

PAPER – 2: BUSINESS LAWS, ETHICS & COMMUNICATION
QUESTIONS

PART – I: BUSINESS LAWS

The Indian Contract Act, 1872

1. (a) A, a shopkeeper enters into contract with a wholesaler of a fire works for the supply of crackers of worth ₹ 50,000 on the occasion of the Diwali festive. A also makes known to the wholesaler that if he fails to supply the crackers within a reasonable time he is expected to suffer a loss during the festive season. A supplies crackers on the same day of the festival. State briefly the legal position in the light of the Indian Contract Act, 1872.
(b) Explain the legal position in respect to the co-sureties in the given situations:
 - (i) X, Y, and Z are sureties to D for the sum of ₹ 3000 lent to R. What if, R makes a default in payment.
 - (ii) X, Y and Z, as sureties for D, enters into a bond, each in different penalty, X in the penalty of 10,000, Y of 20,000 and Z of 40,000, conditioned for D's duly accounting to R. What if, D makes a default to the extent of ₹ 40,000.
2. (a) Mr. G delivered a shopkeeper to repair a watch on the payment of ₹ 100. Subsequently the shopkeeper refused to repair it for the ₹ 100 and also claimed to retain the watch until he is paid for the work done. Decide the right of G by examining the provision of the Indian Contract Act, 1872.
(b) P says to Q in the presence of and within the hearing of R that he (P) is the R's agent. Q supplied goods of ₹ 20,000 to P considering him as R's agent. State the position of R in reference to the Indian Contract Act, 1872.

The Negotiable Instruments Act, 1881

3. (a) "All cheques are bills of exchanges but all bills of exchanges are not cheques". Explain.
(b) State with reasons whether the statement is correct/incorrect:
 - (i) Oral acceptance given by drawee is valid in law.
 - (ii) Notary Public is a government servant.
4. State the law as to calculation of the maturity of negotiable instrument. What will be the due dates in the following cases of the instruments:
 - (i) A bill of exchange dated 20th November 2012, payable 4 months after date.
 - (ii) A note is made payable sixty days after sight. The note is presented for sight on 15th April, 2013.

The Payment of Bonus Act, 1965

5. (a) State which of the following statement is correct/incorrect with reasons:
- (i) Woman employee on maternity leave is not eligible for bonus.
 - (ii) Seasonal employees are exempted from the payment of bonus.
- (b) What special provisions have been laid with respect to the certain employees for the payment of bonus.

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

6. (a) State the validity of the following nominations made under the Employees Provident Funds and Miscellaneous Provisions Act, 1952:
- (i) A nominated B (his wife) and K (his friend) as nominee.
 - (ii) R, who is a single with no family, nominated S(relative) as a nominee.
- (b) X, an employee of a Tata company filed a claim for provident fund settlement with the Provident Fund Commissioner. One year past after the filing of the claim but he did not get any settlement from the authority. State in the light of the EPF & MP Act, 1952, what course of action an authority should have taken in this respect.

The Payment of Gratuity Act, 1972

7. (a) Explain the method of calculating the gratuity payable to employees in a seasonal as well as other establishments under the Payment of Gratuity Act, 1972.
- (b) A and B are the employees of P Limited. The company decided to forfeit the amount of gratuity of A and B on account of disorderly conduct and other acts which caused loss to the property belonging to the company. A and B committed the following acts:
- (i) A refused to surrender the occupied land belonging to the company.
 - (ii) B committed theft under law involving offence of moral turpitude.

Against the decision of the company, A and B applied to the appropriate authorities for relief. The company contented that the right to gratuity is not a statutory right and the forfeiture of the amount of gratuity was within the law.

Examine the validity of the argument and the decision taken by the company(P) to forfeit the amount of gratuity in the light of the Payment of Gratuity Act, 1972.

The Companies Act, 1956

8. (a) The promoters of the XYZ Ltd. incorporated on 10th September, 2012, has entered into a contract with A on 7th August, 2012 for supply of goods. After incorporation, XYZ Ltd. does not want to proceed with the contract. As a company advisor, advise the management of the company, referring to the provisions of the Companies Act, 1956.

- (b) The Secretary of a company issued a share certificate to 'A' under the company's seal with his own signature and the signature of a Director forged by him. 'A' borrowed money from 'B' on the strength of this certificate. 'B' wanted to realise the security and requested the company to register him as a holder of the shares. Explain whether 'B' will succeed in getting the share registered in his name.
9. After receiving 70% of the minimum subscription as stated in the prospectus, a company allotted 100 shares in favour of 'Mr. Ram'. The company deposited the said amount in the bank but withdrew 50% of the amount, before finalisation of the allotment, for the purchase of certain assets. Mr. Ram refuses to accept the allotment of shares on the ground that the allotment is violative of the provisions of the Companies Act, 1956. Examine whether the contention of Mr. Ram is tenable in the given condition.
10. Supremo Metals Limited wanted to provide financial assistance to its employees, to facilitate them to subscribe for certain number of fully paid shares. Being an expert in the corporate field, advise the company in this regard in the light of the Companies Act, 1956?
11. Specify the powers of the Central Government in regard to conversion of debentures and loans into shares of the company under the following heads:
- (i) When terms of issue of such debenture or terms of loan do not include term providing for an option of conversion;
 - (ii) Matters considered in determining the terms and conditions of such conversion.
 - (iii) Remedy available to the company if conversion or terms of conversion is not acceptable to it.
12. Mr. 'A', the transferee, acquired the shares of a company from Mr. 'B', the transferor. But the signature of the transferor, on the transfer deed was forged. Mr. 'A' after getting the shares registered by the company in his name, sold the certain shares to Mr. 'C' on the basis of the share certificate issued by the company. Mr. 'A' and 'C' were not aware of the forgery. State the rights of 'B', 'A' and 'C' against the company with reference to the aforesaid shares.
13. State which of the following statement is correct/incorrect with reasons:
- (i) The register of members can be inspected at any time by members only.
 - (ii) A proxy cannot be revoked.
14. State the provisions of the Companies Act regarding calling and holding of an extraordinary general meeting with respect to:
- (i) Number of members entitled to requisition a meeting.
 - (ii) Power of the tribunal to order meeting to be called under Section 186.

15. In a General Meeting of PQR Limited, the Chairman directed to exclude certain matters detrimental to the interest of the company from the minutes. M, a shareholder contended that the minutes of the meeting must contain fair and correct summary of the proceedings thereat. Decide, whether the contention of the M is maintainable under the provisions of the Companies Act, 1956?

PART – II: ETHICS

16. (a) What do you understand by the term "Acid rain". How does it adversely affect the environment?
(b) What are the United Nations' guidelines themes on consumer protection? Enumerate also the consumer rights enshrined therein.
17. Mr. Popinder Singh, a hotelier was purchasing butter regularly from Utterly Butterly Ltd. for the purpose of use in his hotel. There were defects in the goods in one of the purchase lot and as a result the Mr. Singh suffered loss of his share in competition in hotel industry. The hotelier sued the said company for this reason. The company contended that the goods were purchased for the purpose of commercial purposes and therefore, not bound. Is it a valid contention? Explain clearly the provisions of the Competition Act, 2002 in this regard.
18. Explain the role played by different committees in regulating the 'Corporate Governance'.
19. Answer whether the statement is correct or incorrect with brief reasons:
(a) 'Window-dressing of financial statements will not be useful in the long run'
(b) Company management has responsibility only towards its shareholders.
20. (a) What is meant by 'Sustainable Development'? State the special responsibilities of the industries that are based on natural resources. How the adoption of Green Accounting System helps in avoiding policy decisions which are non-sustainable for the country?
(b) What are the parameters of Competition Law?

PART – III: COMMUNICATION

21. (a) "Importance of communication is increasing day-by-day in the business organizations". State the reasons for this increasing importance.
(b) State the reasons for acceptance of change in an organization.
22. (a) What do you understand by the term Organizational Values?
(b) What are the elements in the process of communication?
23. Write Short notes on:
(a) Elements influencing Organizational Culture
(b) Features of 'groups' in an organization

24. Mr. X issued a cheque to Mr. Y for the payment on the account of purchase of the goods. Due to certain exigency in the business, X withdraws certain amount from his bank account. In order to avoid the dishonor of the cheque, he decides to stop the payment of cheque.

Write a letter requesting the Bank to stop payment of a cheque.

25. P wanted to file an ITR of its company, but due to incompleteness of audit, he wanted the extension of time to submit the same. He wrote an application to Income Tax Officer for the extension of time for the filing of an ITR. Draft an affidavit supporting the application before the Income tax officer for grant of extension of time to submit ITR.

SUGGESTED ANSWER/HINTS

1. (a) The problem is based on the 'special damages' given in the Indian Contract Act, 1872. These are the damages which are resulted from the breach of the contract under special circumstances. They constitute indirect loss suffered by the aggrieved party on account of breach of the contract. They can be recovered only on special circumstances, responsible for the special losses when were made known to the party at the time of making of the contract.

Thus special damages can be recovered only when it is expressly stipulated in the contract. The promisors must make the contract with knowledge, that promisee is entering into the contract for a special purpose. The breach of the contract may result into a special loss.

Thus accordingly in the instance, A contracts with the wholesaler for the supply of the crackers for the diwali festive and the wholesaler was well versed with the condition that delay in supply of the crackers within a reasonable time during the festive season will result a special loss to the A.

Therefore, delay in supply entitles A to claim the loss and get special damages.

- (b) **Right against Co-sureties (section 146-147):** When 2 or more persons stand as sureties for the same debts or obligation, they are termed as co-sureties. Position of co-sureties is as follows:

- (i) **when co-sureties are liable to contribute equally:** where there are 2 or more co-sureties either jointly or severally, under the same or different contracts and with or without knowledge of each other, there the co-sureties are liable as between themselves to pay each an equal share of the whole debt or that part of it which remains unpaid by the principal debtor.

Thus accordingly in the given case on the default of the payment by the principal debtor (R), the co-sureties X, Y, and Z are liable as between themselves, to pay ₹ 1,000 each.

(ii) **Liability of co-sureties bound in different sums:** Co-sureties who are bound in different sums, are liable to pay equally as far as the limits of their respective obligations permit.

Thus in the given instance, on the default of D to the extent of ₹ 40,000, X is liable to pay ₹ 10,000, Y and Z both ₹ 15,000 each.

2. (a) This given problem is related to the Bailment given in the Indian Contract Act, 1872. The provision lays down that where the bailee has rendered any service involving the exercise of labour /skill in respect of the goods bailed, there he has a right to retain such goods in his possession until he receives due remuneration for the services, he has rendered in respect of them. This right of bailee is termed as particular lien.

This right can be exercised when the services have been performed entirely and the remuneration has become due. Bailee's particular lien in contracts of service may be lost if he does not complete the work within the agreed time or reasonable time.

Accordingly in the given case, it is clearly expressed by the shopkeeper to repair the watch on the payment of ₹ 100. However later his refusal to repair the watch, does not complete the work for which he has promised and therefore he loses his right to exercise particular lien and nothing could be claimed under it.

Thus, the shopkeeper was not entitled to retain the watch.

- (b) The given problem is related to 'agency created by estoppel'. According to the provision given in the Indian Contract Act, 1872, where a person permits or represents another to act on his behalf, so that a reasonable man would infer that the relationship of principal and agent has been created, he will be permitted to relieve himself of his obligations to a third party by proving that no such relationship in fact existed, provided that the third party acted in reliance on his assumption and to his detriment, the principal will be stopped from denying his agent's authority.

Accordingly in the given case, the third party (Q) had supplied the goods to P on the belief that he is agent of the R as he represented the existence of the agency between them. R, by being silent conveyed the same to the Q.

Thus, R is responsible for the payment of the price of the goods supplied.

3. (a) On account of the similarities and the difference between the cheque and bill of exchange it can be said that *"All cheques are bills of exchanges but all bills of exchanges are not cheques"*.

It has following similarities:

- Both are the bills of exchange.
- Both have three parties, the drawer, drawee and the payee.
- The drawer and the payee may be one and the same person in both the

instruments.

- Both must be written and signed
- Both must contain an unconditional order to pay a certain sum of money.
- Both may be endorsed.

Difference between Cheque and Bill of Exchange :

- In the case of a cheque the drawee- i.e., the person on whom the bill is drawn- must always be banker whereas in the case of a bill of exchange the drawee may be any person.
- No days of grace are allowed in the case of a cheque, and a cheque is as a rule, payable on demand, whereas three days' grace is allowed in the case of a bill.
- In the case of a dishonour of a cheque, notice of dishonour is not necessary whereas notice of dishonour is usually required in the case of a bill.
- A cheque can be drawn to bearer and made payable on demand, whereas a bill cannot be drawn to bearer if it is made payable on demand.
- Cheques do not require to be stamped whereas bills must be stamped according to the law in India.
- A cheque may be crossed, whereas a bill cannot be crossed.

(b) (i) The given statement is **incorrect**: Acceptance must be given in written by the drawee. He may use any appropriate word to convey his assent. It may be sufficient acceptance even if just a bare signature is put without additional words. Thus, an oral acceptance is not valid in law.

(ii) The statement is **correct**. A Notary public is appointed by the Central or State Government. His functions are to attest deeds, contracts and other instruments that are to be used abroad and to give a certificate of due execution of such documents. He enjoys the confidence of the business world, and any certificate given by him is presumed to be true by a court of law.

4. The provisions(Sections 22-25) given in the Negotiable Instruments Act,1881 lays down the rule relating to the calculation of the maturity period of the Negotiable instruments. The date on which a negotiable instrument falls due for payment is called the date of maturity of the instrument.

Calculation of maturity of a Bill of Exchange: The maturity of a bill, is at maturity on the third day after the day on which it is expressed to be payable (Section 22, para 2 of Negotiable Instruments Act, 1881). Three days are allowed as days of grace. No days of grace are allowed in the case of bill payable on demand, at sight, or presentment.

1. **When a bill is made payable at stated number of months after date-** the period stated terminates on the day of the month which corresponds with the day on which the instrument is dated. When it is made payable after a stated number of months after sight the period terminates on the day of the month which corresponds with the day on which it is presented for acceptance or sight or the event happens. (Section 23).
2. **When a bill is made payable a stated number of months after sight and has been accepted for honour-** the period terminates with the day of the month which corresponds with the day on which it was so accepted.
3. **If the month in which the period would terminate has no corresponding day-** the period terminates on the last day of such month (Section 23).
4. In calculating the date **a bill made payable after a certain number of days after date or after sight or after a certain event is at maturity**, the day of the date, or the day of presentment for acceptance or sight or the day of protest for non-acceptance, or the day on which the event happens shall be excluded (Section 24).
5. **Three days of grace are allowed** to these instruments after the day on which they are expressed to be payable (Section 22).
6. **When the last day of grace falls on a day which is public holiday**, the instrument is due and payable on the next preceding business day (Section 25).

Thus according to the above provisions, in the first case, where a bill of exchange dated 20th November 2012, is payable on 4 months after date, there the instruments falls due for payment on 23 March, 2013.

Whereas in the second case, promissory note presented for sight on 15th April, 2013 made payable 60 days after sight, there the due date of the instrument will fall on third day after 14th June, 2013 i.e., 17th June, 2013.

5. (a) (i) The given statement is **incorrect**. As per section 14 of the Payment of Bonus Act, 1965 , a female employee who is on maternity leave is eligible for bonus since she is deemed to be on duty during her maternity leave.
- (ii) The given statement is **incorrect**. As per the provision given in the Payment of Bonus Act, 1965, seasonal employees are entitled to bonus, if they worked for 30 days in the relevant accounting year.
- (b) The Payment of Bonus Act, 1965 states the special provisions/laws related to the payment of bonus to certain employees linked with production/ productivity. The provisions says that-

Sometimes employees may enter into an agreement or settlement with their employers for the payment of an annual bonus linked with production or productivity in lieu of bonus based on profits, as is payable under the Payment of Bonus Act.

Accordingly, when such an agreement has been entered into, the employees are entitled to receive bonus as per terms of the agreement/settlement.

The above provision is subject to the following restrictions:

- (i) Any such agreement/settlement whereby the employees relinquish their right to receive minimum bonus under Section 10, shall be null and void in so far as it purports to deprive the employees of the right of receiving minimum bonus.
 - (ii) If the bonus payable under such agreement exceeds 20% of the salary/wages earned by the employees during the relevant accounting year, such employees are not entitled to the excess over 20% of salary/wages.
6. (a) (i) The nomination of B by A is valid being a family member but the nomination of the friend(K) is not valid being a friend.
- (ii) The nomination of S by R is valid because he does not have a family.
- (b) The Provident Fund claims, completed in all respects submitted along with the requisite documents shall be settled and the benefit amount paid to the beneficiaries(X, an employee in the given case) within 30 days from the date of its receipt by the Commissioner. If there is any deficiency in the claim, the same shall be recorded in writing and communicated to the applicant within 30 days from the date of receipt of such application. In case the Commissioner fails without sufficient cause to settle a claim complete in all respects within 30 days, the Commissioner shall be liable for the delay beyond the said period and penal interest at the rate of 12% per annum may be charged on the benefit amount and the same may be deducted from the salary of the Commissioner.
7. (a) **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 latter are entitled to receive gratuity at the rate of 7 days for each season.

- (b) **Forfeiture of Gratuity:** In accordance with the provisions of Section 4(6) of the Payment of Gratuity Act, 1972, if the services of any employee have been terminated for any act, willful omission, or negligence causing any damage or loss to or destruction of, property belonging to the employer, the gratuity shall be forfeited to the extent of the damage or loss so caused; and if the services of such an employee have been terminated for any act which constitutes an offence involving moral turpitude, provided that such offence is committed by him in the course of his employment, the gratuity payable to the employee may be wholly or partially forfeited.

The problem asked in the question is based on the above provisions and the provisions of Section 4(1) of the Payment of Gratuity Act, 1972. Accordingly, gratuity shall be paid to the employee when he completes five years of continuous service on his superannuation, or on his retirement or resignation, or on his death or disablement due to accident or disease. The condition of the completion of five years' continuous service is not essential in case of the termination of the employment of any employee due to death or disablement. Looking to the provisions of Section 4(1), it is clear that withholding of gratuity is not permissible under any circumstances, except under those circumstances covered by Section 4(6). The right to gratuity is a statutory right and none can be deprived of it except as provided by the law.

Therefore, the contention of P Ltd. is wrong, to that extent.

The correctness of the decision taken by P Ltd. regarding forfeiture of the gratuity amount of its employees A and B, may be tested in the light of Section 4(6) of the Payment of Gratuity Act, 1972 as referred above.

- (i) Accordingly, the refusal of an employee to surrender the occupied land belonging to the company is not sufficient ground to withhold gratuity under Section 4(6) of the Payment of Gratuity Act, 1972 [Relevant caselaw *Travancore Plywood Industries Ltd. vs. Regional Joint Labour Commissioner (1966) 11 LLJ 85 Ker*] Hence, A's gratuity cannot be withheld.
- (ii) The offence of theft committed by B, under law involves moral turpitude and his gratuity stands wholly forfeited in view of Section 4(6) of the Act [relevant case is *Bharat Gold Mines Ltd vs. Regional Labour Commissioner, 1987, 70 FJR 11 (Karnataka)*].

8. (a) Pre-incorporation contracts in general are *void ab initio*, and hence not binding on the company. However, under Section 19(e) of the Specific Relief Act, 1963, the party to the contract can enforce the contract against the company, if
- (i) the company had adopted the same after incorporation; and
 - (ii) the contract is warranted by the terms of incorporation.

Thus, unless the company adopts the contract, the other party cannot enforce the same against the Company. However, promoters of the company (XYZ Ltd.) can be held personally liable.

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

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

9. **Allotment of Shares:** The company has received 70% of the minimum subscription as stated in the prospectus. Hence, the allotment is in contravention of provision given in the section 69(1) of the Companies Act, 1956 which lays down the law relating to the 'prohibition of allotment unless minimum subscription received' and the allotment is irregular attracting the provision given in the section 71 of the Companies Act, 1956 which states the effect of irregular allotment.

The consequences of such irregular allotment are as follows: The allotment is rendered voidable at the option of the applicant. The option must however be exercised -

- (i) Within 2 months after the holding of the statutory meeting of the Company; or
- (ii) Where the Company is not required to hold a statutory meeting or where the allotment is made after the holding of the statutory meeting, within 2 months after the date of allotment [Section 71(1)].

The irregular allotment is voidable even if the company goes into liquidation on the meantime [section 71(2)].

In view of the above, refusal by 'Ram' to accept the allotment of shares on the ground that the allotment is violative of the provisions of the Companies Act, is valid provided he has exercised his option to avoid the allotment within the period mentioned in Section 71(1) of the Companies Act, 1956.

The Company has also violated the provisions of Section 69(4) of the Companies Act, 1956 in withdrawing 50% of the amount deposited with the bank before receiving the entire amount payable on application for shares in respect of the minimum subscription.

Thus the contention of Mr. Ram is tenable.

10. **Financial assistance for purchase of own shares:** Section 77 of the Companies Act, 1956 provides that no public company and no private company being a subsidiary of a public company, can give financial aid to any person, either directly or indirectly and whether by way of loan, guarantee or surety or otherwise, for or in connection with purchase or subscription made or to be made of any of its own shares or of its holding company.

There are, however, certain exceptions to this rule, namely-

- (a) a banking company may lend money for the purpose in the ordinary course of its business but not on the security of its own shares, or
- (b) The company in pursuance of a scheme for the purchase of or subscription for fully paid shares of the company (or those of its holding company) to be held by trustees for the benefit of the employees of the company, may advance loan for the purpose.
- (c) The company may advance a loan to a person bonafide in its employment (other than directors or managers) to enable them to purchase or subscribe for fully paid shares for an amount not exceeding their salary or wages for a period of six months. (section 77)

However, the exception to this rule allows making of loans by a company, to its bonafide employees for purchasing or subscribing to the fully paid shares of the company. The section further provides that such financial assistance should not be exceeded six months' wages or salary of the employee.

11. (i) Under section 81 of the Companies Act, 1956 where any debentures have been issued to or loans have been obtained from the Government by a company, whether such debentures have been issued or loans have obtained before or after the commencement of the Companies (Amendment) Act, 1963 (w.e.f. 1.1.1964), the Central Government may, if in its opinion it is necessary in the public interest so to do, by order direct that such debentures or loans or any part thereof shall be converted into shares in the company on such terms and conditions as appear to that Government to be reasonable in the circumstances of the case, even if the terms of issue of such debentures or the terms of such loans do not include term providing for an option for such conversion.

- (ii) In determining the terms and conditions of such conversion, the Central Government shall have due regard to the following circumstances:
- (i) The financial position of the company;
 - (ii) The terms of issue of the debentures or the terms of the loans, as the case may be;
 - (iii) The rate of interest payable on the debentures or the loans;
 - (iv) The capital of the company, its loan liability, its reserves, its profits during the preceding five years; and
 - (v) The current market price of the shares in the company.

A copy of every order proposed to be issued by the Central Government shall be laid in draft before each House of Parliament.

- (iii) Remedies open to the company: If the terms and conditions of such conversion are not acceptable to the company, the company may, within 30 days from the date of communication of such order or within such further time as may be granted by the Court, prefer an appeal to the court in regard to such terms and conditions and the decision of the Court on such appeal and, subject only to such decision, the order of the Central Government shall be final and conclusive.

12. According to Section 84(1) of the Companies Act, 1956, a share certificate once issued amounts to a declaration by the company to all the world that the person in whose name the certificate is made out and to whom it is given is a share holder in the company; in other words, the company is estopped from denying his title to the shares. However, a forged transfer is a nullity. It does not give the transferee (A) any title to the shares. If the company acts on a forged transfer and removes the name of the real owner (B) from the Register of Members, then the company is bound to restore the name of B as the holder of the shares and to pay him any dividends which he ought to have received (*Barton v. North Staffordshire Railway Co.* 38 Ch D 456).

In the above case, 'C' being the bona fide purchaser must be compensated by the company. 'C' shall have therefore a right to claim the market price of those shares at that time. However 'C' cannot insist on being placed on the register of members to which 'B' alone is eligible as he cannot be said to have consented to the transfer. 'A' shall of course be liable to the company to indemnify the loss on account of payment to 'C'. Similar decision was given in *Dixon v. Kennaway*.

13. (i) The given statement is **incorrect**. The register of members shall be open during business hours for atleast two hours in each day to the inspection of any member without any fee and to any other person on payment of specified fee[Section 163(2)].

- (ii) The given statement is **correct**. It is a general rule that a proxy cannot be revoked unless the notice of death, insanity, or transfer of shares is received by the company before meeting/adjourned meeting.
14. (i) Number of members entitled to requisition an extraordinary general meeting:
- (a) **in the case of a company having a share capital**, such number of members who hold at the date of requisition, not less than 1/10th of such of the paid up capital of the company as at that date carries the right of voting in regard to that matter;
- (b) **in the case of a company not having a share capital**, such number of members who have at the date of deposit of requisition not less than 1/10th of the total voting power of all the members having at the said date a right to vote in regard.
- (ii) **Power of Tribunal to order meeting to be called under Section 186:**
- If for any reason it is impractical to call a meeting, other than an annual general meeting, in any manner in which meetings of the company may be called, or hold or conduct the meeting of the company in the manner prescribed by the Act or the articles, the Tribunal may, either on its own motion or on the requisition of:
- (a) Any director of the company or of any member of the company who would be entitled to vote at the meeting;
- (b) Order a meeting of the company to be called, held and conducted in such manner as the Tribunal thinks fit; and
- (c) Give such ancillary or consequential directions as the Tribunal thinks expedient, including directions modifying, or supplementing in relation to the calling holding and conducting of the meeting, the operations of the provisions of the Companies Act, 1956 and of the company's articles. The Tribunal may give direction that one member present in person or by proxy shall be deemed to constitute a meeting with such order shall, for all purposes, be deemed to be a meeting of the company duly called, held and conducted.
15. As per the provision given in the Companies Act, 1956 any matter which in the opinion of the Chairman of the meeting:
- (i) is or could reasonably be regarded as defamatory of any person;
- (ii) is irrelevant or immaterial to the proceeding; or
- (iii) is detrimental to the interests of the company;

There the chairman shall have the discretion in regard to the inclusion or non inclusion of any matter in the minutes on the grounds specified above.

The Chairman enjoys an absolute discretion in the regard.[Section 193 (5)]

Hence, the contention of M, a shareholder of PQR Limited is not valid because the Chairman has discretion on the inclusion or exclusion of any matter in the minutes for aforesaid reasons.

16. (a) Acid rain is a threat to the environment that is closely related to the combustion of fossil fuels (oil, coal, and natural gas), which are heavily used by industries to produce electricity. Burning fossil fuels, particularly coal containing high levels of sulphur, releases large quantities of sulphur oxides and nitrogen oxides into the atmosphere. When these gases are carried into the air, they combine with water vapour in clouds to form nitric acid and sulphuric acid. These acids are then carried down in rain, which often falls hundreds of miles away from the original sources of the oxides raising the acidity of the water sources. It falls directly on trees and other vegetation and also get soaked into soils. Numerous studies have shown that many fish populations and other aquatic organisms are unable to survive in lakes and rivers that have become highly acidic due to acid rain. Other studies have shown that acid rain directly damages forests and indirectly destroys the wildlife and species that depend on forests for food and breeding. Acidic rainwater can also contaminate drinking water. Acid rain can corrode and damage buildings, statues, and other objects, particularly those made of iron, limestone, and marble.

- (b) The UN Guidelines call upon governments to develop, strengthen and maintain a strong consumer policy, and provide for enhanced protection of consumers by enunciating various steps and measures around eight themes (UNCTAD, 2001). These eight themes are:

1. Physical safety
2. Economic interests
3. Standards
4. Essential goods and services
5. Redress
6. Education and information
7. Specific areas concerning health
8. Sustainable consumption

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.

17. The problem as asked in the question is based on the provisions of Section 2(f) of the Competition Act, 2002. The Section provides that “consumer” means any person who buys any goods for a consideration which has been paid or promised or partly paid or partly promised or under any system of deferred payment and includes any user of such goods other than the person who buys such goods for consideration paid or promised or partly paid or partly promised or under any system of deferred payment when such use is made with the approval of such person whether such purchase of goods is for resale or for any commercial purpose or for personal use.

Hence section 2(f) of the Competition Act, 2002 provides that whether purchase of goods is for any commercial purposes or resale or for personal use, the purchaser is a consumer. Thus, consumer will also include a person who purchases goods for commercial purposes. Therefore, the contention of Utterly Butterly Ltd. is not valid and hence not tenable.

18. **Role of different committees in regulating corporate governance:** The core roles of the various committees in regulation of corporate governance are as follows:
- (i) **Board of Directors:** The Board's role is that of trusteeship to protect and enhance shareholders' value through strategic supervision. The strategy should aim at accountability and fulfillment of goals.
 - (ii) **Audit Committee:** They have to provide assurance to Board on adequacy of internal control systems and financial disclosures.
 - (iii) **Compensation Committee:** The committee has to recommend to the Board compensation terms for executive Directors and the senior most level of management below the Executive Directors.
 - (iv) **Nomination Committee:** It is to recommend to the Board nominations for membership of the Corporate Management Committee and the Board, and oversee succession to the senior most level of management below the Executive Directors.
 - (v) **Investor Services Committee:** It is to look into redressal of Shareholders' and Investors' grievances, approval of transmissions, sub-division of shares, issue of duplicate shares etc.

- (vi) **Corporate Management Committee:** Its primary role is strategic management of company's businesses within Board's approved direction/framework.
 - (vii) **Divisional Management Committee:** It is to realize tactical and strategic objectives in accordance with Corporate Management Committee/Board approved plan.
19. (a) **Correct:** In window-dressing, efforts are made to show a 'good balance-sheet' by manipulating the 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 regularized. Window dressing can go on for 2 or 3 years but not more than that. Eventually, it will lead to the downfall of the company.
- (b) **Incorrect:** Company management is responsible not only towards its shareholders but also to other stake holders 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 the society as a whole. These stakeholders have certain rights with regard to how the business operates.
20. (a) **Sustainable Development:** Literally sustainable development refers to maintaining development over time. It may be defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. A nation or society should satisfy its requirements – social, economic and others – without jeopardizing the interests of future generations.

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

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

Green accounting systems: Conventional accounts may result in policy decisions which are non-sustainable for the country. Green accounting on the other hand is, focused on addressing such deficiencies in conventional accounts with respect to environment. If the environmental costs are properly reflected in the prices paid for goods and services then companies and ultimately the consumer would adjust market behaviour in a way that would reduce damage to environment, pollution and waste production. Such measures would facilitate the approach of 'polluter pays principle'. Removing subsidies that encourage environmental damage is another measure.

(b) **The parameters of Competition Law are:**

Prohibition of certain agreements, which are considered to be anti-competitive in nature. Such agreements [namely tie in arrangements, exclusive dealings (supply and distribution), refusal to deal and resale price maintenance] shall be presumed as anti-competitive if they cause or likely to cause an appreciable adverse effect on competition within India.

Abuse of dominant position by imposing unfair or discriminatory conditions or limiting and restricting production of goods or services or indulging in practices resulting in denial of market excess or through in any other mode are prohibited.

Regulation of combinations which cause or likely to cause an appreciable adverse affect on competition within the relevant market in India is also considered to be void.

21. (a) **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:

- (i) **Growth in the size and multiple locations of organization:** Most of the organizations are growing larger and larger 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.
- (ii) **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 a meaningful relationship be built between the management and workers.
- (iii) **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.
- (iv) **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.
- (v) **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.

(vi) 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.

(b) Generally, people resist change in an organization. Even after there are some people who accept or welcome change due to the following reasons:

1. **Personal Gain:** People will be more likely to accept change when they see the possibility that they will gain in some of the following areas:-

- Increased security
- Money
- More authority
- Status/Prestige
- Better Working Conditions
- Self-Satisfaction
- Better Personal Contracts
- Less time and efforts

2. **Other factors:**

- Provide a new challenge
- Respects/like the source
- Likes the way change is being communicated
- Reduces boredom
- Provides opportunity for input
- Improve future

Perception, that the change is necessary.

22. (a) **Organization Values:** Values are the principles and ideas that people or organizations strongly believe in and consider important. When people are in doubt about decisions, they frequently rely on deep-seated values to help them make the right choice. In organizations, reliance on shared values makes setting goals easier in the face of the competing ideas, desires, and objectives of individual employees.

One can get a good idea about the values of an organization by examining its vision and mission statement. These statements are short descriptions of the purpose of organizations and the directions they try to take to achieve success. Many

organizations post their vision and mission statements in several places so that employees know what the organization values are.

- (b) **Process of Communication:** Communication is a two-way process in which there is an exchange of ideas or thoughts linking the sender and receiver towards a mutually accepted direction or goal consisting of 7 elements which are as under:
- (i) **Sender:** The process of communication begins with a sender, the person who has an idea and desires to exchange it.
 - (ii) **Encoding:** The sender puts his/her ideas or facts into words, symbols, pictures or gestures that the receiver can understand.
 - (iii) **Message:** A message refers to what is being communicated. It may be verbal or non-verbal.
 - (iv) **Channel:** Channel is the medium through which message is transmitted to the sender. Channel may be in oral or written forms.
 - (v) **Receiver:** It is any person who notices and attaches some meaning to a message.
 - (vi) **Decoding:** The receiver translates the words and symbols used in the message into ideas and interpret it to attain its meaning.
 - (vii) **Feedback:** Ultimately receiver reacts or responds to the communication sent by the sender. It could be based on clear interpretation of the symbols sent or misunderstanding or misinterpretation of the symbols sent.
23. (a) **Elements of Culture:** A number of elements that can be used to describe or influence Organizational Culture are:
- **The Paradigm:** What the organization is about; what it does; its mission and 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.

- (b) The features of groups in an organization:
- (i) **Group Goal:** Every group establishes its own group goals that provide motivation for their existence.
 - (ii) **Group Structure:** It is based on the roles to be performed.
 - (iii) **Group Patterns of Communication:** It is the pattern of message flow in a group.
 - (iv) **Group Climate:** It is the emotional environment of a group based on:
 - Bonding and trust among members
 - Participative spirit
 - Openness and
 - High performance goals

24. Letter requesting to stop payment of a cheque

The Manager,
Bank of India,
Delhi

17th June, 2013

Reg: Stop Payment of cheque No. ----- dated ----- for ₹-----
favouring Y

Dear Sir,

Please stop the payment of the cheque no.----- dated ----- for the
₹----- favouring Y.

Please acknowledge the receipt of the letter.

Yours faithfully,

X

(customer)

25. Affidavit

I, P S/o-----Aged-----R/o----- hereby declare on oath as follows:

1. That the return of Income tax of my company was to be filed by the----- (Date).
2. That the notice under the the Income Tax Act has been served requiring the company to file its return of income by the ----- (Date).

3. That the accounts of the company are closed on 31st March every year and they are under the audit.
4. That since the audit is in progress and has not been completed till now----- (Date), I had made an application for extension of time in your office and I was made to understand that the extension of time will be allowed till -----(Date).

I, P, the deponent do hereby verify that the above stated contents are true to the best of my knowledge and belief.

Date:.....

Signature

Place:.....

(P)