INTERMEDIATE (IPC) COURSE
STUDY MATERIAL MODULES 1 – 4

PAPER : 2

BUSINESS LAWS, ETHICS AND COMMUNICATION
[Relevant for May, 2015 Examination and onwards]

Module – 1

Chapter 1 – The Indian Contract Act, 1872

The Institute of Chartered Accountants of India
(Set up by an act of Parliament)
New Delhi
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A WORD ABOUT STUDY MATERIAL

Laws and rules, in general, regulate the relationship between business and profession. In specific, an accounting student should have knowledge of the legal framework, which influences business transactions. This paper on Business Laws, Ethics and Communication intends to make the students aware of legal background relating to business and company law. Besides, in today’s scenario, ethics form a core part of any profession and it is indeed imperative for the students of Chartered Accountancy to know the value of ethics in business. Further, a student needs to develop good business communication skills and a sound understanding of related legal deeds and documents. The syllabus is, therefore, comprehensive and has been segregated into three parts with Part I covering Business Laws and the Company Law, Part II covering Business Ethics and Part III covering Business Communication. This paper prescribes a working level knowledge of all the segments covered.

The Company Law is one of the most significant and pervasive statute amongst the various corporate legislations and so forms an important subject of the Chartered Accountancy Course. The Companies Act, 2013 has been enacted to meet the contemporary national and international economic environment and to further accelerate the expansion and growth of our economy. To keep pace with the developments the Institute has revised the syllabus of the Company Law.

- Module 3 containing the Company Law part has been thoroughly revised pursuant to the Companies Act, 2013 in this edition of the study material.
- Learning objective given at beginning of each chapter for better understanding.
- Step by step approach follow in each chapter.
- Appropriate explanation of the text through illustrations & practical examples.
- Feedback form is given in this Module wherein students are encouraged to give their feedback/suggestions.

Finally, we would welcome suggestions to make this book more helpful and ‘student-friendly’. In case of any doubt, students are welcome to write at nisha.gupta@icai.in, megha.goel@icai.in or shraddha.saxena@icai.in.

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PAPER – 2: BUSINESS LAWS, ETHICS AND COMMUNICATION

(One paper – Three hours — 100 Marks)

Level of Knowledge: Working knowledge

PART I – BUSINESS LAWS (60 MARKS)

Objective:
To test working knowledge of Business Laws and Company Law and their practical application in commercial situations.

Contents

Business Laws (30 Marks)
1. The Indian Contract Act, 1872
2. The Negotiable Instruments Act, 1881
3. The Payment of Bonus Act, 1965
4. The Employees’ Provident Fund and Miscellaneous Provisions Act, 1952

Company Law (30 Marks)
The Companies Act, 2013 – Sections 1 to 122
(a) Preliminary
(b) Incorporation of Company and Matters Incidental thereto
(c) Prospectus and Allotment of Securities
(d) Share Capital and Debentures
(e) Acceptance of Deposits by companies
(f) Registration of Charges
(g) Management and Administration
(i) Company Law in a computerized Environment – E-filing.

Note:
(i) The provisions of the Companies Act, 1956 which are still in force would form part of the syllabus till the time their corresponding or new provisions of the Companies Act, 2013 are enforced.
(ii) If new legislations are enacted in place of the existing legislations, the syllabus would include the corresponding provisions of such new legislations with effect from a date notified by the Institute.

Part II – ETHICS (20 Marks)

Objective:
To have an understanding of ethical issues in business.

Contents:

1. Introduction to Business Ethics
   The nature, purpose of ethics and morals for organizational interests; Ethics and Conflicts of Interests; Ethical and Social Implications of business policies and decisions; Corporate Social Responsibility; Ethical issues in Corporate Governance.

2. Environment issues
   Protecting the Natural Environment – Prevention of Pollution and Depletion of Natural Resources; Conservation of Natural Resources.

3. Ethics in Workplace
   Individual in the organisation, discrimination, harassment, gender equality.

4. Ethics in Marketing and Consumer Protection
   Healthy competition and protecting consumer’s interest.

5. Ethics in Accounting and Finance
   Importance, issues and common problems.

Part III – COMMUNICATION (20 Marks)

Objective:
To nurture and develop the communication and behavioural skills relating to business

Contents:

1. Elements of Communication
   (a) Forms of Communication: Formal and Informal, Interdepartmental, Verbal and non-verbal; Active listening and critical thinking
   (b) Presentation skills including conducting meeting, press conference
   (c) Planning and Composing Business messages
   (d) Communication channels
   (e) Communicating Corporate culture, change, innovative spirits
(f) Communication breakdowns
(g) Communication ethics
(h) Groups dynamics; handling group conflicts, consensus building; influencing and persuasion skills; Negotiating and bargaining
(i) Emotional intelligence - Emotional Quotient
(j) Soft skills – personality traits; Interpersonal skills ; leadership

2. Communication in Business Environment
   (a) Business Meetings – Notice, Agenda, Minutes, Chairperson’s speech
   (b) Press releases
   (c) Corporate announcements by stock exchanges
   (d) Reporting of proceedings of a meeting

3. Basic understanding of legal deeds and documents
   (a) Partnership deed
   (b) Power of Attorney
   (c) Lease deed
   (d) Affidavit
   (e) Indemnity bond
   (f) Gift deed
   (g) Memorandum and articles of association of a company
   (h) Annual Report of a company
STUDY PLAN – KEY TO EFFECTIVE LEARNING

Study Tips

Since the level of knowledge required for the subject is ‘working knowledge’ and the objective is to gain knowledge of those branches of laws relating to business transactions, certain corporate bodies and related matters and their application to practical commercial situations, students need to prepare on these lines. For this, they have to focus their study based on the major legal provisions, case laws, if any, and understand their practical implications. Besides, students should also give importance to the terms/definitions for proper conceptualisation of the answers.

As stated earlier, students should also go through the Bare Acts to get a better understanding of the provisions contained in various statutes.

A comprehensive study of the subject can be done by keeping the following points in the mind:

- Make a study plan covering the entire syllabus and then decide how much time you can allocate to the subject on daily/weekly basis.
- Maintain the time balance amongst various subjects such as purely descriptive type and numerical-based papers.
- First of all, have an overview of the chapter to understand the broad contents and sequence of various sub-topics.
- Do the introspection while going through the chapter and ask various questions to yourself.
- Read each chapter slowly to ensure that you understand and assimilate the main concept. If need be, read once again with concentration and then try to attempt exercise at the end of the chapter or given in the Practice Manual.
- Recapitulate the main concept after going through each chapter by way of brief notes.
- Always assess your preparation periodically, say, on monthly basis. If necessary, revise your plan and allocate more time for the subject in which you feel deficient.
- Read, understand and assimilate each chapter.
- Always try to attempt the past year examination question paper/ Mock Test Papers under examination conditions.
- Revision of material should never be selective in any case. Because broad coverage of the syllabus is more important than preparing 2-3 chapters exhaustively.
Examination Techniques

- Plan your time so that equal time is awarded for each mark. Keep sometime for revision as well.
- Always attempt to do all questions. Remember that six average answers fetch more marks than five best answers. Therefore, it is important that you must finish each question within allocated time.
- Read the question carefully more than once before starting the answer to understand very clearly as to what is required by the paper-setter.
- Always be concise and write to the point and do not try to fill pages unnecessarily.
- There must be logical expression of the answer.
- Answer the problem oriented questions by explaining the relevant /applicable provisions of the relevant enactments followed by answers thereof.
- In case a question is not clear, you may state your assumptions and then answer the question.
- While writing answers in respect of essay-type questions, try to make sub-readings so that it catches the examiner’s eye.
- Revise your answers carefully underline important points before leaving the examination hall.

Best Wishes and Happy Learning
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