

PAPER – 3 : LAW, ETHICS AND COMMUNICATION

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

Part – I

Question 1

- (a) A, B and C are partners in a firm. They jointly promise to pay Rs. 1,50,000 to P.C. became insolvent and his private assets are sufficient to pay only 1/5 of his share of debts. A is compelled to pay the whole amount to P. Examining the provisions of the Indian Contract Act, 1872, decide the extent to which A can recover and amount from B.

(5 Marks)

- (b) (i) State whether the following statements are correct or incorrect: (2 x 1=2 Marks)

- (a) A minor cannot be appointed as an agent.
(b) Where there are co-sureties a release by the creditor of one of them does not discharge the others.

- (ii) Pick-up the correct answer from the following: (3 x 1=3 Marks)

- (a) In case of void agreements, collateral transactions are

- (1) Also void
(2) Unenforceable
(3) Not affected
(4) Illegal.

- (b) A contract of insurance is

- (1) Contingent Contract
(2) Wagering Agreement
(3) Contract of guarantee
(4) Unilateral agreement.

- (c) 'A' signs the instrument in the following manner. State the instrument which cannot be considered as promissory note:

- (1) I promise to pay B or order Rs. 500
(2) I acknowledge myself to be indebted to B Rs. 1,000 to be paid on demand, for value received
(3) I promise to pay B Rs. 10,000 after three months
(4) I promise to pay B Rs. 500 seven days after my marriage with C.

Answer

- (a) When two or more persons make a joint promise, the promisee may in the absence of express agreement to the contrary, compel anyone or more of such joint promisors to perform the whole of the promise. In such a situation the performing promisor can enforce contribution from other joint promisors (Sec. 43 of Indian Contract Act). If anyone or more joint promisors make default in such contribution, the remaining joint promisors must bear the loss arising from such default on equal shares. Hence in the instant case, A is entitled to receive (a) from C's assets - Rs.10,000 ($\frac{1}{5}$ th of Rs. 50,000, (Rs 50,000 is the amount to be contributed by C being $\frac{1}{3}$ rd of Rs. 1,50,000) (b) from B - Rs. 70,000 (Rs. 50,000 being his own share + $\frac{1}{2}$ (50,000-10,000) i.e. Rs. 20,000 being one half share of total loss of Rs 40,000 due to C's insolvency). A can recover Rs. 70,000 from B.
- (b) (i) (a) Incorrect. According to section 184 of Indian Contract Act, 1872, any person can become an agent but a minor is not responsible to the principal.
 (b) Correct. Section 138 of Indian Contract Act, 1872 lays down this rule.
- (ii) (a) (3) Not affected.
 (b) (1) Contingent contract.
 (c) (4) I promise to pay, B Rs. 500, seven days after my marriage with C.

Question 2

- (a) XYZ Limited called its Annual General meeting on 28th September, 2007. The notice of the meeting was posted on 6th September, 2007. With reference to the provisions of the Companies Act, 1956 examine whether the notice given by the company was valid. (5 Marks)
- (b) (i) State whether the following statements are true or false: (2 x 1=2 Marks)
- (a) Proxy has no right to speak at the general meeting of a company.
 (b) A public company cannot issue equity shares with differential rights as to dividend.
- (ii) Pick-up the correct answer from the following (3 x 1=3 Marks)
- (a) Share certificates are to be issued by a company within
- (1) Two months after allotment
 - (2) One month after allotment
 - (3) Six months after allotment
 - (4) Three months after allotment
- (b) Alteration of object clause of Memorandum of Association of a company requires
- (1) Special resolution

- (2) Approval of registrar of companies
- (3) Approval of company law board .
- (4) Special resolution and approval of company law board.
- (c) The financial year of AVD Company Ltd. ended on 31st March, 2007. The Annual General Meeting of the company was held on 10th October, 2007. As per requirements of the Companies Act, 1956, the Annual Return of the company should be filed with the Registrar of Companies within
 - (1) 60 days from 10th October, 2007
 - (2) 60 days from 30th September, 2007
 - (3) 90 days from 30th September, 2007
 - (4) 90 days from 10th October, 2007.

Answer

- (a) Length of notice for Annual General Meeting

According to section 171 (1) of Companies Act 1956, a general meeting of a company may be called by giving not less than 21 days notice in writing not less than 21 days means 21 clear days i.e. excluding both the dates on which the notice was served and the date of the meeting. In case the notice of the meeting was sent by post, service of the notice of the meeting shall be deemed to have been effected at the expiry of 48 hours after it was posted {Section 53 (2) (b) (i)}. In the instant case, the notice was short by one day as shown below:

6th September 2007 to 28th September 2007	23 days
Less date of service and date of meeting	<u>2 days</u>
	21 days
Less 48 hours of posting but 24 hours are common between date of service and 48 hours of posting	<u>1 day</u>
	20 days
Length of notice required	<u>21 days</u>
Short notice	<u>1day</u>

Hence the notice was not valid

- (b) (i) (a) True (Correct): According to section 176(1) of the Companies Act, 1956, a proxy has no right to speak at the meeting.
- (b) False (Incorrect): Section 86 (a) of the Companies Act, 1956 permits a company to issue equity shares with differential rights as to dividend and voting.

- (ii) (a) 4 (Three months after allotment): According to section 113 of the Companies Act, 1956, share certificates are to be issued by a company within 3 months after allotment.
- (b) 1 (Special Resolution): Alteration of object clause of Memorandum of Association of a company requires special resolution.
- (c) 3 (60 days from 30th September, 2007): Annual return of a company should be filed with the Registrar within 60 days from the last date on which the A.G.M. ought to have been held.

Question 3

State with reasons whether the following persons are entitled to, receive Bonus under the Payment of Bonus Act, 1965:

- (i) A apprentice under the Apprentice Act.
- (ii) A probationer
- (iii) An employee employed through contractors on building operations
- (iv) A retrenched employee
- (v) A dismissed employee reinstated with back wages. (5 Marks)

Answer

Entitlement to Bonus

- (i) Apprentice: An Apprentice who is an apprentice under the Apprentice Act is not entitled to bonus, as apprentice is specifically excluded from 'Employee' under section 2 (13)
- (ii) Probationer: A probationer is an employee and as such is entitled to bonus provided he has worked in the establishment for not less than 30 working days in the accounting year (section 8) Confirmation of the employee is not a necessary requirement
An employee employed through contractors on building operations is not entitled to bonus as he is specifically excluded under section 32 (vi).
- (iii) Retrenched Employee: He is eligible to get bonus provided. He has worked for minimum qualifying period (East Asiatic Co. (P) Ltd. Vs Industrial Tribunal)
- (iv) Employee includes a person who is no longer in service (Explanation under Section 21) Dismissed employee reinstated with back wages. He is entitled to bonus (Commom India Ltd Vs Neeranjn Das)

Question 4

Explain as to why shall the combination of 'not negotiable' with 'Account payee' crossing be considered as the safest form of crossing a cheque. (5 Marks)

Answer

Safest form of crossing a cheque

The addition of the words 'not negotiable' in a crossed cheque does not restrict the transferability of the instrument, but the cheque is deprived of its special feature of negotiability. The general rule about the negotiability is that the holder in due course of a bill or promissory note or cheque takes the instrument free from any defect which might be existing in the title of the transferor. According to Section 130 of the Negotiable Instruments Act, 1881 a person who takes a cheque bearing 'not negotiable' shall not have, and shall not be capable of giving, a better title to the cheque which the person from whom he took it had. A bank, therefore should be extra careful in paying such cheques. The payment should be made only after he is satisfied that the person demanding payment is the person entitled to receive it.

Account payee crossing directs the collecting banker to collect it for the payee only and warns that if the amount is collected for some one else, he may be held liable for damages.

In view of the advantages explained above, the continuation of 'not negotiable' and 'Alc payee' crossing can be considered as the safest form of crossing.

Question 5

State the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 regulating the quantum of contribution to be made by the employer and employee to the provident fund. Is it possible for an employee to increase the amount of his contribution to the provident fund more than the minimum contribution as statutorily prescribed? (5 Marks)

Answer

Contribution to Provident Fund under the EPF and Miscellaneous Provisions Act, 1952

Section 6 of the EPF and MP Act, 1952 regulates contribution to Provident Fund Scheme established under the Act. The employer's contribution shall be 10% of the basic wages, dearness allowance and retaining allowance, if any. The employee's contribution shall be equal to the contribution payable by the employer in respect of him.

Dearness allowance includes cash value of any food concession allowed to the employees. Retaining allowance means the sum paid for retaining the service, when the factory is not working. The Central Government may by notification make the employer's contribution equal to 12% for certain establishments class of establishment.

The above rule will prevail irrespective of whether the employer employs the person directly or through contractor.

An employee can at his will voluntarily contribute, beyond 10%. But the employer shall not be under an obligation to pay any contribution over and above his contribution payable under section 6 of the said Act.

Question 6

What is meant by maturity of a Bill of Exchange or Promissory Note? Calculate the date of maturity of the following bills of exchange explaining the relevant rules relating to determination of the date of maturity as provided in the Negotiable Instruments Act, 1881:

- (i) A Bill of Exchange dated 31st August, 2007 is made payable three months after date.
- (ii) A Bill of Exchange drawn on 15th October, 2007 is payable twenty days after sight and the bill is presented for acceptance on 31st October, 2007. (5 Marks)

Answer

The maturity of a promissory note or bill of exchange is the date on which it falls due for payment (Sec 22). Sec 22 of the Negotiable Instruments Act, 1881 further adds that for payment in calculating the maturity of a promissory note or a bill of exchange which is not payable on demand, at sight or on presentment, three days, called the days of grace, must be added to the date on which the instrument is expressed to be payable.

Bill of exchange dated 31st August, 2007: if the month in which the period would terminate has no corresponding day, the period shall be held to terminate on the last day of such month (Sec 23). In this case the bill of exchange is dated 31st August, 2007 and it is made payable 3 months this after date. Hence it falls due on 3rd day after November, 2007 (the last day of the month) i.e. on 3rd December, 2007.

Bill of exchange payable 20 days after sight: The bill is presented for acceptance on 31st October, 2007. The date of presentment for acceptance is to be excluded. Hence the instrument is at maturity on the 3rd day after 20th November, 2007 i.e. 23rd November, 2007.

Question 7

Explain the manner in which the gratuity payable to employees in a seasonal as well as other establishments is calculated under the Payment of Gratuity Act, 1972. State also the maximum amount of gratuity payable under the act. (5 Marks)

Answer

Computation of gratuity amount: Section 4 of the Payment of Gratuity Act, 1972 stipulates the manner in which the amount of gratuity payable to an employee will be calculated.

In the case of establishments other than seasonal establishments, the employer shall pay the gratuity to an employee at the rate of 15 days wages based on the rate of wages last drawn by the employee concerned for every completed year of service or part thereof in excess of 6 months. In the case of piece rated employees, daily wages, shall be computed on the average of the total wages received by him for a period of 3 months immediately preceding the termination of his employment and for this purpose the wages paid for any overtime work shall not be taken into account.

In the case of a monthly rated employee 15 days wages shall be calculated by dividing the monthly rate of wages last drawn by 26 and by multiplying the quotient by 15.

In the case of seasonal establishment the employees can be classified into 2 groups.

- (i) Those who work throughout the year and
- (ii) Those who work only during the season.

The former are entitled to get the gratuity at the rate of 15 days wages for every completed year of service or part thereof in excess of 6 months. The later are entitled to receive gratuity at the rate of 7 days for each season.

The amount of gratuity payable shall not exceed Rs. 3,50,000.

Question 8

What is meant by 'Pre-Incorporation Contracts'? Can these contracts be enforced by the prospective company after its incorporation against the third parties with whom the promoters had entered into certain contracts? Explain. (5 Marks)

Answer

Pre-incorporation Contracts and its Enforcement: Pre-incorporation contracts are those contracts which are entered into, by the promoters on behalf of a prospective company, before it has come into existence e.g. with the proprietor of business to sell it to the prospective company. Since a company comes into existence from the date of its incorporation, it follows that any act purporting to be performed by it prior to that date is of no effect so far as the company is concerned. Hence the vendor cannot sue or be sued by the company thereof, after its incorporation.

After incorporation, the company may adopt the preliminary agreement. But this must be, by novation. However, in order to facilitate companies to adopt pre-incorporation contracts, special provisions are made in sections 15 and 19 of specific Relief Act, 1963. Accordingly, pre-incorporation contracts can be enforced by the company, if the contract is for the purposes of the company, the contract is warranted by the terms of its incorporation is within the scope of the company's objects as given in the Memorandum of Association and the company has accepted the contract and has communicated such acceptance to the other party.

Question 9

Mr. V, alongwith six other persons desires to float a company for charitable purposes, as permissible under Section 25 of the Companies Act, 1956. He seeks your advise about the procedure to be followed to give effect to the above proposal. Advise him. (5 Marks)

Answer

Company for charitable purposes: (Section 25 of The Companies Act, 1956)

According to Section 25 of the Companies Act, 1956 the procedure to be followed to give effect to the said proposal is as follows:

1. Mr. V. must mobilise six other persons who are majors and sound mind to sign MOA and AOA which may be of its own or as in Table "C" or "D" of the Companies Act.

2. The company may be a Limited company with share capital or a company limited by guarantee.
3. In no case the profits of the company can be distributed in the forms of dividends on bonus shares.
4. All the profits of the company should be used only for welfare purposes and company's progress. These factors must be incorporated in AOA.
5. Out of the three names chosen by the promoters for the name of the company one should be used. If it is not available the proposals repeated by filing form no. 1A.
6. After getting the name from the ROC, the draft MOA and AOA must be got approved by RD who has been delegated the powers by the Central Government.
7. Three copies of a approved MOA and AOA alongwith the registration and filing fee, documents like form 1,18,32 and consent etc. must be submitted.
8. A power of attorney in favour of Practicing CA/CS/ICWA or an advocate for presentation before ROC to make corrections and collect incorporation certificate must also be filed on non judicial stamp paper.
9. The company becomes operative on incorporation.

Question 10

Board of Directors of a private company decided to convert it into a public company. State the steps to be taken for such conversion in order to comply with the requirements under the Companies Act, 1956. (5 Marks)

Answer

Conversion of a Private Company into a Public Company

The conversion of the private company into a public company is by choice under section 44 of the Companies Act, 1956.

The following steps are required to be taken for such conversion:

- (i) Board must fix the date for general meeting for the purpose of making necessary alteration in the Articles of Association and Memorandum of Association.
- (ii) Hold the general meeting and pass a special resolution altering the articles in such a manner that they no longer include the provisions of section 3(i) (iii) which are required to be included in the articles of a company in order to constitute it a private company. The company ceases to be a private company on the date of alteration company. The articles are required to be altered so as to bring there in line with the provisions of the Act as applicable to public company.
- (iii) Special resolution to change the name of the company, so as to delete the word 'private' from the name of the company and to alter the Memorandum of Association for that purpose

- (iv) File copies of the special resolution and prospectus or statement in lieu of prospectus within 30 days from the date of general meeting and obtain a fresh certificate of incorporation (deleting word 'private' in the name of the company) from Registrar of Companies.
- (v) The company must ensure the minimum number of members is 7, of directors is 3 and the paid up capital is not less than Rs. 5 lakhs.

Question 11

The quorum for a General meeting of a public company is 15 members personally present according to the provisions of the articles of association of the company. Examine with reference to the provisions of the companies Act, 1956 whether there is proper quorum at a General meeting of the company which was attended by the following persons:

- (i) 13 members personally present
- (ii) 2 members represented by proxies who are not members of the company
- (iii) One person representing two member companies. (5 Marks)

Answer

Quorum: According to section 174 of the Companies Act, 1956 unless the articles of the company provide for a larger number, 5 members personally present in the case of a public company shall be the quorum for a meeting of the company.

In this case articles of the company provide for a larger number of 15, hence the quorum is 15.

The words 'personally present' exclude proxies. Hence two members represented by proxies cannot be counted for the purpose of quorum. However, the representative of a body corporate appointed under section 187 is a member 'personally present' for the purpose of counting a quorum. In case two or more corporate bodies who are members of the company are represented by single individual each of the bodies corporate will be treated as personally present by the individual representing it. In this case one person represents two member companies and his presence will be counted as two members being present in person for the purpose of quorum. Hence 15 members are personally present (13+2) and as such there is proper quorum.

Question 12

ADJ Company Limited decides to buy-back its own shares. Advise the company's Board of Directors about the sources out of which the company can buy-back its own shares. What conditions are attached to the buy-back scheme of the company in accordance with the provisions of the Companies Act, 1956? Explain. (5 Marks)

Answer

Buy-back of shares sources and conditions (Sec. 77 A of the Companies Act, 1956): In accordance with the provisions of the Companies Act, 1956, as contained in sec. 77-A, a

company desirous of buy back of its own shares, can be advised to buy-back out of the following sources:

1. Company's free reserves; or
2. Company's securities premium A/c; or
3. Out of the proceeds of any shared or other specified securities. {S.77-A-(1)}. However, 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.

Conditions

- (1) Buy-back is authorised by the Company's Articles.
- (2) A special resolution has been passed in general meeting of the company authorising buy-back.
- (3) The buy-back is less than 25% of the total paid-up capital and free reserves of the company. The buy-back, however, cannot exceed 25% of company's paid up equity share capital in a financial year. Further the companies (Amendment) Act 2001 (w.e.f. 23-10-2001) has authorised the buy back by passing a resolution of a meeting of the Board of Directors provided the buy back does not exceed 10% of the total paid up equity share capital and free reserves. However, there cannot be more than one such buy-back in any period of 365 days
- (4) The ratio of debt owed by the company is not more than two times the equity capital and free reserve after such buy back. However, the Central Government may prescribe a higher ratio of the debt for a class or classes of companies.
- (5) All shares or other specified securities are fully-paid-up,
- (6) The buy back with respect to listed securities is in accordance with the regulations made by the SEBI in this behalf.

PART – II

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

Question 13

- (a) What is meant by 'Corporate Governance'? State the major 'characteristics' of good corporate governance. (5 Marks)
- (b) Finance and accounting professional working as an employee in an organisation have to face various threats which make it difficult for them to comply with fundamental principles relating to ethics. Explain the safeguards in the work environment which may be created by a business enterprise to overcome such threats. (5 Marks)

Answer

- (a) Corporate Governance: Simply stated, 'Governance' means the process of decision making and the process by which decisions are implemented. The term corporate governance' is understood and defined in various ways. Corporate governance can be defined as the formal system of accountability and control for ethical and socially responsible organisational decisions and use of resources accountability relates to how well the content of workplace decisions is aligned with the organisations strategic direction. Control involves the process of auditing and improving organisation decisions and actions. Good corporate governance has the following major characteristics:

- (i) Participatory ,
- (ii) Consensus oriented
- (iii) Accountable
- (iv) Transparent
- (v) Responsive
- (vi) Effective and efficient
- (vii) Equitable and inclusive and
- (viii) Follows the rule of law.

- (b) Safeguards in the work environment

Safeguards against threats faced by professional shall (i) Ensure an ethical environment, (ii) Increase the likelihood of identifying on deterring ethical behaviour and (iii) Eliminate or reduce threats to acceptable level.

The following safeguards may be created by a business enterprise in the work environment:

- (i) The employing organisations systems or corporate oversight or other oversight structures.
- (ii) The employing organisation's ethics and conduct programmes.
- (iii) Recruitment procedures in the employing organisation emphasizing the importance of employing high caliber competent staff
- (iv) Strong internal controls
- (v) Appropriate disciplinary process
- (vi) Leadership that stresses the importance of ethical behaviour and expectation that employees will act in an ethical manner.
- (vii) Policies and procedures to implement and monitor the quality of employee performance.

- (viii) Timely communication of the employing organisation's policies and procedures, including any changes to them, to all employees and appropriate training and education on such policies and procedures.

Question 14

Explain the meaning of the terms 'ethics' and 'business ethics' and also state the requirements of 'business ethics'. (5 Marks)

Answer

Ethics: The term 'Ethics' has a variety of meanings. One of the meanings is 'Ethics' are the principles of conduct governing an individual or a group. Another definition describes ethics as relating to what is good or bad and having to do with moral duty and obligation.

Business Ethics: In a broad sense, ethics in business refers to the application of day today oral and ethical norms to business. Business ethics are the principles and standards that determine acceptable conduct in business organisation.

Requirements: Being ethical in business requires acting with an awareness of -

- (a) The need for complying with rules (e.g) (i) laws of the land, (ii) customs and expectation of the community (iii) principles of morality (iv) policies of the organisation and (v) general concerns such as the needs of others and fairness.
- (b) How the products, services and actions of a business enterprise, can affect its stake holders (i.e. employees, customers, suppliers, shareholders and community I society as a whole) either positively or negatively.

Question 15

Answer any two out of four. You are required to state whether the statement is correct or incorrect with brief reasons: (2 x 2½= 5 Marks)

- (a) Company management has responsibility only towards its shareholders
- (b) Window-dressing of financial statements will not be useful in the long run.
- (c) Ethics and morals are synonymous.
- (d) Competition Act, 2002 protects the interest of consumers.

Answer

- (a) Incorrect: Company management is responsible not only to the shareholders, but also to other stakeholders i.e. people who have an interest in the conduct of the business of the company. These include employees, customers, vendors, the local community and even society as a whole. These stakeholders have certain rights with regard to how the business operates.
- (b) Correct: In window-dressing, efforts are made to show a 'good balance sheet' by manipulating accounting entries. This can help companies to boost their market image

and obtain further capital from the market for some time. Window dressing is on the assumption that next year performance will be better and accounts will be regularised next year. Window dressing can go on for 2 or 3 years but not more. It will lead to the downfall of the company in a few years.

- (c) Incorrect: Both 'ethics' and 'morals' deals with right and wrong conduct. But they are not same. Ethics deals with individual character which is a personal attribute. Ethics is the response of individual to a specific situation e.g. whether in this situation, it is ethical to state the truth. Morals deal with customs set by groups or some authority like religion. Morals are general principles e.g. you should speak truth.
- (d) Correct: Competition Act, 2002 intends to protect the interests of consumers by establishing a commission to present practices having adverse effect on competition and to promote and sustain competition in markets. The commission is empowered to prohibit certain agreements which are considered as anti-competitive in nature, abuse of dominant position and regulation of combinations likely to cause appreciable adverse effect on competition.

Question 16

What is meant by 'Environmental ethics'? How does its non-adoption leads to 3 Ps Viz., Polluter, Pay and Principles? Explain. (5 Marks)

Answer

Pollution indicates dangerous contamination of environment. Out of variety of pollution contamination of air leads to destruction of natural and botanical resources due to various chemical pollutants like cadmium, vanadium etc. The destruction of forest wealth results in depletion of ozone causing innumerable hazards and incurable diseases like leukemia. Similarly global warming emanates various oxides and acids which directly affect oceanic species and standing crops. Likewise land and water are polluted by toxic materials, or lead, mercury etc. Industrial toxic chemicals used in production of plastics cause cancer, liver damage, pre-natal and post-natal diseases.

Depletion of fossil fuels adds to the cause of extinction of rare species on earth. Unless and until the policy recycle the wastes by improved technological methods is developed, various ecological and environment problems are bound to arise. To overcome all these, a principle to assess the value of these factors and incorporate them in the account which is called green accounting system, by adopting built in environmental consideration measures taken to minimize the waste of natural resources and energy and rescue wastes, environment friendly living is difficult. Unless commitment is made by produces the implementation of 3Ps namely polluter, pay, and principles should be enforced to stop all subsidies.

PART – III

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

Question 17

- (a) What is meant by 'Critical thinking'? How shall you develop critical thinking? (5 Marks)
- (b) J desires to gift out her flat in Mumbai in City Cooperative Society registered under the Maharashtra Cooperative Societies Act, 1960, to her brother A. Stating the legal requirements to be complied with, draft a Gift Deed. Take your own data regarding date, flat no., floor area etc. (5 Marks)

Answer

- (a) **Critical Thinking:** Critical thinking is the discipline of rigorously and skillfully using information, experience, observation and reasoning to guide one's decisions, actions and beliefs. Critical thinking refers to the act of question of every step of the thinking process e.g. (i) Have you considered all the facts? Have you tested your assumptions? Is your reasoning sound? Can you be sure your judgment is unbiased? Is your thinking process logical, rational and complete?

Developing Critical thinking: To develop as a critical thinker, one must be motivated to develop the following attributes:

1. **Open-minded:** Readiness to accept and explore alternative approaches and ideas
2. **Well informed:** Knowledge of the facts and what is happening on all fronts.
3. **Experimental:** Thinking through 'what if scenarios to create probable options and then test the theories to determine what will work and what will not be acceptable.
4. **Contextual:** Keeping in mind the appropriate context in the course of analyses. Apply factors of analysis is that are relevant or appropriate.
5. **Reserved in making conclusion:** Knowledge of when, a conclusion is a 'fact' and when it is not only true conclusions support decisions.

- (b) **Drafting of Gift Deed:**

Legal Requirements

1. There must be a donor and a donee.
2. Gift must be accepted by the donee during the life time of the donor.
3. Registration of gift of immovable property is must.
4. Gift Deed requires attestation by witnesses.

Specimen of Gift Deed:

This Deed of gift is made of.....on this.....day of.....2007. Between..... an Indian.....inhabitant residing at flat No., Cooperative Housing Society Ltd.....(city), hereinafter called 'The Doner' of the one part and , also an Indian inhabitant of (City).....Residing at at.....(city) herein after called there 'Donee of the other part. Whereas the Doneeis the..... of donor.....and whereas the Doner is the member of society which is duly registered under Maharashtra Cooperative Societies Act, 1960. The donor has 5 fully paid shares of the said society. The donor has acquired a flat No. on thefloor and measuring:.....sqr. mtr. In the building situated at.....(city)

Whereas the Donor has full right title and in last in their said shares/flat more particularly described in this schedule.

And whereas the donor desired to gift his right, title and interest in the said share/flat in the said building of the said society described in the schedule hereunder written to the Donee hereto.

The Donor out of natural love and affection for the donee hereby transfer by way of gift his right title and interest in the said shares and the flat absolutely forever.

- (b) The Donee accept the gift and agrees to hold that right title and interest of the Donor in said shares/flat of the societies.

In the interest whose of the parties hereto have here under set and subscribed their respective hands on the day and the year.

Signed and Delivered

In the presence of.....)

1.

2.

Signed and Delivered:

By the named Donee.

In the presence of.....

1.

2.

Question 18

Third Annual General Meeting of ABC Limited was held on 28th September, 2007.

Several business was transacted at the meeting including the adoption of annual accounts for the year ended 31st March, 2007. The meeting was attended by 30 members in person and 5 members in proxy. Draft the minutes of the Annual General meeting indicating how shall the adoption of accounts being one of the business transacted at' the meeting, be recorded.

(5 Marks)

Answer

Minutes of 3rd Annual General Meeting of the shareholders of ABC Ltd held at ..at p.m. on 28th September, 2007.

Present

1. 30 members in proxy.
2. Director
3.Chartered Accountant
4.Secretary.

Mr., Chairman took the chair, in accordance with articles of the company. The quorum being present, chairman called the meeting to order. The notice convening the meeting was read by the Secretary. The auditors report was read by the Secretary.

Adoption of Accounts

The Chairman then invited queries from the members present on Directors report, accounts and auditor and auditors, report, but there was no query. Thereafter, the Chairmen proposed the following resolution which was recoded by

"Resolved that the Directors' Report audited balance sheet as on 31st March, 2007 and profit and loss account for the year ended 31st March, 2007 and auditors report thereon be the same are hereby received, considered and adopted.

Carried unanimously_____

The meeting conducted ed with a vote of thanks to the Chair.

Dated2007

Chairman

Question 19

What do you understand by 'Group conflicts'? How shall these be managed effectively? Explain. (5 Marks)

Answer

Group conflict: Group conflict is an 'express struggle' between two inter-dependent parties who perceive incompatible goals, scarce resources and interference from the other party in achieving their goals. There are two aspects in relation to conflict

1. Expression: The two sides must communicate/express about the problem for there to be conflict.
2. Perception: Conflict evolves perceptions in the two sides may only perceive that their goals, resources, and interference are incompatible with each other's.

Managing conflicts: The climate in which conflict is managed is important. It is essential to plan communications to foster a supportive climate, marked by emphasis on

- (i) Presenting ideas or options
- (ii) Problem orientation- focusing attention the task
- (iii) Spontaneity - Communicating openly and honestly
- (iv) Empathy - understanding another person's thoughts.
- (v) Equality- asking for opinion s
- (vi) Willing to listen to the ideas of others.

Successfully managed conflicts can be constructive and can strengthen relationships in an organisation.

Question 20

You have been assigned the job of composing business messages. What check-list would you prepare for organising the message? (5 Marks)

Answer

Check List for organising the message:

A. Organisation:

1. Recognise good organisation
 - (a) subject and purpose are clear
 - (b) Information is directly related to subject and purpose.
 - (c) Ideas are grouped and presented logically
 - (d) All necessary information is included
2. Achieve good organization through outlining-
 - (a) Decide what to say
 - (i) Main idea
 - (ii) Major points
 - (iii) Evidence
 - (b) Organise the message to respond the audience is probable reaction-
 - (i) use the direct approach when audience will be neutral, pleased, interested, or eager.
 - (ii) use the indecent approach when audience will be displeased, interested, or unwilling.

3. Choose the appropriate organisation plan-
 - (a) Short Messages -
 - (i) Direct request
 - (ii) Routine, good news and good message
 - (iii) Bad news message
 - (iv) Persuasive Message
 - (b) Longer message
 - (i) Information pattern
 - (ii) Analytical pattern.