

PAPER – 2 : BUSINESS LAWS, ETHICS AND COMMUNICATION

Question No. 1 is compulsory.

*Attempt any **five** questions from the remaining **six** questions.*

Question 1

- (a) *What is the law relating to determination of compensation, on breach of contract, contained in section 73 of the Indian Contract Act, 1872 ?* (5 Marks)
- (b) (I) *State whether the following statements are correct or incorrect.:* (2 x 1= 2 Marks)
- (i) *An agreement with a minor may be ratified on his attaining majority.*
 - (ii) *A cheque marked "Not-Negotiable" is not transferable.*
- (II) *Choose the correct answer from the following :* (3 x 1= 3 Marks)
- (i) *Which one of the following statements is not true about minor's position in the firm:*
 - (a) *He can not become a partner in the firm.*
 - (b) *A minor and a major can enter into an agreement of partnership.*
 - (c) *He can be admitted to the benefits in the firm.*
 - (d) *He can become a partner on becoming a major.*
 - (ii) *The delivery of goods by one person to another for some specific purpose and time is known as:*
 - (a) *Mortgage*
 - (b) *Pledge*
 - (c) *Bailment*
 - (d) *Charge*
 - (iii) *An agency in which the agent himself has interest in the subject matter of agency is called:*
 - (a) *Agency by estoppel*
 - (b) *Agency by holding out*
 - (c) *Agency by necessity*
 - (d) *Agency coupled with interest*
- (c) *Explain clearly the concept of "perpetual-succession and "common-seal" in relation to a company incorporated under the Companies Act, 1956.* (5 Marks)
- (d) *What is the law and procedure relating to registration of a non-profit organization as a company under the Companies Act, 1956 ?* (5 Marks)

Answer

(a) Compensation on Breach of Contract: Section 73 of the Indian Contract Act, 1872 provides that when a contract has been broken, the party who suffers by such breach is entitled to receive from the party who has broken the contract, compensation for any loss or damage caused to him thereby which naturally arose in the usual course of things from such breach or which the parties knew when they made the contract, to be likely to result from the breach of it. Such compensation is not given for any remote and indirect loss or damage sustained by reason of the breach. The explanation to the section further provides that in estimating the loss or damage from a breach of contract, the means which existed of remedying the inconvenience caused by the non-performance of the contract must be taken into account.

(b) (I) (i) Incorrect

(ii) Incorrect

(II) (i) (b) A minor and a major can enter into an agreement of partnership.

(ii) (c) Bailment.

(iii) (d) Agency coupled with interest

(c) Perpetual Succession and Common Seal: A company is a juristic person with a perpetual succession. It never dies nor does its life depends upon the life of its members. It is not in any manner affected by insolvency, mental disorder or retirement of any of its members. It is created by a process of law and can be put to an end only by the process of law. Members may come and go but the company can go on forever (until dissolved). It continues to exist even if all its human members are dead.

Since a company had independent existence and since all acts of the company are done in the name of the company, it enjoys a "Seal" known as common seal. Common seal is equivalent to signature of the company and is affixed on all documents issued by the company. Common seal of the company is kept in safe custody by a responsible officer of the company.

(d) Registration of Non-Profit Organisation: An association of persons set up for promoting commerce, art, science, religion, charity or any other useful object and intends to apply its profits or other income in promotion of its objects can be registered as a company under the Companies Act, 1956. However, it has to prohibit payment of any dividend to its members.

The association has to apply to the Central Government for issuing a licence. Through this licence the Central Government shall direct the Registrar of Companies to register the association as a company with limited liability without the addition of words "limited" or "private limited" to its name. Therefore, the association may be registered accordingly.

PAPER – 2 : BUSINESS LAWS, ETHICS AND COMMUNICATION

The association has to fulfill the conditions needed for registration as a company, i.e. it must have its name, its Memorandum of Association, its Articles of Association and signatures of its founder members with two witnesses. On registration it will have the same privileges and obligations as a limited company has.

Question 2

- (a) *During the financial year 2010-2011 Mr. Ram was a temporary employee in Ayurved Products Limited and drawing a salary of ₹ 6000/- per month . On the basis of charge of violent behavior within the premises of the company, he was prevented from working in the company for 60 days pending inquiry. Since there was no adverse conclusion against him, he was reinstated in the service with back salary. He worked for the remaining ten months in that financial year and thereafter resigned from the service. Afterwards, when bonus was paid to others employees, the company refused to pay bonus to Mr. Ram. Decide, whether Mr. Ram will be entitled to bonus under the provisions of the Payments of Bonus Act, 1965?* (8 Marks)
- (b) *State the elements which create discrimination in employment in the business organizations.* (8 Marks)

Answer

- (a) **Payment of Bonus:** As per Section 9 of the Payment of Bonus Act, 1965, an employee shall be disqualified from receiving bonus under this Act, if he is dismissed from service for
- (a) fraud; or
 - (b) riotous or violent behavior while on the premises of the establishment; or
 - (c) theft, misappropriation or sabotage of any property of the establishment.

If an employee is guilty of riotous and disorderly behavior he is disqualified for bonus but if such employee because of riotous act, is being prevented from working in the company, pending enquiry and later on he is reinstated as there is no adverse findings, with back wages, will be entitled for bonus [*Gannon India Ltd. Vs. Niranjana Das (1984) 2LLJ.223*].

In the given case Mr. Ram has worked as a temporary employee for 10 months continuously, so he is qualified and entitled to bonus. Here, a temporary workman is also entitled to bonus on the basis of total number of days which he has completed. After completion of the required period of services for the entitlement to bonus if a workman resigns, he will be entitled to bonus.

Therefore, refusal of company is not valid and Mr. Ram will be entitled to the bonus from every angle according to Section 9 of the Payment of Bonus Act, 1965.

- (b) **Elements of Discrimination:** Generally, the discrimination means to distinguish one object from another or treating people differently. It is usually intended to refer to the

INTEGRATED PROFESSIONAL COMPETENCE EXAMINATION : MAY, 2011

wrongful act of making a difference in treatment or favour on a basis other than individual merit. Such discrimination may also be related in employment in business organization. The elements which create discrimination may be summarized as follows:

- (i) If the decision against one or more employees is taken which is not based on individual merit, such as the ability to perform a given job, seniority or other morally legitimate qualification.
- (ii) If the decision has been derived solely from racial or sexual prejudice, false stereotypes other kind of morally unjustified attitude against members of which the employee belongs.
- (iii) If the decision has a harmful or negative impact on the interests of the employees, perhaps costing them jobs, promotions or better pay.

Discrimination in employment is wrong because it violates the basic principle of justice by differentiating between people on the basis of characteristics (race or sex) that are not relevant to the tasks they must perform. Looking to these aspects law has also been changed to conform to these moral requirements and to minimize the discrimination in employment in this respect.

Question 3

- (a) *How is the amount of gratuity, payable to employees in a seasonal as well as other establishments, calculated under the provisions of the Payment of Gratuity Act, 1972? What is the maximum amount of gratuity payable under the said Act ? (8 Marks)*
- (b) *What are the tips for improving inter-personal skills in a business organization ? (8 Marks)*

Answer

(a) Payment of Gratuity:

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 two groups –

- (i) Those who work throughout the year and

PAPER – 2 : BUSINESS LAWS, ETHICS AND COMMUNICATION

(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 latter are entitled to receive gratuity at the rate of 7 days for each season.

As per the Payment of Gratuity (Amendment) Act, 2010, the ceiling on the gratuity amount ₹ 3,50,000 has been increased to ₹ 10 lakhs.

(b) Tips for improving interpersonal skills:

Lines of communication must be open between people who rely on one another to get work done. Poor interpersonal communication skills, which include active listening, result in low productivity simply because one does not have the tools needed to influence, persuade and negotiate which are necessary for workplace success. To get this success the following tips are suggested:

- (i) **Congruency in communication elements:** If the words used are incongruent with the other interpersonal communication dynamics interpersonal communication is adversely affected. Since communication is shared meaning, words must send the same message as the other interpersonal communication dynamics – body language, facial expression, posture, movement, tone of voice to help emphasize the truth, sincerity and reliability of the communication. A consistent message ensures effective communication.
- (ii) **Listening effectively:** Effective or active listening is very important skill to enhance interpersonal communication. Listening helps to build strong personal relationships. The process of communication completes when the message as intended by the sender is understood by the receiver. Most of the persons assume that listening is natural trait, but practically very few of us listen properly. One needs to give the communicator of the message sufficient attention and make an effort to understand his view point.

Question 4

- (a) *Whether shares at premiums can be issued by a company ? What are the purposes for which the share premium account can be used under the provisions of the Companies Act, 1956 ?* (8 Marks)
- (b) *What are the fundamental principles of ethics applicable to the persons of finance and accounting profession ?* (4 Marks)
- (c) *Explain the merits and limitations of oral communication.* (4 Marks)

Answer

(a) Share at Premium:

If the market exists, a company may issue its shares at premium i.e. the price higher than their normal value. There is no restriction contained in the Companies Act, 1956 on the

sale of shares at a premium. But SEBI (ICDR) Regulations, 2009 have to be observed as they indicate when an issue has to be at par and when premium is chargeable. Premium may be received in cash or kind, where the value of assets received by a company as a consideration for allotment is greater than the normal value of shares, it is in essence an allotment at a premium. An amount equal to extra value of the assets would have to be carried to the Securities Premium Account. The amount to the credit of share premium account has to be maintained with the same sanctity as share capital and can be reduced only in the manner of share capital. The act does regulate the disbursement of the amount collected as premium.

Such account be used in the following ways by the company –

- (a) It may be applied to issue to the members as fully paid by way of bonus the unissued shares of the company.
- (b) It may be used to write off preliminary expenses.
- (c) It may be used to write off commission or discount account.
- (d) It may be spent in providing for the premium payable on the redemption of preference shares or debentures of the company.

(b) Principles of Ethics

The fundamental principles relating to ethics as applicable to accounting and finance professionals are as follows:

- (i) **The principle of integrity:** Integrity means veracity. The principle requires all accounting and finance personnel to be honest and straight-forward in discharging their respective professional duties.
 - (ii) **The principle of objectivity:** The principle requires accounting and financial professionals to stick to their professional and financial judgement without bias, conflicting interests, or under influence of others.
 - (iii) **The principle of confidentiality:** The principle requires accounting and financial professionals to refrain from disclosing confidential information related to their work.
 - (iv) **The principle of professional competence and due care:** The financial and accounting professional need to update their professional skill in the modern competitive environment.
 - (v) **The principle of professional behavior:** The principle requires accounting and financial professional to comply with relevant laws and regulations and avoid such action which may result into discrediting the profession.
- (c) Oral Communication – its merits and limitations** - Communication through the spoken word is known as oral communication. Some of the merits of oral communication are as under:
- (i) saves time and money;

PAPER – 2 : BUSINESS LAWS, ETHICS AND COMMUNICATION

- (ii) immediate feed back;
- (iii) saves paper work;
- (iv) an effective tool for exhortation;
- (v) builds a healthy climate;
- (vi) best tool during emergency.

Some of the limitations of Oral Communication are:

- (i) Greater chances of misunderstanding;
- (ii) Bad speaker;
- (iii) Ineffective for lengthy communication;
- (iv) Lower retention rate;
- (v) No legal validity;
- (vi) Difficult to fix responsibility.

Question 5

- (a) *Point out the differences between a "Cheque" and a "Bill of Exchange" under the Negotiable Instruments Act, 1881.* (8 Marks)
- (b) *State with reasons whether the following statements are correct or incorrect:*
(2 x 2 = 4 Marks)
 - (i) *The responsibility of the corporate management lies towards shareholders only.*
 - (ii) *Creation of proper ethical environment requires a proper understanding of the reasons which lead to an unethical behavior.*
- (c) *"Importance of communication is increasing day-by-day in the business organizations". State the reasons for this increasing importance.* (4 Marks)

Answer

(a) Cheque and Bill of Exchange

Following are the difference between a cheque and a bill of exchange:-

1. In cheque, the drawee is always a bank, whereas in a bill of exchange, the drawee may be a bank or any other person.
2. In cheque, days of grace are not allowed, whereas in a bill of exchange, 3 days of grace are allowed for payment.
3. Notice of dishonour is not needed in a cheque, whereas notice of dishonour is usually required in case of a bill of exchange.

INTEGRATED PROFESSIONAL COMPETENCE EXAMINATION : MAY, 2011

4. A cheque can be drawn to bearer and made payable on demand, whereas a bill of exchange cannot be drawn to bearer, if it is made payable on demand.
 5. Cheque does not require presentment for acceptance. It needs presentment for payment. Bill of Exchange, sometimes, requires presentment for acceptance and it is advisable to present them for acceptance even when it is not essential to do so.
 6. Cheque does not require to be stamped in India, whereas bill of exchange must be stamped according to Law.
 7. A cheque may be crossed whereas a bill of exchange cannot be crossed.
 8. A cheque being a revocable mandate, the authority may be revoked by counter manding payment, and is determined by notice of the customer's death or insolvency. This is not so in a bill.
 9. The drawer of a bill of exchange is discharged from liability, if it is not duly presented for payment but the drawer of a cheque is not discharged by delay of the holder in presenting the cheque for payment unless the drawer has suffered some loss due to delay.
- (b) (i) **Incorrect:** The traditional governance model positions management is accountable solely to the shareholders only. But a growing number of corporations accept the constituents other than shareholders are affected by corporate activity and that the corporations must, therefore, be responsible to them. These may be enumerated as follows:
- (a) Employees
 - (b) Trade Unions
 - (c) Customers
 - (d) Shareholders and investors
 - (e) Suppliers
 - (f) Local Communities
 - (g) Government
 - (h) Competitors.
- (ii) **Correct:** A creation of a proper ethical environment requires a proper understanding of the reasons which lead to an unethical behavior. The reasons may be summarized as follows:
- (a) Emphasis on short term results
 - (b) Ignoring small unethical issues
 - (c) Economic Cycles
 - (d) Change in accounting rules.

PAPER – 2 : BUSINESS LAWS, ETHICS AND COMMUNICATION

- (c) **Reasons for increasing importance of communication:** It is true that importance of communication is increasing day by day in the business organizations. The reasons for this growth may be stated as follows:
- (a) **Growth in the size and multiple locations of organization:** Most of the organizations are growing larger and large in size. The people working in these organizations may be spread over different states of a country or over different countries. Keeping in touch, sending directions across and getting feedback is 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 in confidence. Only through effective communication can a meaningful relationship be built between the management and workers.
 - (c) **Growing importance of human relations:** Workers in an organization are not like machines. They have their own hopes and aspirations. Management has to recognize them above all as sensitive human beings and work towards a spirit of integration with them which effective communication helps to achieve.
 - (d) **Public Relations:** Every organization has a social responsibility, towards customers, government, suppliers and the public at large. Communication with them is the only way an organization can project a positive image of itself.
 - (e) **Advance 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 advancement:** 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.

Question 6

- (a) *Describe the procedure for converting a private company into a public company under the provisions of the Companies Act, 1956.* (8 Marks)
- (b) *State in brief the guidelines for managing ethics and to prevent the need for whistle-blowing in the work place.* (4 Marks)
- (c) *What are the characteristics of group personality ?* (4 Marks)

Answer

(a) Conversion of a private company into a public company:

The procedure for conversion of a private company into a public company is as follows:

- (1) Take necessary decision in its board meeting and fix up time, place and agenda for convening Annual General Meeting.
- (2) Amend Memorandum of Association to change its name by removing the word "Private" by a special resolution. Approval of the Central Government is not necessary.
- (3) Pass a Special Resolution deleting from its articles the requirement of a private company under Section 3(1). A copy of the Special Resolution must be filed with the Register of Companies within 30 days. It becomes a public company on the date of alteration. [Section 44(1)].
- (4) Increase the number of shareholders/members to at least 7 and number of directors to atleast 3.
- (5) Within 30 days from the passing of Special Resolution, a prospectus or a statement in lieu of prospectus in the prescribed form must be filed with the Registrar (Section 44).
- (6) The aforesaid prospectus or the statement in lieu of prospectus must be in conformity with Part I and II of Scheduled II or with Part I and II of Schedule IV respectively.
- (7) The company has to apply to the Registrar of Companies for the issue of a fresh Certificate of Incorporation, for the changed name, namely, the existing name with the word "Private" deleted.

(b) Managing ethics and preventing whistle-blowing:

The focus on core values and sound ethics, the hall mark of ethical management, is being recognized as an important way to ensure the long term effectiveness of governance structures and procedures and to avoid the need for whistle blowing.

Employers, who understand the importance of work place ethics, provide their work force with an effective framework and guiding principles of identity and address ethical issues as they arise. These guidelines for managing ethics and to avoid the need for whistle-blowing in the work place may be summarized as follows:-

- (a) Have a Code of Conduct and ethics.
- (b) Establishment of open communication.
- (c) Make ethical decisions in group and make decision public whenever appropriate.
- (d) Integrate ethics with other management practices.

PAPER – 2 : BUSINESS LAWS, ETHICS AND COMMUNICATION

- (e) Use of cross functional teams when developing and implementing the ethics management programme.
- (f) Appointing an ombudsman.
- (g) Creating an atmosphere of trust.
- (h) Regularly updating of policies and procedures
- (i) Include a grievance policy for employees
- (j) Set an example from the top.

(c) Characteristics of group personality

Following are the characteristics of group personality:

- (a) **Spirit of conformity:** Individual member soon come to realize that in order to gain recognition, admiration and respect from others they have to achieve a spirit of conformity. Our beliefs, opinions and actions are influenced more by group opinion than by an individual's opinion even if it is an expert opinion.
- (b) **Respect for group values:** Any working group is likely to maintain certain values and ideals which make it different from others. In order to deal effectively with a group we must understand its values which will guide us in foreseeing its programmes and actions.
- (c) **Resistance to change:** It has been observed that a group generally does not take kindly to social change. On the other hand the group may bring about its own changes, whether by dictation of its leader or by consensus. The degree to which a group resists change serves as an important index of its personality. It helps us in dealing with it efficiently.
- (d) **Group prejudice:** Just as hardly any individual is free from prejudice, groups have their own clearly evident prejudice. It is a different matter that the individual members may not admit their prejudiced attitude to other's race, religion, nationality etc. But the fact is that the individual's prejudices get their intensified while coming in contact with other members of the group holding similar prejudices.
- (e) **Collective power:** Groups are always more powerful than individuals, how so ever influential the individual may be. That is why individuals may find it difficult to speak out their minds in groups. There is always the risk of the one-against many situations cropping up.

Question 7

- (a) *Write a short note on the composition and functions of the Central Board of Trustees under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. (4 Marks)*
- (b) *Which documents are required to be filed with the Registrar of Companies at the time of registration of a company under the provisions of the Companies Act, 1956 ? (4 Marks)*

INTEGRATED PROFESSIONAL COMPETENCE EXAMINATION : MAY, 2011

OR

State the conditions whereunder the issuing of prospectus is not necessary under the provisions of the Companies Act, 1956 .

- (c) *State the pressures which are faced by the finance and accounting professionals' in an organization in the compliance of fundamental principles of ethics. (4 Marks)*

OR

Write a note on ecological ethics.

- (d) *How is "noise" a barrier to effective communication ? (4 Marks)*

OR

Explain the concept of "Negotiation". What are its techniques ?

Answer

(a) Central Board of Trustees:

Under Section 5 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, the Central Board of Trustees consists of the following:

- (a) Chairman and Vice-Chairman appointed by the Central Government.
- (b) Central Provident Fund Commissioner as ex-officio member.
- (c) More than 5 officials of Central Government.
- (d) Not more than 15 persons representing the State Government.
- (e) 10 persons representing employees appointed by the Central Government.
- (f) 10 persons representing employers appointed by the Central Government.

The functions of the Board are as follows:

The fund of Employees' Provident Funds Scheme (EPF) under Section 5, Employees Pension Scheme under Section 6A and Employees' Deposit Linked Insurance Scheme (EDLI) under Section 6C is vested in the Central Board of Trustees. The fund is administered by them as provided in the scheme. The Central Board will perform other functions as may be required under any provisions of PF Scheme, pension scheme and Insurance scheme (Section 5A).

(b) Filing of document with the Registrar of Companies:

After getting the name approved, the following documents along with the application and prescribed fee, are to be filed with the Registrar:-

- (1) Memorandum of Association [Section 33(1)(a)]
- (2) Articles of Association, if any [Section 33(1)(b)]

PAPER – 2 : BUSINESS LAWS, ETHICS AND COMMUNICATION

- (3) The agreement, if any, which the company proposed to enter into with any individual for appointment as its Managing or Whole Time Director or Manager [Section 33(1)(c)].
- (4) A declaration that the requirements of the Act and the rules framed there under have been complied with. This declaration is required to be signed by an advocate of the Supreme Court or High Court or an attorney or a pleader having the right to appear before High Court or a Company Secretary or a Chartered Accountant in whole time practice in India who is engaged in the formation of a company, or by person named in the Articles as a Director, Manager or Secretary of the company [Section 33(2)].
- (5) In the case of a public company having share capital, where the Articles name a person as director/directors, the list of the directors and their written consent in prescribed form to act as directors and take up qualification shares.(Section 266).
- (6) Apart from the above, the company must give a notice regarding the situation of its registered office under Section 146 within 30 days of registration.

(OR)

(b) Non-issuing of Prospectus:

As per Section 56 of the Companies Act, 1956, the issue of prospectus is not necessary in the following cases -

- (1) Where shares or debentures are offered to existing holders of shares or debentures.
- (2) When the issue relates to shares or debentures uniform in all respects, with shares or debentures previously issued and dealt in or quoted in a recognized stock exchange.
- (3) Where a person is bona-fide invited to enter into an underwriting agreement.
- (4) Where shares are not offered to the public.

(c) Pressures faced by finance and accounting professionals:

The finance and accounting professionals are supposed to support the legitimate and ethical objectives established by the employer. As they are having responsibilities to an employing organization, may be under pressure to act or behave in ways that could directly or indirectly threaten compliance with the fundamental principles. Such pressures may be explicit or implicit which may come from supervisor, manager, director or another individuals. Such pressures which are being faced by finance and accounting professionals may be stated as follows:

- (a) To act contrary to Law or Regulation.
- (b) To act contrary to technical a professional standards.
- (c) To facilitate unethical or illegal earnings management strategies.

INTEGRATED PROFESSIONAL COMPETENCE EXAMINATION : MAY, 2011

- (d) Lie to, or otherwise intentionally mislead other, in particular the auditors of the employing organization or Regulators.
- (e) To issue or otherwise be associated with, a financial or non financial report that materially misrepresents the facts, including statements, in connection with. For example:
 - (i) The financial statements
 - (ii) Tax compliance
 - (iii) Legal compliance, or
 - (iv) Reports required by securities regulators.

OR

- (c) Note on Ecological Ethics:** The problem of pollution and other environmental issues can best be framed in terms of our duty to recognize and preserve the ecological systems within which we live. An ecological system is an interrelated and interdependent set of organisms and environments, such as a lake, in which the fish depend on small aquatic organisms, which in turn live off decaying plant and fish waste products. Since the various parts of an ecological system are interrelated, the activities of one of its parts will affect all other parts. Business and all social firms are parts of a larger ecological system.

Business firms depend on the natural environment for their energy, material resources, waste disposal and that environment in turn is affected by the commercial activities of business firms. Unless business recognize the interrelationship and interdependencies of the ecological systems within which they operate and unless they ensure that their activities will not seriously injure these systems one cannot hope to deal with the problem of pollution.

Ecological ethics is based on the idea that the environment should be protected not only for the sake of human being but also for its own sake. The issue of environmental ethics goes beyond the problem relating to protection of environment or nature in terms of pollution, resource utilization or waste disposal. It is the issue of exploitive human nature and attitudes that should be addressed in a rational way. Problems like global warming, ozone depletion and disposal of hazardous waste that concern the entire world. They require international co-operation and have to be tackled at the global level.

- (d) Noise as barrier to communication:**

Noise is the first and foremost barrier to communication. It means "interference that occurs in a signal and prevents you from hearing sounds properly. In a factory the continuous noise made by machines makes oral communication difficult. In the same way, same technical problems in a public address system or a static in a telephone or television cable will distort the sound signal and affect communication. Adverse weather

PAPER – 2 : BUSINESS LAWS, ETHICS AND COMMUNICATION

conditions or some fault in the ultramodern telecommunications systems may also spoil the effect.

Further, the sender may resort to ambiguous or confusing signals. The receiver may mess up the message owing to inattention or may spoil decoding because of wrong or unexpected interpretation. The receiver's prejudices may also come in the way of his understanding the message in the right spirit. Thus the communication is always likely to be affected by 'noise' that stands for so many things. Some of the factors contributing towards noise factors are as follows:

- (a) **Poor Listening:** A last moment communication with deadline may put too much pressure on the receiver and may result in resentment.
- (b) **In appropriate Channel:** Poor choice of channel of communication can also be contributory to them in understanding of the message.
- (c) **Network breakdown:** Some time staff may forget to forward a letter or there may be professional jealousy resulting in closed channel.

OR

- (d) **Negotiation:** Negotiation occurs when two or more parties either individuals or groups discuss specific proposals in order to find a mutually acceptable agreement. Whether it is with an employer, family member or business associate, we all negotiate for things each day like higher salary, better service or solving a dispute with a co worker or family member. Negotiation is a common way of settling conflicts in business. When handled skillfully, negotiation can improve the position of one or even both but when poorly handled; it can leave a problem still unsolved and perhaps worse than before.

Techniques for Negotiation:

- (a) **Spiraling agreements:** Begin by reaching a minimums agreement even though it is not related to the objectives and build, hit by hit, on this first agreement.
- (b) **Changing of position:** Formulate the proposals in a different way, without changing the final result.
- (c) **Gathering information:** Ask for information from the other party to clarify their position
- (d) **Making the cake bigger:** Offer alternatives that may be agreeable to the other party, without changing the terms.
- (e) **Commitments:** Formalize agreements orally and in writing before ending the negotiation.