

PAPER – 2 : BUSINESS LAWS, ETHICS AND COMMUNICATION

Question No. 1 is compulsory.

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

Question 1

- (a) Binoy, an employee of National Bank Private Limited which is actively engaged in Banking business, drawing a salary of ₹ 50,000 p.m., borrowed Rupees One lakh and invested in the shares of the bank. Explain whether there is any violation in the light of the provisions of the Companies Act, 2013. Would your answer be different if Binoy is a key managerial personnel of the bank? **(6 Marks)**
- (b) State the factors that has shaped the direction of the domain of Corporate Social Responsibility. **(4 Marks)**
- (c) Communication is a dynamic transactional (two way process) in which there is an exchange of ideas linking the sender and the receiver towards a mutually accepted direction or goal consisting of seven elements. Write any four such elements. **(4 Marks)**

Answer

- (a) **Restrictions on purchase by company or giving of loans by it for purchase of its share:** As per section 67 (3) of the Companies Act, 2013 a public company is allowed to give a loan to its employees subject to the following limitations:

- (a) The employee must not be a directors or Key Managerial Personnel;
- (b) The amount of such loan shall not exceed an amount equal to six months' salary of the employee.
- (c) The shares to be subscribed must be fully paid shares.

In the given instance, Binoy is an employee of National Bank Private Ltd. drawing salary of ₹ 50,000 per month, borrowed ₹ 1 lakh and invested in the shares of the bank.

On the basis of the above provisions, Mr. Binoy is entitled for the loan from the Bank upto ₹ 3 lakh. Being amount of loan less than his 6 months' salary, considering in compliance with other requirements, there is no violation of the provisions of the Companies Act, 2013.

In case, if Mr. Binoy is a Key managerial personnel of the Bank, there will be violation to the provision of law contained in section 67(3) of the Companies Act, 2013.

[Note: The above answer is based on the assumption that “National Bank Private Limited” is a public company. Answer may also be given considering “National Bank Private Limited” is a private company.]

- (b) Several factors that have converged over the last decade to shape the direction of the CSR domain, are:
- (i) Increased Stakeholder Activism

- (ii) Proliferation of Codes, Standards, Indicators and Guidelines.
 - (iii) Accountability throughout the Value Chain
 - (iv) Transparency and Reporting
 - (v) Convergence of CSR and Governance agenda
 - (vi) Growing Investor Pressure and Market-Based Incentives
 - (vii) Advances in Information Technology
 - (viii) Pressure to Quantify CSR “Return on Investment”
- (c) Communication is a dynamic, transactional (two-way process) in which there is an exchange of ideas linking the sender and receiver towards a mutually accepted direction or goal consisting of seven elements:
1. **Sender (Source):** The process of communication begins with a sender, the person who has an idea and wants to share it.
 2. **Encoding:** The sender must choose certain words or non-verbal methods to translate the idea into a message. This activity is called encoding. While encoding a message, one needs to consider what contents to include, how the receiver will interpret it and how it may affect one’s relationship.
 3. **Message:** For communication to occur the receiver should first get the message. A message is any signal that triggers the response of a receiver.
 4. **Channel:** The choice of channel or medium (written or oral) is influenced by the inter relationships between the sender and the receiver. It also depends upon the urgency of the message being sent.
 5. **Receiver:** A receiver is any person who notices and attaches some meaning to a message.
 6. **Decoding:** Even if the message reaches intact to its intended receiver, there is no guarantee that it will be understood as the sender intended it to be. The receiver must still decode it - Attaching meaning to the words or symbols.
 7. **Feedback:** Whatever the response of a receiver to a sender is, known as feedback. Feedback is an important component of the communication process, because ultimately the success or failure of the communication is decided by the feedback we get.

Question 2

- (a) *Mrs. Priya was engaged as a clerk in a partnership firm which comes under the purview of the Payment of Gratuity Act, 1972, since January 2012. The firm was converted in a private limited company, under the name Suryodaya Publishers Private Limited in October 2017. Mrs. Priya resigned her job in December 2018. When she approached the company for payment of gratuity, it stated that it is not liable to pay gratuity, as she had not worked in*

the company for five years. Decide whether the contention of Suryodaya Publishers is valid under the provisions of the Payment of Gratuity Act, 1972. (6 Marks)

- (b) *Explain the meaning of the "Iron Law of Responsibility". State the benefits acquired by achieving the long-term objectives through the business activities. (4 Marks)*
- (c) *Explain the socio-psychological barriers of communication in relation to an organization. (4 Marks)*

Answer

- (a) As per the stated facts, Mrs. Priya was engaged as a clerk in a partnership firm (which comes under the purview of the Payment of Gratuity Act, 1972) since January 2012. The said firm was converted in a private limited company under the name Suryodaya Publishers Private Ltd. in October 2017. Mrs. Priya resigned her job in December 2018.

As per the definition of "employee" under the Payment of Gratuity Act, 1972, means any person (other than an apprentice) who is employed for wages, whether the terms of such employment are express or implied, in any kind of work, manual or otherwise, in or in connection with the work of a factory, mine, oilfield, plantation, port, railway company, shop or other establishment to which this Act applies. So, accordingly here Mrs. Priya (engaged as clerk in the firm on which the said Act was made applicable) will be considered as an employee.

Further, Section 4 (1) of the Payment of Gratuity Act states that 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,-

- (a) on his superannuation, or
 (b) on his retirement or resignation, or
 (c) on his death or disablement due to accident or disease.

In the light of the stated provisions and the given facts, Mrs. Priya had been in continuous service for more than 5 years i.e., from January 2012 to December 2018 in a firm which was converted into a private Ltd. company. This will not effect on the right of Mrs. Priya on the entitlement of payment of gratuity amount being her in continuous services under the same employer. Therefore, the contention of the Suryodaya Publishers Private Ltd., stating that it is not liable to pay gratuity to Mrs. Priya is not valid.

- (b) **The Iron Law of Responsibility:** The institution of business exists only because it performs invaluable services for society. Therefore, if a business intends to retain its existing social role and power, it must respond to society's needs constructively. This is known as the "Iron Law of Responsibility". In the long-term those who do not use power in a manner that society considers responsible, will tend to lose it.

Businesses have been delegated economic power and have access to productive resources of a community. They are obliged to use these resources for the common good

of society so that more wealth for its betterment may be generated. Technical and creative resources are also helpful to it. A business organisation sensitive to community needs would in its own self interest like to have a better community within which the business may be conducted.

Benefits: This way, the resulting benefits would be:

- (a) Decrease in crime
 - (b) Easier labour recruitment
 - (c) Reduced employee absenteeism.
 - (d) Easier access to international capital, better conditions for loans on international money markets.
 - (e) Dependable and preferred as supplier, exporter, importer and retailer of responsibly manufactured components and products.
- (c) **Socio-psychological barriers of communication:** The attitudes and opinions, place in society and status consciousness arising from one's position in the hierarchical structure of the organization, one's relations with peers, seniors, juniors and family background – all these deeply affect one's ability to communicate both as a sender and receiver. Status consciousness is widely known to be a serious communication barrier in organizations. It leads to psychological distancing which further leads to breakdown of communication or miscommunication. Often it is seen that a man high up in an organization builds up a wall around himself. This restricts participation of the less powerful in decision making. In the same way one's family background formulates one's attitude and communication skills.

Question 3

- (a) *Monu is an employee in a company. The amount of bonus payable to him during the year 2018-19 is ₹ 15,000. The company deducted a sum of ₹ 5,000 against the "Puja Bonus" already paid to him during the said year and paid the remaining amount. Monu files a suit against the company for recovery of the deducted amount. Decide under the Payment of Bonus Act, 1965, whether Monu be given any relief by the Court. State also which type of bonus that may be adjusted against the bonus payable under this Act. (3 Marks)*
- (b) *Examine the validity of the following statement with reference to the provisions of the Companies Act, 2013.*
"The Articles of Association of X Limited contains a provision that the underwriting commission may be paid upto 4% of the issue price of the shares. However the Board of Directors have decided to pay the underwriting commission of 5% to Deal & Co., the underwriters." (3 Marks)
- (c) *What is meant by Environmental ethics? How its non-adoption leads to 3 Ps. Viz. Polluter Pay Principle? Explain. (4 Marks)*
- (d) *Enumerate a few guidelines for active listening. (4 Marks)*

Answer

- (a) The problem as given in the question is based on the provisions of section 17 of the Payment of Bonus Act, 1965. As per Section 17, if in any accounting year, an employer has paid any puja bonus or other customary bonus or any advance against bonus, to any employee, then the former shall be entitled to deduct the amount of bonus so paid from the amount of bonus payable by him to the employee under this Act in respect of that accounting year. The employee shall be entitled to receive only the balance. The employer can do the same thing even in a case where he has paid off the bonus payable under this Act to an employee before the date on which such bonus payable becomes payable.

In the instant case therefore, Monu will not get any relief from the court because employer is empowered to deduct ₹ 5,000/- from the total bonus (₹ 15,000) payable to Monu.

As per section 17, the following bonus amounts may be adjusted against the bonus payable:

- (i) The puja bonus or other customary bonus to any employee, as mentioned above.
 - (ii) Part payment of bonus already paid to an employee before the date on which such bonus becomes payable
- (b) Section 40 (6) of the Companies Act 2013, provides that a company may pay commission to any person in connection with the subscription to its securities, subject to the number of conditions which are prescribed under the *Companies (Prospectus and Allotment of Securities) Rules, 2014*. Under the *Companies (Prospectus and Allotment of Securities) Rules, 2014* the rate of commission paid or agreed to be paid shall not exceed, in case of shares, five percent (5%) of the price at which the shares are issued or a rate authorised by the articles, whichever is less.

In the given problem, the articles of X Ltd. have prescribed 4% underwriting commission but the directors decided to pay 5% underwriting commission.

Therefore, the decision of the Board of Directors to pay 5% commission to the underwriters (Deal & Co.) is invalid.

- (c) Ecological ethics is based on the idea that the environment should be protected not only for the sake of human beings but also for its own sake. The issue of environmental ethics goes beyond the problems relating to protection of environment or nature in terms of pollution, resource utilization or waste disposal.

Business and Industry are closely linked with environment and resource utilization. Production process and strategy for eco-friendly technologies throughout the product life cycle and minimization of waste play major role in protection of environment and conservation of resources. Business, Industry and multinational corporations have to recognize environmental management as the priority area and a key determinant to sustainable development. Sound management of wastes is among the major

environmental issues for maintaining the quality of Earth's environment and achieving sustainable development.

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. Price signal will also influence behaviour to avoid exploitation or excessive utilization of natural resources. Such measures would facilitate the approach of "Polluter Pays Principle". Removing subsidies that encourage environmental damage is another measure.

(d) Guidelines for Active Listening

- Look at the person and suspend other things you are doing in order to understand the other person's concerns, intentions.
- Be interested in what the other person is saying. Try taking notes. Doing so will keep ones body and mind active.
- Listen to the tone of voice and inflection; look at gestures and body language.
- Restate what the person said. Restating their meaning is a way to make sure you understand the person clearly.
- Ask questions once in a while to clarify the meaning. Doing so will keep one alert and let the other person know that they have been listening and are interested in getting all the facts and ramifications.
- Be aware of your own feelings and opinions.

Question 4

- (a) *Neelesh guaranteed the honesty of Srinath in the employment of Gurudev. Srinath was found guilty of dishonesty in the course of the service, but Gurudev continued to employ him and did not inform Neelesh of what had occurred. Subsequently, Srinath committed further acts of dishonesty. Gurudev requires Neelesh to make good the loss caused by Srinath. Discuss the liability of Neelesh according to the Indian Contract Act, 1872.*

(6 Marks)

- (b) *XYZ Limited has its registered office at Mumbai in the state of Maharashtra. For administrative conveniences, the company wants to shift its registered office from Mumbai to Pune. Discuss the formalities to be complied with by the company as per the provisions of the Companies Act, 2013.*

(4 Marks)

- (c) *M/s Confident Investments, a partnership firm, wants to appoint and authorize Mr. A, giving him power to sell and sign documents and deeds including the transfer of shares and securities, by executing a "Power of Attorney".*

Draft a "Power of Attorney" to be given by the firm.

(4 Marks)

Answer

- (a) According to section 143 of the Indian Contract Act, 1872, any guarantee which the creditor has obtained by means of keeping silence as to material circumstances is invalid.

In the given question, Neelesh guarantees the honesty of Srinath who was already in the employment of Gurudev. While this guarantee was obtained, Gurudev kept silence about the previous act of dishonesty by Srinath and Gurudev continues to employ Srinath. Thus, in this case it seems that the guarantee of Srinath by Neelesh was obtained by concealment of material circumstances/ keeping silence on material circumstances.

Now, when Srinath again commits an act of dishonesty, Gurudev requires Neelesh to make good the loss caused by Srinath.

In the light of the facts of the case and the provisions of law, it appears that the guarantee was obtained by concealment of material circumstances/ keeping silence on material circumstances. Hence, the guarantee by Neelesh of Srinath will not be valid.

[Note: In the given question, it may also be presumed that firstly guarantee was given by Neelesh and then Srinath committed the first act of dishonesty. In this case section 137 of the Indian Contract Act, 1872 will be attracted.]

- (b) The Companies Act, 2013 under section 13 provides for the process of altering the Memorandum of a company. Since the location or Registered Office clause in the Memorandum only names the state in which its registered office is situated, a change in address from Mumbai to Pune, does not result in the alteration of the Memorandum and hence the provisions of section 13 (and its sub sections) do not apply in this case.

According to section 12 of the Companies Act, 2013, the registered office of the company shall be changed by a company, outside the local limits of any city, town or village where such office is situated or where it may be situated later by virtue of a special resolution passed by the company.

Further, notice of every change of the situation of the registered office, verified in the manner prescribed, after the date of incorporation of the company, shall be given to the Registrar within 30 days of the change, who shall record the same.

[Note: Practically there are two ROCs within the same state of Maharashtra. Hence, in this case registered office is shifted from one ROC to another, therefore, the company will have to seek approval of Regional director and comply with other formalities].

- (c) **Power of Attorney authorizing to sell and sign documents including execution of deeds for transfer of shares & securities:-**

BY THIS POWER OF ATTORNEY, M/s Confident Investments (full details), the firm hereby appoints Mr. A (full details) as Attorney of the firm, to act in his name and on his behalf and to do or execute all or any of the acts or things relating to selling and signing documents and deeds including transfer of shares and securities, that is to say:

1. To execute a deed authorizing to sell and sign documents including execution of deeds for transfer of shares & securities.
2. To receive from..... (Full details), the transferee the sum of ₹.....(Rupees..... only) being the price agreed to be paid to the firm by the said transferee for the purchase of (full description of shares and securities) under an agreement dated.....and to give proper receipt and discharge for the same.
3. To present the said deed for registration before the proper registration authority, to admit the execution thereof, to do all acts, deeds and things which may be necessary for registering the said deed.
4. To execute or to do all acts, things or deeds or assurance for the completion giving power to sell and sign documents and deeds including the transfer of the shares and securities.

AND, the firm DO HEREBY AGREE to ratify all acts, things, deeds or proceedings lawfully done by the said Attorney on behalf of the firm and in the name of the firm by virtue of this power of attorney and the same shall be binding on firm in full force or effect.

IN WITNESS WHEREOF the firm have executed this power of attorney at this.....day of.....20.....

Witness:1 _____

Signature

2 _____

(Executant)

Question 5

- (a) *Excellent Tea Company Limited, the transferor company, sold its unit to New Garden Tea Limited, the transferee Company. It has contributed 60% of the contribution to the pension scheme of its employees. Now the transferee company refused to bear the balance of 40% of the contribution to the pension scheme. Ascertain the liability of the transferee company under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. (3 Marks)*
- (b) *Mr. Sunil has transferred 1000 shares of Ganges Fabrics Limited to Mr. Janak. The company has refused to register the transfer of shares and has not sent the notice of refusal either to Mr. Sunil or to Mr. Janak within the prescribed time. Decide, under the provisions of the Companies Act, 2013, whether the aggrieved party has any right against the company for such a refusal. Discuss the nature of punishment to a person who contravenes the order of the Tribunal. (3 Marks)*
- (c) *State and explain any four sources of Ethical standards. (4 Marks)*
- (d) *A induced B by fraud to draw a cheque payable to C or order. A obtained the cheque, forged C's endorsement and collected the proceeds of the cheque through his banker. B, the drawer, wants to recover the amount from C's Banker. Discuss, in the light of the*

provisions of Negotiable Instruments Act, 1881, the right/privileges available to a holder-in-due course. **(4 Marks)**

Answer

- (a) **Liability in case of transfer of establishment:** Section 17B of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, deals with the liability of transferor and transferee in case of transfer of establishment in regard to the money due under: (a) the Act; or (b) the Scheme; or (c) Pension Scheme. In the case of transfer of the establishment brought in by sale, gift, lease, or any other manner whatsoever, the liability of the transferor and the transferee is joint and several, but is limited with respect to the period up to the date of the transfer. Also, the liability of the transferee is further limited to the assets obtained by him from the transfer of the establishment.

Therefore, applying the above provisions in the given case, Excellent Tea Company Limited, the transferor company, has contributed 60% of the contribution to the Pension Scheme of its employees. With regards to remaining 40% contribution, both the transferor and transferee companies are jointly and severally liable to contribute. In case Excellent Tea Company Limited refuses to contribute, then New Garden Tea Limited will be liable to pay.

However, the liability of the New Garden Tea Limited shall be limited to the value of assets obtained by it from the Excellent Tea Company Limited.

- (b) **Refusal of registration and appeal against refusal [Section 58 of the Companies Act, 2013]:** Under section 58 (4), if a public company without sufficient cause refuses to register the transfer of securities within a period of thirty days from the date on which the instrument of transfer or the intimation of transmission, as the case may be, is delivered to the company, the transferee may, within a period of sixty days of such refusal or where no intimation has been received from the company, within ninety days of the delivery of the instrument of transfer or intimation of transmission, appeal to the Tribunal.

In the present case, Ganges Fabrics Limited has not complied with the requirement of sending the notice of refusal of registering the transfer of shares.

Therefore, Mr. Janak, the transferee, can make an appeal before the Tribunal and claim damages.

Under Section 58(6), if a person contravenes the order of the Tribunal given under section 58(5), he shall be punishable with imprisonment for a term not less than one year but may extend to three years and with fine not less than one lakh rupees which may extend to five lakh rupees.

- (c) **Sources of Ethical Standards:**

The Utilitarian Approach: Some ethicists emphasize that the ethical action is the one that provides the most good or does the least harm, or, to put it another way, produces the

greatest balance of good over harm. The utilitarian approach deals with consequences; it tries both to increase the good done and to reduce the harm done.

The Rights Approach (The Deontological Approach): Other philosophers and ethicists suggest that the ethical action is the one that best protects and respects the moral rights of those affected. This approach starts from the belief that humans have a dignity based on their human nature per se or on their ability to choose freely what they do with their lives.

The Fairness or Justice Approach: Aristotle and other Greek philosophers have contributed the idea that all equals should be treated equally. Today we use this idea to say that ethical actions treat all human beings equally-or if unequally, then fairly based on some standard that is defensible.

The Common Good Approach: The Greek philosophers have also contributed the notion that life in community is good in itself and our actions should contribute to that life. This approach suggests that the interlocking relationships of society are the basis of ethical reasoning and that respect and compassion for all others, especially the vulnerable, are requirements of such reasoning.

The Virtue Approach: A very ancient approach to ethics is that ethical actions ought to be consistent with certain ideal virtues that provide for the full development of our humanity.

- (d) In the given problem A induced B by fraud to draw a cheque payable to C or order and obtained it from B. He forged C's endorsement and collected the proceeds of cheque through his banker. Since, banker has made payment in good faith without negligence and affording any circumstances which give rise to suspicion, the bank is discharged from its liability as it has made payment in due course and therefore, B will not be entitled to recover any amount from banker.

Privileges of Holder in due Course:

1. A person signing and delivering to another a stamped but otherwise inchoate instrument is debarred from asserting, as against the holder in due course that the instrument is not filled in accordance with the authority given by him, the stamp being sufficient to cover the amount.
2. In case a bill of exchange is drawn payable to drawer's order in a fictitious name and is endorsed by the same hand as the drawer's signature, it is not permissible for acceptor to allege as against the holder in due course that such name is fictitious.
3. In case a bill or note is negotiated to a holder in due course, the other parties to bill or note can't avoid liability on the ground that the delivery of the instrument was conditional or for a special purpose only.

4. The person liable in a negotiable instrument cannot set up against the holder in due course the defenses that the instrument had been lost or obtained from the former by means of an offence or fraud or for an unlawful consideration.
5. No maker of a promissory note, and no drawer of a bill or cheque and no acceptor of a bill for the honor of the drawer shall, in a suit thereon by an holder in due course be permitted to deny the validity of instrument originally made or not.
6. No maker of a promissory note, and no acceptor of a bill payable to order shall, in suit thereon by the holder in due course, be permitted to deny the payee's capacity at the date of the note or bill, to endorse the same.

The problem is based upon the privileges of a 'holder in due course' given under Section 42 of the Negotiable Instruments Act, 1881. According to which an acceptor of a bill of exchange drawn in a fictitious name and payable to the drawer's order is not, by reason that such name is fictitious, relieved from liability to any holder in due course claiming under an instrument by the same hand as the drawer's signature, and purporting to be made by the drawer.

In this problem, C is not a fictitious payee and B, the drawer can recover the amount of the cheque from C's bankers because C's title was derived through forged endorsement. The acceptor, A is liable to make payment of bill to holder in due course in the said negotiation of instrument.

Question 6

- (a) *X transferred his house to his daughter M by way of gift. The gift deed contained a direction that M shall pay a sum of ₹5,000 per month to N. Consequently, M executed an instrument in favour of N agreeing to pay the said sum. Afterwards, M refused to pay to N saying that she is not liable to N because no consideration had moved from her. Decide with reasons under the provisions of the Indian Contract Act, 1872, whether M is liable to pay the said sum to N or not.* **(3 Marks)**

OR

Mridul agreed to become an assistant for 6 years to Praveen who was a Doctor practising in Bengaluru. It was also agreed that during the term of agreement Mridul will not practise on his own at Bengaluru. After 2 years, Mridul left the job, opened a clinic and started to practise on his own. Referring to the provisions of the Indian Contract Act, 1872, decide whether Mridul could be restrained from practising. **(3 Marks)**

- (b) *Mrs. Parvathy drew a cheque in favour of Ashok who is sixteen years old. Ashok endorsed the cheque in favour of Mr. Prakash who is the owner of the house where Ashok is staying. The cheque was dishonoured by the bank for inadequacy of funds. Mr. Prakash seeks your advice about the legal steps to be taken to collect the dues from Ashok.* **(3 Marks)**
- (c) *Explain the threats existing in the environment faced by accounting and finance professionals in adhering to ethical principles at the time of performing their duties.* **(4 Marks)**

- (d) *What are the important factors that are to be considered to make Oral communication effective?* (4 Marks)

Answer

- (a) **Consideration can flow either from the promisee or any other person:** As per section 2(d) of the Indian Contract Act, 1872, the consideration for a contract can move either from the promisee or from any other person. This point is made clear even by the definition of the word “consideration”, according to which at the desire of the promisor, the promisee or any other person including a stranger, doing something is consideration.

The problem is based on a case "*Chinnaya Vs. Ramayya*" in which the Court clearly observed that the consideration need not necessarily move from the party itself, it may move from any person.

In the given problem, the same reason applies. Hence, M is liable to pay the said sum to N and cannot deny her liability on the ground that consideration did not move from N.

OR

- (a) **Agreement in restraint of trade (Section 27):** Any agreement through which a person is restrained from exercising a lawful profession, trade or business of any kind is to that extent void. The object of this law is to protect trade. The restraint, even if it is partial, will make the agreement void.

The principle of law however has a number of exceptions. According to one exception, an agreement of service by which a person binds himself during the term of the agreement not to take service with anyone else directly or indirectly to promote any business in direct competition with that of his employer is not in restraint of trade.

Thus, if Mridul left the assistantship (during the period of 6 years) and opened a clinic and started to practice on his own, he could be restrained from practicing on his own account in Bengaluru. However if Mridul wants to practice else where in India other than Bengaluru he will be entitled to do so as it would not be considered a restraint of trade.

- (b) **Capacity to incur liability under instrument (Section 26 of the Negotiable Instruments Act, 1881):** A minor may draw, indorse, deliver and negotiate an instrument so as to bind all the parties except himself. A minor may be the drawer where the instrument is drawn or endorsed by him. In that case he does not incur any liability himself although other parties to the instrument can be made liable and the holder can receive payment from any other party thereto.

In the present case, Ashok (being a minor) is not liable. Mr. Prakash can thus proceed against Mrs. Parvathy.

- (c) The dynamic environment in which businesses operate today may usher a broad range of circumstances because of which compliance with the fundamental principles may potentially be threatened. Such threats may be classified as follows :-

- (i) Self-interest threats, which may occur as a result of the financial or other interests of a finance and accounting professional or of an immediate or close family member.
 - (ii) Self-review threats, which may occur when a previous judgement needs to be re-evaluated by the finance and accounting professional responsible for that judgement.
 - (iii) Advocacy threats occur when a professional promotes a position or opinion to the point that subsequent objectivity may be compromised.
 - (iv) Familiarity threats occur when finance and accounting professional has close relationship in the work environment and such relationship impair his selfless attitude towards work.
 - (v) Intimidation threats occur when a professional may be prohibited from acting objectively by threats, actual or perceived.
- (d) **Factors to be considered for oral effective communication:** Oral communication, which is face-to-face communication with others, has its own benefits. The only shortcoming of oral communication is that it is spontaneous and if one communicates incorrectly, the message will not get understood. It is primarily due to this reason one needs to develop effective oral communication skills as a message, if not understood at appropriate time, can lead to disaster.

In order to provide a fair and candid exchange of ideas, the following factors to be considered to make the oral communication effective:

- Consider the objective
- Think about the interest level of the receiver
- Be sincere
- Use simple language, familiar words
- Be brief and precise
- Avoid vagueness and generalities
- Give full facts
- Assume nothing
- Use polite words and tone
- Cut out insulting message
- Say something interesting and pleasing to the recipient
- Allow time to respond
- To make the oral communication effective, the speaker should converse slowly with proper semantic pauses to enable the listener to receive and register in mind whatever is said by the speaker and there should be a due correlation between the pace of speaking and the rate of listening.