

MOCK TEST PAPER 1
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. Kaisha Packers and Movers Limited, a reliable and well-established company, was incorporated on 20th September, 2014 with an aim to provide convenient and innovative ways of moving customers' household items, re-location of businesses and offices, shifting of vehicles, etc. in the northern region. Their services have been professionally designed to ensure maximum customers satisfaction. The company had been formed by the directors Kashi Sharma, Pranav Chaturvedi, Abhinav Mehra, Anoop Bhargava and Vikash Kumar whose friendship had developed during their college days. Due to hard work and their business acumen, the promoters had successfully created a niche for themselves amid cut-throat competition.

The company has a fleet of over 500 vehicles, 55 branches, professionals and technical and non-technical employees. Over a period of time, Kaisha Packers and Movers has become a trusted brand and prospective customers prefer to engage it whenever they want to re-locate their offices or homes since services are provided in a convenient and cost-effective manner.

The authorised capital of the company is Rs. 150.00 lacs divided into 15,00,000 equity shares of Rs. 10 each. At the time of incorporation, its paid-up capital was Rs. 1,00,00,000 and there were 50 shareholders. The registered office of the company is situated in Hyden Park, Bangalore.

With a view to provide world-class relocation and moving solutions throughout the country, the directors decided to enlarge the capital base of the company. During the mid of the current financial year, it offered remaining 5,00,000 shares to another 120 persons at a premium of Rs. 10 per share on private placement basis. Among others, Ruchi, a freelance software consultant and her younger sister Rumi, a management consultant in Info Solutions Limited which is well-known company for its high export turnover, were also identified as the prospective subscribers. However, they requested the company to offer them only the minimum number of shares. Similar requests were also received from another twelve persons. Their requests were given due consideration by the directors. All the identified persons who were offered shares paid the required amount (including premium) as per the terms of the offer. The allotment of the shares was made much before the statutory period.

Immediately after the aforesaid allotment of shares, the company rolled out its expansion plan as envisaged earlier and utilised the funds so obtained for the requisite purpose. However, the company is desirous of tapping more prospective investors by offering them equity shares on private placement basis during the remaining part of the current financial year. For this purpose, it is proposed to increase the authorised capital from the present Rs. 150.00 lacs to Rs. 300.00 lacs.

In addition to the further allotment of shares on private placement basis, the company is also contemplating to raise deposits from the members. However, Kashi Sharma and Anoop Bhargava are of the opinion that the company should consider raising of deposits only in the next financial year since the funds already raised need to be properly utilized.

Multiple Choice Questions [3 MCQs of 2 Marks each: Total 6 Marks]

- (i) According to the case scenario, the company is desirous of raising deposits from its members to augment the funding requirements. In case, the company also contemplates to raise deposits from public in addition to its members, which of the following option is applicable:
- (a) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 100 crores and a turnover of minimum Rs. 500 crores.
 - (b) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 150 crores and a turnover of minimum Rs. 250 crores.
 - (c) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 150 crores or a turnover of minimum Rs. 750 crores.
 - (d) In order to raise deposits from public besides members, the company should have net worth of minimum Rs. 100 crores or a turnover of minimum Rs. 500 crores.
- (ii) According to the case scenario, during the mid of the current financial year, the company offered 5,00,000 shares to 120 persons at a premium of Rs. 10 per share on private placement basis. During the remaining part of the current financial year, the company is desirous of tapping more prospective investors by offering them equity shares on private placement basis. How many more such prospective shareholders can be invited by the company for investment in the capital of the company.
- (a) The company can offer equity shares maximum up to the 30 prospective shareholders in the remaining part of the current financial year.
 - (b) The company can offer equity shares maximum up to the 55 prospective shareholders in the remaining part of the current financial year.
 - (c) The company can offer equity shares maximum up to the 80 prospective shareholders in the remaining part of the current financial year.
 - (d) The company can offer equity shares maximum up to the 130 prospective shareholders in the remaining part of the current financial year.
- (iii) In the given case scenario, suppose the company has failed to allot the shares within the statutorily allowed period. In such a case, the only remedy available with the company is to refund the application money. State the time period within which the company is required to refund the application money to the subscribers if it has failed to allot the shares within the statutorily allowed period.
- (a) The application money must be refunded within sixty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
 - (b) The application money must be refunded within forty-five days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
 - (c) The application money must be refunded within thirty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
 - (d) The application money must be refunded within fifteen days from the expiry of statutorily allowed period within which the allotment of shares ought to have been made.

2. Ms. Riya is working as an accountant in Kailash Hospital, Noida for the last one year. She has done her post- graduation in Commerce field and has gained in depth knowledge in the accounting field by working for a year under a reputed Chartered Accountant firm of the city. She has been appreciated many a times for her dedication by the head of the accounts department (Mr. Sharad) in Kailash hospital.

Riya's father is a heart patient and recently the doctors has advised him to undergo an open heart surgery. This requires a huge amount and Riya is the only working member in her family. Since, Riya has been working at Kailash Hospital for last one year, the head of the accounts department is ready to help Riya with the estimated amount of operation which is Rs. 2 Lac. However, he has asked Riya to bring three sureties for the same.

Ms. Riya has contacted has 3 college friends Ms. Shagun, Ms. Pooja & Ms. Disha. Ms. Riya explains her problem and requests them to be surety for her Loan amount. Ms. Shagun agrees to be surety for 1 Lac, Ms. Pooja for Rs. 2 Lac and Ms. Disha agrees to be Surety for Rs. 4 Lac. Ms. Riya agrees to pay Mr. Sharad Principal and Interest @ 6% after 6 months. A legal contract was entered by the above parties.

After the operation the final bill was different from the estimated amount of Rs. 2 Lac. The bill was settled at Rs. 3 Lac.

Ms. Riya contacted Mr. Sharad immediately and asked for the more help and to credit her 1 lac more for bearing the expenses. Mr. Sharad looking at her situation, extended the credit limit to Rs. 3 Lacs by entering into fresh contract. with the existence of same sureties. Further also Ms. Riya asked Mr. Sharad to do favour by extending time period for making the said payment. Mr. Sharad recommended for extension of time from the management.

On the basis of above facts, answer the following MCQs

Multiple Choice Questions [3 MCQs of 2 Marks each: Total 6 Marks]

- (i) Suppose Ms. Riya defaults and is not able to pay anything. What shall be the liability of Ms. Shagun, Ms. Pooja & Ms. Disha.
- (a) Ms. Shagun = Rs. 1 Lac, Ms. Pooja = 1 Lac , Ms. Disha = 1 Lac
 - (b) Ms. Shagun = Rs. 1 Lac, Ms. Pooja = 2 Lac , Ms. Disha = Nil
 - (c) Ms. Shagun = Nil, Ms. Pooja = Nil, Ms. Disha = 3 Lac
 - (d) Ms. Shagun = Rs. 50,000, Ms. Pooja = Rs, 50,000, Ms. Disha = Rs. 2 Lac
- (ii) The Surety's Right of Subrogation is against
- (a) Mr. Sharad
 - (b) Kailash Hospital
 - (c) Ms. Shagun, Ms. Pooja, Ms. Disha - Themselves
 - (d) Ms. Riya
- (iii) Examine on the validity of the holding of liabilities of Ms. Shagun, Ms. Pooja & Ms. Disha in the given scenario with respect to the credit limit of 3 lacs:
- (a) As here is no change in the liability limit fixed by the surety, they will be bound for their respective liabilities, in case of cause of default.
 - (b) They will be discharged on account of no knowledge to them about the enhanced limit of 3 lacs.

- (c) They will be discharged, due to variance in the terms of contract with respect to credit limit between the principal debtor and creditor without surety's consent.
- (d) They will be discharged on account of extending time for payment to Ms Riya.
3. The instrument creating a charge or modification thereon shall be preserved for a period of _____ years from the date of satisfaction of charge by the company.
- (a) 5
- (b) 7
- (c) 8
- (d) 15 **(1 Mark)**
4. Neha is a director of Primus Limited. She intends to participate in the board meeting through video conferencing and has intimated the same to the chairperson at the beginning of calendar year. Advise, Neha for how long such declaration shall be valid.
- (a) 1 month
- (b) 6 month
- (c) 1 year
- (d) She has to furnish declaration for each meeting separately **(1 Mark)**
5. Abhilasha and Amrita have incorporated a 'not for profit' private limited company which is registered under Section 8 of the Companies Act, 2013. One of their friends has informed them that their company can be categorized as a 'small company' because as per the last profit and loss account for the year ending 31st March, 2019, its turnover was less than Rs. 2.00 crores and its paid up share capital was less than Rs. 50 Lacs. Advise.
- (a) A section 8 company, which meets the criteria of 'turnover' and 'paid-up share capital' in the last financial year, can avail the status of 'small company' only if it acquires at least 5% stake in another 'small company' within the immediately following financial year.
- (b) If the acquisition of minimum 5% stake in another 'small company' materializes in the second financial year (*and not in the immediately following financial year*) after meeting the criteria of 'turnover' and 'paid-up share capital' then with the written permission of concerned ROC, it can acquire the status of 'small company'.
- (c) The status of 'small company' cannot be bestowed upon a 'not for profit' company which is registered under Section 8 of the Companies Act, 2013.
- (d) A section 8 company, if incorporated as a private limited company (*and not as public limited company*) can avail the status of 'small company' with the permission of concerned ROC, after it meets the criteria of 'turnover' and 'paid-up share capital'. **(2 Marks)**
6. Payment of Bonus Act, 1965, is not applicable to:
- (a) Piece rate worker
- (b) Employees employed by the Reserve Bank of India
- (c) A temporary workman
- (d) A probationer **(1 Mark)**

7. Which of the following statements is correct- In case of death of an employee, the amount of his gratuity shall be payable to:
- (a) No one, as gratuity is payable only to the employee himself
 - (b) The amount of gratuity shall be credited to a special account created for benevolent purposes
 - (c) The amount of gratuity shall be forfeited by the employer
 - (d) To the heirs, if no nomination has been made **(1 Mark)**
8. An interest or lien created on the property or assets of a company or any of its undertakings or both as security is known as:
- (a) Debt
 - (b) Charge
 - (c) Liability
 - (d) Hypothecation **(1 Mark)**
9. Validity period for the presentment of cheque in bank is—
- (a) 3 months
 - (b) 6 months
 - (c) 1 year
 - (d) 2 years **(1 Mark)**
10. Under the payment of Gratuity Act, 1972, if an employee has no family at the time first nomination, the within days of acquiring family, he shall submit a fresh nomination in duplicate to the employer.
- (a) 30
 - (b) 45
 - (c) 60
 - (d) 90 **(1 Mark)**
11. In a company if any change of right of one class also affects the right of other class, then:
- (a) A resolution should be passed in general meeting in this case
 - (b) Company need not to do anything else
 - (c) Written consent of three fourth majority of that other class should be obtained
 - (d) A resolution in joint meeting of both the classes should be passed **(2 Mark)**
12. It has been decided by Mridul Watches Limited to issue sweat equity shares to five of its employees for the 'value additions' made by them in term of economic benefits which proved beneficial to the company. For how many year(s), the employees who have been allotted sweat equity shares cannot transfer them:
- (a) One year from the date of allotment
 - (b) Three years from the date of allotment
 - (c) Five years from the date of allotment
 - (d) Six months from the date of allotment **(1 Mark)**

13. A is residing in Delhi and has a house in Mumbai. A appoints B by a power of attorney to take care of his house. State the nature of agency created between A and B:
- Implied agency
 - Agency by ratification
 - Agency by necessity
 - Express agency
- (2 Marks)**
14. A negotiable instrument that is payable to order can be transferred by:
- Simple delivery
 - Indorsement and delivery
 - Indorsement
 - Registered post
- (2 Mark)**
15. A negotiable instrument drawn in favour of a minor is
- Void
 - Void but enforceable
 - Valid
 - Quasi contract
- (1 Mark)**
16. As per payment of Gratuity Act, 1972, a nominee of an employee who is eligible for payment of gratuity in case of death of the employee, shall apply to the employer within how many days from the date of the gratuity becomes payable to him?
- 15 days
 - 30 days
 - 45 days
 - 60 days
- (1 Mark)**

Division B (70 Marks)

1. (a) Prakash Limited wants to raise funds for its upcoming project. Accordingly, it has issued private placement offer letters for issuing equity shares to 55 persons, of which four are qualified institutional buyers and remaining are individuals. Before the completion of allotment of equity shares under this offer letter, company issued another private placement offer letter to another 155 persons in their individual names for issue of its debentures.
- Being a public company is it possible for Prakash Limited to issue securities under a private placement offer? By doing so, whether the company is in compliance with provisions relating to private placement or should these offers be treated as public offers? What if the offer for debentures is given after allotment of equity shares but within the same financial year? **(6 Marks)**
- (b) Explain the Deontological Approach as a source of ethical standard. **(4 Marks)**
- (c) Explain the factors which are responsible for the growing importance of communication of an organization. **(4 Marks)**
2. (a) Mr. Meeshu is working as a salesman in a company on salary basis. The following payments were made to him by the company during the previous financial year –
- overtime allowance

- (ii) dearness allowance
- (iii) commission on sales
- (iv) employer's contribution towards pension fund
- (v) value of food.

Examine as to which of the above payments form part of "salary" of Mr. Meeshu under the provisions of the Payment of Bonus Act, 1965 **(6 Marks)**

- (b) How does socially responsible corporate performance benefit in:
 - (i) Increased Sales and Customer Loyalty
 - (ii) Increased Ability to Attract and Retain Employees **(4 Marks)**
- (c) What are the factors that lead to grapevine communication? **(4 Marks)**
- 3. (a) Is the amount standing to the credit of a member of the Provident Fund attachable in the execution of decree or order of the Court? Examine the law, on this point, laid down in the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. **(3 Marks)**
- (b) How will a copy of an instrument evidencing creation of charge and required to be filed with the Registrar be verified? **(3 Marks)**
- (c) Describe the factors which influence the ethical behaviour at work in an organization. **(4 Marks)**
- (d) What are the tips for improving inter-personal skills in a business organization? **(4 Marks)**
- 4. (a) Mr. Gogia has contracted with Rajeev Ltd. on 1st January, 2019, to manufacture certain machinery and deliver it to Mr. Gogia by 31st May, 2019. Part of the contract price was to be paid in advance, and thus Mr. Gogia accordingly paid Rs. 2,00,000. An earthquake on 31st March, 2019, destroyed the area in which Rajeev Ltd. was situated which resulted in break in the operations of Rajeev Ltd for at least 1 year. Mr. Gogia thereupon requested the return of the Rs. 2,00,000. This amount was not returned by Rajeev Ltd. only because considerable work had already been put into construction of the machinery. In the light of the provisions of the Indian Contract Act, 1872, please advise Mr. Gogia whether he can regain the amount from Rajeev Ltd. **(6 Marks)**
- (b) Which threats are existing in environment which adversely affect the fundamental principles of ethics? **(4 Marks)**
- (c) Nimrit Limited was incorporated on 10th January, 2020. Now the company wants to hold its first meeting of the Board of Directors. Draft a notice of the said meeting along with agenda (write any two agendas) **(4 Marks)**
- 5. (a) Kavya Ltd. has a paid up share-capital of Rs. 80 crores. Amjali Ltd. holds a total of Rs. 50 crores of Kavya Ltd. Now, Kavya Ltd. is making huge profits and wants to expand its business and is aiming at investing in Amjali Ltd. Kavya Ltd. has approached you to analyse whether as per the provisions of the Companies Act, 2013, they can hold 1/10th of the share capital of Amjali Ltd. **(6 Marks)**
- (b) Explain the concept of Corporate Social Responsibility and its meaning to different people. **(4 Marks)**
- (c) Explain the elements that can be used to influence an organisational culture. **(4 Marks)**

6. (a) Explain the provisions of the Companies Act, 2013 relating to the 'Service of Documents' on a company and the members of the company. **(3 Marks)**
- (b) Mr. Manoj Malik, a major and Preet, a minor executed a promissory note in favour of Rimpay. Examine with reference to the provisions of the Negotiable Instruments Act, 1881, the validity of the promissory note and whether it is binding on Mr. Manoj Malik and Preet. **(3 Marks)**
- (c) Explain how the following measures can help in managing ethics in the work place:
- (i) Codes of Conduct and Ethics
 - (ii) Appointing an Ombudsperson **(4 Marks)**
- (d) Draft a 'Power of Attorney' by an assessee authorizing a professional to appear before the Income Tax Authorities in respect of the pending taxation matter. **(4 Marks)**