

INTERMEDIATE EXAMINATION

GROUP - I

(SYLLABUS 2016)

SUGGESTED ANSWERS TO QUESTIONS

JUNE - 2017

Paper - 6: LAWS & ETHICS

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

This question paper has two sections.

Both the sections are to be answered subject to instructions given against each.

Section - A

1. Answer all questions: 25

(a) Multiple choice questions: 10

(i) The term 'sub-agent' in the business of agency is defined as a person employed by, and acting under the control of the

- (A) Principal
- (B) Original agent
- (C) Lawyer
- (D) Third person

(ii) The first endorsement of an instrument can be made by the

- (A) Banker
- (B) Payee
- (C) Holder in due course
- (D) Agent

(iii) Which of the following is not the mode of dissolution of a firm under voluntary dissolution?

- (A) Dissolution by agreement
- (B) Dissolution on the happenings of certain contingencies
- (C) Dissolution on becoming a partner of unsound mind
- (D) Compulsory dissolution

(iv) White wash or color wash should be carried out at least once in every period of

- (A) 14 months
- (B) 24 months

Suggested Answer_ Syllabus 2016_Jun2017_Paper 6

- (C) 48 months
(D) 60 months
- (v) The term 'family' as defined in ESI Act, 1948 does not include
(A) a spouse
(B) a minor adopted child
(C) a dependent unmarried daughter
(D) an independent married sister
- (vi) Which one of the following amounts to safety measure?
(A) Artificial humidification
(B) Ventilation
(C) Fencing of factory
(D) First aid appliances
- (vii) If a company does not have a common seal, the share certificate shall be signed by
(A) Two Directors
(B) One Director and Company Secretary
(C) Two Directors and Company Secretary
(D) Company Secretary
- (viii) In case of e-voting, notice shall be sent as attachment in
(A) PDF file
(B) Word file
(C) Excel file
(D) Access file
- (ix) A Director may be elected by small shareholders upon a notice by
(A) not less than 1000 small shareholders.
(B) one tenth of the total number of shareholders.
(C) not less than 1000 small shareholders or one tenth of such shareholders, whichever is lower.
(D) one tenth of 1000 small shareholders.
- (x) Meta ethics deal with the nature of _____ .
(A) external influences
(B) moral judgement
(C) material facts
(D) animal rights
- (b) Fill in the blanks: 5
- (i) Misrepresentation must relate to some fact which is material to the _____ .
- (ii) The LLP shall inform the concerned Registrar within _____ of the date of registration about the conversion and the particulars of LLP.
- (iii) The term of office of a member of the standing committee, constituted under ESI Act,

Suggested Answer_ Syllabus 2016_Jun2017_Paper 6

shall be two years from the date on which his election is _____ .

- (iv) The registered office shall be opened within 15 days from the date of _____ of the company.
- (v) A company shall send copy of each of the document such as memorandum etc., to a member within _____ days of the request made by him.

(c) True or False:

5

- (i) In an agreement to sale, the buyer is entitled to recover the same from the official liquidator in case of insolvency of the seller.
- (ii) The term 'employed person' includes the legal representatives of a deceased employed person.
- (iii) Payment of Gratuity Act, 1972 applies to every shop and establishment employing seven or more persons.
- (iv) Any misstatement in the prospectus would attract the liability on the issuer.
- (v) Continuous improvement or kaizen is a popular theme.

(d) Match and Pair:

5

	Column I		Column II
1.	Presentment	(A)	Determines acceptable conduct in business organization
2.	Form no. INC-23	(B)	Issue of global depository receipt
3.	Continuing guarantee	(C)	Bill of exchange
4.	Business ethics	(D)	Shifting of registered office within the same state
5.	Section 41 of the Companies Act	(E)	Guarantee which extends to a series of transactions

Answer:

1. (a) (i) (b)
(ii) (b)
(iii) (c)
(iv) (a)
(v) (d)
(vi) Correct Answer would be "fencing of machinery"
(vii) (a) or (b)
(viii) (a)
(ix) (c)
(x) (b)
- (b) (i) Contract
(ii) 15 days
(iii) Notified
(iv) Incorporation
(v) 7 days

Suggested Answer_ Syllabus 2016_Jun2017_Paper 6

- (c) (i) False
(ii) True
(iii) False
(iv) True
(v) True

(d)

	Column I		Column II
1.	Presentment	(C)	Bill of exchange
2.	Form no. INC-23	(D)	Shifting of registered office within the same state
3.	Continuing guarantee	(E)	Guarantee which extends to a series of transactions
4.	Business ethics	(A)	Determines acceptable conduct in business organization
5.	Section 41 of the Companies Act	(B)	Issue of global depository receipt

Section – B

2. Answer any five questions:

15×5 = 75

- (a) Does silence amount to fraud? Explain with exceptions and types of silence amount to fraud. 9
- (b) Mr. P and Mr. Q bet as to whether there would be rain on a particular day of December. Mr. P promises to pay ₹ 5,000 to Mr. Q if there is rain on that day and Mr. Q promises an equal amount to Mr. P if there is no rain on the day. Suppose, there is no rain on that specific day of December and Mr. Q filed a suit for recovery of ₹ 5,000 from Mr. P. Can Mr. Q recover the amount under Indian Contract Act, 1872? 6

Answer:

2. (a) Explanation to section 17 of the Indian Contract Act provides that mere silence as to facts likely to affect the willingness of a person to enter into a contract is not fraud unless the circumstances of case are such that having regard to them it is the duty of the person keeping silence to speak or unless silence itself is equivalent to speech. Thus we can say that there is exception to the rule that mere silence does not amount to fraud. The two exception as provided in explanation to section 17 are as under:
- (i) When there is a duty to speak.
(ii) Where silence is equivalent to speech.
- However, in the following two types of cases, silence amounts to fraud, as held by the courts in various cases:
- (i) **Where there is change in circumstances** - A representation may be true when made but with the passage of time or changed circumstances it may become

Suggested Answer_ Syllabus 2016_Jun2017_Paper 6

false. Accordingly this must be communicated to other party otherwise it amount to fraud.

(ii) When there is half-truth- Thus even when a person is not bound to disclose a fact he may be held guilty of fraud if he volunteers to disclose a state of fact partly. This is so when the undisclosed part renders the disclosed part false.

(b) In this case Mr. P bet with Mr. Q on the possibility of having rain on a specific day of December. Section 30 provides that agreement by way of wager are void and no suit shall be brought for recovering anything alleged to be won on any wager or entrusted to any person to abide the result of any game or other uncertain event on which any wager is made. Therefore, the agreement between Mr. P and Mr. Q is of wagering nature and hence void. Thus, despite of no rain on specific day of December, Mr. Q cannot recover the amount of ₹ 5,000 from Mr. P for the reason of entering into an agreement of a wagering nature.

3. (a) What are the rights of outgoing partners?

9

(b) A draws a bill on B. B accepts the bill without any consideration. The bill is transferred to C without consideration. C transferred it to D for value, Decide - (i) Whether D can sue the prior parties of the bill, (ii) Whether the prior parties other than D have any right of action intense? Give your answer in reference to the Provisions of Negotiable Instruments Act, 1881.

6

Answer:

3. (a) Rights of outgoing partners:

Section 36 provides that an outgoing partner may carry on a business competing with that of the firm. He may advertise such business, but, subject to contract to the contrary, he may not-

- use the firm name;
- represent himself as carrying on the business of the firm; or
- solicit the custom of persons who were dealing with the firm before he ceased to be a partner.

Section 37 provides that in case where a partner has died or ceased to be a partner, the surviving and continuing partners may carry on the business of the firm with the property of the firm without any final settlement of accounts as between them and the outgoing partner or the estate of deceased partner. In the absence of a contract to the contrary, the outgoing partner or the representative of the deceased partner is entitled at the option-

- to such share of the profits made since he ceased to be a partner as may be attributable to the use of his share of the property of the firm; or
- to interest at 6% per annum on the amount his share in the property of the firm.

Where an option is given to surviving or continuing partners to purchase the interest of a deceased or outgoing partner and the same is duly exercised, the estate of the

Suggested Answer_ Syllabus 2016_Jun2017_Paper 6

deceased partner or the outgoing partner is not entitled to any further or other share of profits. But if any partner, assuming to act in exercise of the option, does not, in all material respects comply with the terms, he is liable to account under the provisions of this section.

- (b) Section 43 of the Negotiable Instruments Act, 1881 provides that an instrument made, drawn, accepted, indorsed or transferred without consideration, or for a consideration which fails, creates no obligation of payment between the parties to the transaction. But if any such party has transferred the instrument with or without endorsement to a holder for consideration, such holder, and every subsequent holder deriving title from him, may recover the amount due on such instrument from the transferor for consideration or any prior party thereto.
- (i) In the problem, as asked in the question, A has drawn a bill on B and B accepted the bill without consideration and transferred it to C without consideration. Later on in the next transfer by C to D is for value. According to provisions of the aforesaid section 43, the bill ultimately has been transferred to D with consideration. Therefore, D can sue any of the parties i.e. A, B or C, as D arrived a good title on it being taken with consideration.
- (ii) As regards to the second part of the problem, the prior parties before D i.e., A, B and C have no right of action inter se because first part of Section 43 has clearly lays down that a negotiable instrument, made, drawn, accepted, indorsed or transferred without consideration, or for a consideration which fails, creates no obligation of payment between the parties to the transaction prior to the parties who receive it on consideration.

4. (a) What are the responsibilities of an occupier in a factory? 5
- (b) What are the different purposes for which employees' state insurance fund may be utilized by the central government? 10

Answer:

4. (a) Responsibility of the occupier The occupier has to follow the procedure-
- to lay down a detailed policy with respect to the health and safety of the workers;
 - to disclose all the information regarding dangers including health hazards and the measures to overcome such hazards arising from the exposure to or handling of the materials or substances in the manufacture, transportation, storage and other processes to the workers employed in the factory;
 - to draw up an onsite emergency plan and detailed disaster control measures for the factory and make known to the workers and to the general public living in the vicinity of the factory, the safety measures required to be taken in the event of accident taking place.
- Section 41C provides that the occupier is having specific responsibilities in relation to hazardous processes. He has to maintain the health records of the employees. He is to appoint experienced persons who possess specified qualifications in handling

Suggested Answer_ Syllabus 2016_Jun2017_Paper 6

hazardous substances and competent to supervise such handling within the factor.

- (b) The section 28 of the Employee's State Insurance Act, 1948 provides that the central government may utilize the state insurance fund only for the following purposes:
- (i) Payments of benefits and provision of medical treatment and attendance to insured persons and where the medical benefit is extended to their families, the provision of such medical benefit to their families in accordance with the provision of this Act and defraying the charges and costs in connection therewith
 - (ii) Payment of fees and allowances to members of the corporation, the standing committee and the Medical Benefit Council, the Regional Board, Local Committees and Regional Local Medical Councils,
 - (iii) Establishment and maintenance of hospitals, dispensaries and other institutions and the provision of medical and other ancillary service for the benefit of insured persons and where the medical benefit is extended to their families,
 - (iv) Defraying the cost of auditing the accounts of the corporation and of the valuation of its assets and liabilities,
 - (v) Defraying the cost of the Employees' Insurance Courts set up under this Act,
 - (vi) Payment of any sums under any contract entered into for the purpose of this Act by the, corporation or the standing committee or any officer duly authorized by the corporation or the standing committee in that behalf,
 - (vii) Payment of any sums under any decree, order or award of any court or tribunal against the corporation or any of its officers or servants for any act done in the execution of his duty or under a compromise or settlement of any suit or other legal proceedings or claim instituted or made against the corporation
 - (viii) Defraying the cost and other charges of instituting or defending any civil or criminal proceedings arising out of any action taken under this Act,
 - (ix) Defraying expenditure, within the limits prescribed on measures for the improvement of the health, welfare of insured persons and for the rehabilitation and re-employment of insured person who have been disabled or injured, and
 - (x) Such other purposes as may be authorized by the corporation with the previous approval of the central government.
 - (xi) payment of salaries, leave and joining time allowances, travelling and compensatory allowances, gratuities and compassionate allowances, pensions, contributions to provident fund and other benefit fund of officers and servants of the Corporation and meeting the expenditure in respect of offices and other services set up for the purpose of giving effect to the provisions of this Act.
 - (xii) Payment of contributions to any State Government, local authority or any private body or individual, towards the cost of medical treatment and attendance provided to the insured person and where the medical benefit is extended to their families, including the cost of any building and equipment, in accordance with any agreement entered into by the Corporation.

[Students may write any 10 of the above given points mentioned in the answer]

5. (a) What are the conditions stipulated in the Companies Act, 2013 in formation of One Person Company?

5

Suggested Answer_ Syllabus 2016_Jun2017_Paper 6

- (b) Discuss the procedure of alteration of memorandum of association as per the companies Act, 2013. 10

Answer:

5. (a) The following are the conditions in formation of a OPC:

No person shall be eligible to incorporate more than a OPC or become nominee in more than such company;

- Where a natural person, being a member of OPC in accordance with this rule becomes a member in another such company by virtue of his being a nominee in that OPC, such person shall meet the eligibility criteria within a period of 182 days;
- No minor shall become member or nominee of OPC or can hold share with beneficial interest;
- Such company cannot be incorporated or converted into Section 8 company;
- Such company cannot carry out Non Banking Financial investment activities including investment activities in securities of any body corporate;
- No such company can convert voluntarily into any kind of company unless two years have expired from the date of incorporation of OPC, except threshold limit of paid up share capital is increased beyond ₹ 50 lakh or its average annual turnover during the relevant period exceeds ₹ 2 crore rupees.

- (b) As per the provision of section 13 of the Companies Act, 2013 the alteration of the memorandum may be taken place in the following manner:

- (i) **Alteration by special resolution:** Company may alter the provisions of its memorandum with the approval of the members by a special resolution
- (ii) **Name change of the company:** Any change in the name of a company shall be effected only with the approval of Central Government in writing. However no such approval is necessary where the change in the name of the company is only the deletion there from, or addition thereto of the word 'private', on the conversion of any one class of companies to another class.
- (iii) **Entry in register of companies:** On any change in the name of the company, the Registrar shall enter the new name in the register of companies in place of the old name and issue a fresh certificate of incorporation with the new name and the change in the name shall be complete and effective only on the issue of such a certificate.
- (iv) **Change in the registered office:** The alteration of the memorandum relating to the place of the registered office from one State to another shall not have any effect unless it is approved by the Central Government on an application in such form and manner as may be prescribed.
- (v) **Disposal of the application of change of place of the registered office:** The Central Government shall dispose of the application of change of place of the registered office within a period of sixty days before passing of order. The central government may satisfy itself that-

Suggested Answer_ Syllabus 2016_Jun2017_Paper 6

- (a) The alteration has the consent of the creditors, debenture-holders and other persons concerned with the company, or
 - (b) The sufficient provision has been made by the company either for the due discharge of all its debt and obligations, or
 - (c) Adequate security has been provided for such discharge.
- (vi) **Filing with Registrar:** A company shall in relation to any alteration of its memorandum file with the Registrar -
- (a) The special resolution passed by the company under sub-section (1),
 - (b) The approval of the central government under sub-section (2), if the alteration involves any change in the name of the company.
- (vii) **Filing of the certified copy of the order with the registrar of the states:** Where an alteration of the memorandum results in the transfer of the registered office of a company from one state to another, a certified copy of the order of the central government approving the alteration shall be filed by the company with the Registrar of each of the State within such time and in such manner as may be prescribed, who shall register the same.
- (viii) **Issue of fresh certificate of incorporation:** The Registrar of the State where the registered office is being shifted to shall issue afresh certificate of incorporation including the alteration.
- (ix) **Change in the object of the company:** A company which has raised money from public through prospectus and still has any unutilized amount out of the money so raised, shall not change its objects for which it raised the money through prospectus unless a special resolution through postal ballot is passed by the company and -
- (a) The details in respect of such resolution shall also be published in the newspaper
 - (b) The dissenting shareholders shall be given an opportunity to exit by the promoters and shareholders having control in accordance with regulations to be specified by the SEBI
- (x) **Registrar to certify the registration on the alteration of the objects:** The Registrar shall register any alteration of the memorandum with respect to the objects of the company and certify the registration within a period of thirty days from the date of filing of the special resolution.
- (xi) **Alteration to be registered:** No alteration made under this section shall have any effect until it has been registered in accordance with the provisions of this section.
- (xii) **Only member have a right to participate in the divisible profits of the company:** Any alteration of the memorandum in the case of a company limited by guarantee and not having a share capital intending to give any person right to participate in the divisible profits of the company otherwise than as a member shall be void.

[Students may write any 10 of the above given points mentioned in the answer]

Suggested Answer_ Syllabus 2016_Jun2017_Paper 6

6. (a) Describe the Procedure for the resignation of Director. 9
(b) Describe the term 'independent director' as per the Companies Act, 2013. 6

Answer:

6. (a) Section 168 provides the procedure for the resignation of a director as detailed below:

- A director may resign from his office by giving a notice in writing to the company;
- He shall within 30 days from the date of resignation, forward to the Registrar a copy of his resignation along with the reasons for the resignation, in Form No. DIR - 11 along with the fee;
- A foreign director may authorize in writing a practicing Chartered Accountant or Cost Accountant in practice or Company Secretary in practice or any other resident director of the company to sign the Form No. DIR - 11 and file the same on his behalf intimating the reasons for the resignation;
- The Board shall on receipt of such notice take notice of the same;
- The company shall intimate the Registrar in Form No. DIR-12 within one month from the date of receipt of such notice;
- The said information is to be posted on the website of the company;
- The fact of the resignation shall be laid in the report of directors immediately following the general meeting by the company;
- The resignation of a director shall take effect from the date on which the notice is received by the company or the date, if any, specified by the director in the notice, whichever is later;
- The director who has resigned shall be liable even after his resignation for the offences which occurred during his tenure;

Where all directors of a company resign from their offices the promoter or, in his absence, the Central Government shall appoint the required number of directors, who shall hold the office till the directors are appointed by the company in general meeting.

- (b) 'Independent director' is defined under Section 149(6) of the Companies Act as a other than a managing director or a whole time director or a nominee director -
- a) Who in the opinion of the board is a person of integrity and possesses relevant expertise and experience,
 - b) He shall not be a promoter of the company or its holding, subsidiary or associate company,
 - c) He shall not relate to the promoters or directors in the company, its holding, subsidiary or associate company,
 - d) He shall not any pecuniary relationship with the company or their promoters or directors during two immediately preceding financial years or during the current financial year,
 - e) His relative shall not have any pecuniary relationship with the company or their

Suggested Answer_ Syllabus 2016_Jun2017_Paper 6

promoters or directors amounting to 2 % or more or more of its gross turnover or total income or ₹ 50 lakhs or such higher amounts as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year,

f) he or his relatives-

- holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company, in any of the three financial years immediately preceding the financial year;
- is or has been an employee or proprietor or partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of-
 - a firm of auditors or company secretaries in practice or cost auditors of the company; or
 - any legal or a consulting firm that has or had any transaction with the company, amounting to 10% or more of the gross turnover of such firm.
- holds together with his relatives 2% or more of the total voting power of the company; or
- is a Chief Executive or Director of any nonprofit organization that receives 25% or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the total voting power of the company; or
- who possess such other qualifications as may be prescribed.

- 7. (a) What are the standards of ethical conduct for practitioners fixed by the ICAI? 10**
(b) Discuss the procedure for the recovery of bonus due from an employer. 5

Answer:

- 7. (a)** The Institute has promulgated the following standards of ethical conduct for practitioners-
- maintain at all times independence of thought and action;
 - not to express an opinion on cost/financial reports or statements without first assessing her or his relationship with her or his client to determine whether such Member might expect her or his opinion to be considered independent, objective and unbiased by one who has knowledge of all the facts; and
 - when preparing cost / financial reports or statements or expressing an opinion on cost / financial reports or statements, disclose all material facts known to such Member in order not to make such cost / financial reports or statements misleading, acquire sufficient information to warrant an expression of opinion and report all material misstatements or departures from generally accepted accounting principles.
 - not to disclose or use any confidential information concerning the affairs of such Member's employer or client unless acting in the course of his or her duties or except when such information is required to be disclosed in the course of any

Suggested Answer_ Syllabus 2016_Jun2017_Paper 6

defense of himself or herself or any associate or employee in any lawsuit or other legal proceeding or against alleged professional misconduct by order of lawful authority or any committee of the Society in the proper exercise of their duties but only to the extent necessary for such purpose;

- inform his or her employer or client of any business connections or interests of which such Member's employer or client would reasonably expect to be informed;
- not, in the course of exercising his or her duties on behalf of such Member's employer or client, hold, receive, bargain for or acquire any fee, remuneration or benefit without such employer's or client's knowledge and consent; and
- take all reasonable steps, in arranging any engagement as a consultant, to establish a clear understanding of the scope and objectives of the work before it is commenced and will furnish the client with an estimate of cost, preferably before the engagement is commenced, but in any event as soon as possible thereafter.
- conduct himself or herself toward other Members with courtesy and good faith;
- not to accept any engagement to review the work of another Member for the same employer except with the knowledge of that Member, or except where the connection of that Member with the work has been terminated, unless the Member reviews the work of others as a normal part of his or her responsibilities;
- not to attempt to gain an advantage over other Members by paying or accepting a commission in securing management accounting work;
- not to act maliciously or in any other way which may adversely reflect on the public or professional reputation or business of another Member;
- at all times maintain the standards of competence expressed by the Institute from time to time;
- undertake only such work as he or she is competent to perform by virtue of his or her training and experience and will, where it would be in the best interests of an employer or client, engage, or advise the employer or client to engage, other specialists;

[Students may write any 10 of the above given points mentioned in the answer]

(b) Section 21 of the Payment of Bonus Act, 1965 provides the procedure for the recovery of bonus in case the employer has not paid under a settlement or an award or agreement. In such cases either the employee himself or any other person authorized by him in writing in this behalf or in the case of death of the employee, his assignee or heirs may make an application to the appropriate government for the recovery of the money due to him. If the appropriate government, or such authority authorized is satisfied that any money is due, it shall issue a certificate to the Collector for that amount to the collector who shall proceed to recover the said amount in the same manner as an arrear of land revenue.

Application for the recovery of money shall be made within one year from the date on which the money becomes due to the employee from the employer. After expiry of such one year period, an application may be entertained by the appropriate government only if it satisfied that the applicant had sufficient causes for not applying within said period.

Suggested Answer_ Syllabus 2016_Jun2017_Paper 6

8. Write short notes on any three of the following terms:

5×3=15

- (a) E-Contracts
- (b) Revocation of licence
- (c) Seven principles of public life
- (d) Limit of deductions from wages

Answer:

8. (a) **E-Contracts:** E-contracts are paperless contracts. It is in electronic form. They are conceptually very similar to traditional contracts. E-contract also require basis of contract.

The following are ingredients of the e-contracts-

- An offer is to be made;
- Offer is to be accepted;
- There shall be a lawful consideration;
- There shall an intention to create legal relations;
- The parties must be competent to contract;
- There must be free and genuine consent;
- The object of the contract must be lawful;

The main feature of this type of contract is speed, accuracy and reliability. The parties to the contract have to obtain digital. The Information Technology Act, 2000 regulates such contracts.

(b) **Revocation of licence:** Section 8(6) of Companies Act, 2013 provides that the Central Government, by order, revoke the licence granted to the company registered under this section-

- if the company contravenes any of the requirements of this section; or
- any of the conditions subject to which a licence is issued; or
- the affairs of the company are conducted fraudulently or in a manner violative of the objects of the company.

The Central Government shall direct the company to convert its status and change its name to add the words 'limited' or 'private limited' to its name. No such order will not be passed without giving opportunity to the company of being heard.

A copy of such order shall be given to the Registrar. The Registrar shall, without prejudice to any action taken, on application, in the prescribed form register the company accordingly.

(c) Principles of public life as amended up to and as on 2015 are as follows-

- **Selflessness** - Holders of public office should act solely in terms of the public interest.
- **Integrity** - Holders of public office must avoid placing themselves under any obligation to people or organizations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial

Suggested Answer_ Syllabus 2016_Jun2017_Paper 6

or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

- **Objectivity** - Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- **Accountability** - Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this
- **Openness** - Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- **Honesty** - Holders of public office should be truthful.
- **Leadership** - Holders of public office should exhibit these principles in their own behavior. They should actively promote and robustly support the principles and be willing to challenge poor behavior wherever it occurs.

(d) Limit of deductions Section 7(3) provides up to which limit of the wage, the deductions may be made from the wages of the employees. Notwithstanding anything contained in this Act the total amount of deductions which may be made in any wage-period from the wages of any employed person shall not exceed –

- in cases where such deductions are wholly or partly made for payments to co-operative societies - 75% of such wages and
- in any other case - 50% of such wages.

Where the total deductions authorized under sub-section (2) exceed seventy five per cent or as the case may be, fifty per cent of the wages the excess may be recovered in such manner as may be prescribed.