in accordance with the terms of the charge, and the charge holder brings an action to enforce his security.

Answer 5(c) :

Name of X
Address of X

The Manager
Sun Bank
Address of Bank

Sub : Acknowledgment of receipt of Cheque book

Dear Sir,

We wish to acknowledge the receipt of Cheque book containg 20 leaves from no 20031 to 20050 of above named account maintained in your bank.

Yours Faithfully,
Mr. X

(Sign)
Dated :

Answer 6(a) :

The company shall select, in order of preference, a few suitable names & form file E Form 1A to ROC As per sec 21 of Companies act,1956 the following conditions should also be fulfilled

1. Approval of ROC : Previous approval of ROC is required, except for
 - (a) Insertion of the word 'private' – consequent upon conversion of a public company into a private company; or
 - (b) Deletion of the word 'private' – Consequent upon conversion of a private company into a public company.
2. Special Resolution : The company shall pass Special resolution.

Answer 6(b) :

Indemnity Bond

Mr. V S/o resident do hereby agree to indemnify M/S Brown Ltd. for any loss that may occur for seeking release of dividend for 150 shares of Rs. 1500. I further declare that personally I have not received the dividend warrant in question.

Dated:

Place:

Mr. V

Signature

Answer 6(c) :

(i) : The statement is correct :

An 'alien' is a person who is foreigner to the land i.e. citizen of foreign country. He may be either an 'alien friend' or an 'alien enemy'. If the sovereign or state of the alien is at peace with the country of his stay, he is an alien friend. And if a war is declared between two countries, he is termed as an alien enemy. An alien friend, living in India, is competent to contract with an Indian citizen. On the declaration of the war between the country of an alien and union of India, he becomes an alien enemy and the contracts with him are either terminated or suspended during the continuous of war. The suspended contracts may be performed after the war is over.

(ii) : The statement is correct :

As per Sec 10 of Indian Contract act ,All Agreements are contracts If they are made by Free consent of Parties Competent to contract for a Lawful Consideration and with a Lawful object and not expressly Declared to be void.

If any of the condition are not fulfilled it will be an agreement but not a contract.

Therefore we can say that all contracts are agreement but all agreements are not necessarily contract.

(iii) : The statement is correct :

As per sec 252 of Companies Act minimum number of directors for a public company is 3 & for private company is 2

(iv) : The statement is correct :

As per sec 2(27) of companies act the bearer of a share warrant is not a member

Exception : Sec. 115 states that the bearer of a share warrant may be deemed to be a member -

(a) if the articles of the company so provide:

(b) only for such purposes as are specified in the articles.

Answer 7(a) : As per sec 2(b) of Employees Provident fund Act,1952, Basic Wages means all emoluments

- Which are earned by an employee
- While on duty or on leave or on holidays with wages and
- which are paid or payable in cash to him,

but does not include

- Cash value of any food concession
- Any dearness allowance , house-rent allowance, overtime allowance, bonus, commission or any other similar allowance payable to the employee in respect of his employment
- Presents by the employer

Answer 7(b) :

1. Definition : The term 'member' is defined u/s 2(27) read with Sec. 41. Whereas the term 'shareholder' has not been defined under Companies Act, 1956

2. Meaning : The term 'member' generally means a person whose name is entered in the register of membe whereas the term 'shareholder' means a person holds shares in a company.

3. Nature of Company : Every company shall have the minimum number of members, whether it is limited by share capital or guarantee. Whereas Only a company having a share capital can have shareholders. A company limited guarantee and having no share capital do not have any shareholders.

4. Signatory to memorandum : A person who signs the memorandum is a member even before shares are allotted to him. Whereas a person who signs the memorandum becomes a shareholder only when the shares are actually allotted to him.

5. Transferor of shares until change in the register: A transferor of shares continues to be a member until his name is removed from the register of members, although he may not be a shareholder. Whereas a person transfers his shares, immediately ceases to be a shareholder, even though his name continues to appear in register of members.

6. Bearer of share warrant : The bearer of a share warrant is not a member [Sec.2(27)]. Whereas a bearer of share warrant is a shareholder.

Answer 7(c) :

As per sec 173(1) of companies Act ,Following business at an AGM shall be ordinary

- (a) Consideration of accounts
- (b) Declaration of dividend
- (c) Retirement of directors & appointment of directors in place of those retiring.
- (d) Retirement of auditors & appointment of auditors in place of those retiring.

Answer 7(d) :

Role of Different committees

- a) Board of Directors: The Board's role is that of trusteeship to protect and enhance shareholders value through strategic supervision. The strategy should aim at accountability and fulfillment of goals.
- b) Audit Committee: They have to provide assurance to Board on adequacy of internal control systems and financial disclosures
- c) Investor Services Committee: It is to look into redressal of Shareholders' and Investors' grievances, approval of transmissions, sub-division of shares, issue of duplicate shares etc.
- d) Corporate Management Committee: Its primary role is strategic management of company's businesses within Board's approved direction/framework.
- e) Quality control committee :Improving the quality of processes, product & work in an organisation

Answer 7(e) : Importance of Ethics in area of Finance & Account

1. Finance is the Life blood of an organisation.Ethics helps to manage the finance in an efficient manner.
2. The working of Accounting & Financial Professionals directly effects the performance of the organisation which in turn the effects the Interest of the stakeholders.
3. Corporate scandals like Enron, Satyam have shaken the confidence of public due to unethical behavior of the Financial & Accounting Professionals.Therfore Ethics become very important
4. If ethics are followed this will lead to increase in brand image & goodwill which will ultimately lead to increased sales leading to higher profits.