



**BOARD OF STUDIES**  
**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**  
**PROFESSIONAL COMPETENCE COURSE**  
**GROUP – I**

**Model Test Paper – BOS/PCC/ Law, Ethics and Communication – 2/2007**

*Time : 3 hours*

*Maximum Marks : 100*

**PAPER – 3 : LAW, ETHICS AND COMMUNICATION**

**PART – I : LAW (60 MARKS)**

*Question No. 1 & 2 are compulsory and answer any eight from the rest*

1. (a) Explain the concept of 'misrepresentation' in matters of contract. *(4 Marks)*  
(b) Sohan induced Suraj to buy his motorcycle saying that it was in a very good condition. After taking the motorcycle, Suraj complained that there were many defects in the motorcycle. Sohan proposed to get it repaired and promised to pay 40% cost of repairs. After a few days, the motorcycle did not work at all. Now Suraj wants to rescind the contract. Decide giving reasons. *(6 Marks)*
2. (a) Explain clearly the meaning of Lifting the Corporate Veil, as applicable in case of companies incorporated under the Companies Act, 1956. Under what circumstances the veil of a company can be lifted by the court? *(6 Marks)*  
(b) Who is an 'Expert'? When an expert is not liable for the mis-statement in the prospectus of a public company? *(4 Marks)*
3. What do you understand by "Agency by Ratification"? Point out any four elements of a valid ratification. *(5 Marks)*
4. What are the differences between "negotiability" and "assignability" under the Negotiable Instruments Act, 1881? *(5 Marks)*

5. On 1st January, 2002, Aryan Textiles Ltd. agreed with the employees for payment of an annual bonus linked with production or productivity instead of bonus based on profits subject to the limit of 30% of their salary wages during the relevant accounting year. It was also agreed by the employees that they will not claim minimum bonus stated under Section 10 of the Payment of Bonus Act, 1965. As per the agreement the employees of Aryan Textiles Ltd claimed annual bonus linked with production or productivity in the relevant accounting year. On refusal of the company the employees of the company moved to the court for relief.

Decide in reference to the provisions of the payment of Bonus Act, 1965 whether the employees will get the relief? In spite of the aforesaid agreement whether the employees are still entitled to receive minimum bonus. *(5 Marks)*

6. 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. *(5 Marks)*
7. Mr. Seth an industrialist has been fighting a long drawn litigation with Mr. Raman another industrialist. To support his legal campaign Mr. Seth enlists the services of Mr. X a legal expert stating that an amount of Rs.5 lakhs would be paid, if Mr. X does not take up the brief of Mr. Raman. Mr. X agrees, but at the end of the litigation Mr. Seth refuses to pay. Decide whether Mr. X can recover the amount promised by Mr. Seth under the provisions of the Indian Contract Act, 1872. *(5 Marks)*
8. Advise the Board of Directors of a public limited company in relation to following matters, under the provisions of the Companies Act, 1956 :
- (i) Sources out of which the company can declare dividend.
  - (ii) Transfer of profits to reserves before declaring dividend, for a particular financial year. *(5 Marks)*
9. Explain the provisions of the Companies Act, 1956 relating to establishment of an "Investors Education and Protection Fund." *(5 Marks)*
10. The Board of Directors of a company decide to pay 5% of issue price as underwriting commission to the underwriters. On the other hand the Articles of Association of the company permit only 3% commission. The Board of Directors further decide to pay the commission out of the proceeds of the share capital. Are the decisions taken by the Board of Directors valid under the Companies Act, 1956? *(5 Marks)*
11. What do you understand by "share-warrant"? How is a share-warrant different from "share certificate"? *(5 Marks)*
12. A who holds one share certificate of 1000 Equity shares in a company, wants to transfer 300 shares in favour of B. Explain the procedure to be followed for executing the partial transfer under the provisions of the Companies Act, 1956. *(5 Marks)*

**PART – II : BUSINESS ETHICS ( 20 Marks)**

*Answer all questions*

13. (a) Examine the importance of business ethics in the present corporate environment.  
(b) List the benefits of eco-friendly business practices. (10 Marks)
14. What is an ethical dilemma? List the guidelines one could follow to address an ethical dilemma.

OR

Write short notes on any two

- (i) Ethical conflict resolution.  
(ii) Conservation of natural resources  
(iii) Global Reporting Initiative. (5 Marks)
15. List the various ways in which a business could integrate corporate social responsibility in to its business strategy and decision making framework

OR

What are the initiatives that have been taken in the Indian context towards maintaining and promoting healthy competition? (5 Marks)

**PART – III : BUSINESS COMMUNICATION (20 Marks)**

*Answers all questions.*

16. Draft the Chairman's speech for the Annual General Meeting of a listed company. (10 Marks)

17. "Effective listening is an essential skill for managers." Explain.

OR

Comment on the following statements in about 30 words each:

- (i) Feedback enhances effectiveness of communication.
  - (ii) A leader is indispensable for group discussion.
  - (iii) Good business correspondence promotes Company's public relations.
  - (iv) Sign language is quite likely to be misunderstood.
  - (v) Written communication is indispensable to an organisation. (5 Marks)
18. Draft a press release for a national business paper regarding introduction of dress code for CAs.

OR

You have to write an effective business letter. Answer the following questions:

- (a) How many format styles are often used
- (b) What are the main differences among them? (5 Marks)