

PAPER – 3 : LAW, ETHICS AND COMMUNICATION

PART – I

Question Nos. 1 and 2 are compulsory.

Attempt any eight questions from rest.

Question 1

- (a) P appoints A as his agent to sell his estate. A, on looking over the estate before selling it, finds the existence of a good quality Granite-Mine on the estate, which is unknown to P. A buys the estate himself after informing P that he (A) wishes to buy the estate for himself but conceals the existence of Granite-Mine. P allows A to buy the estate, in ignorance of the existence of Mine. State giving reasons in brief the rights of P, the principal, against A, the agent.

What would be your answer if A had informed P about the existence of Mine before he purchased the estate, but after two months, he sold the estate at a profit of Rs. 1 lac?

(5 Marks)

- (b) (i) State with reasons whether the following statements are correct or incorrect:
- (a) In a contract of guarantee, forbearance by the creditor to sue the Principal Debtor discharges the surety.
- (b) A pledge of documents of title to goods by a mercantile agent is a valid pledge.

(2×1 = 2 Marks)

- (ii) Pick-up the correct answer from the following and give reasons:

- (a) If time is the essence of the contract and there is a failure to perform the contract by the specified time, the contract:

- (1) becomes voidable at the option of the promisee
(2) becomes unenforceable
(3) becomes void
(4) remains valid.

- (b) A contingent contract is:

- (1) valid
(2) void
(3) voidable
(4) illegal.

- (c) A Promissory-note drawn jointly by X, a minor and Y, a major is:
- (1) void
 - (2) valid but not negotiable
 - (3) valid but can be enforced only against Y
 - (4) None of the above.
- (3×1 = 3 Marks)

Answer

- (a) Agent's duty to disclose all material circumstances & his duty not to deal on his own account without principal's consent. (Sections 215 and 216 of the Indian Contract Act, 1872): The problem is based on Sections 215 & 216 of the Indian Contract Act, 1872. According to Section 215, if an agent deals on his own account in the business of the agency, without obtaining the consent of his principal and without acquainting him with all material circumstances, then the principal may repudiate the transaction. On the other hand, Section 216 provides that: if an agent, without the knowledge of his principal, acts on his own account in the business of the agency, then the principal may claim any benefit which may have accrued to the agent from such a transaction. Hence in the first instance, though P had given his consent to A permitting the latter to act on his own account in the business of agency, P may still repudiate the sale as the existence of the mine, a material circumstance, had not been disclosed to him.

In the second instance, P had knowledge that A was acting on his own account and also that the mine was in existence; hence P cannot repudiate the transaction under Section 215. Also, under Section 216, he can not claim any benefit from A as he had knowledge that A was acting on his own account in the business of the agency.

- (b) (i) (a) Incorrect: According to Section 137 of Indian Contract Act, 1972, the surety is not discharged in such a case.
- (b) Correct: It is one of the statutory exceptions to the general rule that a valid pledge can be created only by the owner. (Section 178 of the Indian Contract Act, 1872)
- (ii) (a) (1) is the correct answer : Because if time is the essence of the contract it must be performed within a reasonable time otherwise it becomes voidable at the option of the promisee.
- (b) (1) is the correct answer : Contingent contract is a contract to do or not to do something, if some event collateral to such contract does or does not happen.
- (c) (3) is the correct answer : because a minor can draw a promissory note to bind all parties except himself (Section 26 of the Negotiable Instruments Act, 1881).

Question 2

- (a) MN Limited held its Annual General Meeting on 27th March, 2008. Mr. M, the Chairman of the said meeting died on 1st April, 2008, when minutes of the annual general meeting were not yet recorded and signed. How would you deal with the situation? Would your answer be different in case the meeting held on 27th March, 2008 was a Board meeting? (5 Marks)
- (b) (i) State whether the following statements are True or False and give reasons.
- (a) A certificate of incorporation issued by the Registrar of Companies is not valid if all the signatures of the subscribers to memorandum of association have been forged.
- (b) A Public Company can issue either redeemable or irredeemable preference shares. (2 x 1=2 Marks)
- (ii) Pick-up the correct answer from the following and give reasons:
- (a) A Public Company need not offer further shares to existing shareholders, if:
- (i) Ordinary resolution is passed to that effect by the company in General meeting.
- (ii) Special resolution is passed to that effect by the company in General meeting.
- (iii) Resolution is passed by Board of Directors and approved by Company Law Board.
- (iv) Special resolution is passed by the Company in General meeting and approved by Registrar of Companies.
- (b) Resolution requiring special notice is required
- (i) For appointment of a person other than the retiring auditor as auditor at the Annual General Meeting
- (ii) For removing a Director before the expiry of the period of his office
- (iii) For both (1) and (2)
- (iv) For None of the above.
- (c) Quorum for a General meeting of a Public Company is
- (i) 5 members present in person or by proxy
- (ii) 3 members personally present as required by the Articles of Association of the Company
- (iii) 5 members personally present
- (iv) 2 members personally present. (3×1 = 3 Marks)

Answer

- (a) Minutes of Meetings (Section 193 (1A) of the Companies Act, 1956): The problem is based on the provisions of Section 193 (1A) of the Companies Act, 1956. In the case of General Meetings minutes are to be recorded and signed by the Chairman of the meeting within a period of 30 days from the conclusion of the General Meeting or in the event of death or inability of the Chairman, by the director duly authorized for the purpose. As the Chairman of the meeting (Mr. M.) died on 1st April 2008, a Board Meeting has to be convened immediately and one of the directors present at the meeting must be authorized to sign the minutes of AGM held on 27th March, 2008 within a period of 30 days from the conclusion of the said meeting.

In the case of Board Meetings the minutes are to be recorded within a period of 30 days from the conclusion of the meeting, but it can be signed either by the Chairman of the said meeting or the Chairman of the next succeeding meeting [Section 193 (1) and Section 193 (1A) (a)] . So it is enough if the minutes are recorded within 30 days from 27th March 2008, but it can be signed by the Chairman of the next Board Meeting.

- (b) (i) (a) False (incorrect): Because according to Section 35 of the Companies Act, 1956 a certificate of incorporation is conclusive evidence that all the requirements of the Companies Act, 1956 in respect of registration have been complied with.
- (b) False (Incorrect): Because according to Section 80 (5A) of the Companies Act, 1956 a company cannot issue irredeemable preference shares or redeemable after a period of 20 years.
- (ii) (a) (2) is the correct answer. According to Section 81 (1) of the Companies Act, 1956 further shares can be offered to persons other than existing shareholders if special resolution to that effect is passed by the company in general meeting.
- (b) (3) is the correct answer because it has been so provided in Section 190, Section 225 and Section 284 (2) of the Companies Act, 1956.
- (c) (3) is the correct answer because according to Section 174, five members personally present will constitute quorum unless the Articles provide for a larger number.

Question 3

A workshop is employing 50 workmen. A shop-supervisor is drawing monthly wages of Rs. 9,000. HRD paid annual bonus to all employees except the supervisor. The Supervisor contends that he is also entitled to bonus. Referring to the provisions of the Payment of Bonus Act, 1965 decide whether the HRD's action is correct. (5 Marks)

Answer

Problem: Quantum of Bonus (The Payment of Bonus Act, 1965)

The HRD view is not correct. The limit for payment of bonus was Rs.3500 p.m. being the wages as defined in the Payment of Bonus Act, 1965. This upper limit has been revised to Rs.

10,000 p.m. by way of notification dated 15th November 2007, therefore the contention of supervisor is correct.

Alternate answer in view of notification coming into effect from 15th November, 2007.

Note: The Notification came w.e.f. 15th November, 2007. Normally a Notification is given effect for the purposes of examination provided it is atleast 6 months prior to the date of examination. In view of the fact it was intended by us to give effect from November, 2008 examination. In view of it most of the students might not be aware of the Notification and might have written answer based on the old ceiling limits.

Due credit should be given to the students who wrote answers on the limits Rs.3,500 instead of Rs.10,000. In such cases the HRD view is correct.

Question 4

What is meant by 'Presentment' of a bill of exchange under the Negotiable Instruments Act, 1881? When is such a bill of exchange presented for payment? State when is the presentment not necessary. (5 Marks)

Answer

Presentment of Bill of Exchange (Section 76 of the Negotiable Instruments, Act, 1881): "Presentment" means showing the instrument to the drawee or acceptor to make payment as per conditions. Generally, presentment is made during normal business hours. In the case of fixed period bill or after sight bill it must be presented on its maturity.

Section 76 of the Negotiable Instruments Act, 1881 provides the conditions whereunder presentment is unnecessary.

When the presentment of bill is not necessary, it means that the instrument is taken as dishonoured at the due date for presentment even though it has not been presented. The result is that the holder may sue the party liable without presentment and the plea that the instrument was not presented for payment is not a defense to the claim of the holder

- (a) When drawer or acceptor knowingly prevents it; or
- (b) Is absent at such place and time despite search.
- (c) If payment is made voluntarily.
- (d) The party paying is aware that it has not been presented;
- (e) When payment is made or he promises to pay part or whole amount.

Question 5

Describe in brief the mode of transfer of balance to the credit of Provident Fund Account of an employee leaving one organisation and joining another organisation, to the new employer under the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. (5 Marks)

Answer

Transfer of balance of P.F. (Section 17-A of the Employee's Provident Funds and M.P. Act, 1952): Where an employee of an establishment to which this Act applies leaves his employment and obtains re-employment in another establishment to which this Act does not apply, the amount of accumulations to the credit of such employee in the Fund or, as the case may be, in the provident fund in the establishment left by him shall be transferred to the credit of his account in the provident fund of the establishment in which he is re-employed, if the employee so desires and the rules in relation to that provident fund permit such transfer. This transfer has to be made within such time as may be specified by the Central Government in this behalf [Sub-section (1)].

Conversely, when an employee of an establishment to which this act does not apply leaves his employment and obtains re-employment in another establishment to which this Act applies, the amount of accumulations to the credit of such employee in the provident fund of the establishment left by him, if the employee so desires and the rules in relation to such provident fund permit, may be transferred to the credit of his account in the fund or as the case may be, in the provident fund of the establishment in which he is re-employed [Sub-section (2)].

Question 6

'A' draws a bill of exchange payable to himself on 'X'. Who accepts the bill without consideration just to accommodate 'A'. 'A' transfers the bill to 'P' for good consideration. State the rights of 'A' and 'P'.

Would your answer be different if 'A' transferred the bill to 'P' after maturity? (5 Marks)

Answer

Accommodation Bill: Problem (Sections 43 and 59 of the Negotiable Instruments Act, 1881)

The problem is based on the provisions of Sections 43 and 59 of the Negotiable Instruments Act, 1881.

'A' cannot recover from 'X' because it is an accommodation bill drawn by 'A' and accepted by 'X' without consideration. According to Section 43, an instrument without consideration creates no obligation between the parties to the transaction i.e. 'A' and 'X' in this case.

Section 43 also provides that if such a bill is transferred to a holder for consideration, such holder may recover the amount due on such instrument from the transferor for consideration or any prior party thereto. Hence 'P' in this case can recover the amount from 'X' and 'A'.

According to Section 59, in the case of accommodation bills, a defect in the title of the transferor does not affect the title of holder acquiring after maturity. Hence the answer will be the same even if 'P' has acquired the bill for consideration after maturity.

Question 7

Examining the provisions of the Payment of Gratuity Act, 1972, state whether gratuity is payable to an employee for the periods when he does not actually work in the organisation. Explain the manner in which gratuity is calculated for regular employees. (5 Marks)

Answer

Periods for which Gratuity Payable: Manner of Calculation (The Payment of Gratuity Act, 1972).

Yes, the periods for which gratuity is payable to an employee even if he does not actually work in the organization are the following:

1. Lay off under the Industrial Disputes Act, 1947.
2. Leave with full wages.
3. Maternity leave for female employees.
4. Absence due to temporary disablement caused during employment.

Quantum of gratuity payable is 15 days' wages on the last drawn wages/ every completed year of service subject to a maximum of 15 months' wages.

Question 8

A Public Company proposes to issue 'Sweet Equity Shares' to its employees. Referring to the provisions of the Companies Act, 1956, state the conditions required to be fulfilled by the Company. (5 Marks)

Answer

Sweat Equity Shares: Conditions (Section 79A of the Companies Act, 1956)

Sweat Equity shares may be issued by a public company if the following conditions are fulfilled as contained in Section 79A of the Companies Act, 1956.

1. Shares of a class which have already been issued only can be issued as sweat equity shares.
2. The issue of sweat equity shares should be authorized by a special resolution by the company in general meeting. The resolution should specify number of shares, current market price, consideration, if any, and class or classes of directors or employee to whom the 'sweat equity shares' may be issued.
3. The sweat equity shares can be issued only one year after the company was entitled to commence business.
4. If the company is listed on the stock exchange, sweat equity shares can be issued as per regulation made by SEBI. In the case of unlisted companies, sweat equity shares will be issued in accordance with guidelines which may be prescribed by the Central Government.

5. The 'Sweat Equity Shares' have same limitations, restrictions and rights as are applicable to other equity shares.

Question 9

A charge requiring registration with Registrar of Companies was created on 1st February, 2008 by XYZ Limited. The Secretary of the Company realised on 15th March, 2008 that the charge was not filed with the Registrar. State the steps to be taken by the Secretary to get the charge registered with the Registrar. (5 Marks)

Answer

Registration of Charge : Steps for belated registration (Section 125 of the Companies Act, 1956): A charge should be registered within 30 days after the date of its creation. In this case the charge was created on 1st Feb, 2008. Hence the particulars of charge are required to be filed with the Registrar on or before 2nd March, 2008 [Section 125 (11)]. The Secretary of the company realised only on 15th March, 2008 that the charge was not filed with the Registrar. It is, however, open to the Registrar to allow the particulars of the charge to be filed within 30 days next following the expiry of the period of 30 days if the company satisfies the Registrar that it had sufficient cause for not filling the particulars within 30 days. [Proviso to Section 125(1)]. The Secretary may take advantage of this provision and immediately file the particulars of charge with the Registrar giving adequate reasons for the delay. If the Registrar is satisfied, he may allow registration on payment of additional fee.

Question 10

What is meant by 'Red-herring prospectus'? State the circumstances under which such prospectus is required to be filed with the Registrar of Companies. What is the requirement relating to filing of final prospectus in such cases ? (5 Marks)

Answer

Red-herring Prospectus : What requirements of filing (Section 60-B of the Companies Act, 1956): Red-herring prospectus means a prospectus which does not have complete particulars on the price of securities and the quantum of securities offered [Explanation to Section 60B (4)]. A public company making an issue of securities may circulate information memorandum to the public prior to filing of prospectus [Section 60B (1)]. As per Section 2(19B): information memorandum means a process undertaken prior to the filing of prospectus by which a demand for the securities proposed to be issued by the company is elicited, and the price and terms of issue for such securities is assessed by means of notice, etc.

A company inviting subscription by an information memorandum shall be bound to file a prospectus prior to the opening of the subscription lists and the offer as red-herring prospectus, at least 3 days before the opening of offer [Section 60B (2)]. Exact issue size or issue price is not mentioned in the red-herring prospectus.

On the basis of offers received, company will finalise the issue price and issue size and then close the offer. After closure of offer of securities, a final prospectus will be prepared stating the total capital raised whether by way of debts, or share capital and the closing price of

securities and any other details as were not complete in red-herring prospectus. The prospectus will be filled with ROC and also with SEBI in case of listed company. [Section 60B (9)].

Question 11

VD Company Ltd. is registered in Tamil Nadu within the jurisdiction of the Registrar of Companies, Chennai. The company proposes to shift its registered office to a place within the jurisdiction of Registrar of Companies, Coimbatore. State the steps to be taken by the company to give effect to the proposed shifting of its registered office. (5 Marks)

Answer

Change of registered office from the jurisdiction of one ROC to another within same State (Section 17-A of the Companies Act, 1956) : In this case the company has to comply with the provisions of Section 17-A of the Companies Act, 1956. The proposed change of registered office from the jurisdiction of ROC, Chennai to ROC, Coimbatore will be effective only after such change is confirmed by the Regional Director who shall communicate the confirmation within 4 weeks from the date of receipt of application.

Certified copy of the confirmation along with the attested copy of the Memorandum of Association must be filed with ROC under whose jurisdiction the Registered Office is being shifted within 2 months from the date of confirmation. The Registrar will issue Registration certificate within one month of filing the documents. The certificate shall be conclusive evidence that all the requirements of the Companies Act, 1956 have been complied with.

Question 12

DJA Company Ltd., desirous of buying back of all its equity shares from the existing shareholders of the company, seeks your advice. Examining the provisions of the Companies Act, 1956 advise whether the above buy back of equity shares by the company is possible. Also state the sources out of which buy-back of shares can be financed. (5 Marks)

Answer

Buy-back Shares by Company (Section 77A of the Companies Act, 1956): The Company cannot buy back its entire equity shares from the existing shareholders. According to Section 77A of the Companies Act, 1956, buy back is restricted to 10% of its paid-up equity capital and free reserves authorised by the Board by means of a resolution passed at its meeting and upto 25% by way of a special resolution in a financial year. The sources out of which buy-back of shares can be finalised are:

- (a) Free reserves or
- (b) Security Premium account or
- (c) Proceeds of any shares or other specified securities.

PART – II

Question no. 13 is compulsory.

Answer any two questions of the rest.

Question 13

- (a) Explain the role played by different committees in regulating the 'Corporate Governance'.
(5 Marks)
- (b) Self interest threats may occur as a result of financial or other interests of finance and accounting professional. Give three examples each of such threats when the accounting professional is working as-
- (i) An auditor or consultant
 - (ii) An employee in a company. (5 Marks)

Answer

- (a) Role of different committees in regulating corporate governance: The core roles of the various committees in regulation of corporate governance are as follows:
1. 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.
 2. Audit Committee: They have to provide assurance to Board on adequacy of internal control systems and financial disclosures.
 3. 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.
 4. 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.
 5. 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.
 6. Corporate Management Committee: Its primary role is strategic management of company's businesses within Board's approved direction/framework.
 7. Divisional Management Committee: It is to realize tactical and strategic objectives in accordance with Corporate Management Committee/Board approved plan.
- (b) Self Interest Threats: Auditors: Employees:
- (i) Self interest threats for finance and accounting professionals working as consultants or auditors are given below:

- (a) A financial interest in a client or jointly holding a financial interest with a client.
 - (b) Undue dependence on total fees from a client,
 - (c) Having a close business relationship with a client.
 - (d) Concern about the possibility of losing a client,
 - (e) Potential employment with a client.
 - (f) Contingent fees relating to an assurance engagement.
- (II) Self interest threats for finance and accounting professionals working as an employee are given below:
- (a) Financial interests, loans and guarantees in the company in which the professional is working.
 - (b) Incentive compensation arrangements.
 - (c) Inappropriate personal use of corporate assets.
 - (d) Concern over employment security.
 - (e) Commercial pressure from outside the employing organization.

Question 14

Explain the extent to which it is possible to observe ethical behaviour in marketing. Also explain in brief the merits and demerits of the above. (5 Marks)

Answer

Ethical behaviour in Marketing; Merits and Demerits: Market is flooded with duplicate goods having fake labels for selling drugs, food stuffs, consumables like agarbathis, suparis etc. followed by misleading advertisements. This results in disrepute for the products of good companies even though such fake goods are small in quantities. Setting high ethical standard and enforcing them reverses the position. If government notices such depletion of ethical standard, rigid regulations are brought in and are never withdrawn. Marketing executives enjoy great amount of social power in influencing the society. They also are the emblems for the organization. Once the virtues are lost it is difficult to regain the social power, influence and image.

Question 15

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

- (a) Ensuring fair treatment to whistle blowers will help in creating good ethical accounting environment in a business enterprise.
- (b) Ethical behaviour in marketing is necessary to avoid Government intervention/regulation.
- (c) Promotion policies based on individual merit and not purely on the basis of seniority is discriminatory.

- (d) Depletion of Ozone layer will have adverse effect on human beings and not on vegetation.

Answer

Statements correct or incorrect with brief reasons (answer any two):

- (a) Correct: A whistle blower is an employee/person who reports fraud, mismanagement or unethical practices to the appropriate levels of management. Fair treatment and appreciation of whistle blowers is necessary to check fraud. This will help in creating good accounting environment in a business enterprise.
- (b) Correct: Business apathy, resistance or token responses to unethical behaviour simply increase the probability of more Governmental regulation. Indeed, most of the Governmental limitations on marketing are the results of management's failure to live up to its ethical responsibilities at one time or other. However, once some form of government control has been introduced, it is rarely removed. So, business enterprises in their own interest must behave ethically in marketing.
- (c) Incorrect: Discrimination is action based on prejudice resulting in unfair treatment of people. To discriminate socially is to make a distinction between people on the basis of class or category without regard to individual merit. Examples of such discrimination include racial, religious or gender-based discrimination. Distinctions between people which are based just on individual merit (such as personal achievements, skill or ability) are generally not considered socially discriminatory. So seniority alone cannot be the deciding factor for promotion, if the senior person is not fit for the job.
- (d) Incorrect: Ozone depletion results in the increase of ultraviolet rays. Experts believe that this could cause several hundred thousands of new cases of skin cancer and could also lead to considerable destruction of 75% of the world's major crops that are sensitive to ultraviolet light.

Question 16

State the benefits of socially responsible corporate performance.

(5 Marks)

Answer

Socially Responsible Corporate Performance: The benefits arising out of socially responsible corporate performance include the following:

1. Enhanced brand image and reputation.
2. Reduced Government regulations and controls.
3. Helps to minimize ecological damage.
4. Improved financial performance.
5. Reduced operating costs.
6. Increased sales and customer loyalty.
7. Increased productivity and quality of work life.

8. Increased ability to attract and retain employees.
9. Achievement of certain other objectives like easier access to capital including international capital.

PART – III

Question No. 17 is compulsory.

Attempt any two questions of the rest.

Question 17

- (a) Explain clearly the meaning of the term "Grapevine" as applicable to Communication (5 Marks)
- (b) Draft a 'Power of Attorney' by an assessee authorising a Chartered Accountant to appear before Income-tax officer in respect of the pending taxation matter. (5 Marks)

Answer

- (a) Grapevine: Applicable to Communication:

Communication may be oral or written for direct contact. It may be informal also. The "Grapevine" is one of the recognized channels of informal communication. According to human psychology, a person likes to form and move in groups. They interact on serious and non-serious issues and they spread it fast whether the information is correct or not. This process is known as rumour mill. The larger the organization, the more active is the rumour mill. The phenomenon of grapevine is based on generally three factors, namely: (1) formation of favoured group (2) lack of self confidence and, (3) feeling of uncertainty due to lack of directions. Four kinds of the grapevine chains have been identified and they are:

- (a) Single Strand Chain, which is the least accurate in passing on the information or message.
 - (b) Gossip Chain, which is often used when information or a message regarding 'not-on-job' nature is being conveyed.
 - (c) Probability Chain is used when information is somewhat interesting but not really significant
 - (d) Cluster Chain, which acts as liaison and spreads information with the greatest speed.
- (b) Power of Attorney to appear before Income Tax Authorities :

I/we.....,residing athereby authorize.....,to represent me/my firm/my family in connection withfor the year.....His statement and

explanation will be binding on me/us.

Place:

Date:

Signature

I,..... hereby declare that I am duly qualified to represent the above-mentioned person.

Place:

Date:

Address of Power of attorney holder

Signature of Power of attorney holder

Question 18

Board of Directors of Prakash Traders Private Limited proposes to convene an Extraordinary General Meeting for changing the name of the company to Prakash International Private Limited. Draft the notice for calling the Extraordinary General Meeting of the Members.

(5 Marks)

Answer

Notice for Extraordinary General Meeting of the Members

Notice is hereby given that extraordinary General Meeting of the members of Prakash Traders Private Limited will be held on Monday , theday of 2008, at the registered office of the company at.....Mumbai at.....P.M. to transact the following business.

Special Business

To consider and if thought fit, to pass with or without modification the following resolution as special resolution.

“Resolved that, subject to the approval of the Central Government under section 21 of the Companies Act,1956, the name of the company be and is changed from Prakash Traders Private Limited to Prakash International Private Limited and that consequent to this change clause I of the Memorandum and Articleof the Articles of Association of the company be altered accordingly.

By order of the Board of Directors of Prakash Traders Private Limited.

Secretary

Place:

Date:

Question 19

Draft a notice for calling the Board of Directors meeting of M/s. MN Limited where Mr. RS is co-opted as an Additional Director and also to consider buy-back of company's equity shares to an extent of 10%, of issued share capital.

(5 Marks)

Answer

Notice: Meeting of Board of Directors:

Notice

Notice is hereby given that meeting of the Board of Directors of the company will be held at the registered office on.....at.....a.m./p.m. to transact the following:

Agenda

1. Confirmation of the minutes of the previous Board Meeting held on.....to.....
2. Discussion of the progress in business.
3. Co-option of Mr. RS. as an Additional Director of the company.
4. Buy back of 10% of the equity shares of the company.
5. Any other matter with the permission of the chair.

Place :

By Order of the Board of Directors

Date:

Question 20

Explain clearly the process of Communication.

(5 Marks)

Answer

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:

1. Sender: The process of communication begins with a sender, the person who has an idea and desires to exchange it.
2. Encoding: The sender puts his/her ideas or facts into words, symbols, pictures or gestures that the receiver can understand.
3. Message: A message refers to what is being communicated. It may be verbal or non-verbal.
4. Channel: Channel is the medium through which message is transmitted to the sender. Channel may be in oral or written forms.
5. Receiver: It is any person who notices and attaches some meaning to a message.
6. Decoding: The receiver translates the words and symbols used in the message into ideas and interpret it to attain its meaning.
7. 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.