

**IPCC**

**Business Law, Ethics and Communication**

**Total No. of Questions : 14**

**Maximum Marks : 100**

**Total No. of Pages: 7**

**Total Hours : 3**

*All questions are compulsory*

**Part A**

**Question 1.** Read the following paragraph and answer the questions given below the para:

As per as mentioned in Section 10 the payment of Bonus Act 1965 employer is liable to pay the minimum bonus and confers a right to the workmen, the said obligation and right is subject to exemption under Section 36. If the appropriate Government having regard to the financial position and other relevant circumstances of any establishment or class of establishment is of opinion that it will not be in public interest to apply all or any of the provisions of this Act thereto, it may by notification in the Official Gazettee, exempt for such period as may be specified therein and subject to such conditions as it may think fit to impose, such establishment or class of establishments from all or any of the provisions of this Act.

There are two stages in Section 36.

(1) The Government shall consider the financial position and other relevant circumstances of an establishment or class of establishment.

(2) It should be of the opinion that it would not be in the public interest to apply all or any of the provisions of the Act.

The expression 'financial position' includes loss suffered by the establishment during the accounting year. The expression 'other relevant circumstances' will include every consideration as to whether the workmen had principally contributed to the financial loss of the company during that accounting year.

If the bonus liability is negligible as compared to loss suffered, company should not be relieved of liability to pay minimum bonus.

If the losses sustained by the employer is not due to any misconduct on the part of employees, the employer is liable to pay statutory minimum bonus.

**Questions:**

- (a) What right and obligations are conferred on the employee and employer, respectively under the payment of Bonus Act 1965?
- (b) When can appropriate government exempt an establishment from the payment of minimum bonus?
- (c) Does the term "financial position "includes loss?
- (d) Will negligible loss entitle the establishment from exemption to pay minimum bonus?
- (e) What is the significance of the term "other relevant circumstances"?

**(10 marks)**

**Question 2 .**State the validity of the following statements with appropriate reason:

(i)A bill drawn in favour of a minor is valid.

(ii)A bill drawn in Calcutta on a merchant in Mumbai but endorsed in Paris is a foreign bill.

(iii) Special endorsement should be made by an endorser by signing his name and also by writing the name of the endorsee.

(iv) Acceptance is required in case of promissory note.

(v) Negotiable Instruments Act ordinarily is not applicable to Hundis.

(5 marks)

**Question 3.** Multiple choices questions:

i) A promissory note or bill of exchange in which no time for payment is mentioned is payable:

- a) On demand
- b) after sight
- c) at fixed period after sight
- d) at maturity

ii) When the last day of grace falls on a day which is public holiday, the instrument is due and payable on :

- a) the succeeding business day
- b) the due date after grace period i.e. on public holiday
- c) the due date before grace period
- d) the preceding business day

iii) A bill delivered conditionally is called an

- a) 'crow'
- b) 'escrow'
- c) 'crowes'
- d) None of above

iv) The following is the specimen of :

*SPECIMEN*:(1) Pay to A only S. Mukerjee  
(2) For the account of A only N. Aiyar

- a) General endorsement
- b) Conditional endorsement
- c) Special endorsement
- d) Restrictive endorsement

v) "Sans Frais" words are added at the end of the endorsement to indicate that :

- a) no expenses should be incurred on account of the bill.
- b) expenses should be incurred on account of the bill.
- c) expenses should be incurred on account of the bill only to the extent of 5% of the bill amount.
- d) expenses should be incurred on account of the bill only to the extent of 10% of the bill amount.

vi) Bills of exchange drawn up in the vernacular are generally known as :

- a) Hundis
  - b) Draft
  - c) Cheque
  - d) Bill of exchange
- vii) Which of the following is a valid promissory note?
- (a) “A, I owe you some amount”.
  - (b) “A, I owe you Rs. 1000”.
  - (c) “I promise to pay A or order Rs. 1000”.
  - (d) “I promise to pay the bearer Rs. 1000”.
- (viii) A person who is ordered to pay the amount of bill of exchange is known as
- (a) Drawer
  - (b) Drawee
  - (c) Payee
  - (d) Creditor.
- viii) Acceptance is required only in case of;
- (a) Bill of exchange.
  - (b) Cheque.
  - (c) Promissory note
  - (d) All of these.
- ix) A bill drawn in favour of a minor is;
- (a) Void
  - (b) Valid but not negotiable
  - (c) Valid
  - (d) None of these.

(5 marks)

**Question 4** .State whether the following statements are true or false and give reasons thereof with reference to the Employees Provident Funds and Miscellaneous Provisions Act,1952.

- i) Basic wages include the cash value of food concessions.
- ii) The chairman of the executive committee is appointed by the Central Board
- iii) Default in payment of contribution by employer is a cognizable offence.
- iv) Employee Provident Fund Appellate Tribunal shall consist of three judges
- v) An employer generally has to deposit 50% of the money due from him so as to go on appeal.

(5 marks)

**Question 5.** Mann Group of Industries sold its toy unit to Small Group of Industries. Mann Group contributed 25% of total contribution in Pension Scheme, which was due before sale under the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952. The transferee company (Small Group of industries) refused to bear the remaining 75% contribution in the Pension Scheme. Decide, in the light of the Employees Provident Fund and Miscellaneous Provisions Act, 1952, who will be liable to pay for the remaining contribution in case of transfer of establishment and up to what extent?

(5 marks)

**Question 6.** Fill in the blanks with the suitable words given in the brackets:

- (i) In case of an employee who is employed in a seasonal establishment and who works only during the season is entitled to receive gratuity at the rate of \_\_\_\_\_ days for each season.  
( 7 / 10 / 26 / 30)
- (ii) When an employee becomes disabled due to any accident or disease and is not in a position to do the same work and re-employed on reduced wages on some other job, the gratuity will be calculated for the period subsequent to the disablement on the basis of the \_\_\_\_\_ wages as drawn by him at the time of the termination of services.  
( increased / reduced / same / proportionate)
- (iii) If the services of an employee have been terminated for act of violence on his part in the course of his employment, then gratuity payable to such employee may be \_\_\_\_\_ forfeited.  
( wholly or partially / wholly / partially / or may not be )
- (iv) The Payment of Gratuity (Amendment) Act, 1987 has prescribed for compulsory insurance for employees, however, if the employer of the establishment is under the control of the \_\_\_\_\_ then such establishment is exempted from the operations of abovementioned provision.  
( Central government / Private company / foreign Company / AOP)
- (v) If an employer fails to pay the premium to the insurance or to contribute to an approved gratuity fund, then it shall be liable to pay an amount of \_\_\_\_\_, if any, for delayed payments, to the controlling authority.  
( gratuity including interest / gratuity excluding interest / Rs 10,000 / Nil)
- (vi) The Appropriate Government may, by notification, and subject to such conditions as may be specified in the notification, exempt any factory from the operation of the provisions of this Act, if it is in the opinion that the employees of such factory are in receipt of gratuity or pensionary benefits \_\_\_\_\_ the benefits conferred under this Act.  
( not more than / not less than / equal to / not equal to)
- (vii) If an employee has a family at the time of making a nomination, then nomination made by such employee in favour of a person who is \_\_\_\_\_ of his family shall be avoid.  
( member / relative / not a member / a distant relative)
- (viii) If an employee dies without making a nomination then his \_\_\_\_\_ is eligible for the payment of gratuity and he shall apply to the employer within one year from the date of gratuity became payable to him.  
( Agent / authorised representative / relative / legal heir )
- (ix) In case of gratuity becoming payable to the nominee who is a \_\_\_\_\_, the controlling authority shall invest the gratuity amount deposited by him for the benefit of such minor in term deposit with the State Bank of India or any of its subsidiaries or any nationalized Bank.  
( minor / major / senior citizen / female senior citizen)
- (x) The amount of gratuity \_\_\_\_\_ in execution of any decree or order of any civil, revenue or criminal court.  
( can be attached / cannot be attached )  
(10 marks)

**Question 7** Multiple choice questions:

- (i) The uncalled capital of the company which can be called up only in the event of its winding up is known as  
(a) Called up capital

- (b) Reserve capital
  - (c) Authorised capital
  - (d) Issued capital
- (ii) “Capital Reserve” is
- (a) an amount regarded as NOT free for distribution through the profit and loss account.
  - (b) available only for the creditors on the winding up of the company
  - (c) a part of revenue reserve
  - (d) None of the above
- (iii) Deferred shares are
- a. Also known as preference shares.
  - b. Also known as equity shares
  - c. also known as “founders’ shares”, since they are often held by the promoters of the company
  - d. All of above
- (iv) Fully paid shares that have been legally consolidated is known as
- (a) Equity shares
  - (b) Preference shares
  - (c) Stock
  - (d) Right shares
- (v) An instrument of transfer signed by the transferor in which the name of the transferee and the date of the transfer are not filled is called
- (a) Blank Transfer
  - (b) Forged Transfer
  - (c) Partial Transfer
  - (d) Valid Transfer

(5 marks)

**Question 8.** Read the following paragraph and answer the questions given below:

Central Government can order for conversion of loan into shares if it is in the public interest. Section 81(4) empowers the Central Government to convert its debentures or loan amount in a company into capital. Any such conversion has naturally the effect of increasing the share capital of the company. Section 94A has been enacted to provide for the same. Sub-sections (1) and (2) of Section 94A provide that where the Central Government or any public financial institution has converted its debentures or loans into capital, the capital of the company shall stand increased by an equal amount and the company’s memorandum shall stand altered accordingly. According to Sub-section (3) of Section 94A, in either case mentioned in Sub-sections (1) and (2) the Central Government is required to send a copy of the order to the Registrar and also to the company. On the receipt of such order from the Central Government, the company shall file in the prescribed form, within 30 days from the date of such receipt, a return with the Registrar with regard to the increase of capital. On the receipt of the Central Government’s order as aforesaid and the return from the company, the Registrar shall carry out the necessary alterations in the memorandum of the company.

Questions:

- i. What would be the effect of conversion of debentures / loan into capital on the share capital

of the Company?

- ii. What are the formalities companies will have to undergo once the order is passed by the Central Government to convert its Loan / debentures into capital?
- iii. Explain the provisions relating to alteration of share capital clause in the Memorandum of Association (i.e. alteration other than mentioned in the above paragraph).

*(2+2+6 = 10 Marks)*

**Question 9.** X holds of 100 partly paid up shares of PQR Ltd. X wants to transfer these partly paid up shares to Z. Advise X about the formalities to transfer these shares in the name of Z.

*(5 Marks)*

**Question 10.**

(a) M/s Arya Engineering Ltd. was incorporated on 1.4.2007. No General Meeting of the company has been held so far. Explain the provisions of the Companies Act, 1956 regarding the time limit for holding the first annual general meeting of the Company and the power of the registrar to grant extension of time for the first annual general meeting.

(b) Board of Directors of PQR Ltd., called for EGM on 14th January, 2008. Mr. X who is newly appointed as Company Secretary is confused over the issue of sending notices to joint shareholders of the company. Advise Mr. X by referring to the provisions of Companies Act, 1956.

*(5 X 2=10 Marks)*

### **Part B**

**Question 11.** Identify the threats that an accounting professional would have to face in the following situations:

(i) Where the accounting professional has applied for a job opening in the client company.

(ii) Where a former senior partner is the chief financial officer of the client company.

(iii) Where the accounting professional is being threatened with litigation.

(iv) Where the accounting professional has to report on the operation of a financial system after being involved in its designing.

*(8 marks)*

**Question 12.** With the end of Copenhagen summit, the term “Global Warming” is the talk of the town. You are required to explain the term “Global Warming” and state its ill effects.

*(7 marks)*

### **Part C**

**Question 13.** Fill in the blanks:

(a) \_\_\_\_\_ is the mechanism by which the idea or subject matter of the communication is transmitted to the receiver.

(b) A \_\_\_\_\_ flows along prescribed channels which all organizational members desirous of communicating with one another are obliged to follow.

(c) \_\_\_\_\_ is a person appointed by a company to listen to people’s grievances and solve their problems.

(d) Single Strand Chain, Gossip Chain, Probability Chain & Cluster Chain are different types of \_\_\_\_\_ chains.

(e) \_\_\_\_\_ is described as a wide range of vocal characteristics which help to express and reflect the speaker's attitude

*(5 marks)*

**Question 14.** Draft a notice for calling the Board of Directors meeting of M/s. MN Limited where Mr. RS is co-opted as an Additional Director and also to consider buy-back of company's equity shares to an extent of 10%, of issued share capital.

*(10 marks)*