



IPCC –May 2018

PAPER 2: BUSINESS LAW, ETHICS AND
COMMUNICATION

Test Code:

Branch (MULTIPLE) Date : 04.10.2017

(100 Marks)

Note: *Question No.1 is compulsory. Candidates are required to answer any five questions from the remaining six questions.*

Question 1

- a. Suggest guidelines to handle communication ethics dilemmas. (5 marks)
- b. M lends a sum of ` 5,000 to B, on the security of two shares of a Limited Company on 1st April 2016. On 15th June, 2016, the company issued two bonus shares. B returns the loan amount of ` 5,000 with interest but M returns only two shares which were pledged and refuses to give the two bonus shares. Advise B in the light of the provisions of the Indian Contract Act, 1872. (5 marks)
- c. What is an indemnity bond? Mr. Ajay Sinha has not received a dividend warrant of ` 1500 for 150 shares of XYZ Ltd. Draft an indemnity bond, to be given to the company, for seeking release of dividend. (5 marks)
- d. Poorva Limited refuses to register transfer of shares made by Mr. Akbar to Mr. Amar. The company does not even send a notice of refusal to Mr. Akbar or Mr. Amar 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. (5marks)

Question 2

- 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 under Section 138 of the Negotiable Instruments Act, 1881? (4 marks)
- b. Prem, a director in a public company, gave in writing to the company that notice for any General Meeting and the Board of Directors' Meeting be sent to him at his address in India only by Registered Mail and for which he paid sufficient money. The company sent two notices to him, of such meetings, by ordinary mail, and under certificate of posting. Prem did not receive the said notices and could not attend the meetings and the proceedings thereof on the ground of improper notice. Decide in the light of the provisions of the Companies Act, 2013:
1. Whether the contention of Prem is valid?
 2. Would your answer be still the same in case Prem remained outside India for two months (when such notices were given and meetings held).

(8 marks)

- c. What is meant by 'Corporate Governance'? State the major 'characteristics' of good corporate governance.

(4 marks)

Question 3

- a. Ritesh, a 57 years old district judge was appointed by the Central Government as Presiding Officer of the Employee's Provident Funds Appellate Tribunal for a period of five years. After three years, he (Ritesh) resigns from his office and ceases to work with immediate effect without handing over the charge to his successor, who was not appointed by the Government till that date. Examine the validity of Ritesh's action to cease work under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

(4 marks)

- b. What is electronic filing? List at least five advantages of E-filing under MCA-21.

(4 Marks)

- c. Explain the concept of "Dormant Company" as envisaged in the Companies Act, 2013.

(4 marks)

- 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 behavior?

(4 marks)

Question 4

- a. Mr. Ram is a CEO of a pharmaceutical company. His R & D Department, while experimenting with a chemical molecule, sees the possibility that the molecule may be developed in to drug for a rare, painful, life-threatening genetic disease that afflicts one child only in ten million. But to develop the drug, his company, may have to invest huge sum of the shareholder's money, despite the drug not having wide salability. Is Mr. Ram confronted by an Ethical Dilemma? If yes, how should he resolve the issue?

(4 marks)

- b. 'S' an hotelier was purchasing butter regularly from EDF Ltd., for the purpose of use in his hotel. There were defects in the goods in one of the purchase lot and as a result 'S' suffered loss of his share in competition in hotel industry. The hotelier 'S' sued the said company for this reason. The company contended that the goods were purchased for the commercial purpose therefore, not bound. Is it a valid contention? Explain clearly the provisions of the Competition Act, 2002 in this regard.

(4 marks)

- c. 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.

(8 Marks)

Question 5

- a. 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 30th April, 2015. His resignation was not accepted by the Company. However, after serving for the notice period, he stopped coming to the Company. After sometime, 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. **(4 marks)**
- b. Mr Antriksh entered into an agreement for purchasing a commercial property in Delhi belonging to NRT Ltd. At the time of registration, Mr Antriksh comes to know that the title deed of the company is not free and the company expresses its inability to get the title deed transferred in the name of Mr Antriksh saying that he ought to have had the knowledge of charge created on the property of the company. Explain with the help of 'Notice of a charge', whether the contention of NRT LTD. is correct? **(4 marks)**
- 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. **(4 marks)**
- d. Mr. Pink held 100 partly paid up shares of Red Limited. The company asked him to pay the final call money on the shares. Due to some unavoidable circumstances he was unable to pay the amount of call money to the company. At a general meeting of the shareholders, the chairman disallowed him to cast his vote on the ground that the articles do not permit a shareholder to vote if he has not paid the calls on the shares held by him. Mr. Pink contested the decision of the Chairman. Referring to the provisions of the Companies Act, 2013 decide whether the contention of Mr. Pink is valid. **(4 marks)**

Question 6

- a. State in brief the guidelines for managing ethics and to prevent the need for whistle-blowing in the work place. **(4 marks)**
- b. Ambay Textiles Ltd. employed 20 full-time and 5 part-time employees who were drawing salary of less than ` 21,000 per month. After completing service of 28 days, in an accounting year, 10 full-time employees submitted their resignations and left the service of the company. The Board of directors of this company decided not to give the bonus to the employees, who resigned, to the remaining full-time employees and to the part-time employees. Against the decision, all the employees applied to the authorities for relief. Decide, stating the provisions of the Payment of Bonus Act, 1956, whether the employees, who resigned, the remaining full-time employees and part-time employees will get relief. **(4 marks)**
- c. 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.

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?

(8 Marks)

Question 7

a. Explain the term 'Paralanguage' relating to non-verbal communication.

(4 marks)

b. Distinguish between a Wagering Contract and a Contingent Contract.

(4 Marks)

c. 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?

(4 Marks)

d. State whether the following statements are correct or incorrect:

- a. The shareholders of the company in general meeting cannot decrease the rate of dividend recommended by the Board of Directors.
- b. Debentures with voting rights can be issued only if permitted by Articles of Association.
- c. A collateral agreement to the void agreement is also void.
- d. If one party fails to perform his obligation within the stipulated time, where time is not the essence of the contract, the other party can always rescind the contract on this ground.

(4marks)

e. Discuss with reasons, in the following given conditions, whether 'M' can be called as a "holder" under the Negotiable Instruments Act, 1881:

i) 'M' the payee of the cheque, who is prohibited by a court order from receiving the amount of the cheque.

ii) 'M' the agent of 'Q' is entrusted with an instrument without endorsement by 'Q' who is the payee.

(4marks)
