

**MOCK TEST PAPER**  
**INTERMEDIATE (IPC): GROUP – I**  
**PAPER – 2: BUSINESS LAWS, ETHICS AND COMMUNICATION**

***Division A is compulsory***

*In Division B, Question No.1 is compulsory*

*Attempt any **Four** questions out of the remaining **Five** questions*

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**Division A (30 Marks)**

1. Mr. Umesh Sharma is a renewed cardiologist, working with countries' largest chain of the hospital. Recently, Mr. Umesh shifted to Amritsar branch from Noida. Mr. Umesh owned a furnished house in Noida which he rented out and took a flat on rent in Amritsar for 3 months. Mr. Vinod Verma who is one of the patients to Mr. Umesh is well known real estate agent of city and deals in sale/purchase of residential and commercial properties.

Mr. Umesh expressed his willingness to buy residential property in Amritsar to Mr. Verma and engaged him as an agent to identify the suitable property. Mr. Verma bought a house for INRs 1.30 crores in name of the nominee and then purchased the same, him-self for INRs 1.35 crores. Mr. Verma informed Mr. Umesh that he identified a well to do property for him.

On next weekend, Mr. Umesh along with a family visit to the site and Mr. Verma has shown the same house to them. Mr. Verma finalised the deal at INRs 1.38 crores with Mr. Umesh. On the next working day, Mr. Umesh and Mr. Verma entered 'Agreement to sell' (which specify the date of registration on 30<sup>th</sup> day of execution of 'Agreement to Sell') and register the same. On the specified date, Mr. Umesh and Mr. Verma signed 'Sale deed' at the office of Registrar of property.

A few months after, Mr. Surinder who is assistant to Mr. Verma met Mr. Umesh in a shopping mall where he told Mr. Umesh about the mischief of Mr. Verma. Mr. Umesh filed a suit against Mr. Verma. Mr. Umesh also filed a suit against Mr. Dalal, because Mr. Umesh as a maker, signed a blank stamped paper and gave it to Mr. Dalal, and authorised him to fill it as a note for INRs 1000. Mr. Dalal fraudulently filled it up as a note for INRs 5000 payable to Mr. Mohanty, who in good faith advance sum of INRs 5000.

Mr. Umesh, delivered old sofa set and some of the other furniture items, which got damaged during transportation from Noida to Amritsar; to Singh Carpenters for repair, refabrication, and painting, etc. Singh Carpenters deals in the sale of furniture and repair thereof. Workshop at Singh Carpenters is fully hi-tech, equipped with all safety measures and more near to the house of Mr. Umesh. INRs 8,000 was negotiated as consideration and delivery time is two weeks. In between this period, Mr. Umesh came to know that workshop at Singh Carpenters caught fire and there was no fault of the proprietor at Singh Carpenters. Goods bailed by Mr. Umesh along with another furniture destroyed in this fire incident.

On the basis of above facts, answer the following MCQs (**3 MCQ of 2 Marks each: Total 6 Marks**)

- (i) Mr. Umesh tries to recover the excess amount paid to Mr. Verma. Mr. Umesh is
- (a) Not entitled to recover any amount from Mr. Verma
  - (b) Entitled to recover INRs 3 crores from Mr. Verma
  - (c) Entitled to recover INRs 8 crores from Mr. Verma

- (d) Entitled to recover INRs 5 crores from Mr. Verma
  - (ii) Can Mr. Mohanty recover INRs 5000 from Mr. Umesh?
    - (a) No, as instrument was fraudulently filled by Mr. Dalal
    - (b) No, Mr. Mohanty can recover only INRs 1000 from Mr. Umesh
    - (c) Yes, Mr. Mohanty can recover entire INRs 5000 from Mr. Umesh, without any condition
    - (d) Yes, Mr. Mohanty can recover entire INRs 5000 from Mr. Umesh, provided the stamp covers the value of INRs 5000.
  - (iii) What is correct in terms of legal right of Mr. Umesh or duty of proprietor at 'Singh Carpenters', with reference to destroyed bailed goods, presuming there is no specific contract?
    - (a) Proprietor at 'Singh Carpenters' is liable, because fire took place at his place
    - (b) Proprietor at 'Singh Carpenters' is liable, because bailment is on going
    - (c) Proprietor at 'Singh Carpenters' is not liable because fire is not due to any negligence on part of Singh Carpenters.
    - (d) Proprietor at 'Singh Carpenters' is not liable because risk of any loss during bailment is need to bear by bailor.
2. Mr. Mohit Aggarwal is the director of Superior Carbonates and Chemicals Limited (SCCL). SCCL was incorporated by Mr. S. K. Aggarwal (father of Mr. Mohit) on 05<sup>th</sup> July 1995 as a public company. SCCL accepts a loan from Mr. Mohit of INRs 1.5 crores for short term purpose and expected to repay after 24 months. SCCL in its book of accounts, records such receipt as loan and borrowing under non-current liabilities. At the time of advancing loan, Mr. Mohit affirms in writing that such amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and complete details of such loan transactions are furnished in the board report.
- SCCL has its registered office in Paonta-sahib (Himachal Pradesh) and corporate office is situated in Dehradun (Uttarakhand) but around 15% of members whose name is entered in members' register are residents of Nainital (Uttarakhand). At Nainital, SCCL has Liaison Office. Management of the company is willing to place, register of members at Nainital Liaison Office.
- SCCL convene its 7<sup>th</sup> AGM on 10<sup>th</sup> September, 2020 at the registered office of the company. Notice for same was served on 21<sup>st</sup> August, 2020. More than 78% of members gave consent to convening AGM at shorter notice due to ambiguity and possibility of another lockdown starting from 11<sup>th</sup> September 2020 on account of the second wave of COVID-19.
- On the basis of above facts, answer the following MCQs **(3 MCQ of 2 Marks each: Total 6 Marks)**
- (i) With reference to the loan advanced by Mr. Mohit to SCCL, apprise whether same is classified as deposit or not?
    - (a) Deposit, because any sum advanced by the director whether loan or otherwise is always classified as a deposit
    - (b) Deposit, because the length of the loan is for a period; more than six months.
    - (c) Not a deposit, because such amount is recorded as loan in books of account of SCCL
    - (d) Not a deposit, because the written declaration is provided by Mr. Mohit that said sum of loan is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others.

- (ii) Pick the right statement regarding SCCL's willingness to keep and maintain the register of members at the Nainital liaison office.
- (a) Register of members shall be kept at either registered office or within the same city that too after passing the resolution, hence SCCL can't place it at Nainital liaison office
  - (b) Register of members can't be kept at any other place by SCCL, without passing an ordinary resolution
  - (c) Register of members can be kept at Nainital liaison office, after passing a special resolution, because more than 1/10<sup>th</sup> of the total members entered in the register of members reside there
  - (d) Register of members can't be kept at Nainital liaison office, even after passing a special resolution, because less than 1/5<sup>th</sup> of the total members entered in the register of members reside there
- (iii) Considering the provision dealt with length of Notice of AGM, pick the right option depicting the validity of notice served by SCCL.
- (a) Notice served by SCCL is not valid, because shorter length needs to be consented by all the members entitled to vote at AGM.
  - (b) Notice served by SCCL is not valid, because shorter length needs to be consented by at-least 95% of members entitled to vote thereat.
  - (c) Notice served by SCCL is valid because the shorter length is consented by 75% of members entitled to vote thereat.
  - (d) Notice served by SCCL is not valid, because shorter length need to be consented by at-least 50% of the members entitled to vote at AGM that too in writing.
3. When a copy of the contract for the payment of underwriting commission is required to be delivered to the Registrar:
- (a) Three days before the delivery of the prospectus for registration
  - (b) At the time of delivery of the prospectus for registration
  - (c) Three days after the delivery of the prospectus for registration
  - (d) Five days after the delivery of the prospectus for registration **(1 Mark)**
4. Prithvi Cements Limited is desirous of issuing debentures carrying voting rights. Which of the following options is best suited in such a situation:
- (a) Prithvi Cements Limited can issue debentures carrying voting rights if an ordinary resolution is passed permitting such issue.
  - (b) Prithvi Cements Limited can issue debentures carrying voting rights if a special resolution is passed permitting such issue.
  - (c) Prithvi Cements Limited can issue debentures carrying voting rights if it mortgages land and buildings worth two times the amount of such debentures.
  - (d) Prithvi Cements Limited cannot issue debentures carrying voting rights. **(1 Mark)**
5. Payment of Bonus Act, 1965, is applicable to:
- (a) Seamen as defined under the Merchant Shipping Act, 1958.
  - (b) Employees employed by the Unit Trust of India

- (c) A temporary workman  
(d) An apprentice **(1 Mark)**
6. Where 'A' obtains housing loan from LIC Housing and if 'B' promises to pay LIC Housing in the event of 'A' failing to repay, it is a \_\_\_\_\_ **(1 Mark)**  
(a) Contract of Indemnity  
(b) Contract of Guarantee.  
(c) Quasi Contract  
(d) Contingent Contract
7. A hires a carriage of B. The carriage is unsafe though B is not aware of it and A is injured  
(a) B is responsible to A for the injury  
(b) B is not responsible to A for the injury  
(c) No one is responsible to each other  
(d) None of the above **(1 Mark)**
8. Minimum ..... persons must be employed in an establishment for the applicability of the EPF & MP Act, 1952.  
(a) 15  
(b) 20  
(c) 35  
(d) 50 **(1 Mark)**
9. A charge created after 02-11-2018 may be registered within  
(a) 6 months from 02-11-2018 with additional fees  
(b) 360 days of creation on payment of additional fees  
(c) 120 days of creation with *ad valorem* fees  
(d) 90 days of its creation on payment of additional fees **(2 Marks)**
10. If X bails his ornaments to Y and specifically instructs Y to keep them in a bank, but Y keeps these ornaments in his own locker at his house along with his own ornaments. After two days, all the ornaments are lost/stolen in a riot then who will be responsible for the loss?  
(a) X would be responsible for his loss  
(b) Y would be responsible for the loss to X  
(c) Both X and Y will share the loss equally  
(d) Y will not be responsible for the loss to X **(2 Marks)**
11. If a company changes its name; which of the following is most accurate:  
(a) It is not allowed to use old name in any way  
(b) New name should not be identical with old name  
(c) Old name should be painted/printed for next 1 year along with new name  
(d) Old name should be painted/printed for next 2 years along with new name **(2 Mark)**

12. With regards to the contract of agency, which of the following statement is incorrect?
- (a) A person who is a major can appoint minor as an agent.
  - (b) If an agent happens to be a person incapable of contracting, the principal cannot hold the agent liable.
  - (c) No consideration is necessary to create an agency.
  - (d) The acceptance of the office by an agent is not a sufficient consideration for the appointment.

**(2 Marks)**

13. Mr. Aylam issued a cheque amounting to INR 25,000 dated 2<sup>nd</sup> February 2020 to Mr. Gandhi which was deposited by Mr. Gandhi on 16<sup>th</sup> March 2020 in his bank account. The said cheque got dishonored on 17<sup>th</sup> March 2020 by the bank citing insufficient funds in the account of Mr. Aylam. Then Mr. Gandhi demanded the payment from Mr. Aylam by issuing the notice on 31<sup>st</sup> March 2020 which was received by Mr. Aylam on 2<sup>nd</sup> April 2020. Assuming that Mr. Aylam failed to make the payment within stipulated time, what is the last date by which Mr. Gandhi should have made a complaint in the court?

- (a) 17<sup>th</sup> May 2020
- (b) 2<sup>nd</sup> May 2020
- (c) 17<sup>th</sup> April 2020
- (d) 30<sup>th</sup> April 2020

**(2 Marks)**

14. A company undertook to vary the rights attached to the shares of a particular class and a special resolution with 76% majority was passed by the members of that class. However, all the remaining dissenting members holding 24% shares of that class approached Tribunal for cancellation of variation. The Tribunal passed an order cancelling such variation of rights. Within how much time a copy of the order of Tribunal needs to be filed with the jurisdictional Registrar.

- (a) Within ten days of the date of the order of Tribunal
- (b) Within fifteen days of the date of the order of Tribunal
- (c) Within thirty days of the date of the order of Tribunal
- (d) Within sixty days of the date of the order of Tribunal

**(2 Marks)**

### **Division B (70 Marks)**

1. (a) OEMR Limited, a subsidiary of PQR Limited, decides to give a loan of ₹ 4,00,000 to its Human Resource Manager Mr. Shyam Kumar, who does not fall in the category of Key Managerial Personnel and draws a salary of ₹ 40,000 per month, to buy 500 partly paid-up equity shares of ₹ 1000 each in OEMR Limited. Examine the validity of company's decision under the provisions of the Companies Act, 2013. **(6 Marks)**
- (b) "To maintain social contract between society and business, the trusteeship relations are essential". Describe the role of business ethics in this reference. **(4 Marks)**
- (c) What are the factors that lead to grapevine communication? **(4 Marks)**
2. (a) Mr. Kamal was an employee of Mutual Developers Limited. He retired from the company after completing 30 years of continuous service. He applied to the company for the payment of gratuity within the prescribed time. The company refused to pay the gratuity and contended that due to stringent financial condition, the company is unable to pay the gratuity. Mr. Kamal applied to the Appropriate Authority for the recovery of the amount of gratuity.

- Examine the validity of the contention of the company and also state the provisions of law to recover the gratuity under the Payment of Gratuity Act, 1972. **(6 Marks)**
- (b) State with reasons whether the following statement is correct or incorrect:  
‘Fairness and honesty are the pillars of success in business’. **(4 Marks)**
- (c) Explain the functions of interpersonal communication. **(4 Marks)**
3. (a) X, an employee in ABC Ltd. (covered by the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952) died in an accident. State to whom the amount standing in his account to be payable under the provisions of the said Act. **(3 Marks)**
- (b) Bazaar Limited called its AGM in order to lay down the financial statements for Shareholders’ approval. Due to want of Quorum, the meeting was cancelled. The directors did not file the annual returns with the Registrar. The directors were of the idea that the time for filing of returns within 60 days from the date of AGM would not apply, as AGM was cancelled. Has the company contravened the provisions of Companies Act, 2013? If the company has contravened the provisions of the Act, how will it be penalized? **(3 Marks)**
- (c) What is meant by ‘Corporate Governance’? State the major characteristics of good corporate governance. **(4 Marks)**
- (d) Explain the concept of “Negotiation”. What are its techniques? **(4 Marks)**
4. (a) Amar bailed 50 kg of high quality sugar to Srijith, who owned a kirana shop, promising to give ₹ 200 at the time of taking back the bailed goods. Srijith's employee, unaware of this, mixed the 50 kg of sugar belonging to Amar with the sugar in the shop and packaged it for sale when Srijith was away. This came to light only when Amar came asking for the sugar he had bailed with Srijith, as the price of the specific quality of sugar had trebled. What is the remedy available to Amar under the Indian Contract Act, 1872? **(3 Marks)**
- (b) P draws a bill on Q for ₹ 10,000. Q accepts the bill. On maturity, the bill was dishonored by non-payment. P files a suit against Q for payment of ₹ 10,000. Q proved that the bill was accepted for value of ₹ 7,000 and as an accommodation to the plaintiff for the balance amount i.e. ₹ 3,000. Referring to the provisions of the Negotiable Instruments Act, 1881 decide whether P would succeed in recovering the whole amount of the bill? **(3 Marks)**
- (c) State the objectives of the Central Consumer Protection Council in India. **(4 Marks)**
- (d) Write Short note on ‘The Press Communique’ **(4 Marks)**
5. (a) MNP Private Ltd. is a company registered under the Companies Act, 2013 with a, Paid up Share Capital of ₹ 45 lakh and turnover of ₹ 3 crores. Explain the meaning of the "Small Company" and examine the following in accordance with the provisions of the Companies Act, 2013:
- (i) Whether the MNP Private Ltd. can avail the status of small company?
- (ii) What will be your answer if the turnover of the company is ₹ 1.50 crore? **(6 Marks)**
- (b) State with reasons whether the following statement is correct or incorrect:  
Inclusion of environmental consideration as a part of corporate strategy improves corporate performance. **(4 Marks)**
- (c) What qualities should a sustainable innovation organization possess? **(4 Marks)**

6. (a) Ranjit acquired a property from ABC Limited which was mortgaged to OK Bank. He settled the dues to Ok Bank in full and the same was registered with the sub-registrar who has noted that the mortgage has been settled. But neither the company nor OK Bank has filed particulars of satisfaction of charge with the Registrar of Companies. Can Mr. Ranjit approach the Registrar and seek any relief in this regard? Discuss this matter in the light of provisions of the Companies Act, 2013. **(3 Marks)**
- (b) Mr. D was in urgent need of money amounting to ₹ 5,00,000. He asked Mr. K for the money. Mr. K lent the money on the sureties of A, B and N without any contract between them in case of default in repayment of money by D to K. D makes default in payment. B refused to contribute, examine whether B can escape liability under the Indian Contract Act, 1872? **(3 Marks)**
- (c) State, how far a sound ethical environment in a company may be created and corporate scandals may be avoided. **(4 Marks)**
- (d) Draft an Indemnity Bond to be given to a Nationalized Bank by its depositor for the loss of Deposit certificates. **(4 Marks)**