



**J.K. SHAH**<sup>®</sup>  
**TEST SERIES**  
Evaluate Learn Succeed

**SUGGESTED SOLUTION**

**IPCC May 2017 EXAM**

**ETHICS AND COMMUNICATION**

**Test Code - I N J 1 0 7 4**

**Head Office : Shraddha, 3<sup>rd</sup> Floor, Near Chinai College, Andheri (E), Mumbai – 69.**

**Tel : (022) 26836666**

**Answer-1 (a) :**

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

1. Enhanced brand image and reputation.
2. Reduced Government regulations and controls.
3. Helps to minimize ecological damage.
4. Improved financial performance.
5. Reduced operating costs.
6. Increased sales and customer loyalty.
7. Increased productivity and quality of work life.
8. Increased ability to attract and retain employees.
9. Achievement of certain other objectives like easier access to capital including international capital.

**(4 Marks)**

**Answer-1 (b) :**

The focus on core values and sound ethics, the hall mark of ethical management, is being recognized as an important way to ensure the long term effectiveness of governance structures and procedures and to avoid the need for whistle blowing.

**(1 Mark)**

Employers, who understand the importance of work place ethics, provide their work force with an effective framework and guiding principles of identity and address ethical issues as they arise. These guidelines for managing ethics and to avoid the need for whistle-blowing in the work place may be summarized as follows:-

- (a) Have a Code of Conduct and ethics.
- (b) Establishment open communication.
- (c) Make ethical decisions in group and make decision public whenever appropriate.
- (d) Integrate ethics with other management practices.
- (e) Use of cross functional teams when developing and implementing the ethics management programme.
- (f) Appointing an ombudsman.
- (g) Creating an atmosphere of trust.
- (h) Regularly updating of policies and procedures
- (i) Include a grievance policy for employees
- (j) Set an example from the top.

**(5 Marks)**

**Answer-2 (a) :**

(I) Self interest threats for finance and accounting professionals working as consultants or auditors are given below:

- (a) A financial interest in a client or jointly holding a financial interest with a client.
- (b) Undue dependence on total fees from a client,
- (c) Having a close business relationship with a client.
- (d) Concern about the possibility of losing a client,
- (e) Potential employment with a client.
- (f) Contingent fees relating to an assurance engagement.

**(3 Marks)**

(II) Self interest threats for finance and accounting professionals working as an employee are given below:

- (a) Financial interests, loans and guarantees in the company in which the professional is working.
- (b) Incentive compensation arrangements.
- (c) Inappropriate personal use of corporate assets.
- (d) Concern over employment security.
- (e) Commercial pressure from outside the employing organization.

**(3 Marks)**

**Answer-2 (b) :**

Safeguards created by the profession, legislation or regulation are as follows:

- i. Educational, training and experience requirements for entry into the profession.
- ii. Continuing professional development requirements
- 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, communications or information produced by concerned professionals. **(4 Marks)**

**Answer-3 (a) :**

**Ethics:** The term 'Ethics' has a variety of meanings. One of the meanings is 'Ethics' are the principles of conduct governing an individual or a group. Another definition describes ethics as relating to what is good or bad and having to do with moral duty and obligation. **(2 Marks)**

**Business Ethics:** In a broad sense, ethics in business refers to the application of day-to-day moral and ethical norms to business. Business ethics are the principles and standards that determine acceptable conduct in business organisation. **(1 Mark)**

**Requirements:** Being ethical in business requires acting with an awareness of –

- (a) The need for complying with rules (e.g) (i) laws of the land, (ii) customs and expectation of the community (iii) principles of morality (iv) policies of the organization and (v) general concerns such as the needs of others and fairness.
- (b) How the products, services and actions of a business enterprise, can affect its stakeholders (i.e. employees, customers, suppliers, shareholders and community society as a whole) either positively or negatively. **(2 Marks)**

**Answer-3 (b) :**

The grapevine becomes active when the following factors are present:

- (a) Feeling of uncertainty or lack of sense of direction when the organisation is passing through a difficult period.
- (b) Feeling of inadequacy or lack of self confidence on the part of the employee, leading to the formation of groups.
- (c) Formation of a coterie or favoured group by the manager, giving other employees a feeling of insecurity or isolation. People operating in such circumstances will be filled with all sorts of ideas and will share them with like minded companions, at whatever level they may be. Mostly they find them at their own level, but other levels are not barred. This type of communication is being seriously studied by psychologists and management experts. **(5 Marks)**

**Answer-4 (a) :**

Functions of Interpersonal Communication: Interpersonal communication is important because of the following functions it achieves:

Gaining Information: One reason, we engage in interpersonal communication, is to gain knowledge about another individual. We attempt to gain information about others so that we can interact with them more effectively. **(1 Mark)**

Building Understanding: Interpersonal communication helps us to understand better what someone says in a given context. Words can mean very different things depending on how they are said or in what context. Content Messages refer to the surface level meaning of a message. Relationship Messages refer to how a message is said. The two are sent simultaneously, but each affects the meaning assigned to the communication and helps us understand each other better. **(2 Marks)**

Establishing Identity: We also engage in interpersonal communication to establish an identity based on our relationships and the image we present to others. **(1 Mark)**

Interpersonal Needs: We also engage in interpersonal communication to express interpersonal needs. William Schutz has identified three such needs: inclusion, control, and affection.

- Inclusion is the need to establish identity with others.
- Control is the need to exercise leadership and prove one's abilities.
- Affection is the need to develop relationships with people. Groups are an excellent way to make friends and establish relationships. **(2 Marks)**

**Answer-4 (b) :**

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. If you just can't make yourself interested, you will lose important information, so try taking notes. Doing so will keep your body and mind active.

- Listen to the tone of voice and inflection; look at gestures and body language these may carry an unspoken message.
- Restate what the person said. Restating their meaning is a way for you to make sure you understand the person clearly.
- Ask questions once in a while to clarify the meaning. Doing so will keep you alert and let the other person know that you have been listening and are interested in getting all the facts and ramifications.
- Be aware of your own feelings and opinions. (4 Marks)

**Answer-5 (a) :**

Notice of a Board Meeting

Bunny forgings Limited,  
Ph. No-  
Saiyaji Road  
Fax -  
Madras – 32  
Ref. No.

October 10, 2015

Dear sir/ Madam

This is to inform you that a meeting of the board of director will be held on November 15, 2015 at the registered office of the company, 281 Saiyaji Road, Madras- 32 at 11. 30 AM to consider the following:

1. To approve the minutes of the last meeting.
2. To consider matters arising out of the minutes.
3. To consider and pass the statement of accounts for payment.
4. To approve transfer of shares.
5. To sanction an interim dividend @ 10% (tax free) on the equity shares of Rs 10/- each. Rs 8/- per shares paid up.
6. To consider any other matter with the permission of the chair and.
7. To fix the date and time of the next meeting.

Yours faithfully

(Jay Bhura)

(5 Marks)

**Answer-5 (b) :**

Power of Attorney to execute a deed for the transfer of shares & debentures:-  
BY THIS POWER OF ATTORNEY, M/s. Unsure Investments (full details), the firm hereby appoints Mr. X (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 transfer of shares and debentures, that is to say :

1. To receive from.....(Full details), the transferee the sum of Rs.....(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 debentures) under an agreement dated.....and to give proper receipt and discharge for the same.
2. To execute a transfer deed of the said shares and debentures
3. To present the said transfer 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 transfer deed.
4. To execute or to do all acts, things or deeds or assurance for the completion of the transfer of the said shares and debentures.

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 at .....this.....day of.....20.....

Witness:

1 \_\_\_\_\_

Signature

2 \_\_\_\_\_

(Executant)

(5 Marks)