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**SAINTGITS COLLEGE OF APPLIED SCIENCES**

**Internal Assessment Examination, September 2019**

**B.Com Third Semester (Computer Applications)**

**BUSINESS ETHICS & CSR**

**Section A**

*Answer any 10 questions. Each question carries 2 marks.*

1. What do you mean by Normative ethics?

It is the study of ethical action. It is the branch of philosophical ethics that investigates the set of questions that arise when considering how one ought to act, morally speaking. There are three types of normative ethical theories.–virtue, deontological, and consequential theory.

1. Define Corporate Governance?

Corporate governance can be defined as a set of systems and processes which ensure that a company is managed to the best interests of all the stakeholders.

1. What do you mean by moral philosophy?

Moral philosophy is the branch of philosophy concerned with ethics that contemplates what is right and wrong. It explores the nature of morality and examines how people should live their lives in relation to others.

1. What are Ethical Filters?

**The letters in PLUS each stand for a filter that leaders can use for decision-making:**

**P – Policies and Procedures**

**L – Legal**

**U – Universal**

**S – Self**

1. What is code of conduct?

:- Written rules and regulations for organizations.

1. What is organisational climate?

The unique code of conduct for each organization.

1. What is meant by GRI?

Global Reporting Initiative, International non - governmental organization for CSR standards.

1. What is Green washing?

The practice of making false claims about the environmental benefits of a product, service, technology or business practice. But actually there is no sincere and creative efforts from the side of the business towards the protection of environment.

1. What is meant by insider trading?

The illegal practice of trading on the stock exchange to one's own advantage through having access to confidential information.

1. What is dumping?

deposit or dispose of (rubbish, waste, or unwanted material), typically in a careless or hurried way.

1. Define the term Consumer.

a person who purchases goods and services for personal use.

1. What is deontological approach?

The word “Deonto” means “duty” in Greek. Deontological theories are “motivational” in nature. While a “teleologist” focuses on doing what will maximise societal welfare, a “deontologist”focuses on doing what is “right” based on his moral principles. Deontological theory states that “it is not the consequences but the motivation which prompts the agent to do an action which makes an action right or wrong.” In this type of theory, an action will always be a right action, no matter if the consequences are poor, if the motives behind the action were good. **(10 X 2 = 20 marks)**

**Section B**

*Answer any 6 questions. Each question carries 5 marks.*

1. What is the significance of business ethics?

To establish certain standardised norms of conduct and action in the field of human life, Ethics studies human behaviour and makes assessment about them as moral or immoral.

To cultivate right thoughts and actions.

To give due importance to the social and moral welfare of the society.

To create and maintain a cordial environment of mutual trust, relationship and understanding between members of the community.

1. Explain the branches of Ethics.

The three **branches** are meta ethics, normative **ethics** (sometimes referred to as **ethical** theory), and applied **ethics**.

1. Explain ethical decision making process.

**Ethical Decision Making Process – Steps**

Step 1: Define the problem

Step 2: Identify alternative solutions

Step 3: Evaluate the identified alternatives

Step 4: Make the decision

Step 5: Implement the decision

Step 6: Evaluate the decision

1. Explain cross holder conflicts and competition in decision making.

Cross holder Conflicts and Competition is the situation of conflicting interests of stake holders. Whenever decisions have to be made by a business, the risk of stakeholder conflict is likely to arise. These problems can be solved by,

* **Involving more stakeholders in the decision making process**
* **Improving channels of communication between the stakeholder groups**

1. Differentiate between CG and Ethics?

The main difference between corporate governance and ethics is that the ethics are the philosophical and morally decent standards that a corporation attempts to stand by, while governance processes are the means by which a corporation attempts to remain as ethical as possible while still making a profit.

1. What are the elements of corporate governance?

**Elements of good Corporate Governance**

Good corporate governance system comprise of elements such as transparency of corporate structures and operations, the accountability of managers and the boards to shareholders, and corporate responsibility towards stakeholders. There are numerous elements of corporate governance which are mentioned below:

i. Transparency in Board’s processes and independence in the functioning of Boards. The Board should provide effective leadership to the company and management to realize sustained prosperity for all stakeholders. It should provide independent judgment for achieving company’s objectives.

ii. Accountability to stakeholders with a view to serve the stakeholders and account to them at regular intervals for actions taken, through strong and sustained communication processes.

iii. Impartiality to all stakeholders.

iv. Social, regulatory and environmental concerns.

v. Clear and explicit legislation and regulations are fundamentals to effective corporate governance.

vi. Good management environment that includes setting up of clear objectives and suitable ethical framework, establishing due processes, clear responsibility and accountability, sound business planning, establishing clear boundaries for acceptable behaviour, establishing performance evaluation measures.

1. What is marketing ethics?

Ethics is required in the development of product, pricing, distribution and promotion.

20. Explain the benefits of CSR.

**Benefits of CSR**

It protects the reputation of the business and its brand.

An ethically responsive company always respond in the

welfare measures. So it helps in the retention and maintenance

of human resources working in the organisation.

It attracts potential employees for future.

It attracts ethically conscious investors, financiers, suppliers

and customers.

It helps to improve the quality of performance of the business.

It achieves morale and commitment from the part of

employees.

It creates a safe, healthy and peaceful working environment.

It leads to the fulfilment of stakeholders needs.

It leads to stakeholders’ satisfaction and commitment.

21. What are the approaches in Organisational Ethics?

* Individualistic Approach
* Collectivist Approach **(6 X 5 = 30marks)**

**Section C**

*Answer any 2questions. It carries 15marks.*

22. Explain the principles of Corporate Governance?

**Principles of Corporate Governance**

**1. Transparency**

Transparency means accurate, adequate and timely disclosure of relevant information to the stakeholders. Transparency and disclosure of information to stakeholders are necessary to maintain an efficient system of corporate governance in every organisation.

**2. Governance structure**

All organisations should be headed by an effective board. Responsibilities and accountabilities within the organisation should be clearly identified.

**3. The Structure of the Board and its Committees**

It should include an appropriate combination of executive directors, independent directors and non-executive directors to prevent one individual or a small group of individuals from dominating the board’s decision taking. Appropriate board committees may be formed to assist the board in the effective performance of its duties.

**4. Director’s appointment procedures**

There should be a formal and transparent process for the appointment, election, induction and re-election of directors. The search for board candidates should be conducted, and appointments made, on merit, against objective criteria (to include skills, knowledge, experience, and independence and with due regard for the benefits of diversity on the board, including gender).

**5. Directors’ duties, remuneration and performance**

Directors should be aware of their legal duties. Directors should observe and foster high ethical standards and a strong ethical culture in their organisation. Each director must be able to allocate

sufficient time to discharge their duties effectively. Conflicts of interest should be disclosed and managed. The board is responsible for the governance of the organisation’s information, information technology and information security. The board, committees and individual directors should be supplied with information in a timely manner and in an appropriate form and quality in order to perform

to required standards. The board should be transparent, fair and consistent in determining the remuneration policy for directorsand senior executives.

**6. Risk Governance and Internal Control**

The board should be responsible for risk governance and should ensure that the organisation develops and executes a comprehensive and robust system of risk management. The board should ensure the maintenance of a sound internal control system.

**7. Reporting with Integrity**

The board should present a fair, balanced and understandable assessment of the organisation’s financial, environmental, and social and governance position, performance and outlook in itsannual report and on its website.

**8. Audit**

Organisations should consider having an effective and independent internal audit function that has the respect, confidence and cooperation of both the board and the management.

**9. Relations with Shareholders and other key Stakeholders**

The board should be responsible for ensuring that an appropriate dialogue takes place among the organisation, its shareholders and other key stakeholders. The board should respect the interests of its shareholders and other key stakeholders within the context of its fundamental purpose.

23. What are the arguments for and against CSR?

**Arguments for CSR**

Business is a part of society:

Avoidance of government regulations:

Long term self interest of the business:

To increase reputation of the business.

**Arguments against CSR**

Cost of social welfare activities increases cost of business concerns.

Some of the criticisers argued that businessman is not expert in doing social activity because he has not done MSW.

Social responsibility is not a legal responsibility.

The aim of business is to generate profit and not social welfare. If business concentrates more on social activity, it deviates from business aim.

Many companies involve themselves in social activities because of the tax exemptions on the income spent on special social purposes.

Social involvement of business could lead to an increase in the dominance of business over the society.

24. Explain the Kohlberg's model of moral development.

o Kohlberg defined three levels of moral development: preconventional, conventional, and post conventional. Each level has two distinct stages.

o During the pre-conventional level, a child’s sense of morality is externally controlled. Children accept and believe the rules of authority figures, such as parents and teachers, and they judge an action based on its consequences.

o During the conventional level, an individual’s sense of morality is tied to personal and societal relationships. Children continue to accept the rules of authority figures,but this is now because they believe that this is necessary to ensure positive relationships and societal order.

o During the post conventional level, a person’s sense ofmorality is defined in terms of more abstract principles andvalues. People now believe that some laws are unjust and should be changed or eliminated.

25. Describe the important unethical practices in marketing?

**Price discrimination**

**b) Price skimming**

**c) Exaggeration**

Some advertisers will blatantly lie about how popular a productis or its quality.

**d) Lack of Verification**

This is when an advertisement claims to deliver results without any scientific proof to back up their claims.

**e) False Comparisons between Brands**

Whenever a company makes misleading or blatantly false claims about competing brands, they are being unethical.

**f) Exploitation of Children**

Children watch a lot of marketing ads and mostly aren’t able to be objective in their evaluation of it. When a company seeks to exploit the innocence of children to its own profit, it is being unethical.

g) Marketing of products regarded as harmful.

h) Attack ads.

i) Marketing in schools.

j) Black markets **(2 X 15 = 30 marks)**