

PAPER – 3 : LAWS, ETHICS & COMMUNICATION

PART – I : RELEVANT AMENDMENTS APPLICABLE FOR NOVEMBER 2012

- I Applicability of relevant Amendments/Circulars/Notifications/Regulations etc. relating to Laws, Ethics and Communication (PCC) for November 2012, Examination:

Business Laws

Subject	Amendment	Content
The Negotiable Instruments Act, 1881	Reduction in validity period of Cheques/ Pay Orders/ Banker's Cheques	The Reserve Bank of India vide Notification No. RBI/2011-12/251 DBOD.AML BC.No.47/14.01.001/2011-12, dated 4th November, 2011 directed that the validity of Cheques/ Pay Orders/Banker's Cheques will be reduced from the period of six months to three months from the date of such instruments with effect from 1st April,2012.

II. Non-Applicability

S.No.	Amendment	Content
1.	The Companies Bill, 2011	Not Applicable

PART – II : QUESTIONS AND ANSWERS

QUESTIONS

I : BUSINESS LAWS

The Indian Contract Act, 1872

- (a) State briefly the position of the following persons with regard to the agreements entered into by him:
 - Delirious Person
 - Persons having immunity
- (b) Explain the legal position in the following situations:
 - X pays Y ₹ 10,000/-, in consideration of Y's promise to marry Z, X's daughter, who is dead at the time of promise.
 - A deposit paid for transaction of sale of house between the parties, however the transaction could not take place.

2. (a) Mr. P was a surety for Q for an overdraft given by a bank. The bank gave a blank guarantee form to Q who filled it with the amount guaranteed to be ₹ 30,000. The bank refused to give the overdraft for more than ₹ 25,000. Q altered the amount from ₹ 30,000 to ₹ 25,000 and submitted the document to the bank. State whether P is discharged from his liability by the act of the Q.
- (b) A banker lends ₹ 10,000 to Shyam on the pledge of a jewellery. The banker makes a further loan of ₹ 5,000 to Shyam without making a pledge of the jewellery for this loan. Discuss the rights of the banker in respect to the pledged goods for advancement of the loan.

The Negotiable Instruments Act, 1881

3. (I) Find the correct answer:
- (a) A negotiable instrument recognized by the usage or custom of trade is a:-
- (i) Cheque
 - (ii) Promissory Note
 - (iii) Bill of Exchange
 - (iv) Hundi
- (b) Parties to Bill of Exchange are-
- (i) Drawer
 - (ii) Drawee
 - (iii) Acceptor
 - (iv) All of the above
- (c) Protest in relation to a negotiable instrument is-
- (i) A memorandum against dishonor of instrument
 - (ii) A certificate of dishonor of instrument
 - (iii) Both (i) and (ii)
 - (iv) Neither (i) and (ii)
- (II) State with reasons whether the statement is correct/incorrect :
- (i) The validity period of a cheque is six months.
 - (ii) In order to cross a cheque, two parallel transverse lines can be drawn anywhere on the face or back of the cheque.
4. (a) State the penalty to be borne by the person found to be guilty of dishonour of a cheque for insufficiency of funds in the accounts.

- (b) X, by means of fraud, obtained from Y a cheque crossed 'not negotiable' and got it encashed at a bank other than the drawee bank. Y sued the bank for conversion. Is the bank liable for conversion?

The Payment of Bonus Act, 1965

5. (a) Explain 'establishment in public sector' under the Payment of Bonus Act, 1965.
(b) What are the deductions that can be made from the amount of bonus payable to an employee under the Payment of Bonus Act, 1965.

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

6. (a) State the various schemes framed under the Employees' Provident Funds, and Miscellaneous Provisions Act, 1952.
(b) Mr. R, the owner of the Ram and Sons Ltd. sold his establishment to Mr. Q. Discuss in the light of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, the liabilities of Mr. R and Q against the employees of an establishment.

The Payment of Gratuity Act, 1972

7. (a) Explain the terminologies given under the Payment of Gratuity Act, 1972.
(i) Continuous service of six months
(ii) Continuous service of one year
(b) Describe the provisions relating to "Compulsory Insurance of Gratuity for an employees" under the Payment of Gratuity Act, 1972.

The Companies Act, 1956

8. Mr. X desires to form a public company. He seeks your advice on the incorporation of a company. Explain him in brief the mode of incorporation of a company.
9. (a) Explain the doctrine of ultra-vires and its legal effects under the Companies Act, 1956?
(b) X, a chemical manufacturing company distributed ₹ 10 lacs (₹ Ten Lacs) to fine arts and science institutions for furtherance of knowledge of arts and science. Referring to the provisions of the Companies Act, 1956 decide whether the said distribution of money was 'Ultra vires' the company?
10. State the situations where under issuance of prospectus is not mandatory.
11. What is 'Minimum Subscription' and "Opening of Subscription List" in Public Issue of Shares?
12. ABC, a public company offers the new shares to Mr. X, who is not an existing shareholder of the company. State whether company can issue shares to an outsiders.

13. Mr. P obtains a certificate of transfer of shares from a company by concealing the material facts and passing the shares to Mr. Q for value acting in good faith. Further company comes to know of the forged certificate and as such refuses to transfer the shares to 'Q'. State the liability of 'P' and of the company towards 'Q'.
14. Explain the provisions of the Companies Act, 1956 relating to holding of Annual General Meeting of the Company with regard to the following:
 - (i) Period within which the first and the subsequent Annual General Meetings must be held.
 - (ii) Types of Business which may be transacted at an Annual General Meeting.
15. What are the requirements for the conduct of valid general meetings?

II : ETHICS

16. 'All equals should be treated equally'. How much it is practicable in the present business environment?
17. How growing investor pressure and Market-based incentives has changed the sphere of Corporate Social Responsibility.
18. Write Short Notes:
 - (a) CSR initiatives in India
 - (b) Global Reporting Initiatives
19. Answer whether the statement is correct or incorrect with brief reasons:
 - (a) 'There is no economic growth without ecological costs'.
 - (b) Water pollution is also a kind of resource depletion.
20. State the guidelines acknowledging consumer rights that are used for assessing the consumer welfare implications of competition policy.

III : COMMUNICATION

21. Draft an office circular informing all the employees of the company of an appointment of Mr. X as a new chairman of the company.
22. (a) What are the tips for improving Interpersonal skills that are necessary for workplace success?
(b) State the guidelines that deal with communication ethics dilemmas.
23. Specify the elements of culture that influences organizational culture.
24. Write a Press Note released by Ministry of Labour and Employment on the reduction of interest rate on EPF.
25. Mr. S gifted his house to his nephew P, on account of Natural Love and Affection. Draft a gift deed.

SUGGESTED ANSWER/HINTS

1. (a) Section 11 of the Indian Contract Act, 1872 specifies the competencies of the parties to enter into an agreement to result a valid contract. According to the section following persons are competent to contract- who has attained the age of majority, is of sane/sound mind and not disqualified from contracting by any other law to which he is subject.

Whereas section 12 of the Indian Contract Act, 1872 says of the person who can be said to be of sound mind for the purpose making a contract, satisfying the following conditions:

- ◆ Capable of understanding the nature of the contract at the time of making, and
- ◆ Capable of making a rational judgment as to its effect upon his interests

According to the above provisions-

- (i) A person delirious from fever is not capable of understanding the nature and implications of an agreement. Therefore, he cannot enter into a contract so long as delirium lasts and as such agreement made with the person in this state will be void.
 - (ii) Persons having immunity from entering into a contract are the category of persons who are disqualified from contracting by the other laws of the our country. For example alien enemy, diplomats, companies, insolvents etc. Therefore, any agreement made by these persons shall be void.
- (b) Section 65 of the Indian Contract Act, 1872 deals with the obligation of the person who has received advantage under void agreement or one becoming void, there such a person who has received any advantage under such an agreement or contract is bound to restore it, or to make compensation for damages in order to put the other person in position prior to contract.

According to the above provision-

- (i) In the first case, the agreement is void and Y is under an obligation to repay ₹ 10,000/- to X.
 - (ii) In the second case, the deposit need not be returned on the failure of transaction of sale because the benefit to be returned must have been received under the contract and deposit is only a security and not the part of the main contract.
2. (a) The given problem is based on the section 133 of the Indian Contract Act, 1872. According to which when any variance in the terms of the contract between the principal debtor and the creditor is made without the surety's consent, the surety is discharged as to transactions, subsequent to the variance.

But, if the variation is unsubstantial and not disadvantageous to the surety, there the surety is not discharged from his liability [*M.S. Anirudhan Vs Tomco's Bank Ltd.*, AIR(1963) SC 746].

Accordingly in the problem, surety i.e., Mr. P is not discharged from his liability because the alteration of amount from ₹ 30,000 to ₹ 25,000 is unsubstantial and advantageous to the surety.

- (b) The said problem is based on the section 174 of the Indian Contract Act, 1872. According to which pawnee has a right to retain the goods for subsequent advances made by the pawnee, however subject to such right being specifically contemplated in the contract. Thus the right to retain the goods for subsequent advances can be rebutted by anything to the contrary.

As per the above the provision, the banker still has a right to retain the jewellery until the subsequent loan, interest and other charges are paid because lien of pawnee is presumed in the absence of anything to the contrary.

3. (I) (a) Option (iv)
 (b) Option (iv)
 (c) Option (ii)
- (II) (i) **Incorrect.** As per the Reserve Bank of India vide Notification No. RBI/2011-12/251 DBOD.AML BC.No.47/14.01.001/2011-12, dated 4th November, 2011 the validity period of Cheques/Pay Orders/Banker's Cheques have been reduced from six months to three months from the date of such instruments with effect from 1st April, 2012.
- (ii) **Incorrect.** A crossing is made by drawing two parallel transverse lines across the face of the cheque with or without addition of certain words. Such lines are usually drawn on the left side top corner of the face of the cheque.
4. (a) As per section 138, para 1 when a person is found guilty of dishonour of a cheque for insufficiency of funds in the account, he may be punished as follows-
- (i) With imprisonment for a term which may extend to 2 years, or
 (ii) With fine which may extend to twice the amount of the cheque, or
 (iii) With both the above punishments.

And even the payment made after committing an offence, would not absolve the accused of the liability of criminal offence.

- (b) Section 130 of the Negotiable Instruments Act, 1881 can be applied in the given problem which broadly says that if the holder has a good title, he can still transfer it with a good title, but if the transferor has a defective title, the transferee is affected by such defects, and he cannot claim the right of a holder in due course by proving that he purchased the instrument in good faith and for value. As X in the case in

question had obtained the cheque by fraud, he had no title to it and could not give to the bank any title to the cheque or the money and the bank would be liable for the amount of the cheque for conversion [Great Western Railway Co. vs. London and Country Banking Co. (1901) A.C. 414].

5. (a) Establishment in public Sector is defined under section 2(16) of the Payment of Bonus Act, 1965. It means an establishment owned, controlled or managed by-
 - (I) A Government Company as defined in Section 617 of the Companies Act, 1956;
 - (II) A Corporation in which not less than 40% of its capital is held (whether singly or taken together) by :
 - (i) the Government; or
 - (ii) the Reserve Bank of India; or
 - (iii) a Corporation owned by the Government or the Reserve Bank of India.
- (b) Following are the deductions, given under sections 17 and 18 of the Payment of Bonus Act, 1965 which can be made from the amount of bonus payable to an employee-
 1. **Deduction of the amount paid as customary/ interim or puja bonus-** An employer is entitled to deduct the following sums from the amount of bonus in respect of any accounting year:
 - (i) Puja bonus or customary bonus paid to an employee in any accounting year
 - (ii) Any amount paid to an employee as a part of the bonus before the date on which such bonus becomes payable for the accounting year. Here the employees shall be entitled to receive only the balance amount of bonus (Section 17).
 2. **Deduction in case of misconduct-** Where an employee is found guilty of misconduct causing financial loss to the employer in an accounting year, there the employer can lawfully deduct the amount of loss from the amount of bonus payable to an employee in respect of that accounting year only. The Employee shall be entitled to receive the balance (Section 18).
6. (a) The Employees' Provident Funds, and Miscellaneous Provisions Act, 1952 provides the institution of the following schemes-
 - (i) Employees' Provident Funds Scheme
 - (ii) Employees' Pension Scheme
 - (iii) Employees' Deposit Linked Insurance Scheme

Employees' Provident Funds Scheme(Section5)- The Central Government may, by notification in the Official Gazette, frame a scheme to be called Employees' Provident Funds Scheme,1952 for the employees or class of employees of establishments to which the act applies. It may also specify the establishments or class of establishments to which the said scheme is to apply. The Scheme may provide for all or any of the matters specified in Schedule II of the EPF Act,1952.

Employees' Pension Scheme(Section 6A)- This has been introduced by amending the Act in 1996 with restrospective effect from 16.11.1995 conferring power on the Central Government to frame a suitable scheme incorporating provisions for superannuation pension, retiring pensions permanent disablement pension to employees and widow or widow's pension, children pension or orphan pension payable to beneficiaries of such employees in the event of death.

Employees' Deposit Linked Insurance Scheme(Section 6C)- Section 6C of the Employees' Provident Funds Act provides (Amendment Act of 1976), that the Central Government may, by notification in the Official Gazette, frame a scheme to be called the Employees' Deposit-linked Insurance Scheme,1976 for the purpose of providing life insurance benefits to the employees of any establishment or class of establishments to which the Act applies [Section 6C(2)].

- (b) This problem is based on section 17 B of the Employees' Provident Funds and Miscellaneous Provisions Act,1952. The provisions says that where an employer transfers an establishment in whole or in part by sale, gift, lease or licence or in any other manner. In such a case, the employer and the transferee shall jointly and severally be liable to pay the contribution and other sums due from the employer under any provision of this Act/ Schemes framed under the Act in respect of the period upto the date of such transfer. However, the liability of the transferee shall be limited to the value of the assets obtained by him by such transfer.

Thus according to the above provision, Mr. R and Q both are jointly and severally liable to pay the employees of an establishment ,the contribution due under any provision or scheme of the Act in respect of the period upto the date of such transfer. However, the liability of Mr. Q is limited to the value of the assets obtained by such transaction of sale.

- 7 (a) (i) **Continuous Service of Six Months [Section 2 A(2)(b)]**- An employee is said to be in continuous service of 6 months, if the employee has actually worked under the employer for not less than –
- i. Ninety five days, in case of an employee employed below the ground in a mine or in an establishment which works for less than six days in a week; and
 - ii. One hundred and twenty days, in any other case;

- (ii) **Continuous service of one year[Section 2 A(2)(a)]-** An employee is said to be in continuous service of one year, if the employee has actually worked under the employer for not less than –
- One hundred and ninety days, in the case of any employee employed below, the ground in mine or in an establishment which works for less than six days in a week; and
 - Two hundred and forty days, in any other case;
- (b) The Payment of Gratuity(Amendment) Act, 1987 has prescribed provisions for compulsory insurance for employees under section 4(A) of the Payment of Gratuity Act, 1972 which introduces employer's liabilities for payment towards the gratuity under the Act. The following is the provision-
- Employers to obtain the insurance-** Every employer shall obtain an insurance for his liability for payment towards the gratuity under this Act, from the Life Insurance Corporation of India or any other prescribed insurer:
 - Exemption from obtaining insurance-** The Appropriate Government may also exempt (i) employers who have already established an approved gratuity fund in respect of his employees and who desires to continue such arrangement; and (ii) employers having 500 or more persons, who establishes an approved gratuity fund in the manner prescribed.
 - Registration with controlling authority-** every employer shall within a prescribed time get his establishment registered with the controlling authority in the prescribed manner, and only those employers who have taken an insurance or has established an approved gratuity fund shall be registered.
 - Make rules by notification for implementation of schemes-** To give effect to the provisions of this section the Appropriate Government may make rules provided for the composition of Board of Trustees of the approved gratuity fund, and for the recovery by the controlling authority of the amount of gratuity payable to employees of LIC or any other insurer with whom an insurance has been taken.
 - Failure of an employer to pay premium/contribution-** If the employer fails to pay the premium to the insurance or to contribute to an approved gratuity fund, he shall be liable to pay them a amount of gratuity including interest, if any, for delayed payments, to the controlling authority.
 - Penalty-** Its contravention is punishable with a fine upto ₹ 10000/- and in case of continuing the offence with a further fine which may extend to ₹ 1000/- per day upto the duration the offence continues.

8. **Mode of incorporation of company:** In the case of a public company with or without limited liability any 7 or more persons can form a company by subscribing their names to memorandum and otherwise complying with the requirements of the Companies Act, 1956. In exactly the same way, 2 or more persons can form a private company [Section 12]. Persons who form the company, who conceive the idea of forming the company are known as promoters. They take all necessary step for its registration.

- (a) **Lawful purpose:** The essence of validly incorporated company is that it must consist of a particular number of persons and be an association for a lawful purpose.
- (b) **Applying for the name:** The promoters of the company should decide upon at least three suitable names in order of preference to afford flexibility to the Registrar to decide the availability of the name.
- (c) **Documents to be filed:** After getting the name approved, the certain documents along with the application and prescribed fees, are to be filed with the Registrar.
- (d) **Subscribing their names:** Subscribing name means signing the names. Section 15 stipulates that the Memorandum should be signed by each subscriber who should add his address, description and occupation in the presence of one witness.
- (e) **Commencement of business**
- (f) **Statement in Lieu of Prospectus:** If a public company does not issue a prospectus inviting the public to purchase its share because, the directors think they can sell the shares even without the issue of the prospectus, it can do so.
- (g) **Certificate of incorporation:** Upon the registration of the documents mentioned earlier under the head "Documents to be filed for registration of the company" and the payment of the necessary fees, the Registrar of Companies issues a certificate that the company is incorporated.

9. (a) **'Doctrine of Ultravires', the Companies Act, 1956**

A company has the power to do all such things as are:

1. Authorised to be done by the Companies Act, 1956;
2. Essential to the attainment of its objects specified in the Memorandum.
3. Reasonably and fairly incident to its objects.

Everything else is ultra vires the company. The term 'ultra vires' means that the doing of the act is beyond the legal power and authority of the company. If an act is ultra vires the company, no legal relationship or effect ensues there from. Such an act is absolutely void and even the whole body of shareholders cannot ratify it and make it binding on the company. The leading case on the point is *Ashbury Rly. Carriage & Iron Co. Ltd. Vs. Riche* where it was held that a company being a

corporate person should not be fined or punished for its own acts or an act of its agent, if it is beyond its powers and privileges.

- (b) Distribution of Rupees Ten Lacs to fine arts and science institution by a company engaged in Chemical manufacturing is 'Ultravires' the company since it is not beneficial for the sustainable growth of the company as chemical manufacturers (*Evans v. Brunner, Mood & Co. Ltd. 1921*).

10. When Prospectus need not be issued: The issue of prospectus under Section 56 of the Companies Act, 1956 is not necessary in the following circumstances even though the shares are offered and applications forms issued to the public by the company:

- (i) Where a person is a bona fide invitee to enter into an underwriting agreement with regard to shares or debentures. [Section 56(3)(a)].
- (ii) Where shares or debentures are not offered to the public [Section 56(3)(b)].
- (iii) Where shares or debentures offered are in all respects uniform with shares or debentures already issued and quoted at a recognised Stock Exchange. [Section 56(5)].
- (iv) Where the shares or debentures are offered to the existing shareholders or debenture-holders respectively [Section 56(5)].

11. According to Section 69 of the Companies Act, 1956 minimum subscription is the amount which in the opinion of the Board of Directors of the company must be raised by the issue of those shares which are offered to the public for subscription with a view to provide for the following purposes:

- (1) The purchase price of any property which requires to be out of the proceeds of the issue.
- (2) Any preliminary expenses payable by the company and any commission payable for the sale of shares.
- (3) The repayment of any monies borrowed by the company for any of the above said two matters.
- (4) Working capital.
- (5) Any other expenditure stating the nature and purpose thereof and the estimated amount.

The purpose behind the provision of minimum subscription is to prevent a company from starting its business without adequate financial resources. This is also an investor protection measure as the company has to refund the amounts collected on applications in case the minimum subscription as stated in the prospectus is not received. Shares cannot be issued immediately after the issue of prospectus According to Section 72(1), no allotment shall be made until the beginning of the 5th day from the date of issue of prospectus. This is known at the time of opening of subscription list. The subscription list

for public issues should be kept open for at least 3 working days and this fact should be stated in the prospectus. The maximum period of keeping the subscription list open is 22 days if the issue was underwritten and 10 days in other cases. The object of this provision is to give applicants sufficient time to study the prospectus and to withdraw their offer to subscribe for the shares in case they are not satisfied with the prospectus.

- 12. Issue of Further Shares:** Section 81 of the Companies Act, 1956 provides that if, at any time after the expiry of 2 years from the formation of the company or after the expiry of one year from the first allotment of shares, whichever is earlier, it is proposed to increase the subscribed capital by allotment of further shares, it should be offered to the existing equity shareholders of the company in proportion to the capital paid up on those shares.

The new shares of a company may be offered to outsiders or any persons (including the equity shareholders) if-

- (a) a special resolution to that effect is passed by the company.
 - (b) an ordinary resolution is passed and the approval of the Central Government is obtained. The Central Government will accord its approval if it is satisfied that the proposal is most beneficial to the company.
 - (c) if any shareholder to whom the shares are offered declines to accept the shares. In such a case the Board of Directors may dispose of the shares in such a manner as they think most beneficial to the company.
 - (d) if the new shares are issued within 2 years from the formation of the company or 1 year of the allotment made for the first time.
- 13. Problem relating to forged transfer:** A forged transfer is a nullity. It does not give the transferee concerned any title to the shares. Since the forgery is an illegality therefore it cannot be a source of a valid transfer of a title. Although the innocent purchaser acting in good faith could validly and reasonably assume that the person named in the certificate as the owner of the shares was really the owner of the shares represented by the certificate. Even then the illegality cannot be converted into legality. Therefore, in this case company has a right to refuse to do the transfer of the shares in the name of the transferee Q.

Here, as regards to the liability of 'P' against 'Q', 'P' does not stand directly responsible according to provisions of company law as he has already committed forgery which is illegal but 'P' is liable to compensate the company as he has lodged the forged transfer and the company has suffered the loss.

As regards to the liability of the company towards Q, the company shall be liable to compensate to Q in so far as the company had issued a certificate to transfer and was, therefore, stopped from denying the liability accruing from its own act. Further, as the company has refused to register him as a shareholder, company has to compensate Q. However, in this case the interest of the original shareholder will be protected.

14. Annual General Meeting provisions under the Companies Act, 1956:**(i) Period Within which first and the subsequent AGM must be held:**

- (a) In accordance with the provisions of the Companies Act, 1956 as contained in incorporation, and so long as the company hold its first annual general meeting within that period, the company need not hold any general meeting in the year of incorporation or in the following year [First proviso to Section 166(1)]. Further, the date of the first AGM must be within 9 months from the date of the financial year for which profit and loss account has been made,
- (b) Any subsequent AGM must be held not later than 6 months from the close of the financial year of the company. The gap between the two consecutive AGMs must not be more than 15 months [Section 166(1)]. Further the second proviso to Section 166(1) states that the Registrar may, for any special reason, extend the time within which any AGM (not being the first AGM) shall be held by a period not exceeding 3 months.

(ii) Business to be transacted at an Annual General Meeting: The following two businesses may be transacted at an annual general meeting:

- 1. Ordinary Business; Viz.
 - (a) Consideration of Annual Accounts, Directors Report etc.
 - (b) Declaration of Dividend.
 - (c) Election of Directors.
 - (d) Appointment of auditors and fixation of their remuneration.
- 2. Special Business: Any business other than above 4 shall be special business, which may be transacted at any AGM.

15. The business at a meeting is said to have been "validly transacted" if the members of the organisation or body concerned, whether or not they were present, are bound by the decision made thereat. They cannot be so bound unless the meeting is validly held. The essentials of a valid meeting are that the meeting should be:

- (a) Properly convened:, i.e. a proper notice must be sent by the proper authority to every person entitled to attend.
- (b) Properly constituted, i.e. the proper person must be in the chair, the rules as to quorum must be observed, and the regulations governing the meeting must be complied with.
- (c) Properly conducted, i.e. the chairman must conduct the proceeding in accordance with the law relating to general meetings as per the Companies Act 1956 (Sections 171 to 185), the Company's own Articles of Association or, where applicable, Table A (Regulations 47 to 63) or in the absence thereof in respect of any specific matter, by the common law relating to meetings.

II : ETHICS

16. The Fairness or Justice Approach

Aristotle and other Greek philosophers were the followers of the fairness or Justice approach contributing the idea that 'all equals should be treated equally'.

In present context, we use this idea to say that ethical actions treat all human beings equally or if unequally, then fairly based on some standard that is defensible.

This approach has both advantage and disadvantage for example, we pay people more based on their harder work or the greater amount that they contribute to an organization, that is fair. But there is a debate over CEO salaries that are hundreds of times larger than the pay of others; many ask whether the huge disparity is based on a defensible standard or whether it is the result of an imbalance of power and hence here this approach founds to be unfair.

17. **Growing Investor Pressure and Market-Based Incentives:** CSR is now more and more part of the mainstream investment scene. The last few years have seen the launch of several high-profile socially and/or environmentally screened market instruments (e.g., indexes like the Dow Jones Sustainability Indexes). This activity is a testament to the fact that mainstream investors increasingly view CSR as a strategic business issue. Many socially responsible investors are using the shareholder resolution process to pressure companies to change policies and increase disclosure on a wide range of CSR issues, including environmental responsibility, workplace policies, community involvement, human rights practices, ethical decision-making and corporate governance.
18. (a) **CSR initiatives in India:** Indian companies like Tata and Birla Groups have regularly maintained since several decades a certain level of expenditure for social and charitable causes. Some of the observations made by the Sachar Committee (1978), which was formed by Govt. of India to consider and report on the changes necessary in the form and structure of the Companies Act and MRTP Act. Though there are no Govt. directives or legal compulsions, some progressive companies in India like SAIL, BHEL, MMTC, and ONGC, etc., in the public sector and TISCO, ITC, BATA, etc., in the private sector have ventured into the field of social responsibility reporting since 1980. Companies like Infosys, Wipro, Hero Honda and Bharti Enterprises have taken various initiatives to promote and support the environment, education, health, cultural harmony and welfare in the society.
- (b) **The Global Reporting Initiative:** It is a reporting standard established in 1997 with the mission of designing globally applicable guidelines for preparing enterprise-level sustainability reports including both social and environmental indicators. The GRI is convened by CERES (Coalition for Environmentally Responsible Economies) incorporates the active participation of corporations, non-governmental organizations, international organizations, United Nations agencies, consultants, accountancy organizations, business associations, universities, and other stakeholders from around the world. The Global Reporting Initiative's (GRI) vision is

that reporting on economic, environmental, and social performance by all organizations becomes as routine and comparable as financial reporting. GRI accomplishes this vision by developing, continually improving, and building capacity around the use of its Sustainability Reporting Framework.

- 19 (a) **Correct.** Economic growth has to be environmentally sustainable. There is no economic growth without ecological costs. Industrialization and rapid development have affected the environment. Everybody should realize that such development is related to environmental damage and resource depletion.

Therefore, an element of resource regeneration and positive approach to environment has to be incorporated in development programs. Sustainable development refers to maintaining development over time. Sustainable development is development that meets the needs of the present without comprising the ability of future generations to meet their own needs. A nation or society should satisfy its social, economic and other requirement without jeopardizing the interest of future generations.

High economic growth means high rate of extraction, transformation and utilization of non-renewable resources. Therefore it is suggested that economic growth has to be environmentally sustainable because it is sure that there is no economic growth without ecological cost.

- (b) **Correct:** Water pollution is also a kind of resource depletion because contamination of air, water or land diminishes their beneficial qualities. Oceanographers have found traces of plutonium, cesium and other radioactive materials in seawater that have apparently leaked from the sealed drums in which radioactive wastes are disposed. An increase in population and economic activity in urban area has also resulted in increased demands of water. The ground water is also shrinking because of the decreasing rainfall and wastage of water.

20. The Guidelines have implicitly recognised eight consumer rights, which were made explicit in the Charter of Consumer International as follows:

- Right to basic needs
- Right to safety
- Right to choice
- Right to redress
- Right to information
- Right to consumer education
- Right to representation
- Right to healthy environment

These eight consumer rights can be used as the touchstones for assessing the consumer welfare implications of competition policy and law, and to see how they help or hinder the promotion of these rights.

III : COMMUNICATION

21.

----- Ltd.
Industrial Area, Delhi

Ref no.....

Dated:

Dear Employees,

This is for the information that Mr. Z , our chairman who has been working with us for the past 4 years has decided to discontinue the job due to health disorder.

Mr. X has been appointed as our new chairman in place of Mr. Z.

Mr. X , is a well experienced, talented and accustomed with the working of the company and understanding the needs and problems of the customers.

Mr. X will be taking the charge of the post of chairman on -----

We look forward to your continuing support.

(Secretary of the company)

22. (a) Tips for Improving Interpersonal Skills

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

- (1) **Congruency in communication elements:** If the words used are incongruent with the other interpersonal communication dynamics interpersonal communication is adversely affected. Body language, facial expression, posture, movement, and tone of voice to help emphasize the truth, sincerity, and reliability of the communication. A consistent message ensures effective communication.
 - (2) **Listening Effectively:** Effective or active listening is a 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.
- (b) Although some ethical dilemmas are more easily solved than others, all involve making evaluations and judgments about what is morally right and wrong, what is fair and what is not and what will cause harm and what will not. Ethical communication requires effective critical thinking skills, recognizing the importance of diverse perspectives, respect for the well being of self and others, taking responsibility for individual and group actions, and reflecting on the choices group members make.

Following are the guidelines to handle the communication ethical dilemmas:

Legal Considerations – One place to look for guidance is the law. If saying or writing something is clearly illegal, there is no dilemma. One has to obey the law.

Moral Considerations – Although legal considerations will resolve some ethical questions, one has often had to rely on your own judgment and principles. If your intent is honest, the statement is ethical, but if your intent is to mislead or manipulate the audience, the message is unethical, regardless of whether it is true.

Maintain Candour – Candour refers to truthfulness, honesty, and frankness in your communication with other people.

Keep Messages Accurate – When you are relaying information from one source to another, communicate the original message as accurately as possible.

Avoid Deception – Ethical communicators are always vigilant in their quest to avoid deception fabrication, intentional distortion, or withholding of information-in their communication.

Behave Consistently – One of the most prevalent yet noticeable areas of unethical behaviour is communicating one thing and doing another. You must always monitor your behaviour to ensure that it matches what you say to others.

Keep Confidences – When someone tells you something and expects you not to divulge that information to others, a sacred trust has been placed on you.

Ensure Timeliness of Communication – The timing of messages can be critical. When you delay sending messages so that others do not fully benefit, they can (rightly) assume that you have acted unethically.

Confront Unethical Behavior – To maintain a consistent ethical viewpoint, you must confront unethical behavior when you observe it.

23. A number of elements that can be used to describe or influence Organizational Culture:

- **The Paradigm:** What the organization is about; what it does; its mission; its values.
- **Control Systems:** The processes in place to monitor what is going on.
- **Organizational Structures:** Reporting lines, hierarchies, and the way that work flows through the business.
- **Power Structures:** Who makes the decisions and how power is distributed across the organization.
- **Symbols:** These include the logos and designs, but would extend to symbols of power, such as car parking spaces and executive washrooms!
- **Rituals and Routines:** Management meetings, board reports and so on may become more habitual than necessary.
- **Stories and Myths:** build up about people and events, and convey a message about what is valued within the organization.

24.

Government of India
Ministry of Labour And Employment
Press note-----

Dated-----

Subject: Reduction of Interest Rate on EPF for the year 2011-2012

The Ministry of Labour and Employment has declared 8.25% rate of interest on EPF accumulation under the Employees' Provident Funds Scheme, 1952, for the year 2011-12. It is determined by the Central Government in consultation with the Central Board of Trustees. The interest rate on the Employees Provident Fund in a particular year depends on the earning of the Fund during that year.

25.

GIFT DEED

THIS DEED OF GIFT made on thisday ofbetween S, aged about.....years, son of resident of(hereinafter called "the Donor") of the one part AND P, aged about.....years, son of, resident of(hereinafter called "the Donee") of the other part:

WHEREAS the Donor is the absolute owner in possession of the house situated at

AND WHEREAS the Donor has no issue and the Donee is the nephew of the Donor and has been living with him since childhood.

AND WHEREAS the Donor out of natural love and affection for his said nephew, the Donee, is desirous of making a gift of the said house to the donee.

NOW THEREFORE THIS DEED WITNESSES as follows:

1. That in consideration on natural love and affection of donor for the Donee, the donor hereby voluntarily transfers to the Donee free from all encumbrances whatsoever ALL the said house with ALL rights of easement, privileges assigned thereto.
2. That the Donor or his heirs shall have no interest in the said house hereafter.
3. That the Donee hereby accepts the said transfer made by the Donor.
4. That the value of the said house is Rupees -----only (₹ -----).

IN WITNESS WHEREOF the parties hereto have signed this deed at in presence of the witnesses on the date and year first hereinabove written.

Donee

Donor