

**Free of Cost**

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# **SCANNER™ Appendix**

**PCC Gr. I  
November - 2009**

## **INDEX**

<b>Paper 1</b>	<b>—</b>	<b>Advanced Accounting</b>	<b>I-1</b>
<b>Paper 2</b>	<b>—</b>	<b>Auditing and Assurance</b>	<b>I-8</b>
<b>Paper 3A</b>	<b>—</b>	<b>Business Laws</b>	<b>I-11</b>
<b>Paper 3B</b>	<b>—</b>	<b>Business Ethics</b>	<b>I-15</b>
<b>Paper 3C</b>	<b>—</b>	<b>Business Communication</b>	<b>I-16</b>

## **PAPER'S**

### **Paper - 1 : Advanced Accounting**

#### **Chapter-2 : Accounting Standards**

**2009 - Nov [1](v)** A trader purchased goods for Rs. 1,70,000. The opening stock of inventory prior to the said purchase was Rs. 30,000. His sales was Rs.2,10,000. Find out the closing stock of inventory if the Gross profit margin is 25% on cost. ( 2 marks)

- (vii) An earthquake destroyed a major warehouse of ACO Ltd. on 20.5.2009. The accounting year of the company ended on 31.3.2009. The accounts were approved on 30.6.2009. The loss from earthquake is estimated at Rs. 30 lakhs. State with reasons, whether the loss due to earthquake is an adjusting or non-adjusting event and how the fact of loss is to be disclosed by the company ? ( 2 marks)
- (ix) ABC Ltd. developed a know-how by incurring expenditure of Rs. 20 lakhs. The know-how was used by the company from 1.4.2002. The useful life of the asset is 10 years from the year of commencement of its use. The company has not amortised the asset till 31.3.2009. Pass Journal entry to give effect to the value of know-how as per Accounting Standard-26 for the year ended 31.3.2009. ( 2 marks)

**Chapter-4 : Company Account-Preparation of financial Statements**

**2009 - Nov [2]** Balance Sheet of Raman Ltd. is given below :

(Rs. in '000)					
Liabilities	31.3.08	31.3.09	Assets	31.3.08	31.3.09
Share capital	500	500	Land & building	300	300
9% debenture	200	160	Machinery	164	180
Sundry creditors	230	216	Stock-in-trade	200	228
Profit and Loss A/c	40	54	Sundry debtors	170	162
Depreciation fund	80	88	Cash and bank balances	120	110
Contingency reserve	140	110	Current Investment	262	190
Outstanding expenses	<u>30</u>	<u>48</u>	Pre-paid expenses	<u>4</u>	<u>6</u>
	<u>1,220</u>	<u>1,176</u>		<u>1,220</u>	<u>1,176</u>

The following information is furnished :

- One old machinery which has original cost of Rs. 30,000 was sold for Rs. 10,000. The accumulated depreciation in respect of the said machinery amounts to Rs. 16,000.
- One new machinery was acquired for Rs. 46,000.
- 9% debentures were redeemed at a discount of 4% on their face value.
- Dividend at 12% was declared and Paid in cash.
- Income-tax liability of Rs. 30,000 paid was debited in contingency reserve.

You are required to prepare Cash flow statement in accordance with Accounting Standard-3. ( 16 marks)

**Chapter-5 : Alteration & Conversion of Share Capital**

**2009 - Nov [6]** (d) X Co. Ltd. has its share capital divided into Equity shares of Rs. 10 each. On 1.10.2008 it granted 20,000 employees' stock option at Rs. 50 per share, when the market price was Rs. 120 per share. The options were to be exercised between 10th December, 2008 and 31st March, 2009. The employees exercised their options for 16,000 shares only and the remaining options lapsed. The company closes its books on 31st March every year. Show Journal entries (with narration) as would appear in the books of the company upto 31st March, 2009. ( 4 marks)

**Chapter-7 : Redemption of Debentures**

**2009 - Nov [1]** (ii) Arjun Ltd. issued 10,000 (Nos.) of 12% debentures of Rs. 100 each in April, 2007. Interest is payable on 30th Septemeber and 31st March every year. The company purchased 2,000 debentures at Rs. 104 per debenture on cum-interest basis on 1.7.2008. The own debentures were cancelled on 30.9.2009. Show Journal entries that are required to be passed for purchase of own debentures, interest on own debentures and for cancellation of those debentures. ( 2 marks)

**Chapter-8 : Amalgamation and Reconstruction**

**2009 - Nov [1]** (viii) X Co. Ltd. having share capital of Rs. 50 lakhs divided into equity shares of Rs. 10 each was taken over by Y Co. Ltd. X Co. Ltd. has General Reserve of Rs. 10,00,000 and Profit and Loss account Cr. Rs. 5,00,000. Y Co. Ltd. issued 11 equity shares of Rs. 10 each for every 10 shares of X Co. Ltd.

How the Journal entry would be passed in the books of Y Co. Ltd. for the shares issued under the 'Pooling of interests method' of amalgamation.

( 2 marks)

**2009 - Nov [4]** The Balance Sheet of Neptune Ltd. as on 31.3.2009 is given below :

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 10 each fully paid (80,000 shares)	8,00,000	Freehold property	5,00,000
6% cumulative pref. shares of 100 each fully paid (5,000. shares)	5,00,000	Plant & machinery	1,80,000
6% debentures (secured by freehold property)	3,75,000	Trade investment (at cost)	1,70,000
Arrear interest	<u>22,500</u>	Sundry debtors	4,50,000
Sundry creditors	17,500	Stock in trade	2,00,000
Director's loan	<u>3,00,000</u>	Deferred advertisement expenditure	1,50,000
	<u>20,15,000</u>	Profit and Loss A/c	3,65,000
			<u>20,15,000</u>

The Court approved a scheme of re-organisation to take effect on 1.4.2009 and the terms are given below :

- (i) Preference shares are to be written down to Rs. 75 each and equity shares to Rs. 2 each.
- (ii) Preference dividend in arrear for 4 years to be waived by 75% and for the balance equity shares of Rs. 2 each to be allotted.
- (iii) Arrear of debenture interest to be paid in cash.
- (iv) Debentureholders agreed to take one freehold property (Book value Rs. 3,00,000) at a valuation of Rs. 3,00,000 in part payment of their holding. Balance debentures to remain as liability of the company.
- (v) Deferred Advertisement Expenditure to be written off.
- (vi) Stock value to be written off fully in the books.
- (vii) 50% of the Sundry Debtors to be written off as bad debt.
- (viii) Remaining freehold property (after take over by Debentureholders) to be valued at Rs. 3,50,000.
- (ix) Investments sold out for Rs. 2,00,000.
- (x) 80% of the Director's loan to be waived and for the balance equity shares of Rs. 2 each to be issued.

(xi) Company's contractual commitments amounting to Rs. 5,00,000 to be cancelled by paying penalty at 3% of contract value.

(xii) Cost of Re-construction Scheme is Rs. 20,000.

Show the Journal entries (with narration) to be passed for giving effect to the above transactions and draw Balance Sheet of the company after effecting the Scheme. ( 16 marks)

**Chapter-9 : Liquidation of Companies**

**2009 - Nov [5](b)** TM Ltd. went in for voluntary liquidation on 31st March, 2009.

The Balance Sheet of the company as at 31.3.2009 is given below :

Liabilities	Rs.	Assets	Rs.
Share Capital :		Freehold property	11,85,000
Equity shares		Plant	6,03,000
1,00,000 of Rs. 10		Motor vehicles	1,15,000
each fully paid	10,00,000	Stock	3,72,000
10% pref. shares of		Sundry debtors	1,48,000
Rs. 100 each fully paid	12,00,000	Profit & Loss A/c	4,28,000
Share premium	1,00,000		
5% debentures	2,00,000		
Interest on debenture	5,000		
Bank overdraft	1,16,000		
Sundry creditors	<u>2,30,000</u>		
	<u>28,51,000</u>		<u>28,51,000</u>

The preference dividends are in arrear for the years 2007-08 and 2008-09.

The company's Articles provide that on liquidation, out of surplus assets remaining after payment of liquidation costs and outside liabilities, it shall be applied firstly towards arrears of preference dividend, secondly to preference shareholders with a premium thereon at Rs. 10 per share and finally any residue shall be paid to the equity shareholders.

The Liquidator realised the assets as below :

	Rs.
Freehold property	14,25,000
Plant	5,05,000
Motor vehicles	1,18,000
Stock in trade	3,00,000
Sundry debtors	1,20,000

Creditors were paid less discount of 5% debentures with accrued interest upto 30.6.2009 was paid.

Liquidators remuneration is 2% of the assets realised.

Cost of liquidation was Rs. 7,640.

Prepare the Liquidators Statement of Account. ( 8 marks)

**Chapter-10 : Financial Statements of Banking Companies**

**2009 - Nov [1](vi)** Find out the income to be recognised in the case of X Bank Ltd. for the year ended 31st March, 2009 :

	(Rs. in lakhs)			
	Performing Interest accrued	Assets Interest received	Non-performing Interest accrued	Assets Interest received
Term loans	240	160	150	10
Cash credits and overdrafts	1,500	1,240	300	24

( 2 marks)

**Chapter-13 : Average Due Date**

**2009 - Nov [6]** (c) Harish has the following bills due on different dates. It was agreed to settle the total amount due by a single cheque payment. Find the date of the cheque.

- (i) Rs. 5,000 due on 5.3.2009
- (ii) Rs. 7,000 due on 7.4.2009
- (iii) Rs. 6,000 due on 17.7.2009
- (iv) Rs. 8,000 due on 14.9.2009

( 4 marks)

**Chapter-17 : Accounts From Incomplete Records**

**2009 - Nov [1]** (iii) Find out the profit of Mr. A from the following information:

Capital at the beginning of the year	Rs.	20,00,000
Drawings made by Mr. A	Rs.	2,00,000
Capital at the end of the year	Rs.	25,00,000
Additional capital introduced during the year	Rs.	1,00,000

( 2 marks)

**2009 - Nov [6]** (a) From the following information furnished by X & Co., prepare Total Debtors Account.

Transactions for the month of March, 2009	Rs.
(i) Sales (includes cash sales of Rs. 7,000)	68,000
(ii) Collections from Debtors (cash)	57,000
(iii) Discount allowed	2,000
(iv) Bad debts written off	1,500
(v) Cheques received	10,000
(vi) Cheques dishonoured	2,000
(vii) Return inward	700
(viii) Bad debts written off - now recovered	500
(ix) Provision for doubtful debts	1,200
(x) Balance outstanding on 1.3.2009 (Receivables)	20,000

( 4 marks)

**Chapter-18 : Hire Purchase and Instalment Sale Transactions**

**2009 - Nov [1]** (iv) Mr. X purchased a machine on hire purchase system. He made cash payment of Rs. 30,000 and the balance was payable in 5 annual instalments of Rs. 60,000 each. The cash price of the machine is Rs.3,00,000. Assume that the purchase was made on 1st April and the annual instalments are payable on 31st March of every year. Calculate the amount of interest for each year. ( 2 marks)

**Chapter-21 : Branch Accounts and Foreign Branches**

**2009 - Nov [5]** (a) Pawan & Co. of Delhi has a Branch at Jaipur. Goods are invoiced to the Branch at cost plus 25%. The Branch is instructed to deposit everyday in the Head office account with the bank. All the expenses are paid through cheque by the Head office except pettycash expenses which are paid by the Branch.

From the following information, you are required to prepare Branch Account in the books of Head office :

	Rs.
Stock at invoice price on 1.4.08	1,64,000
Stock at invoice price on 31.3.09	1,92,000
Debtors as on 1.4.08	63,400
Debtors as on 31.3.09	84,300
Furniture & fixtures as on 1.4.08	46,800
Cash sales	8,02,600
Credit sales	7,44,200
Goods invoiced to Branch by Head office	12,56,000
Expenses paid by Head office	2,64,000
Petty expenses paid by the Branch	20,900
Furniture acquired by the Branch on 1.10.08 (payment was made by the Branch from cash sales and collection from debtors)	5,000
Depreciation to be provided on Branch Furniture & fixtures @ 10% on WDV basis.	( 8 marks)

**Chapter-22 : Insurance Claims**

**2009 - Nov [1]** (i) Calculate the amount of Insurance claim to be lodged, based on the following information :

Value of stock destroyed by fire	Rs. 90,000
Insurance policy amount (Subject to average clause)	Rs. 65,000
Value of stock salvaged from fire	Rs. 40,000

**Chapter-23 : Introduction to Partnership Accounts**

**2009 - Nov [1]**(x) P, N and T are equal partners. They decided to change their profit sharing ratio into 5 : 4 : 3. They raised the goodwill in the books to the extent of Rs. 2,40,000 and it is to be written off immediately. Show Journal

entries with narration to be passed for raising the goodwill and for its subsequent write off. (2 marks)

**Chapter-25 : Amalgamation, Conversion and Sale of Partnership Firms**

**2009 - Nov [3]** XYZ & Co. is a partnership firm consisting of Mr. X, Mr. Y and Mr. Z who share profits and losses in the ratio of 2 : 2 : 1 and ABC Ltd. is a company doing similar business.

Following is the Balance Sheet of the firm and that of the company as at 31.3.2009 :

Liabilities	XYZ & Co. Rs.	ABC Ltd. Rs.	Assets	XYZ & Co. Rs.	ABC Ltd. Rs.
Equity share			Plant & machinery	5,00,000	16,00,000
Capital :			Furniture & fixture	50,000	2,25,000
Equity shares of			Stock in trade	2,00,000	8,50,000
Rs. 10 each		20,00,000	Sundry debtors	2,00,000	8,25,000
Partners capital :			Cash at bank	10,000	4,00,000
X	2,00,000		Cash in hand	40,000	1,00,000
Y	3,00,000				
Z	1,00,000				
General reserve	1,00,000	7,00,000			
Sundry creditors	3,00,000	13,00,000			
	<u>10,00,000</u>	<u>40,00,000</u>		<u>10,00,000</u>	<u>40,00,000</u>

It was decided that the firm XYZ & Co. be dissolved and all the assets (except cash in hand and cash at bank) and all the liabilities of the firm be taken over by ABC Ltd. by issuing 50,000 shares of Rs. 10 each at a premium of Rs. 2 per share.

Partners of XYZ & Co. agreed to divide the shares issued by ABC Ltd. in the profit sharing ratio and bring necessary cash for settlement of their capital.

The creditors of XYZ & Co. includes Rs. 1,00,000 payable to ABC Ltd. An unrecorded liability of Rs. 25,000 of XYZ & Co. must also be taken over by ABC Ltd.

Prepare :

- Realisation account, Partners capital account and Cash in hand/Bank account in the books of ABC & Co.
- Pass journal entries in the books of ABC Ltd. for acquisition of XYZ & Co. and draw the Balance Sheet after the takeover. ( 16 marks)

**Chapter-26 : Accounting in Computerised Environment**

**2009 - Nov [6]** (b) What are the disadvantages of Enterprise Resource Planning (ERP) ? ( 4 marks)

<b>Paper - 2 : Auditing and Assurance</b>
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**Chapter-1 : Nature of Auditing**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (iv) The auditor, in the interest of the users, while explaining the nature of his reservation, can describe the work of the expert with his name in the audit report without obtaining prior consent of the expert.

(2 marks)

**2009 - Nov [3]** Discuss the basic principles governing an audit. (10 marks)

**Chapter-3 : Preparation for an Audit**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (i) While auditing the accounts of a company, it is obligatory that the auditor must adopt sampling technique. (2 marks)

- (v) The auditee firm has no right to compel the auditor to provide copies of the working papers. (2 marks)

- (x) Analytical procedures are unable to help the Auditor in determining the nature, timing and extent of other audit procedures at the planning stage. (2 marks)

**2009 - Nov [4]** (a) Explain concept of materiality and factors which act as guiding factors to this concept. (6 marks)

- (b) Describe a set of instructions, which an auditor has to give to his client before the start of actual audit. (4 marks)

**2009 - Nov [8]** (a) X, a Chartered Accountant was engaged by PQR & Co. Ltd. for auditing their accounts. He sent his letter of engagement to the Board of Directors, which was accepted by the Company. In the course of audit of the company, the auditor was unable to obtain appropriate sufficient audit evidence regarding receivables. The client requested for a change in the terms of engagement.

Offer your comments in this regard. (5 marks)

**2009 - Nov [8] (OR)** Write short notes on the following :

- (b) Audit risk at the account balance level and at the class of transactions level. (5 marks)

**Chapter-4 : Internal Control (Including EDP Environment)**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (xii) The overall objective of audit changes in Computer Information System (CIS) environment. (2 marks)



**Chapter-6 : Audit of Payments****2009 - Nov [2]** Comment on the following situations :

- (a) XYZ Ltd. Co. gave a donation of Rs. 50,000 each to a Charitable Society running a school and a trust set up for the service of Blinds during financial year ending on 31<sup>st</sup> March, 2009. The average net profits of the company for the last three years were 15 lakhs. (8 marks)
- (b) Mr. X, a shareholders of the company pointed out that :
  - (ii) Premium received on issue of shares prior to the date of balance sheet has been transferred to Profit and Loss account for arriving at the figure of commission payable to the managing director. (6 marks)

**Chapter-8 : Verification of Bank Balance and Cash-in-hand****2009 - Nov [7] (OR)** Comment on the following situation :

- (c) Bank overdraft. (5 marks)

**Chapter-10 : Audit of Sales****2009 - Nov [7] (OR)** How would you vouch/verify the following .

- (b) Goods sent out on Sale or Return Basis. (5 marks)

**Chapter-11 : Audit of Ledgers and other Transactions****2009 - Nov [8] (b)** Cut-off arrangements (5 marks)**Chapter-13 : Depreciation and Reserves****2009 - Nov [6] (b)** As an auditor comment on the following situation :

MNR Co. Ltd. did not provide for depreciation during the financial year 2007-08 due to inadequacy of profits. The company declared dividend during the financial year 2008-09 without providing for the previous year's depreciation. (5 marks)

**Chapter-14 : Verification of Assets****2009 - Nov [2] (b)** Mr. X, a shareholders of the company pointed out that :

- (i) The goodwill in the Balance Sheet of the company has appeared on same figure during the past three years. (6 marks)

**2009 - Nov [7]** How would you vouch/verify the following .

- (b) Leasehold property. (5 marks)

**Chapter-17 : Company Auditor****2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (viii) Mr. X, a Chartered Accountant, is an employee of M/s M & N Co., a firm of Chartered Accountants of India. The firm is the Auditors of ABC & Co. Ltd. After auditing the accounts of the Company the Auditor firm allowed Mr. X, their employee, to sign the audit report; which he did. (2 marks)

**2009 - Nov [2]** (c) A, B & C Company Ltd. removed its first Auditor before the expiry of his term without obtaining approval of the Central Government.  
(6 marks)

**2009 - Nov [7]** (a) Comment on the following situation :  
XYZ Co. Ltd. reappointed A and B as their joint auditors in the Annual General Meeting. The AGM authorised the Board of fillup the vacancy at their own in the event of both or either of auditors declined to accept the assignment. The Board passed a resolution to appoint C if any of the auditors declined to accept the assignment.  
B declined to accept the assignment and Board of Directors appointed C in place of B as per its resolution.  
(5 marks)

**Chapter-18 : Powers & Duties of Auditors, Audit Report and Various Audits**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (ix) The Auditor disagreed with the management with regard to the acceptability of the Accounting Policies and the inadequacy of disclosures in the financial statements and issued a disclaimer.  
(2 marks)

**Chapter-19 : The Company Audit**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (ii) Interim dividend is not a part of dividend. (2 marks)  
(iii) A casual vacancy caused by resignation of the auditor can be filled by the Board of Directors. (2 marks)  
(vii) Provisions of Companies (Auditor's Report) order 2003 as amended upto date, apply to clubs, chambers of commerce, research institutes etc. which have been established under Section 25 of the Companies Act, 1956. (2 marks)

**2009 - Nov [6]** (a) State clearly provisions of the Companies Act, 1956 with regard to issue of shares at a discount. (5 marks)

**Chapter-20 : Government Audit and Audit of Local Bodies**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (vi) Comptroller and Auditor General of India can be removed by the Prime Minister of India on the recommendation of his Council of Ministers. (2 marks)

**2009 - Nov [8] (OR)** Write short notes on the following :

- (c) Powers of C & A.G. in connection with the performance of his duties.  
(5 marks)

**Chapter-22 : Miscellaneous Audits**

**2009 - Nov [5]** (a) What are the six important points that will attract your attention in the case of audit of a Hotel ? (5 marks)

**Chapter-23 : AAS, AS and Guidance Notes**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (xi) A Company which has been unable to negotiate borrowings from its bankers claims that it will be able to continue as a 'going concern'. (2 marks)

**2009 - Nov [5]** (b) State the informations to be disclosed in the financial statements according to the requirements of A.S.-6. (5 marks)

<b>Paper - 3A : Business Laws</b>
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**Chapter-2 : Consideration**

**2009 - Nov [1]** (a) Mr. Singh, an oldman, by a registered deed of gift, granted certain landed property to A, his daughter. By the terms of the deed, it was stipulated that an annuity of Rs. 2,000 should be paid every year to B, who was the brother of Mr. Singh. On the same day A made a promise with B and executed in his favour an agreement to give effect to the stipulation. A failed to pay the stipulated sum. In an action against her by B, she contended that since B had not furnished any consideration, he has no right of action. Examining the provisions of Indian Contract Act, 1872, decide, whether the contention of A is valid ? (5 marks)

**Chapter-4 : Performance of Contract**

**2009 - Nov [1]** (c) Pick out the correct answer from the following and give reasons :

- (ii) A promises to paint a picture for B by a certain day, at a certain price. A dies before the day. The contract
- (1) can be enforced by A's representative
  - (2) can be enforced by B
  - (3) can be enforced either by A's representative or by B
  - (4) can not be enforced either by A's representative or by B
- (1 mark)

**Chapter-8 : Contract of Indemnity and Guarantee**

**2009 - Nov [1]** (c) Pick out the correct answer from the following and give reasons :

- (i) A contracts to save B against the consequences of any proceedings which C may take against B in respect of a certain sum of 500 rupees. This is a
- (1) Contract of guarantee
  - (2) Quasi contract

- (3) Contract of Indemnity
- (4) Void contract. (1 mark)

**Chapter-9 : Bailment and Pledge**

**2009 - Nov [1]** (b) State with reasons whether the following statements are correct or incorrect :

- (i) If the pawnor makes a default in the payment of debt, or performance of duty, as agreed, the pawnee has a right to sell the thing pledged for which no reasonable notice of the sale is required. (1 mark)

**Chapter-10 : Agency**

**2009 - Nov [1]** (b) State with reasons whether the following statements are correct or incorrect :

- (ii) An "Agency coupled with Interest" may be terminated, at the instance of principal, at any time. (1 mark)

**Chapter-11 : The Negotiable Instruments Act, 1881**

**2009 - Nov [1]** (c) Pick out the correct answer from the following and give reasons :

- (iii) A negotiable instrument drawn in favour of a minor is
  - (1) void
  - (2) void but not enforceable
  - (3) valid
  - (4) None of the above. (1 mark)

**2009 - Nov [4]** 'N' is the holder of a bill of exchange made payable to the order of 'P'. The bill of exchange contains the following endorsements in blank :

First endorsement	'P'
Second endorsement	'Q'
Third endorsement	'R'
Fourth endorsement	'S'

'N' strikes out, without S's consent, the endorsement by 'Q' and 'R'. Decide with reasons whether 'N' is entitled to recover anything from 'S' under the provisions of Negotiable Instruments Act, 1881. (5 marks)

**Chapter-12 : The Payment of Bonus Act, 1965**

**2009 - Nov [3]** Standard Airways Limited was incorporated at Chennai in the year 2005 employing 125 workmen. Due to strike of workers, mismanagement in the company and accidental loss of the assets the company suffered heavy losses continuously since its incorporation, resulting which the large part of the capital and assets were wiped out. Consequently, the company moved an application to the Government of Tamilnadu requesting to exempt the company fully from the application of the provisions of the Payment of Bonus Act, 1965.

Decide, whether the Government of Tamilnadu may grant exemption to the Company. State the provisions of law in this regard as stated under the Payment of Bonus Act, 1965. (5 marks)

**Chapter-13 : The Employees' Provident Funds and Miscellaneous Provisions Act, 1952**

**2009 - Nov [6]** An Executive Committee is to be constituted to assist the Central Board under the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952. State the composition of such Executive Committee. (5 marks)

**Chapter-14 : The Payment of Gratuity Act, 1972**

**2009 - Nov [5]** Mr. X 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 conditions the company is unable to pay the gratuity. Mr. X 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. (5 marks)

**Chapter-15 : Company: Basic Concepts**

**2009 - Nov [2]** (a) Noble Meters Limited was incorporated with the equity share capital of Rs. 50 lakh. The company received the certificate of Incorporation on 20<sup>th</sup> May, 2009. The company issued the prospectus inviting the public to subscribe for its equity shares. Meanwhile, the company intended to commence its business. Whether Noble Meters Ltd. is entitled to commence its business without obtaining the certificate to commencement of Business ? Advice the company stating the conditions to be fulfilled for obtaining the certificate to commencement of Business from the Registrar of Companies under Companies Act, 1956. (5 marks)

**2009 - Nov [7]** The United Traders Association was constituted by two joint Hindu Families consisting of 21 major and 5 minor members. The Association was carrying the business of trading as retailers with the object for acquisitions of gain. The Association was not registered as a company under the Companies Act, 1956 or other law.

State whether United Traders Association is having any legal status ? Will there be any change in the status of this Association if the members of the United Traders Association subsequently reduced to 15. (5 marks)

**Chapter-16 : Memorandum of Association & Articles of Association**

**2009 - Nov [2]** (b) State whether the following statements are true or false and give reasons :

- (i) The articles of Association of a Company can be altered by passing an ordinary resolution in the meeting of the shareholders. (1 mark)

**Chapter-17 : Preliminary & Provisional Contracts**

**2009 - Nov [2]** (c) Pick out the correct answer from the following and give reasons :

- (i) Contracts which entered into, by agents or trustees on behalf of a prospective company before it has come into existence are called :
- (1) Provisional contracts
  - (2) Pre-incorporation contracts
  - (3) Both provisional and pre-incorporation contracts
  - (4) None of the above. (1 mark)

**Chapter-19 : Prospectus**

**2009 - Nov [2]** (c) Pick out the correct answer from the following and give reasons :

- (ii) A prospectus issued by the financial institutions or bank for one or more issues of the securities or class of securities specified in the prospectus is called :
- (1) Deemed prospectus
  - (2) Red-herring prospectus
  - (3) Abridged prospectus
  - (4) Shelf prospectus. (1 mark)

**2009 - Nov [9]** Modern Furnitures Limited was willing to purchase teakwood estate in Chhattisgarh State. Its prospectus contained some important extracts from an expert report giving the number of teakwood trees and other relevant information in the estate in Chhattisgarh State. The report was found inaccurate. Mr. 'X' purchased the shares of Modern Furnitures Limited on the basis of the above statement in the prospectus. Will Mr. 'X' have any remedy against the company ? When an expert will not be liable ? State the provisions of the Companies Act, 1956 in this respect. (5 marks)

**Chapter-23 : Share Capital**

**2009 - Nov [10]** M.H. Company Limited served a notice of general meeting upon its shareholders. The notice stated that the issue of sweat equity shares would be considered at such meeting. Mr. 'A', a shareholder of the M.H. Company Limited Complains that the issue of sweat equity shares was not specified fully in the notice. Is the notice issued by M.H. Company Limited regarding issue of sweat equity shares valid according to the provisions of the Companies Act, 1956 ? Explain fully. (5 marks)

**Chapter-25 : Transfer & Transmission of Shares**

**2009 - Nov [2]** (b) State whether the following statements are true or false and give reasons :

- (ii) A transferee becomes a member of the company when the instrument of transfer is submitted with the company. (1 mark)

**2009 - Nov [8]** Mr. 'Y' the transferee, acquired 250 equity shares of BRS Limited from Mr. 'X', the transferor. But the signature of Mr. 'X', the transferor, on the transfer deed was forged. Mr. 'Y' after getting the shares registered by the company in his name, sold 150 equity shares to Mr. 'Z' on the basis of the share certificate issued by BRS Limited. Mr. 'Y' and 'Z' were not aware of the forgery. State the rights of Mr. 'X', 'Y' and 'Z' against the company with reference to the aforesaid shares. (5 marks)

**Chapter-29 : Meetings**

**2009 - Nov [2]** (c) Pick out the correct answer from the following and give reasons :

- (iii) The gap between two Annual General Meetings must not be more than
- (1) 12 months
  - (2) 15 months
  - (3) 18 months
  - (4) 15 months as may be extended by Registrar of Companies to 18 months. (1 mark)

<b>Paper - 3B : Ethics</b>
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**Chapter-1 : Principles of Business Ethics**

**2009 - Nov [13]** State with reasons whether the following statements are correct or incorrect :

- (b) There is no difference between ethics and morals. (2½ marks)

**Chapter-2 : Corporate Governance and Corporate Social Responsibility**

**2009 - Nov [11]** (b) Explain the meaning of the "Iron Law of Responsibility". State the resulting benefits which may be acquired by achieving the longterm objectives through the business activities. (5 marks)

**Chapter-3 : Workplace Ethics**

**2009 - Nov [11]** (a) Explain the importance of ethical behaviour at the workplace. (5 marks)

**2009 - Nov [13]** State with reasons whether the following statements are correct or incorrect :

- (a) Fairness and honesty are the pillars of success in the business. (2½ marks)

**Chapter-5 : Ethics in Marketing and Consumer Protection**

**2009 - Nov [12]** Explain the pragmatic reasons for maintaining ethical behaviour in marketing through marketing executives. (5 marks)

**Paper - 3C : Communication****Chapter-1 : Essentials of Communication**

**2009 - Nov [14] (a)** What are the merits and demerits of grape-vine form of Communication. (5 marks)

**Chapter-6 : Communication in Business Environment**

**2009 - Nov [14] (b)** TKR Limited wants to hold its statutory meeting on 20th December, 2009 to discuss the matters relating to formation of the company and incidental matters thereto. (5 marks)

**2009 - Nov [15]** Fifth Annual General Meeting of the shareholders of Devrishi Limited was held on 20th August, 2009 at its registered office at Mumbai. 55 shareholders attended the meeting in person and 6 shareholders in proxy. Several ordinary business regarding adoption of audited Balance Sheet, declaration of dividend, appointment and re-appointment of directors and auditors were transacted at the meeting.

Draft the minutes of the Fifth Annual General Meeting of the shareholders of Devrishi Limited. (5 marks)

**Chapter-7 : Legal Deeds and Documents**

**2009 - Nov [16]** A partnership firm was constituted by A, B and C. A, the partner of the firm, expressed his desire to retire from the partnership firm by Mutual consent.

Draft a "Partnership Retirement Deed". (5 marks)

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