

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

PART—I

Question Nos. 1 and 2 are compulsory. Attempt any eight questions from the rest.

Qn 1. (a) A, the bailor, pledges cinema projector and other accessories with Cine Association Co-operative Bank Limited, the bailee, for loan. A requests the bank to allow the pledged goods to remain in his possession and promises to hold the same in trust for the bailee and also further promises to handover the possession of the same to the bank whenever demanded.

Examining the provisions of Indian Contract Act, 1872 decide, whether a valid contract of pledge has been made between A, the bailor and Bank, the bailee ? [ 5 marks ]

Ans. 1 (a) Where a mercantile agent is, with the consent of the owner, in possession of goods or the documents of title to goods, any pledge made by him, when acting in the ordinary course of business of a mercantile agent, shall be as valid as if he were expressly authorized by the owner of the goods to make the same; provided that the pawnee acts in good faith and has not at the time of the pledge notice that the pawnor has no authority to pledge.

As per the provisions above it is clearly evident that contract made between A & Bank is valid.

(b) State with reasons whether the following statements are correct or incorrect: [ 2 x 1 = 2 marks ]

- (i) An agreement entered with a minor may be ratified on his attaining majority.
- (ii) Any variation in terms of contract made between principal debtor and a creditor without the consent of surety, automatically discharges the liability of the surety.

Ans 1 (b) (i) Since the agreement with minor is void, it never becomes a contract. Hence, it cannot be ratified when he becomes major.

(b) (ii) After issue of guarantee, if any variation is to be made in the terms of the contract between the principal debtor and the creditor surety's consent should be obtained. If such consent is not obtained the surety is discharged in respect of all transactions subsequent to the variance [Section 133]. Surety is liable for transactions entered into before such variation.

(c) Pick out the correct answer from the following and give reasons : [ 3 x 1 = 3 marks ]

- (i) An agreement to subscribe or contribute a plate or prize of the value of Rs. 500 or above to be awarded to the winner of a horse race is
  - (1) Void
  - (2) Valid
  - (3) Illegal
  - (4) Unenforceable.

Ans. (2) Since it creates a legal obligation.

(ii) Substitution of new contract for an existing contract between the same parties is known as :

- (1) Remission
- (2) Alteration
- (3) Rescission
- (4) Novation.

Ans. (4) U/s 62 under which an existing contract is substituted by a new one is called novation

(iii) In legal terms, person who takes the instrument bonafide for value before it is overdue, in good faith, is known as

- (1) Holder in due course
- (2) Holder
- (3) Holder for value
- (4) None of the above.

Ans. (1) It refers to a person who has become holder for a consideration and before due maturity of bill.

Qn 2. (a) The articles of ABC Limited provided that only those shareholders would be entitled to vote whose names have been there on the Register of Members for two months before the date of the meeting. X, a member, of the ABC Limited was holding 200 equity shares of the company. X transferred his shares to Y before one month from the date on which the meeting was due. The name of Y could not be entered in the Register of Members as the application of transfer of shares was pending. X attended the meeting but he was prohibited by the company from exercising his voting right on the ground that he has not hold his shares for specified period as provided in the articles before the date of the meeting.

State whether X can exercise his voting right in the meeting ? State also the grounds upon which X may be excluded from exercising his voting rights in the meeting of the shareholders. [ 5 marks ]

Ans. According to provision of companies Act, 1956.

- A member of a company should have qualification shares.
- A member of a company has no voting right unless he actually acquires shares.
- A person becomes member only when his name is entered in register of member of the company. Till then, he is only holder.
- In case of transfer of share, transfer is entitled to vote when his name is entered into register of member.
- The case is, X transfer his shares to y before one month from the date on which meeting was done and name of y is not entered in the register of member as the application of transfer of share is pending.

Article of company provided that only there shareholders would be entitled to vote whose names have been there on register of members for two month of the above. Since transfer of shares procedure is pending and the name of y is not entered into register of member. Hence y is neither a shareholder nor he has right to vote.

And x can exercise his voting right in the meeting as his name has not been struck off from register of member.

But if transfer process is complete and x name is struck off from company's register of member than he is excluded from the voting right.

(b) State whether the following statements are true or false and give reasons : [ 2 x 1 = 2 marks ]

- (i) A share warrant is a bearer instrument and bearer is entitled to the shares specified in the share warrant.
- (ii) Every Company which is registered under the Companies Act, 1956, need not have their own Articles of Association.

Ans. 2 (b) (i) True.

Section 114 states that share warrant is a document issued by public company in conformity with statutory requirements under its common seal and can be transferred by mere delivery. Hence it is a bearer document and bearer is entitled to shares specified init.

Ans. (b) (ii) False

Public company having share capital can adopt table a of schedule in full but public company limited by guarantee and not having share capital [Section 29] must make its own article.

(c) Pick out the correct answer from the following and give reasons : [ 3 x 1 = 3 marks ]

(i) Statutory meeting is to be called by :

- (1) Government Company
- (2) Private Company having share capital .
- (3) Public Company having share capital
- (4) Foreign Company.

(ii) The Securities Premium Account can not be utilised :

- (1) In writing off the preliminary expenses of the company
- (2) In writing off the expenses of commission paid on issue of share of the company
- (3) For redemption of redeemable preference shares
- (4) In providing for the premium payable on the redemption of redeemable preference shares.

(iv) A "Statement in lieu of Prospectus" must be filed before the allotment of the shares with the Registrar of Companies by :

- (1) A Private Company

- (2) A Guarantee Company
- (3) A Public Company which issues the prospectus to the public
- (4) A Public Company which does not issue the prospectus to the public.

Ans 2(c) (i) Section 165 (i), public company having share capital has to call statutory meeting after month but before 6 months from the date, company is entitled to commence business.

Ans. 2 (c) (ii) Section 78 (I) Security premiums cannot be utilized for redemption of redeemable preference share.

As per section 78 security premium amount can be utilized only for following 4 purposes: -

- (i) Writing off the preliminary expense
- (ii) Writing off the discount on issue of shares and debentures
- (iii) For issue of fully paid up bonus shares
- (iv) In providing for the premium payable on the redemption of redeemable preference shares and debentures.

Ans 2 (c) (iii) A public company which does not issue the prospectus to the public or with reference to its formation has to file before three days of allotment of share with registrar of company a statement in live of prospectus.

Qn 3. Skypark Wooden Toys Limited was established at Kolkata in the year 2005 employing 5 100 workmen. Since then the company suffered the losses, but minimum bonus was paid in the accounting years of 2006 and 2007. In the accounting year 2008 the company earned huge profits. After mitigating the previous losses the company is having surplus profits and wants to pay the bonus to its workmen. Skypark Wooden Toys Limited wants the legal advice on the following issues : [ 5 marks ]

- (a) How much minimum and maximum bonus may be paid to the workmen ?
- (b) Whether the company may adjust the puja bonus already paid to the workmen while calculating the amount of bonus payable to workmen of that accounting year.
- (c) Company wants to give wooden toys as bonus instead in cash. Whether the Company can do so ?

Advice the Skypark Wooden Toys Limited, stating the provisions of the Payment of Bonus Act, 1965.

Ans. 3 (a) Payment of minimum bonus and maximum bonus : -

Every employer shall be bound to pay to every employee in respect of every accounting year, minimum bonus which shall be 8.33% of the salary or wages earned by the employee during the accounting year or Rs.100, whichever is higher whether or not the employer has any allocable surplus in the accounting year. But if the employee has not completed 15 years of age at the beginning of the accounting year he will be entitled to a maximum bonus which shall be 8.33% of the salary or wage during the accounting year Rs.60, whichever is higher. In view of much minimum bonus, be bound to pay to every employee in respect of that accounting year bonus which shall be an amount in proportion to the salary or wage earned by the employee during the accounting year subject to a maximum 20% of such salary or wage.

Ans 3. (b) As per 17 of payment of bonus act, 1965, if in an accounting year, an employer has paid any pooja bonus or other customary bonus to employee or has paid a part of bonus payable under the act before the date on which such bonus becomes payable, the employer may deduct this amount from the final bonus payable. But the amount may be deducted only from the bonus of that accounting year.

Ans 3 (c) Section 19 says that all amounts payable to employee shall be paid in cash no bonus shall be paid to employees in the form other than cash. Hence, company can't give wooden lays as bonus instead of cash.

Qn 4. Mr. 'Wise' obtains! fraudulently from 'R' a crossed cheque "Not Negotiable". He transfers the cheque to 'V', who gets the cheque encashed from ANS Bank Limited which is not the drawee bank. 'R' on coming to know about the fraudulent act of Mr. 'Wise' sues ^NS Bank for the recovery of money. Examine with reference to the relevant provisions of The Negotiable Instruments Act, 1881, whether 'R' will succeed in his claim ? Would your answer be still the same in case Mr. 'Wise' does not transfer the cheque and gets the cheque encashed from ANS Bank himself ?

[ 5 marks ]

Ans. 4. In not negotiable general rule is that holder in due course gets a better title than transferor. Even if transferor had defective title, he will give a better title to holder in due course. Section 130 states that a person taking a cheque crossed generally or specially bearing it either case the word "not negotiable" shall not have a better title than the title of person from whom the took it.

Hence, even if a holder in due course takes a cheque crossed not negotiable he will not have a better title than transferor. Hence, "not negotiable" cheque is an exemption to rule that "holder in due course gets a better title than transferor."

It may be noted that words "not negotiable" on a cheque does not mean that it cannot be negotiated.

Payment in due course (Section 10) means payment in accordance with the 'APARRNET TENOR' of instrument in good faith and without negligence to any person in possession thereof under such circumstances which do not afford a reasonable ground for believing that he is not entitled to receive payment of amount.

If payment is made in due course, it will discharge negotiable instrument.

- a) Apparent Tenor : - It means what appears on face of instrument as intention of parties. For example – payment should be made on or after maturity. If made before maturity it is not a payment in due course. If bank makes payment of post dated cheque, this is not a payment in due course.
- b) Holder :- payment should be made to holder or any person authorized by holder in his behalf. If any instrument is payable to order and not endorsed by holder to any other person, then payment to possessor won't be in due course if he is not holder or his authorized person. But if bearer instrument or if endorsed in blank, then payment to possessor shall be payment in due course provided sufficient circumstance.
- c) Good faith no negligence not having reasonable grounds that person to whom payment is making not entitled. If so, make enquiry.

Qn 5. National Steels Limited decided to forfeit the amount of gratuity of its employees A, B and C on account of disorderly conduct and other acts which caused loss to the property belonging to the company. A, B and C, committed the following acts :

- (i) A refused to surrender the occupied land belonging to the company.
- (ii) B committed theft under law involves offence of moral turpitude.
- (iii) C after superannuation continued to occupy the quarter of the company for six months.

Against the decision of the company, A, B and C applied to the court for relief. The Company contended that the right to gratuity is not a statutory right and the forfeited amount of gratuity was within the law.

Examine the contention of the company and the decision taken by the company to forfeit the amount of gratuity in the light of the Payment of Gratuity Act, 1972.

Ans. 5 According to Sec. 4 (b) (a) Where the services of an employee have been terminated for any act, willful omission or negligence causing any damage or loss to, or destruction of property belonging to the employer, the gratuity of the employee shall be forfeited to the extent of such damage or loss caused to the employer, or (b) Where the services of an employee have been terminated for -

- (i) his riotous or disorderly conduct or any other act of violence on his part; or
- (ii) any act which constitutes an offence involving moral turpitude, in the course of his employment.

Qn 6. State the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952 relating to the protection of the amount standing to the credit of an employee in the provident fund against attachment.

Ans. The provisions of employees provident funds and miscellaneous provisions Act 1952, relating to the protection of the amount standing to the credit of an employee in the provident fund against attachment are the following. The amount standing to the credit of any member in the fund or credit of any exempted employee in provident fund shall not in any way be capable of, being assigned or charged and shall not be liable to attachment under any decree or order if any court in respect of any debt or liability incurred by the member or the exempted employee. Neither the official assignee appointed under the Presidency Town Insolvency Act, 1909 nor any receiver appointed under provincial insolvency act, 1920, shall be entitled to or have any claim on any such amount.

The amount standing to the credit of the aforesaid categories of persons at the time of their death and payable to their nominees under the scheme or the rules rest in nominees. And the amount shall be free from any debt or any other liability by the deceased or the nominee before the death of the member or the exempted employee and shall also not be liable to attachment under any decree or order of any court.

Qn 7. A issues an open 'bearer' cheque for Rs. 10,000 in favour of B who strikes out the 5 word 'bearer' and put crossing across the cheque. The cheque is thereafter negotiated to C and D. When it is finally presented by D's banker, it is returned with remarks "Payment countermanded" by drawer. In response to this legal notice from D, A pleads that the cheque was altered after it had been issued and therefore he is not bound to pay the cheque. Referring to the provisions of the Negotiable Instruments Ad., 1881 decide, whether A's argument is valid or not ?

Ans 7. A bearer instrument is an instrument is payable to bearer when it is expressed to be so payable. It is also payable to bearer when the only or last indorsment was blank endorsement.

The statement, once a bearer cheque, always a bearer cheque is often misunderstood to mean that if initially a cheque was a bearer cheque it can be paid across the counter even if subsequently the cheque was crossed. This is not the meaning of this phrase at all once a bearer always a bearer does not mean that a cheque issued as a bearer cheque cannot be crossed or that even if crossed, it can be paid across the counter.

A cheque payable to bearer cheque can be grossed any time, i.e. either at the time of issue or later. In such case, banker will have to pay the amount to another banker and not to bearer of cheque, "crossing a cheque is not endorsement of cheque.

Qn 8. F, an assessee, was a wealthy man earning huge income by way of dividend and 5 interest. He formed three Private Companies and agreed with each to hold a bloc of investment as an agent for it. The dividend and interest income received by the company was handed back to F as a pretended loan. This way F divided his income into three parts in a bid to reduce his tax liability.

Decide, for what purpose three companies were established ? Whether the legal personality of all the three companies may be disregarded ?

Ans 8. As per companies Act, corporate viel indicates that the company and member are separate legal entity; Acts of company are not the act of its directors or managerial personal. Sometimes this corporate veil is used by the persons behind it for "improper purposes". In such cases, the courts lift the veil and see who are the real beneficiaries behind the veil. In such cases the court will not take action against the company but will directly look to the person behind that. When the veil is used for evasion of taxes, the veil shall be lifted.

Here in the question the case is similar to the famous case law of Sir Dinshaw Maneckjee petit.

F an assessee in order to evade payment of taxes formed three companies and divided his income into three parts in a bid to reduces his tax liability. Hence, the legal personality of the three companies may be discarded and F the person concerned who formed companies to evade the taxes is liable to pay tax.

Qn 9. Annual General Meeting of MGR Limited is convened on 28th December, 2008. 5 Mr. J, who is a member of the company, approaches the company on 28th December, 2008 and demands inspection of proxies lodged with the company. Explain the legal position as stated under the Companies Act, 1956 in this regard.

Ans 9. Annual General meeting of MGR Limited was held on 28<sup>th</sup> December, 2008. Mr. J being a member of the company has the right to demand inspection of proxies lodged with the company.

Proxy forms can be inspected by any member entitled to vote at the meeting. He has to give three day's notice in writing of his intention to inspect. Proxy forms can be inspected during the period of 24 hours before commencement of the meeting and till conclusion of the general meeting. [Section 176 (7)]. [Thus if prior notice of three days is not given, company can refuse inspection of proxy forms.

Qn 10. India Cosmetics Limited was a registered company Under Indian Companies Act, 5 1956. Lateron, another company, India Cosmetics and Accessories Limited was formed and registered. Being similarity in the names of both Companies, India Cosmetics Limited lodged the complaint against India Cosmetics and Accessories Limited to the Registrar of Companies stating that there is sufficient similarity between these two names which may mislead or defraud to the public. India Cosmetics and Accessories Limited is intending to alter its name.

Advice the India Cosmetics and Accessories Limited to alter the name of the Company according to the provisions of the Companies Act, 1956.

Ans. 10. Following are the provisions of the companies act, 1956 regarding alteration of the company which may be followed by Indian cosmetics and accessories limited to alter the name of the company –

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Section 21 of Act states that a company may change its name by passing special resolution and by obtaining prior approval of Central government. But if only change name is deletion of the word "private central government" permission is not required but a special resolution is required.

Section 22 states that if by inadvertence, a name has been registered which is identical with or too nearly resembles the name of an existing company, the company "may change it by passing an ordinary resolution and after getting previous written permission of central government as to the changed name."

Section 22, further states that central government is empowered to direct a company, within 12 months of its registration, to RACTIFY, its name; if by inadvertence, it has been registered with a name similar to that of an existing company. If a company is so directed by the central government, it must change the name within 6 months of direction and for the purpose, company shall pass an ordinary resolution and get prior approval of central government, in writing. The central government may extend this to 6 months. If the company makes default in complying with direction of central government, then company and every officer of the company in default is liable to penalty of Rs.1000 each per day during which default continues.

Qn 11. While sanctioning working limit, the rate of interest has been fixed at a specified 5 percentage above the bank rate as notified by the Reserve Bank of India. There was a change in the interest rate due to Reserve Bank of India notification issued later. The Bank insisted on filing a return of modification of charges. Is the stand of bank correct? Discuss, in the light of the provisions of the Companies Act, 1956.

Ans. 11. Section 135 of the Act provides that 'whenever the terms or conditions or the extent or operation of any charge registered under this part are or is modified, it shall be the duty of company to send to the registrar the particulars of such modifications and the provisions of this part as to registration of a charge shall apply to modification of the charge.'

The term modification includes variation of any of the terms of the agreement including variation of rate of interest which may be by mutual agreement or by operation of law. Even if the rights of a charge holder are assigned to a third party, it will be regarded as a modification what constitutes modification.

1. Where the charge is modified by varying any terms and conditions of the existing charge by agreement.
2. where the modification is in pursuance of an agreement for enhancing or decreasing the limits.
3. where the modification is by ceding a pari passu charge
4. change in rate of interest (other than bank rate)
5. charge in repayment schedule of loan; (this is not applicable in working capital loans which are repayable on demand) and
6. partial release of the charge on a particular asset or property.

Qn 12. What is meant by "Abridged Prospectus"? Is it necessary to furnish abridged form 5 of prospectus along with the application form for shares. Under what circumstances an abridged prospectus need not accompany the detailed information regarding prospectus along with the application form?

Ans . Abridged form of Prospectus :- Section 56(3) permits a company to issue a memorandum containing the salient features of prospectus as prescribed. This is also abridged form of prospectus. This section further requires that a company must furnish a copy of prospectus (full) to a person of request is made by the person before close of subscription list also, the company may attach full prospectus with application form, if so desires.

Central government has prescribed "Form No. 2A" as abridged prospectus. The share application form and abridged prospectus should have same distinctive number. An abridged prospectus is not required to be issued in same four cases when a prospectus is not required.

#### PART—II

Question No. 13 is compulsory. Attempt any two questions from the rest.

Qn 13. (a) "To maintain social contract between society and business, the trusteeship relations are essential". Describe the role of business ethics in this reference. [ 5 marks ]

Ans. 13 (a) Role of Business Ethics : -

- ⇒ Role of corporate Governance.
- ⇒ Role of middlemen between society & business.



- ⇒ Business relation in sense of ethics to the governing society.
- ⇒ Society and business aims to cultivate and share knowledge and ideas in order to assist business to enhance their commitment in societies.
- ⇒ Society & business seeks to provide a platform for diverse academic and practitioner communities to debate a broad spectrum of social issues and disciplinary perspectives.
- ⇒ General business ethics is the term to determine the fundamental purposes of a company.
- ⇒ Corporate social responsibility (CSR) –  
Term under which rights and duties existing between companies and society is debated.
- ⇒ Different Ethics related to society & business : -
  - Accounting Information.
  - Human resource management
  - Sales & marketing
  - Production
  - Intellectual property, knowledge & skills.

(c) Explain the factors that influence ethical behaviour of an employee. List out some examples of various ethical issues faced in a workplace. [ 5 marks ]

Ans 13 (b) Ethical decisions in an organization are influenced by three factors; individual moral standards, the influence of managers and co-workers and the opportunity to engage in misconduct. In fact, the activities and examples set by co-workers, along with rules and policies established by the firm, are critical in gaining consistent ethical compliance in an organization. If the company ethical compliance in an organization. If the company fails to provide good examples and direction for appropriate conduct, confusion and conflict will develop and result in the opportunity for unethical behaviour. In addition, having sound personal values contributes to an ethical workplace. Some examples of ethical issues faced by an individual in the work place are:-

- 1) Relationship with suppliers and business partners:
  - a) Bribery and immoral entertainment.
  - b) Discrimination between suppliers.
  - c) Dishonesty in making and keeping contracts.
- 3) Relationship with customers.
  - b) Unfair pricing
  - c) Cheating customers
  - d) Dishonest advertising
  - e) Research confidentiality.
- 3) Relationship with employees
  - a) Discrimination in hiring and treatment of employees.
- 4) Management of resources
  - a) Misuse of organisational funds.

Qn 14. What is meant by Stakeholders? Describe those stakeholders who are being affected by or can affect the organisation. [5 marks]

Ans 14. Past beliefs utter that the shareholders or investors are the only person to whom the management is accountable. But now, the activities of corporate entity also affect other sections of the society and therefore, the management is accounting of the society and therefore the management is accountable to them as well.

Stakeholders of a corporate entity include employees, trade unions, customers, shareholders and investors, suppliers and the community at large.

The individuals, groups or other organisations which are affected by, or can affect the organisation in pursuit of its goals are as under: -

- a) Employees.
- b) Trade unions.
- c) Customers.
- d) Shareholders and investors.
- e) Suppliers.
- f) Local communities.
- g) Government
- h) Competitors.

Qn 15. Answer any two out of four. You are required to state whether the statement is correct or incorrect with brief reasons. [  $2 \times 2 \frac{1}{2} = 5$  ]

- (a) Ethical behaviour is not essential to work environment at the workplace.
- (b) In the long run those business firms who do not respond to society's needs favourably will survive.
- (c) There is no economic growth without ecological costs.
- (d) 'Consumer interest' and 'Public interest' are synonymous.

Ans 15. (a) False

In today's business environment every business organisation has employees who hail from diverse cultural and religious background and whose outlook on ethics might be completely different and may even be contrasting in some cases. It is therefore the role of an employer to lay down a clear code of ethics prescribing what is right and wrong in order to achieve uniformity in action and eliminate a scope for ambiguity, therefore ethical behaviour is important at the work place.

(b) False

Assumption of a set of social obligations by business is an integral element of ethical conduct of business. Social obligations form part of ethical and moral obligations of business. The objective of social responsibility promotes the commercial and economic objectives of business and boosts the public image of business.

(c) True

Brundtland report stated that economic growth has to be environmentally sustainable. There is no economic growth without ecological costs. One must realize that increased development and higher GNP are responsible for the higher economic growth.

(d) False.

Often, consumer interest and public interest are considered synonymous. But they are not and need to be distinguished. Many governmental policies framed for public interest are anti-competitive in nature which ultimately affects the consumer and his interest.

Qn 16. Explain the reasons for unethical behaviour among finance and accounting professional. [ 5 marks ]

Ans. 16. Some of the reasons for unethical behaviour among finance and accounting professional are as under : -

1. Emphasis on short term result : - Companies which are intent on showing false accounts in the short term in order to raise capital from the markets adopt unethical tactics. This is one of the principal reasons for the downfall of the company.
2. Ignoring small unethical issues : - Companies which do not take adherence to ethics seriously and tolerate small deviations from ethical guidance are paving the way for their own downfall, as these small deviations gradually seep into more critical aspects and there comes a point when they become uncontrollable.
3. Economic cycles : - When economy is booming it needs to ensure that it follows practices which are ethical and they need to be careful and vigilant in order to prepare itself for times of depression and ensure that the effect of depression on the company's financial statements is limited and the company is in a position to bear the losses and at the time make the situation acceptable for the shareholders.
4. Accounting rules : - In the face of globalisation of accounting standards, makes compliance with accounting standards becomes difficult and it is equally difficult to identify variations from these complex set of requirements. The complexity in identifying abuses may promote unethical behaviour.

### PART—III

Question No. 17 is compulsory. Attempt any two questions from the rest.

Qn 17. (a) Explain the factors which are responsible for the growing importance of communication of an organisation. [ 5 marks ]

Ans 17 (a) Following are the factors which are responsible for growing importance of communication in an organization : -

- (a) Growth in the size and multiple locations of organisations : Most of the organisations are growing larger and larger in size. The people working in these organisations may be spread over different states of a country or over different countries. Keeping in touch with them, sending across directions and getting feedback will be possible only when communication lines are kept working effectively.
- (b) Growth of trade unions : Over the last so many decades trade unions have been growing strong. No management can be successful without taking the trade unions into confidence. Only through effective communication can a meaningful relationship be built between the management and the workers.



- (c) Growing importance of human relations : Workers in an organisation are not like machines. They have their own hopes and aspirations. Management has to recognise them above all as sensitive human beings and work towards a spirit of integration with them.
- (d) Public relations : Every organisation has a social responsibility, specially towards the customers, government, suppliers and the public at large. Communication with them is the only way an organisation can project a proper image of itself.
- (e) Advances in Behavioural Sciences: Modern management is deeply influenced by exciting discoveries made in behavioural sciences like Psychology, Sociology, Transactional Analysis etc. All of them throw light on subtle aspects of human nature and help in developing a positive attitude towards life and building up meaningful relationships. And this is possible only through communication.
- (f) Technological advancements: The world is changing very fast, owing to scientific and technological advancements. These advancements deeply affect not only methods of work but also the composition of groups. In such a situation proper communication between superiors and subordinates becomes very necessary.

(b) Draft a circular for employees insisting on punctuality. [ 5 marks ]

Ans.

Circular

1. All staff to be in OFFICE by 08:45 am (from 18/2/2009 to 25/2/2009).
2. Individuals coming late to be shown as leave without pay, even if there is balance of leave to the person. (Employees please note that the regular office time is 9.00 am, so if the employee is reaching to office at 8.50 am but he comes earlier to regular time that is 9.00am. Is it ethical to show him on Leave without Pay even if he has surplus EL and CL in balance)

Regards

A B C

Qn 18. What is meant by "Active listening"? State the importance of 'Active listening' in 5 the business communication skills.

Ans. Active listening is a way of listening that focuses either on what the other person is saying and confirms understanding of both the content of the message and the emotions and feelings underlying the message to ensure that understanding is accurate.

Active listening is important for several reasons: -

- (i) It aids the organisation in carrying out its mission
- (ii) It provides information about the happenings in the organisation.
- (iii) It avoids misunderstanding and thereby helps to build strong interpersonal relationship.
- (iv) It is a very useful method of solving problems in an organisation.
- (v) It helps in understanding people and improving the work environment making it more favourable for work.

Qn 19. A partnership firm was constituted by A, B and C partners, carrying on the business of shoe manufacturing. Later on, Nickson Shoe Manufacturing Co. Limited proposed to purchase the business of the firm to the partners of the firm. The partners unanimously consented to it and agreed to dissolve the firm. Draft a Partnership Dissolution Deed in this respect. [ 5 marks ]

Ans. Deed of Dissolution of partnership. This deed of dissolution of partnership made in New Delhi on 3<sup>rd</sup> March 2008 between

(a) Mr. A age 44 years, son of Mr. Balmant K. Sharma, residing at 124 Khari Bavali, New Delhi – 110201 C hereinafter referred to as partner A, and (b) Mr. B & C Aged 51 years and 48 years, sons of Mr. Mohan K. Lohia, residing at 12 Old Ganga Road New Delhi – 110135 (hereinafter referred to as partner B and C) hereby witnessed as follows :-

Whereas partners A, B and C had entered into a partnership vide partnership deed dated 1-4-92 and whereas they were carrying on business of partnership in the name of Ratan Traders at New Delhi.

And whereas they parties have agreed and decided to dissolve the partnership and close the partnership business w.e.f 31-3-2008;

It is hereby mutually agreed as follows:-

- (1) The partnership business being carried by partners in the name of Ratan Traders be dissolved w.e.f 31-3-08.
- (2) Partners A B and C have signed necessary notice to be submitted to registrar and firms and agree to sign such further papers and documents as may be required.

- (3) Partners A has agreed to look after the work of setting accounts and finalizing work of dissolution.
- (4) Partner B shall be no change of books of accounts and dissolution matters till the formalities in respect of dissolution are completed. Expenses of dissolution shall be borne by partner C.
- (5) Business of partnership firm including its assets, goodwill and liabilities will be taken by Nickson Shoe Manufacturing Co. Ltd. and shall be carried on by them. Partner C will collect dues to the partnership firm as at the date of dissolution of firm.
- (6) Partner B agrees that he will complete all formalities and procedures as required under income tax act, sales tax act, and other tax laws. All partners will ensure that all tax liabilities of the dissolved partnership firm are duly discharged.

In witness whereof, the parties to this deed of dissolution have signed the deed in presence of witnesses, on the date mentioned in the first paragraph of this partnership deed.

Qn 20. SVA Limited despatched Bonus Share Certificate to Mr. R. R did not receive the Bonus Share Certificate as it was lost in the transit. R applied to the Company to issue the Bonus share certificate in duplicate. SVA Limited asked Mr. R to submit an Indemnity Bond so that Bonus Share Certificate in duplicate may be issued to him. Draft an Indemnity Bond to be given by R to the company for seeking release of Bonus Share Certificate in duplicate.

[ 5 marks ]

Ans 20.

#### INDEMNITY BOND

To  
SVA Limited  
28, Houston Road  
Bangalore.

I, R, 44 years, son of Mr. Bankant K. Sharma and Mrs. Revati A Sharma, Age 39 years, wife of Mr. Ashok B Sharma, both residing at 124, Khari Bavali, New Delhi – 110006, hereby state as follows : -

- 1) I am a shareholder of your company holding 1000 equity shares bearing serial no 11356001 to 11356100 of your company.
- 2) The bonus share certificate dispatched was in transit and I believe that it has been irretrievably lost.
- 3) Have not transferred or sold the shares, have not pledged or deposited the original share certificate by way of security or otherwise
- 4) I agree to return the bonus share certificate forthwith for cancellation, if anytime found by me.
- 5) I have requested you to issue a duplicate certificate to me.
- 6) In consideration of the company agreeing to issue duplicate certificate as aforesaid, I including my heirs, successors, executors and administrators, hereby agree to save, defend and keep harmless and indemnify and keep indemnified the SVA Company Ltd. its successors, assignees.
- 7) Events and directors against all claims, actions, demands, losses, damages, costs, charges and expenses, which may be made on you or incurred by you directly or indirectly, in respect of lost share certificate, issue of duplicate share certificate and any writer arising out of issue of the duplicate share certificate.
- 8) In the event of our failure to compensate the company / its agents in any action, suits and proceedings, the company can have lien in general on all the securities which I am now holding and also the dividend declared or payable on the said securities or in witness thereof, the indemnity bond has been signed in number on 25<sup>th</sup> June 2007.

Signature

Before me – Notary Public

Note: - (All names, information address of persons in drafts are illusory; they are only for the purpose of drafting the answers)