Paper 6- Laws, Ethics and Governance

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Full Marks:100 **Time allowed: 3 hours**

Section A

1. Answer the following questions **[20 ×1 = 20]**

(a) Multiple choice questions:

(i)	(b)	Rights in Rem
(ii)	(b)	Void
(iii)	(c)	Three contracts
(iv)	(b)	becomes insolvent
(v)	(b)	none can give who does not himself possess
(vi)	(c)	The person who has ultimate control over the affairs of the factory
(vii)	(b)	cannot deduct fine from workers who are under the age of 15
(viii)	(d)	90%
(ix)	(d)	Forty-eight hours in any week
(x)	(c)	5 years
(xi)	(a)	The whole of India
(xii)	(b)	₹ 10 lakhs
(xiii)	(d)	All the three
(xiv)	(c)	25
(xv)	(a)	7 p.m. and 8 a.m.
(xvi)	(c)	Cheque
(xvii)	(d)	1980
(xviii)	(c)	10 years
(xix)	(d)	None of the above
(xx)	(a)	Moral and social values

(b) Match the following: **[5 x 1 = 5]**

1. **C**
2. **E**
3. **A**
4. **B**
5. **D**

2. Answer any Three questions: **[3 × 15 = 45]**

(a) (i) The general rule is ex-nudopacto non oritur action i.e. an agreement made without consideration is void. For example if A promises to pay B ₹ 1000 without any obligation from B. This is a void agreement for want of consideration. However, the Act itself provides exceptions to this rule in section 25 itself. As per section 25, an agreement made without consideration is not void in the following circumstances:

1. **Promise made on account of natural love and affection.**
   If an agreement is expressed in writing and registered under the law for the time being in force for the registration of documents, and is made on account of natural love and affection between parties standing in a near relation to each other, it is valid despite being void of consideration. The expression the parties standing in near relation to each other means the parties are related to each other by blood relations. Nearness of relations does not always mean natural love and affection.
2. **Promise to compensate for voluntary services.**

If it is a promise to compensate, wholly or in part, a person who has already voluntarily done something for the promisor, or something which the promisor was legally compellable to do, it is a good agreement despite no consideration from other party. In order to claim exemption under section 25 on this account the following conditions must be satisfied:

(a) The act must have been done voluntarily and not at the request of any party.
(b) Act must have been done for the promisor who must be in existence at the time when the act was done.
(c) The act must have been done for the promissory who must be competent to contract at the time when the act was done.
(d) The intention of the promisor should be to compensate the promise
(e) The services rendered must be legal.

3. **Promise made to pay a time barred debt.**
If it is a promise, made in writing and signed by the person to be charged therewith, or by his agent generally or specially authorized in that behalf, to pay wholly or in part a debt of which the creditor might have enforced payment but for the law for the limitation of suits. In order to claim exemption under section 25(3) the following conditions should be satisfied:
(a) The debt of the creditor must be enforceable but for limitation period.
(b) There must be a promise to pay the debt and not merely an acknowledgement of debt.
(c) The promise must be in writing and signed by the debtor or his agent.
(d) The promise must be given by the person to be charged therewith and not by anybody else.

4. **Gift actually made:**
Explanation 1 to section 25 provides that absence of consideration does not affect the validity of any gift between donor and done if actually made.

5. **Creation of agency:**
Section 185 of the Act provides that no consideration is required to create Agency.

6. **Charitable subscription**
No consideration is required where promise is for some charitable purpose.

(ii) Differences between Sale and Agreement to Sell:

S.N.	Sale	Agreement to Sell
1.	Sale is an executed contract. Property in the goods passes from seller to buyer.	It is an executory contract. Transfer of property in goods is to take place at a future date subject to fulfillment of certain conditions.
2.	If goods are destroyed, the loss will be borne by the buyer even though they may be in possession of the seller.	The loss will be borne by the seller even though the goods may be in possession of the buyer.
3.	A sale gives right to the buyer to enjoy the goods against the whole world including the seller.	The buyer only can sue the seller for damages.
4.	In case of sale, the buyer can be sued for price of goods.	The buyer can be sued only for damages.
5.	If buyer becomes insolvent before payment is made, the seller has to deliver the goods to the official receiver unless he has lien on them.	Seller may refuse to deliver the goods to the official receiver.
6.	If the seller becomes insolvent after payment of price, the buyer can claim the goods from the official receiver.	The buyer cannot claim the goods. He can only claim ratable dividend for the amount paid by him.

7.	The seller cannot resale the goods.	In this case, if the subsequent buyer takes in good faith and for consideration, he gets a good title. The original buyer may only sue the seller for damages.

(b) (i) Definition of Contribution:

According to Section 2(4) of the Act, Contribution means "The sum of money payable to the corporation by the principal employer in respect of an employee and include any amount payable by or on behalf of the employee in accordance with the provisions of this Act".

Rules relating to Contribution:

The rules relating to contributions are as follows;

1. Contribution:

The contribution payable under the Act in respect of an employee shall comprise employer's contribution and employee's contribution.

2. Rate of contribution:

According to rule 51, the amount of contribution for a wage period shall be paid at a fixed percentage of wages, i.e. it shall be in respect of –

(a) Employer's contribution – a sum equal to 4.75% of the total wage bill of all the employees

(b) Employee's contribution – a sum equal to 1.75% of his wages.

3. Unit of payment:

The wage period in relation to an employee shall be the unit in respect of which all contributions shall be payable under the Act. The contributions payable in respect of each wage period shall ordinarily fall due on the last day of the wage period.

4. Default in payment of contribution:

If any contribution payable under this Act is not paid by the principal employer on the date on which such contribution has become due, he shall be liable to pay simple interest at a rate of 12% p.a. or at such higher rates as may be specified in the regulations till the date of its actual payment.

5. Payment of contribution:

Principal employer to pay both his contribution and employee's contribution. The principal employer can deduct employee's contribution from his wages. But employer's contribution not to be deducted from employee's wages.

6. Method of payment of contribution:

Subject to the payment and collection of contributions payable under ESI Corporation may make regulations for:

(a) Any matter relating or incidental to the payment and collection of contributions payable under the Act;

(b) The manner and time of payment of contribution

(c) The payment of contribution by means of adhesive or other stamps affixed to or impressed upon books, cards or otherwise and regulating the manner, time and conditions in, at and under which such stamps are to be affixed or impressed.

(d) The date by which evidence of contribution having been paid is to be received by ESI corporation

(e) The entry in or upon books or cards of particulars of contributions paid and benefits distributed in the case of the insured persons to whom such books or cards relate; and

(f) The issue, sale, custody and production, inspection and delivery of books or cards and its replacement.

7. Expenses of Remittance:
The principal employer shall bear the expenses of remitting the contributions to the ESI Corporation.

(ii) The circumstances are as follows:
(a) On Superannuation.
(b) Before Superannuation.
(c) Death
(d) Permanent Disablement.

(a) On Superannuation:
Superannuation means reaching the retirement age with at least 10 years of service.

(b) Before Superannuation:
On attaining the age between 50 and retirement age and at least ten years of service.

(c) Death:
Death while in service or while not in service.

(d) Permanent disablement:
On becoming permanently unfit for employment which the person was doing at the time of such disablement.

(c) (i) General Duties of the Occupier:
Sec. 7A of the Factories Act, 1948 narrates the general duties of the Occupier as follows:

1. Every occupier shall ensure, so far as is reasonably practicable, the health, safety and welfare of all workers while they are at work in the factory.
2. Without prejudice to the generality of the provisions of Sub-Section (1), the matters to which such duty extends shall include:
   (a) The provision and maintenance of plant and systems of work in the factory that are safe and without risks to health.
   (b) The arrangement in the factory for ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances.
   (c) The provisions of such information, instruction, training and supervision as are necessary to ensure the health and safety of all workers at work.
   (d) The maintenance of all places of work in the factory in a condition that is safe and without risks to health and provisions and maintenance of such means of access to, and agrees from, such places as are safe and without such risks;
   (e) The provision, maintenance or monitoring of such working environment in the factory for the workers that is safe, without risk to health and adequate as regards facilities and arrangements for their welfare at work.
3. Except in such cases as may be prescribed, every occupier shall prepare, and as often as may be appropriate revise, a written statement of his general policy with respect to the health and safety of the workers at work and organization and arrangements for the time being in force for carrying out that policy, and to bring the statement and any revision thereof to the notice of all the workers in such manner as may be prescribed.

(ii) Responsibility for Payment of Wages (Sec 3)
(1) Every employer shall be responsible for the payment of all wages required to be paid under this Act to person employed by him and in case of persons employed
   (a) in factories if a person has been named as the manager of the factory under clause (t) of sub section 7 of the Factories Act 1948

(b) in industrial or other establishments if there is a person responsible to the employer for the supervision and control of the industrial or other establishments;

(c) upon railways (otherwise than in factories) if the employer is the railway administration and the railway administration has nominated a person in this behalf for the local area concerned.

(d) in the case of contractor a person designated by such contractor who is directly under his charge and

(e) in any other case a person designated by the employer as a person responsible for complying with the provision of the Act

The person so named the person so responsible to the employer or the person so nominated or the person so designated as the case may be shall also be responsible for such payment.

(2) Notwithstanding anything contained in sub section (1) it shall be the responsibility of the employer to make payment of all wages required to be made under this Act in case the contractor or the person designated by the employer fails to make such payment.

Fixation of Wage-Periods (Sec 4)

(1) Every person responsible for the payment of wages under section 3 shall fix periods (in this Act referred to as wage-periods) in respect of which such wages shall be payable;

(2) No wage-period shall exceed one month.

(d) (i) Sections 87, 88 and 89 of the Negotiable Instruments Act, 1881 explain about the "Effect of Material Alteration".

A contract is formed by the union of two consents. Every negotiable instrument is a result of the union of two consents. Later, any alteration made by any party to the contract or by any other third person, it becomes material alteration, and such material alteration causes the instrument as void.

Effect of Material Alteration: [Sec. 87]

Any material alteration of a negotiable instrument renders the same void as against anyone who is a party thereto at the time of making such alteration and does not consent thereto, unless it was made in order to carry out the common intention of the original parties.

Alteration by indorsee: And any such alteration, if made by an indorsee discharge his indorser from all liability to him in respect of the consideration thereof.

Instances of the material alterations:

The following are some of the instances of material alterations-

- ♦ Alteration in date;
- ♦ Alteration in the time of payment;
- ♦ Alteration in the place of payment;
- ♦ Alteration in the sum payable;
- ♦ Making order cheque into bearer cheque

(ii) When a debtor owes several distinct debts to a creditor and makes a payment insufficient to satisfy the whole indebtedness a question arises about the appropriation of the payment. Section 59 to 61 lay down the following three rules in this regard:

(i) Where the debtor intimates (Sec 59) - If the debtor expressly intimates at the time of actual payment that the payment should be applied towards the discharge of a particular debt, the creditor must do so.

(ii) Where the debtor does not intimate and the circumstances are not indicative (Sec 60)

- Where the debtor does not expressly intimate or where the circumstances attending on the payment do not indicate any intention, the creditor may apply it at his discretion to pay lawful debt actually due and payable to his from the debtor.

(iii) **Where the debtor does not intimate and the creditor fails to appropriate (Sec 61)** - Where the debtor does not expressly intimate and where the creditor fails to make any appropriation, the payment shall be applied in discharge of the debts in chronological order, i.e., in order of time. If the debts are of equal standing, the payment shall be applied in discharge of each proportionately.

So, the given case, as per section 61, the appropriation can be made proportionately, if neither party appropriates specifically.

(e) (i)

- **Responsibility of Finder of Goods [Sec. 71]** A person who finds goods belonging to another, and takes them into his custody, is subject to the same responsibility as a bailee.
- **Right to Sue for Reward [Sec. 168]** Where the owner has offered a specific reward for the return of goods lost, the finder has a right to sue the owner for such reward and to retain the goods until he receives it. In the given case, X picked up a diamond from the floor of Y''s shop and handed it over to Y to keep it till owner is found, Y did his best to find out the owner but true owner could not be found. After sometime, X offered Y the lawful charges incurred by Y for finding out the true owner and asked him to return the diamond to him. Y refused to do so. Y must return the diamond to X because X was entitled to retain it against the whole world except the true owner.

(ii) Section 50, of Sale of Goods Act, states that, subject to the provisions of this Act, when the buyer of goods becomes insolvent, the unpaid seller who has parted with the possession of the goods has the right of stopping them in transit, that is to say, he may resume possession of the goods as long as they are in course of transit and retain them until payment of tender of the price. Hence the major rules applicable would be:

(a) The seller must be unpaid
(b) He must have parted with the possession of goods
(c) The goods must be in transit
(d) The buyer must have become insolvent

Applying the above provisions in the given case, we may conclude that RK being unpaid, can stop the 100 bales of cloth sent by railway as these goods are still in transit and SK has become insolvent.

(iii) The due date of maturity is 4th April (i.e., 3rd day after two months).

Promissory notes, bills of exchange and cheques must be presented for payment at the due date of maturity to the maker, acceptor or drawee thereof respectively, by or on behalf of the holder. In default of such presentment, the other parties to the instrument (i. e., parties other than the parties primarily liable) are not liable thereon to such holder. If authorized by agreement or usage, a presentation through the post office by means of a registered letter is sufficient (section 64). So, the Endorser is discharged due to delayed presentment for payment, and the primary party (i.e., Maker of the instrument) continues to be liable.

3. Answer any one question: [1 x 15 = 15]

(a) (i) Disqualifications of Directors [Sec. 164 of the Companies Act, 2013]

Section 164 read with Rule 14 of the Companies (Appointment and Qualification of Directors) Rules, 2014 negatively stipulates the eligibility requirements for becoming a director by providing certain disqualifications. These disqualifications are explained as follows:

1. **Grounds for disqualification [Sec. 164 (1)]**
   The following persons are disqualified to become a director:
   (a) A person who is of unsound mind and stands so declared by a Competent Court.
   (b) A person who is an undischarged insolvent.
   (c) A person who has applied to be adjudicated as an insolvent and his application is pending.
   (d) A person who has been convicted by a Court of any offence (whether involving moral turpitude or otherwise) and sentenced to imprisonment for 6 months or more, and 5 years have not elapsed from the date of expirty of the sentence.
   However, if a person is convicted of any offence and sentenced to imprisonment for a period of 7 years or more, he shall not be eligible to be appointed as a director in any company.
   (e) A person against whom an order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force.
   (f) A person who has not paid any call on shares of the company held by him and 6 months have elapsed from the last day fixed for the payment of the call.
   (g) A person who has been convicted of an offence dealing with related party transactions under section 188 at any time during the preceding 5 years.
   (h) A person who has not complied with Section 152(3) of the Companies Act, 2013 i.e., he has not been allotted DIN.

2. **Disqualification by reasons of a default made by a company: [Sec. 164(2)]**
   A person who is or has been a director of a company shall be disqualified from being reappointed as a director of that company or appointed in any other company for a period of 5 years, if the company of which he is or has been a director-
   (a) has not filed financial statements or annual returns for any continuous period of 3 financial years; or
   (b) has failed to:
   - repay the deposits accepted by it or pay interest thereon; or
   - redeem any debentures on the due date or pay interest due thereon; or
   - pay any dividend declared.

   and such failure continues for 1 year or more

3. **Freedom to prescribe additional grounds disqualification [Sec. 164(3)]**
   Articles of a private company may provide additional grounds of disqualification of a director. But, a public company is prohibited from providing any additional disqualifications.

4. **Postponement of certain grounds of disqualification: [Sec. 164(4)]**
   The grounds of disqualification referred to in clauses (d), (e) and (g) of Section 164(1) shall not take effect -
   (a) For the first 30 days from the date of conviction or order of disqualification;
   (b) Where any appeal is preferred within 30 days, until the expiry of 7 days from the date on which such appeal is disposed off;
   (c) Where any further appeal is preferred within 7 days, until such further appeal is disposed off.

(ii) (a) Special Resolution Requirement: A company may alter its objects clause by passing a special resolution.

(b) (1) Special requirements in case of unutilized proceeds of Prospectus Issue: A company, which has raised money from public through Prospectus and still has any unutilized amount out of the money so raised, shall change its objects for which it raised the money through Prospectus only if a Special Resolution is passed by the Company by Postal Ballot.

(2) Notice to share-holders: Notice in respect of the resolution for altering the objects shall contain the following particulars-

(i) The total money received

(ii) The total money utilized for the objects stated in the prospectus

(iii) The unutilized amount out of the money so raised through Prospectus

(iv) The particulars of the propsed alteration or change in the objects

(v) The justification for the alteration or change in the objects

(vi) The amount proposed to be utilized for the new objects

(vii) The estimated financial impact of the proposed alteration on the earnings and cash flow of the company

(viii) The other relevant information which is necessary for the members to take an informed decision on the proposed resolution

(ix) The place from where any interested person may obtain a copy of the notice of the resolution to be passed.

(3) Advertisement:

(i) Details of the resolution shall be published in the newspapers (one in English and one in vernacular language) which is in circulation at the place where the Registered Office of the Company is situated.

(ii) The Advertisement giving details of each resolution to be passed for change in objects shall be published simultaneously with the dispatch of postal ballot notices to shareholders.

(4) Website: The notice shall also be placed on the Website of the Company, if any.

(5) Dissent: Dissenting shareholders shall be given an opportunity to exit by the Promoters and Shareholders having control, in accordance with SEBI Regulations.

(c) Filling with ROC and Registration thereof:

(i) Copy of the Special Resolution shall be filled with the ROC within 30 days from the date of passing the Special Resolution.

(ii) ROC shall register any alteration of MOA with respect to the objects of the company, and certify the registration within 30 days from the date of filing of the Special Resolution.

(b) (i) The objectives of the Act are to-

(i) Give effect to the Fundamental Right to Information, which will contribute to strengthening democracy, improving governance, increasing public participation, promoting transparency and accountability and reducing corruption

(ii) Establish voluntary and mandatory mechanisms or procedures to give effect to right to information in a manner which enables persons to obtain access to records of public authorities in a swift, effective, inexpensive and reasonable manner,

(iii) Promote transparency, accountability and effective governance of all public authorities by, including but not limited to, empowering and educating all persons to:

- Understand their rights in terms of this Act in order to exercise their rights in relation to public authorities;
- Understand the functions and operation of public authorities; and effectively participating in decision making by public authorities that affects their rights.

(ii) Need for Corporate Governance:

Corporate Governance is integral to the existence of the company. It is needed to create a corporate culture of transparency, accountability and disclosure.

- Corporate Performance: Improved governance structures and processes help ensure quality decision making, encourage effective succession planning for senior management.
- Enhanced Investor trust: Investors consider Corporate Governance as important as financial performance when evaluating companies for investment.
- Combating Corruption: Companies that are transparent, and have sound system that provide full disclosure of accounting and auditing procedures, allow transparency in all business transactions.
- Better Access to Global Market: Good Corporate Governance system attracts investment from global investors, which subsequently leads to greater efficiencies in the financial sector.
- Enhancing Enterprise Valuation: Improved management accountability and operational transparency fulfill investors' expectations and confidence on management.
- Accountability: Investors' relations are essential part of good Corporate Governance.
- Easy Finance form Institutions: Evidence indicates that well governed companies receive higher market valuations.
- Reduced Risk of Corporate Crisis and Scandals: Effective Corporate Governance ensures efficient risk mitigation system in place.

4. Answer any one question: [1 x 15 = 15]

(a) (i) Need For Business Ethics:

Business ethics is currently a very prominent business topic, and the debates and dilemmas surrounding business ethics have attracted enormous amount of attention from different quarters of organizations and society. Hence, it has emerged as an increasingly important area of study. Some of the major reasons why a good understanding of business ethics is important can be stated as follows:-

(a) Stop business malpractices:

Some unscrupulous businessmen do business malpractices by indulging in unfair trade practices like black-marketing, artificial high pricing, adulteration, cheating in weights and measures, selling of duplicate and harmful products, hoarding, false claims or representations about their products etc. These business malpractices are harmful to the consumers. Business ethics help to stop these business malpractices.

(b) **Improve customers' confidence:**

Business ethics are needed to improve the customers' confidence about the quality, quantity, price, etc. of the products. The customers have more trust and confidence in the businessmen who follow ethical rules. They feel that such businessmen will not cheat them.

(c) **Survival of business:** Business ethics are mandatory for the survival of business. The businessmen who do not follow it will have short-term success, but they will fail in the long run. This is because they can cheat a consumer only once. After that, the consumer will not buy goods from that businessman. He will also tell others not to buy from that businessman. So this will defame his image and provoke a negative publicity. This will result in failure of the business. Therefore, if the businessmen do not follow ethical rules, he will fail in the market. So, it is always better to follow appropriate code of conduct to survive in the market.

(d) **Safeguarding consumers' rights:**
Consumer sovereignty cannot be either ruled out or denied. Business can survive so long it enjoys the patronage of consumer. The consumer has many rights such as right to health and safety, right to be informed, right to choose, right to be heard, right to redress, etc. But many businessmen do not respect and protect these rights. Business ethics are must to safeguard these rights of the consumers.

(e) **Protecting employees and shareholders:** Business ethics are required to protect the interest of employees, shareholders, competitors, dealers, suppliers, etc. It protects them from exploitation through unfair trade practices.

(f) **Develops good relations:** Business ethics are important to develop good and friendly relations between business and society. This will result in a regular supply of good quality goods and services at low prices to the society. It will also result in profits for the businesses thereby resulting in growth of economy.

(g) **Creates good image:** Business ethics create a good image for the business and businessmen. If the businessmen follow all ethical rules, then they will be fully accepted and not criticised by the society. The society will always support those businessmen who follow this necessary code of conduct.

(h) **Smooth functioning:** If the business follows all the business ethics, then the employees, shareholders, consumers, dealers and suppliers will all be happy. So they will give full cooperation to the business. This will result in smooth functioning of the business. So, the business will grow, expand and diversify easily and quickly. It will have more sales and more profits.

(i) **Consumer movement:** Business ethics are gaining importance because of the growth of the consumer movement. Gone are the days when the consumer can be taken for ride by the unscrupulous business by their false propaganda and false claims, unfair trade practices. Today, the consumers are aware of their rights and well informed as well as well organised. Now they are more organised and hence cannot be cheated easily. They take actions against those businessmen who indulge in bad business practices. They boycott poor quality, harmful, high-priced and counterfeit (duplicate) goods. Therefore, the only way to survive in business is to be honest and fair. Consumer forums and Consumer Associations are more active and vocal now.

(j) **Consumer satisfaction:** Today, the consumer is the king of the market. Any business simply cannot survive without the consumers. Therefore, the main aim or objective of business is consumer satisfaction. If the consumer is not satisfied, then there will be no sales and thus no profits too. Consumer will be satisfied only if the business follows all the business ethics, and hence are highly needed.

(k) **Importance of labour:** Labour, i.e. employees or workers play a very crucial role in the success of a business. Therefore, business must use business ethics while dealing with the employees. The business must give them proper wages and salaries and provide them with better working conditions. There must be good relations between employer and employees. The employees must also be given proper welfare facilities.

(1) **Healthy competition:** The business must use business ethics while dealing with the competitors. They must have healthy competition with the competitors. Healthy competition brings about efficiency, breaks compliancy and leads to optimal utilisation of scarce resources, hence is always welcome. They must not do cut-throat competition. Similarly, they must give equal opportunities to small-scale.

(ii) (i) Self-interest Threats:
Occur as a result of the financial or other interest of Finance and Accounting professional or personal interest of key personnel.

(ii) Self-Review Threats:
When a previous judgment of the Finance and accounting Professional is to be re-evaluated.

(iii) Advocacy Threats:

When a professional promotes a position or opinion to such extent that some objectivity may have to be compromised.

(iv) Familiarity Threats:
When a professional has close relationships with the work environment which may impair his selfless attitude towards work.

(v) **Intimidation Threats:**
When a professional may be prohibited from acting objectively by actual or perceived threat.

(b) (i) The seven principles of public life are:

Selflessness	Holders of Public Office should take decisions solely in tells of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.
Integrity	Holders of public office should not place themselves under any financial or other obligation to outside individuals or organizations that might influence them in the performance or their official duties.
Objectivity	In carrying out public business including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
Accountability	Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
Openness	Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
Honesty	Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
Leadership	Holders of public office should promote and support these principles by sound leadership and prove to be an example in whatever they perform.

(ii) The reasons for which unethical behavior might arise in the organization are:

(i) Over Emphasis on Short Term Profitability: Manipulating accounting entries to show better profitability (window dressing) to raise further capital from the market.

(ii) Ignoring small unethical issues: Companies need to develop an environment where small ethical lapses are taken seriously so that they do not recur in the future.

(iii) Economic cycles: when the company is doing well, no one is bothered to understand its actual financial position. However, when the economy takes a downward turn, finance and accounting managers may take decisions by compromising over the established principles. To prevent disclosure of unethical problems in times of depression, companies need to be careful and vigilant also during prosperous time periods.

(iv) Market complexity: In the era of globalization and massive cross border flow of capital, accounting rules have become more complex. The complexity of principles and rules and the difficulty associated with identifying abuse are reasons which may promote unethical behavior.

(v) Money - Mindedness: Most business organizations try to display better financial condition by window dressing. Following such a principle towards - showing profits rather than-earning profits leads to unethical accounting and financial practices.

Consequences of Unethical Behavior -

Unethical behavior has adverse effects on business. Moreover, working for an unethical, deceptive, unfair or dishonest organization requires one to take unethical or compromised decisions which also take a toll on physical, mental and emotional health of individuals.
Firstly, if a company is unethical, the word spreads fast, and the reputation and goodwill of the company is at stake. Such impact can be of a permanent nature destroying the company's reputation possibly forever.
Secondly, unethical behavior can also have a detrimental impact on the productivity of a company due to mistrust and lack of faith among the employees.
Thirdly, unethical behavior can, not only cause a company to lose good and valuable employees, but also it can be quite difficult to find new employees.
Moreover, indulgence in unethical behavior shall not only be instrumental in expediting the cost of training of new employees in terms of money, but also loss of valuable time which could be spent in production. Such disruptions or slowing down of production will result in greater customer dissatisfaction and fewer new customers.
It is proved that good ethics carries many benefits, and its violations - penalties, and therefore refraining from unethical behavior should be the sine-qua-non consideration for an organization.