

**PAPER – 2: BUSINESS LAWS, ETHICS & COMMUNICATION**  
**QUESTIONS**

**PART – I: BUSINESS LAWS**

**The Indian Contract Act, 1872**

1. State the nature of the contract in the following cases with reasons:
  - (a) A threatened B to shoot if he does not lend him ₹ 2000 and B agreed to it.
  - (b) A husband promised to pay maintenance allowance every month to his wife, which he failed to perform.
  - (c) Threat to publish a defamatory statement against a person to enter into an agreement.
  - (d) Mr. X agrees to write a book with a publisher but X dies in an accident.
  - (e) 'B' agrees to purchase the car from 'A' as per his proposal, subject to availability of valid Registration Certificate for the car.
2. Under what circumstances guarantee made will be treated as invalid?

**The Negotiable Instruments Act, 1881**

3. What are the characteristics of any negotiable instruments?
4. Mr. X executed an account payee cheque on the name of the Mr. B for the amount of rupees 20,000. Mr. B submitted the cheque in the bank. Later B finds that no amount have been credited to his account. In fact the amount has been credited to some other person with the same name.

State the legal position of B with respect to the Negotiable Instruments Act, 1881.

**The Payment of Bonus Act, 1965**

5. A builder employed a labour on the daily wages for 2 months for the construction of the site on the payment of ₹ 300 per day. Throw a light with respect to the Payment of Bonus Act, 1965 whether a labour is entitled for the bonus in the given instance.
6. Enumerate the procedure concluding Presumption with respect to the accuracy of balance sheet and profit and loss account of corporations and companies as per the Payment of Bonus of Act, 1965.

**The Employees' Provident Funds and Miscellaneous Provisions Act, 1952**

7. State the matters for which Provisions are made in the Pension Scheme under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

**The Payment of Gratuity Act, 1972**

8. Mr. X was an employee in a company for past 10 years and was assisting the director of a company in an assignment. In the mean time, he received a better opportunity from an abroad company. He put the resignation from service with prior notice and applied for the claim of gratuity. Company not accepted the resignation on the reason that assignment is incomplete and due to non acceptance of the resignation, the company also refused to pay the gratuity.

Examine whether the Contention of company is valid as per the Payment of Gratuity Act, 1972.

**The Companies Act, 1956**

9. A public Limited has been incorporated with 7 shareholders having fully paid-up shares in 2011. On 30th April, 2013, all the shares of X (a shareholder of the company) are sold to Y (another shareholder of the company) in an auction by the order of the court. Z, (a shareholder of the company) was in abroad for a business trip from January and thus he was not aware of the developments. The company continues to carry on its business thereafter. In December, 2013, the company borrowed a sum of ₹5 lac from the Bank. Later, the company was wound up and the assets of the company were not sufficient for the payment of its liabilities. The Bank filed a suit against Y and Z for recovery of the said loan from them. Decide the liabilities of Y and Z under the provisions of Companies Act, 1956.
10. An allottee of shares in a Company brought action against a Director in respect of false statements in prospectus. The director contended that the statements were prepared by the promoters and he has relied on them. Is the Director liable under the circumstances? Decide referring to the provisions of the Companies Act, 1956.
11. A Ltd. company owed to Mr. X ₹2,000. On becoming this debt payable, the company offered Mr. X 10 shares of ₹200 each in full settlement of the debt. The said shares were fully paid and were allotted to Mr. X. Examine the validity of these allotments in the light of the provisions of the Companies Act, 1956.
12. When can a Public Company offer the new shares (further issue of shares) to persons other than the existing shareholders of the Company? Can these shares be offered to the Preference Shareholders?
13. The Directors of Ltd. company desire to alter capital clause of Memorandum of Association of their company. Advise them, under the provisions of the Companies Act, 1956 about the ways in which the said clause may be altered and the procedure to be followed for the said alteration.
14. A company was incorporated on 1.4.2013. No General Meeting of the company has been held so far. Explain the provisions of the Companies Act, 1956 regarding the time limit for

holding the first annual general meeting of the Company and the power of the Registrar to grant extension of time for the First Annual General Meeting.

15. The Board of Directors of XYZ Ltd, have passed resolution to the effect that no member who is indulging in activities detrimental to the interest of the company be permitted to examine the records or obtain certified copies thereof. A member of the company, considered by the company to be acting against the interests of the company, demands inspection of the register of members and minutes of General Meeting and certified true copies thereof. The company refuses the inspection etc. on the strength of the resolution referred to above. Examine the correctness of the refusal by the company referring to the provisions of the Companies Act, 1956.

#### **PART – II: ETHICS**

16. Explain the statement "Ethical behaviour creates a positive reputation that expands the opportunities for profit".
17. What the key strategies that companies can use while implementing CSR policies and practices.
18. In what manner the behavior of business persons towards the others in their workplace may generate ethical concerns?
19. State whether the given statement is correct/ incorrect:
  - (i) Conservation looks primarily to the future.
  - (ii) Fair treatment to whistle blowers is unnecessary to keep check on fraud.
20. State the forums available for promoting and protecting the right of the consumers at various levels.

#### **PART – III: COMMUNICATION**

21. State the merit and demerit of grapevine phenomenon?
22. Explain the statement 'Interpersonal communication is contextual'.
23. Explain how ethical communicators have a "well developed sense of social responsibility".
24. Board of Directors of -----Private Limited proposes to convene an Extraordinary General Meeting for changing the name of the company to ----- Private Limited. Draft the notice for calling the Extraordinary General Meeting of the Members.
25. Draft the performa of a bond for a loan repayable in instalments.

## SUGGESTED ANSWER/HINTS

1. (a) The word 'Consent' generally means 'knowledge and approval' of the parties concerned. Whereas the Indian Contract Act, 1872 defines the term 'consent' as meeting of the minds on the same thing in the same sense viz *consensus ad idem*. Further such consent must be free. Consent would be considered as free consent if it is not vitiated by coercion, undue influence, fraud, misrepresentation or mistake. Wherever the consent of any party is not free, the contract is voidable at the option of that party.  
  
Accordingly in the case, A threatened to shoot B if he (B) does not lend him ₹ 2000 and B agreed to it. Here the agreement is entered into under coercion and hence voidable at the option of B.
  - (b) The Indian Contract Act, 1872 says that such an agreement which can be enforced by law, legally binds the parties. Thus in the given instance, a husband promised to pay maintenance allowance every month to his wife and later he failed to perform the promise. As this is an agreement of domestic nature creating no legal obligation between them. Thus such an agreement is void.
  - (c) Threat to publish a defamatory statements in order to make him to enter into agreement is opposed to the public policy, and therefore are illegal in nature. The Indian Contract Act, 1872 says that all illegal contracts are void.
  - (d) As per the Indian Contract Act, 1872, a contract which ceases to be enforceable by law becomes void when it ceases to be enforceable. Thus in the given case, Mr. X agrees to write a book with a publisher but in the mean time, he dies in an accident. Here the contract becomes void due to the impossibility of performance of the contract.
  - (e) As per the provision give under section 7 of the Indian Contract Act, 1872 acceptance is valid only when it is absolute and unqualified . Accordingly, in the given case where 'B' agrees to purchase the car from 'A' as per his proposal, depending on availability of valid Registration Certificate for the car, the acceptance given to the proposal of 'A' is in place though the offer contained no reference of R.C. book. This is because expecting a valid title for the car is not a condition. Therefore the acceptance given by B, in this case is unconditional. Thus agreement is valid.
2. The Indian Contract Act, 1872 prescribes following circumstances, when a guarantee can be treated as invalid.
    - (i) **Mis-representation:** when the guarantee has been obtained by means of mis-representation made directly by the creditor or made with his knowledge and the mis-representation relates to a material part of the transaction.

- (ii) **Silence as to material circumstances:** when the creditor has obtained any guarantee by means of keeping silence as to material circumstances. The expression “keeping silence” implies intentional concealment of a material fact, as distinct from a mere non-disclosure thereof. There must exist some element of fraud. [*Balakrishna vs. Bank of Bengal (1891) 15 Bom. 585*].
  - (iii) **Failure of joining of other person as co-surety:** when a contract of guarantee is entered into on the condition that the creditor shall not act upon it until another person has joined in it as co-surety and that other party fails to join as such.
3. (i) **Written instrument with signature:** A negotiable instrument is a written document and is considered as complete and effective only when it is duly signed.
- (ii) **Negotiable Instrument made or drawn for consideration:** It is presumed by law that every negotiable instrument is made or drawn for a consideration. Consequently, there is no necessity to state such a position. But it is not an irrebuttable presumption. It must be rebutted by proof that the instrument had been obtained from its lawful owner by means of fraud, undue influence or for an unlawful consideration. The onus of proof is on the person who challenges the existence of consideration (i.e., the defendant).
- (iii) **Transfer by endorsement/ delivery:** A negotiable instrument can be transferred from one person to another by endorsement and delivery if it is an instrument payable to order, and by mere delivery, if it is a bearer instrument.
- (iv) **Bonafide and valuable consideration entitles good title to transferee:** The transferee, who takes the instrument bona fide and for valuable consideration, obtains a good title despite any defects in the title of the transferor.
4. As per the Negotiable Instruments Act, 1881, a cheque marked “Account Payee” is a form of restrictive crossing, represented by the words “Account Payee” entered on the face of the cheque. Such a crossing acts as a warning to the collecting bankers that the proceeds are to be credited only to the account of the payee. If the collecting banker allows the proceeds of the cheque so crossed to be credited to pay any other account, he may be held guilty of a negligence in the event of an action for wrongful conversion of funds being brought against him. These words are not an addition to the crossing but are mere direction to the receiving or collecting bankers. These do not affect the paying banker who is under no duty to ascertain that the cheque in fact has been collected for the account of the person named as the payee.
- Thus accordingly Mr. B can hold the bank with whom the cheque is deposited for the credit(collecting banker), liable for negligence for wrongful conversion of funds to the other account.
5. As per the Payment of Bonus Act, 1965, Every employee of an establishment covered under the Act is entitled to bonus from his employer in an accounting year provided he has worked in that establishment-(i) for not less than thirty working days in that year, (ii)

on a salary or wage not exceeding ₹ 10,000 per mensem. [Section 2(13) read with Section 8].

The Act does not make any distinction as to whether an employee is daily wager, temporary, permanent, weekly paid, monthly paid etc. the only precondition is that he should have worked in the establishment for not less than 30 working days in an accounting year. [*Himachal Pradesh State Electricity Board and Others Vs Krishan Dutt 2010 (127) FLR 577(H.P.)*].

According to the given facts, labour who was on daily wages, have fulfilled the requirements of the above stated provisions. He has worked for the 2 months i.e., more than 30 working days and on the daily wages of Rs. 300 which amounts the wages (Rs. 300 x 30 days = Rs. 9000 p.m) not exceeding Rs. 10,000 p.m.

Thus it can be concluded that labour is entitled for the payment of bonus.

6. Section 23 of the Payment of Bonus Act, 1965 lay down the procedure for concluding the presumption as to the accuracy of balance sheet and profit and loss account of corporations and companies.
  - (i) **Authority to presume audited accounts to be accurate:** During the course of settlement of the dispute, before any arbitrator or Tribunal under the Industrial Disputes Act or under any corresponding law relating to investigation and settlement of industrial disputes, the balance sheet and the profit and loss account of an employer, being a corporation or a company (other than a banking company), duly audited by the Comptroller and Auditor General of India, or by auditors duly qualified to act as auditors of companies under Section 226(1) of the Companies Act, 1956, are produced before it, then, the above mentioned authority may presume that those are accurate and it shall not be necessary for the corporation or the company to prove the accuracy of such statements and particulars by the filing of an affidavit or by any other mode.
  - (ii) **Steps to find out the accuracy:** where if the State is satisfied that those statements are not accurate, it may take such steps as it thinks necessary to find out the accuracy thereof.
  - (iii) **Clarification by union:** Situation may demand a clarification relating to any item in the balance sheet or the profit and loss account. In such a situation, where trade union or the employees who are a party to the dispute, may make an application to the authority requiring any clarification relating to any item in the balance sheet or profit and loss account from the employer, company or corporation. The authority shall then satisfy itself as to the necessity of such clarification. It shall direct the corporation or the company to furnish such clarification to the trade union or the employees within a specified time limit. Thereupon, the company or the corporation must comply with such direction of the authority.
7. Matters for which Provision may be made in the Pension Scheme (Schedule III)

1. The employees or class of employees to whom the Pension Scheme shall apply.
  2. The time within which the employees who are not members of the Family Pension Scheme under Section 6A shall opt for the Pension Scheme.
  3. The portion of employers' contribution to the Provident Fund which shall be credited to the Pension Fund and the manner in which it is credited.
  4. The minimum qualifying service for being eligible for pension and the manner in which the employees may be granted the benefit of their past service under Section 6A..
  5. The regulation of the manner in which, the period of service for which no contribution is received.
  6. The manner in which employees' interest will be protected against default in payment of contribution by the employer.
  7. The manner in which the accounts of the pensions fund shall be kept and investment of moneys belonging to pension fund to be made subject to such pattern of investment as may be determined by the Central Government.
  8. The form in which an employee shall furnish particulars about himself and the members of his family whenever required.
  9. The forms, registers and records to be maintained in respect of employees, required for the administration of the Pension Scheme.
  10. The scale of pension and pensionary benefits and the conditions relating to grant of such benefits of the employees.
  11. The manner in which the exempted establishments have to pay contribution towards the Pension Scheme and the submission of return relating thereto.
  12. The mode of disbursement of pension and arrangements to be entered into with such disbursing agencies as may be specified for the purpose.
  13. The manner in which the expenses for administering the Pension Scheme will be met from the income of the Pension Fund.
  14. Any other matter which is to be provided for in the Pension Scheme or which may be, necessary or proper for the purpose of implementation of the Pension Scheme."
8. As per the Payment of Gratuity Act,1972 , gratuity shall be payable to an 'employee' on the termination of his employment after he has rendered continuous service for not less than five years –
- ◆ 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.

According to the above provision, the payability of Gratuity to the employee is his right as well as the obligation of the employer. An employee resigning from service is also entitled to gratuity; [*Texmaco Ltd. Vs Sri Ram Dhan 1992 LLR 369(Del)*] and non-acceptance of the resignation is no hurdle in the way of an employee to claim gratuity [*Mettur Spinning Mills Vs Deputy Commissioner of Labour, (1983) 11 LLJ 188*].

Thus in the given case, the contention of the company is not valid. The non- acceptance of the resignation cannot the deprive Mr. X from claiming the gratuity.

9. The problem relates to reduction of membership below the statutory minimum. Section 12 of the Companies Act, 1956 requires a public company to have a minimum of seven members. It at any time the membership of a public company falls below seven and it continues its business for more than six months, then according to Section 45 of the Act every such member who was aware of this fact would be personally and severally liable for all debts contracted by the company during the period and may be severally sued for all debts contracted after six months.

Accordingly in the given problem:

- (i) Y is personally liable for the payment of loan to the Bank because the members of the public Limited continued to carry on the business of the company with that reduced membership beyond the six months period and Y knows this fact.
  - (ii) Z is not responsible for any debt because he is not aware about the reduced membership.
10. Yes, the Director shall be held liable. A director can escape liability for mis-statements in a prospectus only on the grounds specified under Section 62(2) of the Companies Act, 1956. Relying on statements prepared by promoters is not a ground included there under. Accordingly, no defence shall be available to the Director. A Director shall not be liable if he puts up the following defences:
- (i) If he withdrew his consent before the issue of the prospectus and it was issued without his authority or consent.
  - (ii) If after the issue of the prospectus and before allotment thereunder, he on becoming aware of any untrue statement therein, withdrew his consent to the prospectus and gave reasonable public notice of the withdrawal and reasons therefor.
  - (iii) If he had reasonable grounds to believe that the statement was true, and he, in fact, believed it to be true up to the time of allotment.
  - (iv) If the statement is a correct and fair representation or extract or copy of the statement made by an expert who is competent to make it, the Director is not liable.

11. **Allotment of Shares:** As per the section 75 of the Companies Act, 1956 when shares are allowed to a person by a company, payment may be made – (i) in cash, or (ii) in kind (with the consent of the company).

'Cash' here does not necessarily mean the current coin of the country. It means "such transaction as would in an action at law for calls, support a plea of payment." On the basis of the above provision and decision of the related case *Coregam Gold Mining Co. of India V. Roper, (1892), A.C. 125*, the allotment of fully paid up shares in full satisfaction of Mr. X's debt is valid.

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.

**Preference Shareholders - whether (Further Issue of Capital) be offered to:** From the wordings of Section 81, it is quite clear that these shares can be issued only to equity shareholders, unless procedure as stated above has been adopted for issue of these shares to outsiders, etc. Therefore, in general these shares cannot be offered to preference Shareholders.

13. **Alteration of Capital (Section 94 of the Companies Act, 1956):** A limited company with a share capital can alter the capital clause of its memorandum of association in any of the following ways, provided authority to alter is given by the articles.

- (i) it may increase its capital by issuing new shares
- (ii) consolidate the whole or any part of its shares capital into shares of larger amount
- (iii) convert shares into stock or vice versa
- (iv) sub-divide the whole or any part of its share capital into shares of smaller amount

- (v) cancel those shares which have not been taken up and reduce its capital accordingly.

Procedure regarding confirmation, resolution and notices for alteration: Any of the above things can be done by the company by passing a resolution at general meeting, but do not require to be confirmed by the Court. Within thirty days of alteration notice must be given to the Registrar who will record the same and make necessary alteration in the company's memorandum and articles. Notice to the Registrar has similarly to be given when redeemable preference shares have been redeemed. Similar information is also required to be sent where the capital has been increased beyond the authorized limit, or where a company, being not limited by shares, has increased the number of its members.

14. According to Section 166 of the Companies Act, 1956, every company shall hold its first annual general meeting within a period of 18 months from the date of incorporation. Since company was incorporated on 1.4.2013, the first annual general meeting of the company should be held on or before 30th September, 2014. Even though the Registrar of Companies is empowered to grant extension of time for a period not exceeding 3 months for holding the annual general meeting, such a power is not available to the Registrar in the case of the first annual general meeting. Thus, the company and its directors will be liable for the default if the annual general meeting was held after 30th September, 2014.
15. According to the provisions contained in Section 16 of the Companies Act, 1956, every member of the Company is entitled to inspect the Register of Members without payment of any fee. They can also ask for copies of extracts from the Register of Members on payment of the prescribed fee. Similarly, as per Section 196 of the Companies Act, 1956, the minutes book of the General Meetings are also to be made available for inspection of the members of the company without any charge. Applying these provisions to the given case, XYZ Ltd., have no right to refuse the inspection of the Register of Members and minutes book of General Meeting. The resolution passed by the said Company is not valid as it cannot go beyond the provisions of the Act.

## **PART II: ETHICS**

16. It is now a well accepted fact that ethical behaviour creates a positive reputation that expands the opportunities for profit. An organisation is not only its buildings, assets, capital or even profit. It is living and creative, evolving over time and having a vision about its future role in society, nation and the world. In the broad sense ethics in business is simply the application of everyday moral or ethical norms to business. Being ethical in business requires acting with an awareness of how the products and services of an organization, and the actions of its employees, can affect its stakeholders and society as a whole and developing codes of conduct for doing business in an ethical manner. Amongst the thinkers of modern times, an invaluable contribution to practising business ethically is provided by Mahatma Gandhi, the father of our nation. He sought to

unite mankind in common interest of justice and establishment of a moral order in world-society. He advised the citizens to observe truthfulness in business and reminded them of their responsibility which was greater since their conduct would be seen as a reflection of their country.

17. Below are some key strategies that companies can use while implementing CSR policies and practices-

**Mission, Vision and Values Statements:** If CSR is to be regarded as an integral part of business decision-making, it merits a prominent place in a company's core mission, vision and values documents. These states a company's goals and aspirations and provides insight into a company's values, culture and strategies for achieving its aims.

**Cultural Values:** Many companies now understand that corporate social responsibility cannot flourish in an environment where innovation and independent thinking are not welcome. There must be a commitment to close the gap between what the company says it stands for and the reality of its actual performance.

**Management Structures:** The goal of a CSR management system is to integrate corporate responsibility concerns into a company's values, culture, operations and business decisions at all levels of the organization.

**Strategic Planning:** A number of companies are beginning to incorporate CSR into their long-term planning processes, identifying specific goals and measures of progress or requiring CSR impact statements for any major company proposals.

**General Accountability:** In some companies, in addition to the efforts to establish corporate and divisional social responsibility goals, there are attempts to address these issues in the job description and performance objectives of employees. This helps everyone understand how each person can contribute to the company's overall efforts to be socially responsible.

**Employee Recognition and Rewards:** Most companies understand that employees tend to engage in behaviour that is recognized and rewarded and avoid behaviour that is penalized. The system of recruiting, hiring, promoting, compensating and publicly honouring employees can be designed to promote corporate social responsibility.

**Communications, Education and Training:** Employees to be provided with the information and tools they need to act appropriately in carrying out their job requirements. These companies are emphasising the importance of corporate social responsibility internally, have a code of conduct, provide managers and employees with adequate decision-making processes that help them achieve responsible outcomes.

**CSR Reporting:** Many companies have come to understand the value of assessing their social and environmental performance on a regular basis. Annual CSR reports can build trust among stakeholders and encourage internal efforts to comply with a company's CSR goals.

18. **Business Relationships:** The behaviour of businesspersons toward customers, suppliers, and others in their workplace may also generate ethical concerns. Ethical behaviour within a business involves keeping company secrets, meeting obligations and responsibilities, and avoiding undue pressure that may force others to act unethically.

Managers, in particular, because of the authority of their position, have the opportunity to influence employees' actions. For example, a manager can influence employees to use pirated computer software to save costs. The use of illegal software puts the employee and the company at legal risk, but employees may feel pressured to do so by their superior's authority. Customer's need should be considered most when it comes to ethical business practices. In the long run, a company will reap great profits from a customer base that feels it is being treated fairly and truthfully. Organizational pressures may encourage a person to engage in activities that he or she might otherwise view as unethical, such as invading others' privacy or stealing a competitor's secrets.

19. (i) Conservation looks primarily to the future.

**Correct:** Conservation refers to the saving or rationing of natural resources for later uses. Conservation, therefore, looks primarily to the future: to the need to limit consumption now to have resources available for tomorrow. In a sense, pollution control is a form of conservation. Pollution "consumes" pure air and water, and pollution control "conserves" them for the future. Consequently, our concern over the depletion of resources is primarily a concern for future generations. Conservation, therefore, is the only way of ensuring a supply for tomorrow's generations.

- (ii) Fair treatment to whistle blowers is unnecessary to keep check on fraud.

**Incorrect:** For creating a sound ethical environment in any company, fair treatment to whistle blowers is perhaps the most important and sensitive issue. When Sherron had raised questions at Enron, she was demoted. Similar fate would have met all those who had followed Sherron. Fair treatment to whistle blowers is a basic necessity to check fraud. It is reassuring that two of the three persons of the year, selected by the popular Time magazine were accountants from Enron and World Com who had dared to blow the whistle, however, needless to say that the appreciation is much more needed from within the company rather than outside. Thus ensuring fair treatment to whistle blowers is necessary to keep check on fraud.

20. Following forums are established for promoting and protecting the right of the consumers at various levels:

1. **The Central Consumer Protection Council:** The objects of the Central Council shall be to promote and protect the rights of the consumers such as,-

- (a) the right to be protected against the marketing of goods and services which are hazardous to life and property;

- (b) the right to be informed about the quality, quantity, potency, purity, standard and price of goods(or services, as the case may be) so as to protect the consumer against unfair trade practices;
  - (c) the right to be assured, wherever possible, access to a variety of goods, and services at competitive prices;
  - (d) the right to be heard and to be assured that consumer's interest will receive due consideration at appropriate terms;
  - (e) the right to seek redressal against unfair trade practices (or restrictive trade practices) or unscrupulous exploitation of consumers; and
  - (f) the right to consumer education.
2. **The State Consumer Protection Council:** The objects of every State shall be to promote within the State the rights of the consumers laid down in point (a) to (f) mentioned above.
3. **The District Consumer Protection Council:** The objects of every District Council shall be to promote within the State the rights of the consumers laid down in point (a) to (f) mentioned above.

### PART- III: COMMUNICATION

#### 21. Merits of the grapevine phenomenon

- (a) **Speedy transmission:** The greatest merit of this phenomenon is that it transmits information very speedily. The very moment a worker comes to know that something is 'top secret' or 'confidential' he tries to look into it or have some idea of it and pass it on to others.
- (b) **Feedback value:** It is primarily through the grapevine that the managers or top bosses of an organisation get the feedback regarding their policies, decisions, memos etc. The feedback reaches them much faster through the informal channel than through the formal channel.
- (c) **Support to other channels:** The grapevine or informal channel functions as a supplementary or parallel channel of communication. The formal channels not only take more time but also impose certain constraints on the process of communication.
- (d) **Psychological satisfaction:** The grapevine gives immense psychological satisfaction to the workers and strengthens their solidarity. It draws them nearer to each other and thus keeps the organisation intact as a social entity.

#### Demerits of the grapevine phenomenon

- (a) **Less credible:** The information spread through the grapevine is less credible than the one given by the formal channel. Since the grapevine spreads information through the word of mouth it cannot always be taken seriously.

- (b) **Incomplete information:** The grapevine does not always carry the complete information. Thus one may not get the complete picture on its basis.
- (c) **Misleading:** The grapevine often distorts the picture or often misinforms. As its origin lies in the rumour mill it may spread any kind of stories about responsible people. In this way it may spoil the image of the organisation.
22. The statement 'Interpersonal communication is contextual' which means that any communication does not happen in isolation. There are following context of communications:
- psychological context**, which is who the communicators are and what they bring to the interaction. Their needs, desires, values, personality, etc., all form the psychological context.
- Relational context**, which concerns reactions to each other.
- Situational context** deals with the "psycho-social-where" one is communicating. For example, an interaction that takes place in a classroom will be very different from one that takes place in a Board room.
- Environmental context** deals with the "physical -where" one is communicating. Furniture, location, noise level, temperature, season, time of day, all are examples of factors in the environmental context.
- Cultural context** includes all the learned behaviours and rules that affect the interaction. If you come from a culture (foreign or within your own country) where it is considered rude to make long, direct eye contact, you will out of politeness avoid eye contact. If the other person comes from a culture where long, direct eye contact signals trustworthiness, then we have in the cultural context a basis for misunderstanding.
23. Following is an ethical communication which an ethical communicators may include in communication with others:
- ◆ all relevant information,
  - ◆ true in every sense and is not deceptive in any way.
  - ◆ accurate and sincere. Avoids language that manipulates,, discriminates or exaggerates.
  - ◆ not hide negative information behind an optimistic attitude .
  - ◆ not state opinions as facts,
  - ◆ portrays graphic data fairly.
- In a nutshell, ethical communicators have a "well developed sense of social responsibility".
24. **Notice for Extraordinary General Meeting of the Members**

Notice is hereby given that extraordinary General Meeting of the members of ----- Private Limited will be held on -----, the .....day of 2013, at the registered office of the company at..... 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 ----- Traders Private Limited to -----Private Limited and that consequent to this change, the Memorandum and Articles of Association of the company be altered accordingly.

By order of the Board of Directors of ----- Private Limited.

Secretary.....

Place:.....

Date:.....

25. This Bond is made on the -----day of -----between -----(details of party to be called as debtor) and -----(details of the other party to be called as creditor).

Whereas the debtor has this day borrowed a sum of Rupees----- (₹.....) only from the creditor with the condition to repay the same with interest at the rate of ----- percent per annum by monthly instalments. The debtor has agreed to pay the same.

Whereas in case of default in the payment of any consecutive instalments, the penalty shall be levied with double rate of interest on the remaining unpaid amount.

Signature of debtor

Signature of creditor

**Witnesses:**

1.....

2.....