

Solved  
Scanner

**Appendix**

**IPCC Gr. I**  
(Solution of November - 2014 )

**Paper - 2 : Business Laws, Ethics and Communication**

**Paper - 2A : Business Laws**

**Chapter - 3:Other Essential Elements of Contract**

**2014 - Nov [6] (c) (iii)**

Incorrect

**Chapter - 4: Performance of Contract**

**2014 - Nov [3] (a)**

**Supervening Impossibility:** As per the Contract Act, 1972. Supervening Impossibilities means if no Impossibility existed at the time of formation of the contract but the impossibility arises subsequent to the formation of the contract and the impossibility is of such a nature that it makes the performance of the contract impossible or illegal then it is called as supervening impossibility.

**Situation which would not constitute grounds of impossibility:**

- (1) **Commercial Impossibilities:** When performance becomes difficult or burdensome e.g. rise or fall in prices depreciation or appreciation of currency, obstructs to the execution of the contract, execution of contract becoming more expensive or less profitable, availability of transport at exorbitant rates etc.

- (2) **Default by third Party:** Default by a third party on whose work or conduct the promisor relied does not amount to supervening impossibility.
- (3) **Strikes, riots or civil disturbances:** Strike by workers or outbreak of riots or some civil disturbances interrupting the performance of promise do not amount to supervening impossibility.
- (4) **Self induced impossibility:** Impossibility arising due to a party's own conduct or act is not supervening impossibility.
- (5) **Partial Failure of object or partial Impossibility:** If a contract is made for fulfillment of several objects, the failure of one or more of them does not amount to supervening possibility.  
H. B. Steam boat Co. V. Hulton.

#### **Chapter - 5: Breach of Contract**

**2014 - Nov [1] {C} (a)**

As per provisions of the Indian contract Act, 1872, 'pledge' means the bailment of goods as security for payment of a debt on performance of a promise.

In above case, the contract between X and bank is a contract of 'pledge'. since deposit of title deeds with the bank as security against an advance constitutes a pledge.

The bank would succeed in suit filed against the railways. Since in case of pledge, the pawnee can exercise all the rights which the pawnor could exercise in respect of such goods, if the goods are damaged or some third party derives such goods.

So, the bank can file suit against railway for ₹ 2,60,000 which Mr. X endorsed and delivered the railway receipt in favour of bank by way of security for the advances.

#### **Chapter - 9: Bailment and Pledge**

**2014 - Nov [6] (c) (iv)**

Correct

**Chapter - 11: The Negotiable Instrument Act, 1881**

**2014 - Nov [5] (a)**

- (i) **Acceptance For Honour:** The person who accepts the bill for the honour of any other person is called as an "acceptance for honour". The bill must have been noted for non-acceptance. The acceptance is given for the honour of any party already liable under the bill, by any person who is already not liable under the bill, with the consent of the holder of the bill. The acceptance must be in writing on the bill. He is liable to pay the amount of the bill, if the drawee does not pay on maturity.

**Drawee in case of Need:** As per the Sec.7 of the Negotiable Instrument Act, 1881, the name of any person may be given in a bill as 'drawee in case of need'.

- His liabilities arising on the bill is not accepted by the drawee in the bill.
  - The bill is not dishonoured until it has been dishonoured by drawee in case of need.
- (ii) The problem stated in the question is based on the provisions of the Negotiable Instrument Act, 1881 as contained in Section 53 the section provides once a negotiable instrument passes through the hands of a holder in due courses, it gets cleared of its defects provided the holder was himself not a party to the fraud or illegality which affected the instrument in some stage of its journey. Thus any defect in the title to the transferor will not affect the rights of the holder in due course even if he had knowledge of the prior defect provided he is himself not a party to the fraud. (Sec. 53)
- Thus applying above provisions it is quite clear that S who originally induced T in obtaining the bill of exchange in question fraudulently, cannot succeed in the case. The reason is obvious as S himself was a party to the fraud.

**Chapter - 12: The Payment of Bonus Act, 1965**

**2014 - Nov [2] (a) (I)**

As per the provisions of the Payment of Bonus Act, 1965 “Establishment” means any unit, undertaking on place of business in which any commercial activity on business is carried on or services are rendered under any form of business organization and “Employee” means any person employed on a salary or wages not exceeding 10,000 per month in any Industry to do any work whether the term of employment are express or implied.

- (i) Employee employed by education institutions is not covered under the definition of “Establishment” and “Employee” so it is not covered for bonus.
- (ii) A reinstated employee without wages for the period of dismissal is also not covered in definition of employee.

**Chapter - 13: The Employees’ Provident Funds and Miscellaneous Provisions Act, 1952**

**2014 - Nov [7] (a)**

As per the Sec. 7A of the employees Provident Fund and Miscellaneous Provisions Act, 1952, officer may make enquiry as deemed fit. The equity on dispute of provident fund. The officer shall follow the principles of natural justice. He may pass an order in accordance with the provisions of the act and the scheme as he deems fit.

- He shall have same powers as are vested in civil court for -
  - (a) Enforcing attendance.
  - (b) Requiring discovery and production of documents.
  - (c) Receiving evidence on affidavit.
  - (d) Issuing commissions for examination of witnesses.If employees does not attend hearing or does not produce any record, order can be passed ex parte based on available evidence.

**Chapter - 14: The Payment of Gratuity Act, 1972**

**2014 - Nov [2] (a) (II)**

As per the provisions of the Payment of Gratuity Act, 1972 “Forfeiture of gratuity” means if the services of an employee are terminated for any act, willful omission or negligence resulting in damage or loss or destruction of

the property of the employer then the gratuity payable to employee shall be forfeited to the extent of such damage or loss.

In the above case, As per “Wazir Chand V Union of India” Wazir Chand continued to occupy Government quarter even after retirement. Forfeiture of gratuity is not valid since the company is entitled to deduct from the gratuity payable the charges or rent due but occupying company’s quarter does not entitle the company to forfeit the gratuity payable.

### **Chapter - 15: Company: Basic Concepts**

#### **2014 - Nov [1] {C} (b)**

As per Sec.11 of the Companies Act, 1956, An association or partnership is an illegal association if, it consists of more than 10 persons in case of banking business or, 20 persons in case of any other business. It is not incorporate as a company under the Companies Act, 1956 in pursuance of some other Indian law.

In above case, the XYZ traders association was constituted by four joint Hindu family. As per provision, while computing the number of persons, all the male and female member of such joint families shall be counted but minor member shall be excluded. In above case there are 25 major members and 2 minors member. So total member counted as per provisions are 23 (minor member excluded.) It is more than 20 members. So it is illegal association. Thus XYZ traders Association is not having a legal status.

In the second case, if XYZ traders Association subsequently is reduced to 18 members then it is not called Illegal Association because it is less than 20 members. As per the provision of Companies Act, 1956, XYZ Association becomes legal association.

#### **Alternative Ans as per Act, 2013.**

As per Sec. 464 of Act, 2013,

- (1) No association or partnership consisting of more than such number of persons as may be prescribed shall be formed for the purpose of carrying on any business that has for its object the acquisition of gain by the association or partnership or by the individual members thereof, unless it is registered as a company under this Act or is formed under any other law for the time being in force:

**Provided** that the number of persons which may be prescribed under this sub-section shall not exceed one hundred.

- (2) Nothing in sub-section (1) shall apply to:
- (a) A Hindu undivided family carrying on any business; or
  - (b) an association or partnership, if it is formed by professional who are governed by special Acts.
- (3) Every member of an association or partnership carrying on business in contravention of sub-section (1) shall be punishable with fine which may extend to ₹ 1 lakh and shall also be personally liable for all liabilities incurred in such business.

### **Chapter - 18: Promoters and Company Law Administration**

**2014 - Nov [7] (b)**

**Promoter** : As per the provision of Companies Act, 2013, "Promoter is a person who originates a scheme for the formation of the company, gets the memorandum and articles prepared, executed and registered and finds the first directors, settles the terms of preliminary contracts and prospectus and makes arrangements for advertising and circulating the prospectus and placing the capital".

The term 'promoter' is not a term of law, it is a term of business. It is term of business i.e. this term is to be understood in the practical business sense.

### **Chapter - 19: Prospectus**

**2014 - Nov [6] (a)**

**Underwriting Commission :**

As per the provision of Sec. 76 of Companies Act 1956, express authorization in the articles is required for payment of underwriting commission. Underwriting Commission can be paid only in respect of those shares on debentures which are offered to the public for subscription.

- **Rate of Commission:** On Shares maximum 5% of the price at which share issue on Debenture maximum 2.5% of the price debentures issue if articles may prescribe a lower rate.

Rate or amount of underwriting commission should be disclosed and also the name address of the underwriters should be disclosed. A copy of the underwriting contract shall be filed with the Registrar along with prospectus.

**Note:** Sec. 76 of 1956 Act stipulated conditions to be satisfied for payment of commission by company to any person for underwriting. Sec. 40 of the Act, 2013 does not stipulate such conditions.

### **Chapter - 20: Allotment of Shares**

**2014 - Nov [4] (a)**

- (i) **Free Reserve:** As per the provision of Companies Act, 2013 free reserve denotes retained profit. In other words, certain sum or sums are set apart out of the profit earned for specific or general purpose, and this constitutes reserve.

This reserves are not available for dividend purpose in year concerned. However, subject to decision of the Board of Directors, there can be appropriation out of reserves created in the past for dividend purpose. Such are not capital reserve.

If there is no profit, no reserve can be created and basically reserves are at the disposal of the undertaking. The term "reserve" has been negatively defined in Part III or erstwhile Schedule III.

- (ii) As per the provision of Sec. 77A of the Companies Act, 2013, are the following circumstances in which company can not buy back its own share.
- No offer of buy-back for 1<sup>st</sup> or more of the paid up capital and free reserve of the company shall be made from the open market.
  - A company shall not make any offer of buy-back within a period of one year from the date of closure of the preceding offer of buy-back.
  - The company shall ensure that at least fifty per cent of the amount enumerated for buy - back and default in payment of public deposit interest and other.

In above case M/s Growmore Pharma Limited is default in payment of term loan & interest so Co. can buy-back after 1 year from the date of default.

### **Chapter - 22: Share Capital**

**2014 - Nov [6] (c) (ii)**

Correct

**Chapter - 27: Registration of a Charge**

**2014 - Nov [7] (c)**

According to Sec. 2(16) of Act, 2013, charge has been defined as an interest or line created on the property or asset of a company or any of its undertaking or both as security and includes a mortgage.

**Punishment for contravention:** According to Section 86 of the Companies Act, 2013, if any company contravenes any provision relating to the registration of charges contained under chapter VI of the Act, the company shall be punishable with fine which shall not be less than ₹ 1 lakh but which may extend to ₹ 10 lakh and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than ₹ 25,000 but which may extend to ₹ 1 lakh, or with both.

**Chapter - 28: Meetings**

**2014 - Nov [5] (b)**

**Financial Statement:** As per Companies Act, 2013 Sec. 2(40) "Financial Statement" in relation to a company include

- (i) A balance sheet as at the end of financial year
- (ii) A Profit and Loss Account
- (iii) Cash flow statement for financial statement
- (iv) A statement of change in equity
- (v) Any explanatory note annexed to

**2014 - Nov [6] (c) (i)**

Incorrect



Paper - 2B : Ethics

**Chapter - 1: Principles of Business Ethics**

**2014 - Nov [1] {C} (c) (ii)**

**This statement is incorrect.**

**Reasons:** Ethical programs are more helping to manage values associated with quality management, strategic planning and diversity management. Ethical programs are helping to business in all sectors.

**Chapter - 2: Corporate Governance and Corporate Social Responsibility**

**2014 - Nov [2] (b)**

**Corporate Social Responsibility** is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. It focuses on the idea that a business has social obligations above and beyond making a profit CSR thus is a way of integrating the social, economic and environmental imperatives of business activities.

**CSR and Companies Act, 2013**

According to Companies Act, 2013, passed by Parliament on 8<sup>th</sup> August 2013, profitable companies must spend every year at least 2 percent of their average net profit over the preceding three years on CSR works. This mandatory CSR-spend rule will apply from fiscal 2014-15 onwards. Those companies that have a turnover of ₹ 1,000 crore or more or net worth of ₹ 500 crore or more or net profit of ₹ 5 crore or more will have to comply. In an effort to facilitate greater corporate participation in CSR, BSE on 23<sup>rd</sup> September 2013, signed a memorandum of understanding (MoU) with Indian Institute of Corporate Affairs (IICA) to collaborate and develop a CSR index and increase awareness about CSR. While the Ministry for Corporate Affairs has prescribed in the new law the quantum of spending companies must undertake on CSR, it has not distinguished between charity, religious donations and sustainable philanthropy models for the purpose of delineating what mandatory CSR spending is. It is for the board of a company to decide whether to allocate the mandatory CSR funds to a religious trust or philanthropic causes.

### **Need of CSR in Indian Business environment**

**The following arguments stresses upon the need for social responsibilities in business enterprises :-**

1. **Iron law of responsibility** : Society gives business its charter to exist and that charter can be amended or revoked at any time if it fails to live up to the expectations of the society. In order to retain its existing social role & social power business must respond to society's needs constructively. This is called the Iron Law of Responsibility. In the long-run those who do not use power in a socially responsible manner, will tend to lose it.
2. **Long - term self - interest** : A better society would produce a better environment in which the business can be profitable in the long-run. Such an environment can be created by implementing special programmes which reduces crimes, labour turnover and absenteeism, and improve public health and education. Recruitment of labour becomes easier.
3. **Better public image** : Good public image is necessary for a business to secure more customers, better employees and higher profits. Business can capture a favourable public image by supporting the society's interest and social goals.
4. **Avoiding government regulation or control** : Regulation and control are costly to business both in terms of energy and money and also restricts its flexibility of decision - making Businessmen's failure to assume social responsibilities invites government to intervene and regulate or control their activities. The prudent course for business is to understand the limit of its power and to use that power responsibly, giving government no opportunity to intervene. By their own socially responsible behaviour they can prevent government intervention.
5. **Effective use of resources and power** : Businessmen command considerable power over the productive resources of a community. They are under an obligation to use those resources for the common good of society. They should keep in mind that power to command national resources has been delegated to them by the society for the purpose of generating more wealth for its betterment. They must honour social obligations while exercising the delegated economic power.

A company uses variety of formal mechanism and processes to raise CSR issues with their Boards for the purpose of incorporating them into business strategies and decision - making.

**Some key strategies that can be used by companies while implementing CSR policies and practices are as follows:**

1. **Mission, vision and values statements** : It provides insight into the Company's values, culture and strategies for achieving its aims. The mission or vision of a socially responsible business refers to a purpose beyond "making a profit" and specifies that it will engage in ethical and responsible business practices. It seeks to balance the interests of all the key shareholders while making decisions.
2. **Cultural values** : CSR requires an environment where innovation and independent thinking are welcomed. There must also be a commitment to close the gap between "what the company says" and "reality of its actual performance". Care should be exercised so that the company says what it means and means what it says.
3. **Management structures** : CSR management system aims to integrate corporate responsibility concerns into a company's values culture, operations and business decisions at all levels of the organization. There is no single universally accepted method for designing a CSR management structure. The designed structure should aligns the company's mission, size, sector, culture, business structure, geographic locations, risk areas & level of CSR commitment.
4. **Employee recognition and rewards** : Employees tend to engage in such behaviour that is recognized and rewarded and avoid behaviour that is penalized. To promote CSR, the system of recruiting, hiring, promoting, compensating and publicly honouring employees should be designed.
5. **Communication, education and training** : Employees cannot be held accountable for responsible behaviour if they are not aware of its importance. Therefore, they should be provided with the information and tools they need to act appropriately in carrying out their job requirements. Companies should publicize the need of CSR internally, include it as a subject in management training programs, establish a code of conduct, and provide managers and employees with decision - making processes that help them to achieve responsible outcomes.

6. **CSR reporting** : Annual CSR report build trust with stakeholders and encourage internal efforts to comply with a company's CSR goals. the best report demonstrate-
- (i) CEO and senior leadership support
  - (ii) Provide verified performance data for social, environmental and economic performance indicators
  - (iii) Share "good" and "bad" news
  - (iv) Set goals for improvement
  - (v) Include stakeholders feedback.

**Other key strategies**

1. **Strategic planning** : Companies begun to incorporate CSR into their long-term planning processes. Specific goals and measures of progress are identified for this purpose. The impact of any major company proposals on society is assessed before it is approved.
2. **General accountability**: Social responsibility goals may be prescribed for different divisions, departments and job positions. Job descriptions are designed so that each employee can understand now he/she can contribute to the company's overall effects to be socially responsible.
3. **Leadership role** : A few socially responsible companies take the lead and persuade others to behave in more responsible manner. It is in everyone's best interest to have as many companies as possible honouring the requirements and expectations of CSR.
4. **Increased productivity and quality of work life** : Efforts to improve working conditions, lessen environmental impacts or increase employee involvement in decision-making often lead to increased productivity and reduced error rate in a company.

2014 - Nov [4] (b)

**Corporate Governance Measure:** The following corporate governance measure is required to be implemented by Indian companies as per Clause 49.

- (1) **Social Accountability 8000:** It is a standard that specific requirement for social accountability to enable a company to develop maintain & enforce policies which apply to everyone in respect of geographical location.

- (2) **A 'A' 1000:** It is accountability standard design to compliment the GRI reporting accountability to enable a company to develop & improve accountability and performance by learning through stake holder engagement.
- (3) **The Global Sullivan Principles:** They are based on sullivan principles developed by . L.H. Sullivan as a voluntary code of conduct for companies doing business in apart held South Africa.
- (4) **The Caux Round Table:** CRT comprises of senior business leaders from Europe, Japan & North America & is based in Caux, Switzerland. The CRT produced "principles for business".

### **Chapter - 3: Ethics in Workplace**

**2014 - Nov [5] (c)**

#### **Factor influencing ethical behaviour:**

1. **The individual:** An ethical issue is an identifiable problem, situation or opportunity that requires a person to choose from several action which could be evaluated as right or wrong.  
Ethical issues faced by an individual in workplace:
  - Relationship with suppliers and business partners.
  - Relationship with customers.
  - Relationship with employee.
2. **Influence of managers & co-workers:** The action and decisions of co-workers guide an employee's behaviour at the workplace. It influence of co-workers may foster conditions that limit or permit misconduct.
3. **Organizational Factor:** The behaviour of employees depends to a large extent on the organization's internal control system.
  - (a) **Business Relationship:** Ethical behaviour within a business involves company secrets, meeting obligation and responsibilities and avoiding under pressure that may force others to act unethically.
  - (b) **Communications:** Communications, is another area of ethical concern. False & misleading advertising as well as deceptive personal selling tactics can lead to tough business situation.

#### **Chapter - 4: Environment Issues**

**2014 - Nov [1] {C} (c) (i)**

**Correct:** As per Brundt Land Report, 'the concept of sustainable development recognizes that economic growth has to be environmentally sustainable, since there is no economic growth without ecological cost.'

High economic growth means high rate of extraction, transformation and utilisation of non-renewable resources. It also leads to depletion of ozone layer, global warming, acid rain causing environmental damage. Therefore an element of resource regeneration and positive approach to environment have to be incorporated in all developmental programmes.

**2014 - Nov [3] (b)**

#### **Special Responsibility of Industries Based on Natural Resources:**

Industry that are based on natural resources, like minerals, timber, fiber and foodstuffs etc. have a special responsibility for:

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

**Green - Accounting System :** Conventional accounts may result in policy decisions which are non-suitable for countries. Green accounting on the other hand is focused on addressing such deficiencies in conventional accounts with respect to environment. If the environment cost are properly reflected in the prices paid for goods and services then the companies and ultimately the consumer would adjust demand in a way that would reduce damage to environment, pollution and waste production. Such measure would facilitate the approach of 'Polluter Pays Principle'. Removing subsidies that encourage environmental damages is another measure.

#### **Chapter - 6: Ethics in Accounting and Finance**

**2014 - Nov [7] (e)**

**Effective safeguards are required to check unethical behaviour. Thus safeguards shall :**

- (i) ensure an ethical environment,
- (ii) eliminate or reduce the threats to an acceptable level,
- (iii) increase the likelihood of identifying or deterring unethical behaviour.

**Safeguards may be created by the :**

1. Finance and Accounting Profession, legislation and Regulation, or
  2. Business firms employing the professional.
- 1. Finance and Accounting Profession Legislation and Regulation :**
- (i) Educational training and experience requirement for entry into the profession.
  - (ii) Continuing professional development requirement
  - (iii) Corporate governance regulations.
  - (iv) Professional standards.
  - (v) Professional or regulatory monitoring and disciplinary procedures.
  - (vi) External review by a legally empowered third party of the reports, returns, communication or information produced by concerned professionals.
- 2. Safeguards in the Work Environment :**
- (i) Employing organizations systems of corporate oversight
  - (ii) Employing organizations ethics and programs.
  - (iii) Recruitment procedures in the employing organization emphasizing the importance of employing high caliber competent staff
  - (iv) Adequate internal control system Appropriate disciplinary processes
  - (v) Policies and procedures to implement and monitor the quality of employee performance.
  - (vi) Ethical leadership
  - (vii) Policies and procedures to empower & encourage employees to report unethical practices to seniors without fear.
  - (viii) Timely communication of the company's policies and procedures and appropriate training and education on such policies and procedures.

<b>Paper - 2C : Communication</b>
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**Chapter - 1: Essentials of Communication****2014 - Nov [1] {C} (d)**

An effective correspondence is very important for business transaction. It should have the following characteristics :

1. **Simplicity** : A business letter should be simple. It should be written in a lucid (easy) language so that it is clear to the receiver. The language can be similar to that of social letters as long as formality is maintained. The letter should make an instant appeal to the reader.
2. **Conversational style** : An effective letter is one that gives an impression of face to face communication. Letters are the written media by which sender of the message speaks to the receiver. Hence a letter should be written in a conversational style. Conversational style is interactive in nature and is more or less informal.
3. **Clarity of goal** : The writer should be clear about what he wishes to convey. He should keep all the facts and figures of the information handy. The letter should be written in such a way that it reflects the goal clearly and easily. There must not be any ambiguity.
4. **Public relation** : Business letters reflect the image of the organisation. All business letters should therefore be drafted keeping in mind the objective of enhancing the organisations goodwill, image and public relations.
5. **The 'You' attitude** : The business letters should be written keeping in mind the reader's point of view. It should be able to convey the sender's interest in the reader. For this the 'You' attitude should be adopted. The 'I's and 'We's' should be avoided and more of 'You's' should be included. This will show the sender's interest in the reader.
6. **Courteous** : The business letter should be courteous. Courtesy implies that the letter seeks favour politely and expresses gratitude profusely for the favours done. Thus the language of the letter should be polite and appealing. When the 'You' attitude is adopted, automatically the letter becomes polite and appealing.



7. **Persuading** : The basic idea behind every business correspondence is to persuade the reader be it a sales letter, letter of enquiry or letter of complaint. Thus to persuade the reader in an effective way the piece of correspondence should be well written. So as to persuade the reader in ones favour.
8. **Sincere** : The business letters should be sincere. This means that the letter should be written in such a way that the readers believe what the letter says. It should not hide reality. It should also be free from hypocrisy making tall claims. The matter should be stated erectly and genuinely.
9. **Positive language** : The words of the letter should be chosen with care. As far as possible the language of the piece of letter should be positive. The use of negative words should be avoided as it gives an impression of negative outlook and approach.
10. **Due emphasis** : Proper emphasis should be put on the content of the piece of correspondence. This requires logical thinking on the part of the writer. The writer should himself be clear in his mind what he wants to convey. Only then can he emphasis properly. Proper emphasis is to be given according to the message conveyed. Proper punctuation aids to this. It should also be noted that short sentences are better than long sentences.
11. **Coherence** : The information present in the letter should be arranged in a logical way. This is done by using carefully the linking devices, pronouns, and repeating the key words. Unless arranged in a logical way the information will loose its meaning and thus the objectivity of the correspondence will be lost.
12. **Care for culture** : All business correspondence seeks to be written keeping in mind the reader's point of view. As such no words should be used which offends the cultural background of the reader. The best way is to avoid use of culturally derived words, slangs, colloquialisms etc. Harmless and in offensive words should be used.
13. **Tactful approach** : The writer should adopt a tactful approach while writing a business letter. It can be a direct approach letter, an indirect approach letter or a middle approach letter depending on the message to be conveyed. Generally a good news is conveyed directly where as a bad news or a complaint adopts indirect or middle approach.

- 14. Ethical standard :** A business letter reflects the image of an organisation. Therefore all business correspondence should maintain certain ethical standard. Although business correspondence should be persuasive and tactful, without ethics they will be fruitless. It may pay in short run but it will not reap harvest in long run.
- 15. Brief but complete :** Brevity is the soul of correspondence. In short the receiver must know what the sender wants to transmit. But briefness does not means incomplete. An incomplete letter does not fulfill its objectives. All necessary matter should be incorporated in the letter. Thus the quality of brevity and completeness should be there in business letter.

**2014 - Nov [2] (c)**

**Semantic Barriers:** Semantic means the relationships of signs of their reference. Semantic barrier arises from the disadvantages of the symbolic system. Symbols have got number of meaning and one has to choose any one of them according to the requirement of communication. Hence, a meaningful distinction should be made between inferences and facts.

Semantic refers to the study of relationship of words and signs. It arises from the disadvantage of symbolic system. Symbol or the language is the most important tool of communication which has to be used very carefully:

- (i) Words with different meaning :** Some words convey more than one meaning. When the receiver assigns a different meaning to a word than what the sender intended, there occurs mis-communication.
- (ii) Denotation and connotations :** Words have two types of meanings. Denotations and connotations. Denotations are the literal meanings of the words while connotations are the suggestive meaning of the words. Connotations may be positive or negative. For e.g. word cheap may be connoted as low priced (positive connotation) or low quality (negative connotation) Difference in connotations may misinterpret a particular message.
- (iii) Offensive style of communication :** Badly expressed messages lose their impact. Offensive style of communication leads to communication breakdown causing loss of time and money.

- (iv) **Wrong assumptions** : Communications should not be based on assumption as it may lead to wrong interpretation. All possible efforts should be made to clarify assumptions.
- (v) **Selective perceptions** : Many a time the message is decoded by the receiver in a way which may be selective. In other words most of the receivers protect their own interest and expectations leading to a particular type of feed back which becomes a communication problem.

**2014 - Nov [7] (d)**

Communication to be effective should be free of barriers which obstruct the free flow of communication. Social and psychological factors are the most difficult barriers to communication. These consist of the following :

1. **Attitude and opinions** : The personal attitude and opinions of the receiver often interfere with communication. If the message is consistent with the receiver's attitude and opinion they receive it favourably. When the message is inconsistent with the receiver's attitude and opinions, they are not likely to be received favourably.
2. **Emotions** : Emotions like fear, anger, worry, nervousness block the mind. It also blurs the thinking power and one fails to organise the message properly. When the message is not organised properly it cannot be conveyed effectively.
3. **Status difference** : Status consciousness is a very serious barrier. Subordinates fail to communicate to with their superiors because either they are too conscious of their low status or too afraid of being snubbed off. Similarly many executives keep distance from their subordinates thinking it too degrading to consult them.
4. **Inattention** : Inattention arises due to mental preoccupations or distractions. These causes barriers to communication.
5. **Closed mind** : A person with closed mind is not willing to listen and is not prepared to reconsider his opinion. As such it is very difficult to communicate with such person.

**Other Barriers are :**

1. **Distrust** : Distrust after fails to deliver the right message. When the receiver is biased or hostile towards the sender the message is either ignored or misinterpreted.

2. **Poor retention** : Successive transmission of the message are decreasingly accurate. In the process of transmission a part of the message is lost at every stage. This is because of poor retention on the part of the receiver. Thus incomplete message is conveyed.
3. **Premature evaluation** : Premature evaluation prevents effective communication. Some people form a judgement even before receiving the complete message. And once judgement is already formed the mind is closed to the rest of the message.

### **Chapter - 3: Group Dynamics**

**2014 - Nov [3] (c)**

**Consensus Building:** Consensus means over whelming agreement. Most consensus building efforts set out to achieve unanimity. The key indicator of whether or not a consensus has been reached is that everyone agree with the final proposal and it is important that consensus be the product of a good faith effort to meet the interest of all stakeholders.

**The process for consensus building explain as follows:**

- Consensus building process is problem solving oriented.
- Consensus building is engage in active listening.
- Consensus building is disagree without being disagreeable.
- Consensus building strive for the greatest degree of transparency possible.
- Consensus building strive for options for mutual gain.

### **Chapter -5: Communicating Corporate Culture, Change and Innovative Spirits**

**2014 - Nov [4] (c)**

There are specific elements that help a company to be more innovative. It is a blend of culture, methodologies, infrastructure and work practices. A sustainable innovation organization should have:

- Vision and strategy for innovation.
- Culture supporting innovation.
- Processes, practices and systems supporting innovation.
- Top management team leading innovation.
- Effective Cross-functional teams.
- Empowered employees driving innovation.
- Finding the Right Balance Between Bureaucracy and Chaos.

**Chapter - 7: Legal Deeds and Documents**

**2014 - Nov [6] (b)**

**Power of Attorney to appear before income**

**Tax Authority:**

1. Dhara Rajchura residing at Rajkot hereby authorize Mr. X to represent my family in connections with income tax for the year 2013 - 14. His statement and explanation will be binding on me.

Place : Rajkot

Date : 10 - 11- 14

Mr. X hereby declare that 1 duly qualified to represent the above mentioned person.

Place : Rajkot

Date : 10 - 11- 14

Kalawad Road

Rajkot

**Shuchita Prakashan (P) Ltd.**

25/19, L.I.C. Colony, Tagore Town,  
Allahabad - 211002

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**FOR NOTES**

The form consists of a large rectangular area bounded by a solid black line. Inside this area, there are 20 horizontal dashed lines spaced evenly, providing a guide for writing. The top line is a solid border, and the bottom line is also a solid border. The space between the top solid line and the first dashed line is approximately the same as the space between the other dashed lines.

**FOR NOTES**

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