

CBCS Scheme

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16MBA24

Second Semester MBA Degree Examination, June/July 2017 Business Law and Policy

Time: 3 hrs.

Max. Marks: 80

**Note: 1. Answer any FOUR full question from Q.No.1 to Q.No.7.
2. Question No. 8 is compulsory.**

- 1 a. Define the term contract. (02 Marks)
b. State and explain the features of company. (06 Marks)
c. "All contracts are agreements but all agreements are not contract". Explain. (08 Marks)
- 2 a. Differentiate between bailment and pledge. (02 Marks)
b. Brief on rights and duties of bailor. (06 Marks)
c. What are the different modes for creation of agency? Explain. (08 Marks)
- 3 a. Define company. (02 Marks)
b. Discuss the objectives of consumer protection Act 1986. (06 Marks)
c. Briefly explain the different modes of winding up of company. (08 Marks)
- 4 a. What do you mean by patent and trade mark? (02 Marks)
b. Differentiate between public company and private company. (06 Marks)
c. Explain the provisions on liability of retired partner according to partnership Act 1936. (08 Marks)
- 5 a. What is corporate governance? (02 Marks)
b. Why should business people have social responsibility? (06 Marks)
c. Enumerate on obligations of corporate governance towards society at large. (08 Marks)
- 6 a. What is corporate social responsibility? (02 Marks)
b. Discuss the different modes in which authority of an agent may terminate. (06 Marks)
c. Explain the arguments infavour and against corporate social responsibility. (08 Marks)
- 7 a. What is the need for corporate governance in business? (02 Marks)
b. Differentiate between memorandum of association and articles of association. (06 Marks)
c. Brief on provisions regarding expulsion of partner and insolvency of partner as per partnership Act 1936. (08 Marks)

Important Note: 1. On completing your answers, completely draw diagonal cross lines on the remaining blank pages.
2. Do not use correction fluid or white-out on the answers written on the question paper.

8 Case Study:

Reebok India Suffers a Major Scam

Reebok India, owned by Adidas AG, alleged a ₹ 870 crore fraud by its former managing director Subhinder Singh Prem and former Chief Operating Officer (COO) Vishnu Bhagat, in a criminal complaint filed at the Gurgaon Police's Economic offence wing in May 2012. In March 2013, Adidas, the parent company, announced a 153 million Euros loss on account of the Reebok India episode.

The two were accused of criminal conspiracy and fraudulent practices including stealing products by setting up "Secret warehouses". There has been a grave failure of corporate governance as well since the company has also alleged that the former officials fudged accounts and indulged in fictitious sales causing a multi-core dent to the company. In its FIR, Reebok has said that it carried out an internal investigation after certain fraudulent activities were noticed which again points to the importance of internal checks for malpractices and corruption.

Gurgaon police had arrested Singh and Bhagat along with three others Sanjay Mishra, Prashant Bhatnagar and Surakshit Bhat. Allegedly these individuals have been siphoning off funds by creating ghost distributors across the country and generating forged bills over the last five years.

Agencies probing the alleged ₹ 870 crore corporate fraud in the operation of Reebok India have detected a systematic 'mismanagement' in the business planning and running of the company.

The income tax department has alleged tax evasion of ₹ 140 crore in the case. The IT departments first goal is to ensure that the company later does not claim any "bad debt".

As soon as the scam came to light, affairs of the company came under close govt. scrutiny. While the IT department investigated the accounts and imports of the firm, the serious fraud investigation office is probing the entire governance affairs of the company under section 235 of the companies Act. A forensic audit was conducted by the German arm of Ernest and Young which revealed many falsification of documents and books.

It is interesting to note that accounting officials of the firm and the auditors were not held liable for their "deliberate" or "mistake oversight" in identifying the irregularities in the account books which led to the alleged financial irregularities.

Questions

- In the above case what are the reasons for failure of corporate governance? (04 Marks)
- Critically evaluate fraud investigation with reference to IT department in the case. (04 Marks)
- What roles, values and ethics play in ensuring good corporate governance? (04 Marks)
- What recommendations would you like to provide to prevent such fraud in future? (04 Marks)

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