

PAPER – 3 : LAW, ETHICS AND COMMUNICATION

PART – I

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

Question 1.

- (a) Mr. Ramaswamy of Chennai placed an order with Mr. Shah of Ahmedabad for supply of Urid Dhall on 10.11.2006 at a contracted price of Rs. 40 per kg. The order was for the supply of 10 tonnes within a month's time viz. before 09.12.2006. On 04.12.2006 Mr. Shah wrote a letter to Mr. Ramashwmy stating that the price of Urid Dhall was sky rocketing to Rs. 20 Per. Kg. and he would not be able to supply as per original contract. The price of Urid Dhall rose to Rs. 53 on 09.12.06 Advise Mr. Ramaswamy citing the legal position. (5 Marks)
- (b) Each subdivision carries one mark. Pick-up the correct answer from the following:
- (i) In a contract of guarantee a person, who promises to discharge another's liability is called
- (a) Principal Debtor (b) Creditor
(c) Indemnifier (d) Surety.
- (ii) The Delivery of goods by one person to another as security for the payment of a debt is called
- (a) Bailment (b) Pledge
(d) Mortgage (e) Hypothecation.
- (iii) Which of the following is not applicable to negotiable Instrument?
- (a) It must be in writing
(b) It must be transferable
(c) It must be registered
(d) It must be signed.
- Answer 'Yes' or 'No' to the following:
- (iv) In case of joint promise, the liability to pay the promise will devolve on any one or more promisors.
- (v) Deposit of money in a Bank Amounts to Bailment. (5 × 1=5 Marks)

Answer

- (a) The stated problem falls under the head 'anticipatory breach of contract' defined in Section 39 of the Indian Contract Act, 1872. In this type of case, the promisee will be entitled to various damages namely:
1. Nominal damages

2. Special damages
3. Damages for deterioration due to delay in performance
4. Exemplary damages.

The case law applicable here in Fross vs. Knight. As per details in the problem, price as contracted Rs. 40 per kg. on 10.11. 2006 rose to Rs. 50 per kg. as on 4.12.2006 and finally to Rs. 53 per kg, on 09.12.2006.

The answer to the problem is that

1. Mr. Ramaswamy can repudiate the contract on 04.12.2006 and can claim damages of Rs. 10 per kg viz. Rs. 1,00,000.
 2. He could wait till 09.12.2006 and claim Rs. 1,30,000 i.e. Rs. 13 per kg.
 3. If the Government imposes a ban on the movement of unit shall due to rise of prices, the contract becomes void and Mr. Ramaswamy will not be able to recover any damages whatsoever.
- (b) (i) In a contract of guarantee, a person who promises to discharge another's liability to pay is called:
- (d) surety
- (ii) The delivery of goods by one person to another as a security for the payment of a debt is called:
- (b) pledge
- (iii) The Negotiable Instrument need not to be registered
- Option (c)
- (iv) In case of joint promise, the liability to pay the promise will devolve on any one or more promisors. Yes
- (v) Deposit of money in a Bank amounts to bailment. No

Question 2

- (a) German Pharmaceuticals Limited is a zero debt company having 10 lakhs Equity shares of Rs. 10 each. The Directors desire to buy back its own shares. Can it do so? If so, how? (5 Marks)

- (b) Each subdivision carries one mark. Answer 'Yes' or 'No' to the following:

(5 × 1 = 5 Marks)

- (i) A minor also can become a member of a Company.
- (ii) New shares cannot be issued to outsiders without prior offer to the existing shareholders.

Pick-up the correct answer from the following:

- (iii) As per Companies Amendment Act, 2000 a Private Company and Public Company must have a minimum paid-up capital of
 - (a) Rs. 1 lakh and Rs. 2 lakhs respectively
 - (b) Rs. 3 lakhs and Rs. 5 lakhs respectively
 - (c) Rs. 2 lakhs and Rs. 3 lakhs respectively
 - (d) None of the above.
- (iv) A model form of Articles contained in Table 'A' relates to a Company limited by
 - (a) Shares
 - (b) Guarantee
 - (c) Shares and Guarantee
 - (d) None of the above.
- (v) Dividend can be declared out of
 - (a) Capital reserve
 - (b) Revaluation reserve
 - (c) Debenture Redemption reserve
 - (d) Earlier year's reserve brought forward.

Answer

- (a) Section 77A of the Companies Act, 1956 permits company to purchase its own securities. Thus, directors can buy back its own shares subject to sub-section (2) of Section 77A and 77B of the Act. The company can buy-back its own shares out of free reserve or securities premium or proceeds of any shares or other specified securities.
No buy-back of any kind of shares or other specified securities shall be made out of the proceeds of an earlier issue of the same kind of shares or same kind of other specified securities.
No company shall purchase its own shares or other specified securities under sub-section (1) unless –
 - (a) The buy-back is authorised by its articles
 - (b) A special resolution has been passed in general meeting of the company authorising the buy-back. But it is not necessary where the buy-back is or less than 10% of total paid-up equitable capital and free reserve of the company and such buy-back has been authorised by the Board by means of a resolution passed at its meeting. No offer of buy-back is made within a period of 365 days reckoned from the date of the preceding offer of buy-back if any.
 - (c) The buy back is or less than 25% of the total paid-up capital and free reserve of the company.

The buy-back of equity share in any financial year shall not exceed 25% of its total paid-up-equity capital in that financial year.

- (d) The ratio of the debt owned by the company is not more than twice the capital and its free reserves after such buy-back.
- (e) All the shares or other specified securities for buy-back are fully paid-up;
- (f) The buy-back of the shares or other specified securities listed on any recognised stock exchange is in accordance with the regulations made by the Securities and Exchange Board of India in this behalf.

Before making such buy-back, file with the Registrar and Securities and Exchange board of India, a declaration of solvency in the form as may be prescribed and notified by an affidavit of the effect that the Board has made a full inquiry into the affairs of the Company that it is capable of meeting its liabilities and will not be rendered insolvent.

- (b) (i) No, a minor can not become a member of a company.
- (ii) Yes, new shares cannot be issued to outsiders without prior offer to existing shareholder.
- (iii) As per companies Amendment Act, 2000 a private company and public company should have a paid up capital of 1 lac and 5 lacs respectively. Therefore option (d) is correct.
- (iv) option (a) is correct.
- (v) option (d) is correct.

Question 3

Mr. 'E' joined as supervisor on monthly salary of Rs. 3,400 on 1.02.2007 and resigned from his job on 28.02.2007. The company declared a bonus of 20% to all eligible employees and paid it on time. Mr. 'E' knowing the facts made a claim to HRD, which in turn rejected the claim. Examine the validity in the light of the provisions of the payment of Bonus Act, 1965. (5 Marks)

Answer

As per proviso of Section 2(13) of The Payment of Bonus Act, 1965 an employee means only person on a salary or wage not exceeding three thousand and five hundred rupees per member.

Further, Section 8 provides that an employee to be entitled for bonus in the accounting year should have worked in the establishment for not less than thirty working days in that year.

Thus, in view of the above Mr. 'E' is not entitled for Bonus, as he has not worked for 30 days in the accounting year.

Question 4

PQR Limited received a cheque for Rs. 50,000 from its customer Mr. LML. After a week company came to know that the proceeds were not credited to the account of PQR Limited.

due to some 'defects', as informed by the Banker. What according to you are the possible effects? (5 Marks)

Answer

A Cheque is a Bill of Exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in electronic form.

Possible defects are;

1. Cheque undated.
2. Cheque becomes stale
3. Instrument inchoate
4. Cheque may be post dated
5. inadequate funds position of the customer
6. Customer might have credit in one branch and cheque drawn on another branch.
7. Bank might have received insolvency/lunacy of customer.
8. Counter-mandating / stop payment instruction of customer.
9. Bank receiving attachment order by a court
10. Bank receiving notice of customers death
11. Closure of account by customer.
12. Material alterations like irregular signature, difference of amount in words and figure etc.

Question 5

Define the term 'Employer' under the Provident Fund and Miscellaneous Provisions Act, 1952.

(5 Marks)

Answer

Section 2(e) read with Section 2(k) of the Employees Provident Fund and Miscellaneous Provisions Act 1952 defines employer means –

- (i) in relation to an establishment which is a factory, the owner or occupier of the factory, including the agent of such owner or occupier, the legal representative of a deceased owner or occupier and where a person has been named as a manager of the factory, and
- (ii) in relation to any establishment, the person who, or the authority which has ultimate control over the affairs of the establishment, and where the said affairs are entrusted to a manager, Managing Director, managing agent, such manager, MD or Managing agent shall be treated employer.

Question 6

State the circumstances under which the drawer of a cheque will be liable for an offence relating to dishonour of the cheque under the Negotiable Instrument Act, 1881.

Examine, whether there is an offence under the Negotiable Instrument Act, 1881, if a Drawer of a cheque after having issued the cheque, informs the Drawee not to present the cheque as well as informs the Bank to stop the payment. (5 Marks)

Answer

Dishonour of cheque: On dishonour of a cheque the drawer is punishable with imprisonment for a term not exceeding two years or with a fine not exceeding twice the amount of a cheque or with both of the following conditions are fulfilled:

- (i) If the cheque is returned by the bank unpaid due to insufficiency of funds in the account of drawer
- (ii) If the cheque was drawn to discharge a legally enforceable debt or other liability.
- (iii) If the cheque has been presented to the bank within a period of six months from the date on which it is drawn on or within the period of its validity, whichever is earlier.
- (iv) if the payee or the holder in due course of the cheque has given a written notice demanding payment within 30 days from the drawer on receipt of information of dishonour of cheque from the bank.
- (v) If the drawer has failed to make payment within 15 days of the receipt of the said notice. (Section 138)
- (vi) If the payee or a holder in due course has made a complaint within one month of cause of action arising under Section 138 (Section 142)

Problem

The Supreme Court held in *Modi Cements Ltd. Vs. Kuchil Kumar Nandi* held that once a cheque is issued by the drawer, a presumption under Section 139 follows (i.e. the cheque has been issued for the discharge of any debt or other liability) and merely because the drawer issued a notice thereafter to the drawee as to the bank for stoppage of payment, it will not preclude an action under Section 138. Hence, the drawer of the cheque will be liable for the offence under Section 138 for dishonour of cheque.

Question 7

Explain the provisions of the Payment of Gratuity Act, 1972 relating to 'forfeiture of the amount of Gratuity' payable to an employee. (5 Marks)

Answer

Forfeiture of gratuity: Section 4(6) of Payment of Gratuity Act, 1972 deals with cases in which gratuity payable to an employee may be forfeited.

According to it, the gratuity of an employee whose service have been terminated for any act, wilful omission or negligence causing any damage or loss to, or destruction of, property belonging to the employer, shall be forfeited to the extent of the damage or loss so caused.

The gratuity payable to an employee may be wholly or partially forfeited if the services of such 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, provided that such offence is committed by him in the course of his employment.

Question 8

Briefly discuss the provisions relating to constitution of National Company Law Tribunal and National Company Law Appellate Tribunal. (5 Marks)

Answer

Part VI-A has been introduced into the Companies Act, 1956 by the Companies (Second Amendment Act, 2002). Its enforcement will mean repeal of the Sick Industrial Companies (Special provisions) Act, 1985 and also abolition of the Board of Industrial and Financial Reconstruction (BIFR). Such cases will go before the National Company Law Tribunal. Section 424A provides for such reference. The Board of Directors of a sick industrial company have to make a reference to the Tribunal. They have to prepare a scheme for its revival and rehabilitation and submit to the tribunal along with an application containing such particulars as may be prescribed. The Tribunal thereafter has to enquire with working of sick industrial companies. The Tribunal is empowered to make suitable orders on completion of the Enquiry (see Section 424-B and 424-C).

The National Company Law Appellate Tribunals have been constituted by central Government by notification with official gazette. Any person aggrieved by an order of the Tribunal, can within 45 days file an appeal before the National Company Law Appellate Tribunal, which will pass orders after giving opportunity of hearing to the aggrieved party.

Question 9

What is E filing? List at least five advantages of E filing under MCA 21. (5 Marks)

Answer

The term E-filing indicates the process of getting services electronically with a comprehensive on-line portal. The advantages are:

1. Instant registration of companies;
2. Simplified and more facile method of filing documents;
3. Total transparency;
4. Easier and better compliance of regulations;
5. Utmost customer care

6. Authentic and reliable filling of forms / returns through professionals;
7. Centralised database management;
8. Better service availability;
9. Filing of and inspection of documents anywhere and anytime.
10. Quick redressal of investor grievances
11. Supervisor and monitoring of compliance made easier.

Question 10

Mr. Ram Lal and his friend desire to incorporate a Public Company and approach you for help. Advise. (5 Marks)

Answer

1. A name must be got allotted out of a choice of three.
2. Seven members (minimum) must be ready to sign as subscribers to the MOA and AOA.
3. MOA and AOA with necessary objects and clauses should be prepared on stamp paper according to State Stamp Act.
4. Consent must be given in Form No. 32 for becoming a Director. List of directors must also be filed.
5. Form No. 18 showing address of the registered office is also another document.
6. Form No. 1 – Declaration by a Professional or Director is also necessary on the requisite stamp paper.
7. The name available letter should be filed in Original.
8. A power of attorney on non-judicial stamp paper for making corrections and receiving Incorporation Certificate is necessary.
9. Fees for registration of a company depending upon the authorised capital must also be paid.

After satisfaction of the above requirements, the ROC issues a certificate stating that the public company has been incorporated.

Question 11

Explain the doctrine of 'Indoor management' in brief.

The Secretary of a Company issued a share certificate to 'A' under the Company's seal with his own signature and the signature of a Director forged by him. 'A' borrowed money from 'B' on the strength of this certificate. 'B' wanted to realise the security and requested the company to register him as a holder of the shares. Explain whether 'B' will succeed in getting the share registered in his name. (5 Marks)

Answer

The doctrine of Indoor Management as discussed in the Royal British Bank vs. Turquand (1956) 6E&B 327. In this case the directors of RBB also gave a bond to T. The Article empowered the directors to issue such bonds under the authority of a proper resolution. In fact no such resolution was passed. Notwithstanding that, it was held that T could sue on the bonds on the ground that he was entitled to assume that the resolution had been duly passed. Thus the persons dealing with the company are entitled to assume that the acts of the directors or the officers of the company are validly performed, if they are within the scope of their apparent authority. But this doctrine is not applicable where the person dealing with the company has notice of irregularity or where the person dealing with the company is put upon inquiry or when an instrument purporting to be enacted on behalf of the company is a forgery.

In the instant problem the doctrine of indoor management can apply only in case of irregularities which might otherwise affect the transaction, but it cannot apply to forgery which must be regarded as nullity. Hence 'B' will not succeed in getting the share registered in his name.

Question 12

Explain in brief 'Equity Share Capital' and 'Preference Share Capital'. (5 Marks)

Answer

As per the Section 85 and 86 of the Companies Act 1956, there will now be two types of share capital as under:

Share Capital:

The share capital of a company limited by shares shall be of two kinds only, namely –

- (i) equity share capital and
- (ii) preferential share capital.

Equity Share Capital shall be:

- (i) with voting rights
- (ii) with differential rights. The expression 'Shares with differential voting rights' is defined as a share that is issued in accordance with the provisions of Section 86.

Equity shares carry voting rights on the ground meetings of the company and have the right to control the management of the company. They have right to share in the profits of the company in the form of distribution of dividend and bonus shares. In the event of winding up of the company, equity shares capital is repayable only after repayment of the claims of the creditors and preference share capital.

Preference share capital means that part of share capital which fulfils both the following requirements, namely

- (a) as respects dividend it carries or will carry a preferential right to be paid a fixed amount or an amount calculated at a fixed rate, and
- (b) as respect, it carries or will carry on the winding up or repayment of capital, a preferential right to be repaid the amount of the capital paid up on demand to have been paid up whether or not there is a preferential right to the payment of either or both of the following amounts namely –
 - (i) any money remaining unpaid in respect of amount specified in clause (a), upto the date of winding up or repayment of capital
 - (ii) any fixed premium, any fixed scale specified in the memorandum or article of the company (see Section 85).

PART – II

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

Question 13

- (a) What is Corporate Social Responsibility? Why it is needed in Indian Business environment? (5 Marks)
- (b) Explain briefly the matters to be considered and the steps that may be taken by a Finance and Accounting professional when he is required to resolve an ethical conflict in the application of Fundamental principles. (5 Marks)

Answer

- (a) The concept of Corporate Social Responsibility (CSR) focuses on the idea that beyond making profit, a business has social obligations. It is the responsibility of the companies to produce an overall positive impact on the society. CSR is pursued by business to balance their economic, environmental and social objectives which at the same time addressing stakeholder's expectations and enhancing shareholders values. Shareholders, including shareholders, analysts, regulations, labour unions, employees, community organisations and mass media are assign companies to be accountable not only for their own performance but for the performance of their entire supply chain. Issues such as peace, sustainable development, security poverty allocation, environmental quality and human rights are having a performed effect on business and its environment.

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Need for social responsibility:

1. The iron law of responsibility

2. To fulfil long term self-interest
 3. To establish a better public image
 4. To avoid government regulation and control
 5. To avoid misuse of National Resources and Economic Power
 6. To convert Resistances into Resources
 7. To minimise Environmental damage.
- (b) Conflict Resolution: While evaluating compliance with the fundamental principles, a finance and accounting profession may be required to resolve a conflict on the application of fundamental principles. The following needs to be considered, either individually or together with others, during a conflict resolution process
- (a) Relevant facts
 - (b) Ethical issues involved
 - (c) Fundamental principles related to the matter in question
 - (d) Established internal proceedings and
 - (e) Alternative course of action

Having considered these issues, the professional should determine the appropriate course of action that is consistent with the fundamental principles identified. The professional should weigh the consequences of each possible course of action. If the matter remains unresolved, the professional should consult other appropriate persons within the firm or employing organization for help in obtaining resolution. During times where a matter involves a conflict with or within an organization, finance and accounting professional should also consider consulting with those charged with governance of the organisation, such as the Board of Directors.

It may be in the best interests of the professional to document the substance of the issues and details of any discussions held or decisions taken, concerning that issue.

If a significant conflict cannot be resolved, a professional may also obtain professional advice from the relevant professional body or legal advisors and thereby obtain guidance on ethical issues without breaching confidentiality.

If, after enhancing all strategies, if the ethical conflict remain unresolved, a professional should try to disassociate from the conflict resolution of the organisation concerned.

Question 14

What is meant by 'Sustainable Development'? State the special responsibilities of the industries that are based on natural resources. How the adoption of Green Accounting System. helps in avoiding policy decisions which are non-sustainable for the country?

(5 Marks)

Answer

SUSTAINABLE DEVELOPMENT: Literally sustainable development refers to maintaining development over time. It may be defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. A nation or society should satisfy its requirements – social, economic and others – without jeopardizing the interests of future generations.

Special responsibilities of industries base on mutual resources : Industries that are based on natural resources, like minerals, timber, fibre, and foodstuffs etc. have a special responsibility for :

- (1) adopting practices that have built in environmental consideration
- (2) introducing processes that minimize the use of natural resources and energy, reduce waste, and prevent pollution.
- (3) making products that are 'environment-friendly', with minimum impact on people and ecosystem.

Green accounting systems: Conventional accounts may result on policy decisions which are non-sustainable for the country. Green accounting on the other hand is, focused on addressing such deficiencies in convention accounts with respect to environment. If the environmental costs are properly reflected in the process paid for goods and services these companies and ultimately the consumer would adjust market behaviour in a way that would reduce damage to environment, pollution and waste production, price signed will influence behaviour to avoid exploitation or excessive utilization of natural resources. Such resources would facilitate the approach of 'polluter pay principle'. Removing subsidies that encourage environment damage is another measure.

Question 15

Answer any two out of four in 'yes' or 'no' with brief reasons:

- (a) Knowledge without morality is a social sin.
- (b) Consumer purchases goods and health services for personal purposed only.
- (c) Consumer and Public interest are both synonymous.
- (d) Ethics are necessary in marketing to build Brand image only. (5 Marks)

Answer

- (a) Yes, knowledge without morality is a social sin. The obvious reason is that a number of companies are emerging in various fields with sound technologies, but they are hurting the sentiments of the community at large. Therefore, new scientific and technological methods should be adopted keeping in mind the public sentiments and ethical values.
- (b) No, The consumer do not purchases goods and health services for personal purposes only, because in certain occasions various items are purchased for public welfare and development of the society as a whole.

- (c) No, the consumer and public interest are not synonymous, because whatever is done in public interest is to protect the larger interest of the society that may or may not be a consumer.
- (d) No, the ethics are not necessary in marketing only to build image, but ethics are necessary for sustainable development of business, and ultimately for transparency and good corporate governance in the country.

Question 16

Explain in brief the measures to ensure ethics in the Work place.

(5 Marks)

Answer

The focus on core values and sound ethics, the hallmark of ethical management, is being recognized as an important way to ensure the long-term effectiveness of governance structures and procedures and avoid the need for whistle-blowing. Employers who understand the importance of work place ethics, provide their workforce with an effective framework and guiding principles to identify and address ethics issues as they rise. Measures to ensure ethics in the workplace :

1. code of conduct and ethics
2. establish open communication
3. make ethics decisions in group and make decision public as appropriate
4. integer ethics management with other management practices.
5. use of cross-functional terms when developing and implementing the ethics management programme
6. Appointing an ombuds man.
7. Creating an atmosphere of trust
8. Regularly updating of policies and procedures
9. include a grievance policy for employees
10. set an example from the top.

PART – III

Question No. 17 is compulsory and attempt any tow question of the rest.

Question 17

- (a) What is meant by 'Emotional Intelligence' and 'Emotional Quotient'? State any six social competencies associated with Emotional Intelligence. (5 Marks)
- (b) Draft a 'Power of Attorney' by subscribers of Memorandum of Association of the Company authorising a Chartered Accountant to appear before the Registrar of Companies to do the needful for the purpose of incorporation of the company.

(5 Marks)

Answer

- (a) Emotional Intelligence: Emotional intelligence refers to the capacity to recognizing your own feelings and those of others, for motivating yourself, and for managing emotions well in yourself and in your relationships. It describes abilities distinct from but complementary to academic intelligence, the purely cognitive capabilities measured by IQ. Many people who are look smart but lack emotional intelligence end up working for people who have lower IQs than they but who excel in emotional intelligence skills.

Emotional quotient inventory is designed to measure a nature of constructs related to emotional intelligence. EQ is the ability to make and deeper connections at three levels: with ourselves (personal mastery), with another person (one-to-one) and within groups/teams. Our EQ or emotional intelligence is the capacity for effectively recognizing and managing our own emotions and those of others. The wonderful thing about EQ, unlike IQ which stabilizing when a person is around 18 years of age is that it can change. A person today with a low EQ score on 'empathy' can have a higher 'empathy' score in the future – if that person recognizes his/her limitation changes attitude, adopts a learning strategy, and practices key listening and empathy skills.

Social competencies associated with emotional intelligence are as follows:

Social Awareness:

1. Empathy: Sensing others emotions, understanding their perspective and taking active interest in their concerns .
2. Organizational awareness: Leading the currents decision, networks and politics at the organizational level.
3. Service: Recognizing and meeting follower, client or customer needs.

Relationship Management :

1. Inspirational leadership: Guiding and motivating with a compelling vision.
2. Influence: wielding a range of tactics for persuasions
3. Developing others: Bolstering others' abilities through coaching, feedback and guidance.
4. Change catalyst: Initiating managing and leading in a new direction.
5. Conflict management resolving disagreements.
6. Building bonds: Cultivating and maintaining a web of relationships.
7. Teamwork and collaboration: Cooperate and team building.

- (b) Before Registrar of Companies: We the subscribers of the Memorandum and Article of Association of the Proposed Company, hereby authorize to present the memorandum of Article of Association and other connected documents for the registration of the said company before the registrar of companies, Karnataka, Bangalore and to make such

corrections / Alterations/deletions/Additions as may be required to be done by the Registrar in the documents and also to receive the certificate of incorporation.

General Power of Attorney: Know we all men by their present we do hereby appoint and constitute son of(hereinafter called "Chartered Accountant" who has subscribed his signature hereunder in token of identification) presently residing to my lawful Chartered Accountant in our name and on our behalf do it any one or all the following acts, deeds, things namely

1. to give all particulars necessary for incorporation of company.
2. to give affidavit to the Registrar of Company for the purpose of incorporation.
3. to do needful acts necessary for incorporation of the company
4. He is authorized to include promissory notes letter of declaration and indemnity for the purpose of incorporation.
5. to receive documents on behalf of the members of the company.
6. to sign forms, documents and papers required for the purpose of incorporation of the company.

Datedat this dayof

(address)

Specimen signature of the Chartered Accountant above named

Notary Public

Question 18.

Draft a notice for ABC's Annual General Meeting with four ordinary business. (5 Marks)

Answer

Notice is hereby given that the 15th Annual General Meeting of the members of ABC will be held on Monday the 15th day of September 2006 at the registered office of the Company At 10 a.m. to present the following business:

Ordinary Business:

To

1. Receive, consider and adopt the Audited Balance sheet of the company as on 31st March, 2006 and the Profit and Loss account for the year ended on that date and Audit's and director's response thereon.
2. To declare dividend for the year ended 31st March, 2006
3. To appoint a director in place of Mr.
4. To appoint Statutory Auditors of the Company.

NOTE: A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and proxy need not be a member of the company.

For and on behalf of the Board of Directors

Registered Office

Question 19

What do you understand by Group Dynamics?

(5 Marks)

Answer

Groups are the basic building blocks of organizations. It is now very common for groups of employers to make decisions to solve difficult problems that were once the domain of authoritarian incentives. Given below are the characteristics of Group personality:

1. spirit of conformity
2. respect for group values
3. resistance to change
4. group prejudice
5. collective power

Question 20

Mr. A has not received a dividend warrant of Rs. 1,500 for 150 shares of XYZ Ltd. Draft an indemnity bond, to be given to the company for seeing release of Dividend. (5 Marks)

Answer

Indemnity Bond

Mr. A S/o resident do hereby agree to indemnify the XYZ Ltd. for any loss that may occur for seeking release of dividend for 150 shares of Rs. 1500. I further declare that personally I have not received the dividend warrant in question.

Mr. A

Dated:

Signature

Place