

Chapter: Principles of Business Ethics

Topic 1 Social Sins as per Mahatama Gandhi Ji

1. Science without Humanity

Gandhiji held that science without the thought of the welfare of humanity is a sin. Science & humanity together pave the way for welfare for all.
(Eg. Weapons is a sin, Medicines is a boon)

2. Commerce without Morality

A businessman has to act only as a trustee of the society for whatever he has gained from the society. Everything, finally belongs to the society. So, Ethical business practice should be adopted and Prosperity for society should be taken care of while taking business decisions.
(Eg. Black Marketing, Misleading Advertisement, Labour exploitation, cheating customers is sin)

3. Worship without Sacrifice

In religion, we worship, but if we are not ready to sacrifice for social service, Worship has no Value, it is a Sin to worship without sacrifice.
Eg Schools and shelter homes should be built for orphans and poor people.

4. Knowledge without Character

Educational system should focus on character building rather than career building. True knowledge gets reflected in Character
(Eg Doctors serving patients in charitable hospitals reflects good character)

5. Wealth without work

Here, Gandhiji gave the idea of Bread- Labour.
There is enough for everyone's need but not for everyone's greed.
Getting something for doing nothing is Sin.
(Eg taking bribe, gambling etc is sin)

6. Pleasure without conscience.

Seeking fun which is insensitive to other's feeling and emotion or humanity is Sin. (Eg. Hunting of innocent animals is sin.)



7. Politics without Principles

As per Gandhi ji, king has the responsibility to protect 'Dharma' and for Gandhi ji Lord Ram was the symbol of a King dedicated to Principles. Politics without truth results into chaos and violence.
(Eg Misuse of power by politicians is a sin.)

Topic 2

Ethics

- **Meaning:** Ethics are principles of conduct governing an individual or group. It shapes the decision of individuals & group in deciding what is good or bad.
- **Thought Process:** With Ethics, person has freedom to 'think & choose' his personal philosophy for guiding the conduct of his life.
- **Coverage:** Ethical norms encompass truthfulness and honesty, integrity and respect, fairness and justice.
- **Eg:** Ethics is response of individual to specific situation.

Topic 3

Moral

- **Meaning:** It means conforming to standards of right behavior. It is dictated to us by society, religion or culture. Thus it is belief of particular group as to what is right or wrong.
- **Thought Process:** Right or wrong already decided, individual has to either accept or not to accept.
- **Coverage:** Moral covers General rules and statements set by different group of societies.



Topic 4

Basis	Moral	Ethics
1) Meaning	It means conforming to standards of right behavior. It is dictated to us by society, religion or culture. Thus it is belief of particular group as to what is right or wrong.	Ethics are principles of conduct governing an individual or group. It shapes the decision of individuals & group in deciding what is good or bad.
2) Derivation	Latin word "Mos" means Custom.	Greek word "Ethikos" means Character
3) Approach	Principles of Right & Wrong	It is essence of value and habits of person
4) Individual / Society	Societies have custom & custom is defined by group over a period of time.	People have character & character is a personal attitude.
5) Thought process	Right or wrong already decided, individual has to either accept or not to accept.	With Ethics, person has freedom to 'think & choose' his personal philosophy for guiding the conduct of his life
6) Scope of application	Moral works on smaller scale than ethics.	Ethics is that branch of philosophy that addresses questions about morality.



Topic 5

Business Ethics

- ✓ Refers to application of day to day moral and ethical norms
- ✓ These are principles and standards that determine acceptable conduct in business organization.
- ✓ If senior manager behaves as if Profit is only important thing then rest employee will follow like this. So a manager has to lead by example to foster ethical behavior in its subordinates.

Requirement of Business Ethics . What to do to be Ethical in Business

To be ethical in business, Organizations should:-

- a) Comply with all legal rules and regulations like :-
 - ✓ Legal Compliance : Compliance with Law of Land
 - ✓ Ethical Conduct : Comply with expectations of community
Comply with principles of morality & ethics
 - ✓ Accountability : Managers should comply with policies of organization.
 - ✓ Fairness : Promote fairness & justice in its conduct.
- b) Protect & promote interest of all stakeholders.
 - ✓ Product & services offered by organization should have a positive impact on all stakeholders like Shareholder, Employee, Customers, Local Community, and Environment etc.

Topic 6

Fundamental principles relating to Ethics

- a. **Integrity** → Honesty & straightforwardness i.e. not twisting the facts.
- b. **Objectivity** → Stick to professional judgment & acumen
- c. **Confidentiality** → Restrain from disclosing clients data to others.
- d. **Professional competence and due care** → Keep updated with changing laws.
- e. **Professional behavior** → Compliance with all laws and avoid situations which bring disgrace to profession.

Topic 7 Trusteeship concept in Business Ethics

- # Who gave this concept → Mahatama Gandhiji, as per him Trusteeship provides a mean of transforming a capitalist society into an democratically equal one.
- # How it will happen → Society gives the business organization authority to own and use land and natural resources. In return society has right to expect that business organization will enhance general interest of consumers, employees and community. (Eg. If a industry is emitting pollution then it should take measures to reduce the effect of hazardous gases emitting from that pollution, otherwise society will be compel to shut down the business) In Short, whatever is gained from society → finally belongs to society.
- # Result of applying the 'trusteeship philosophy' in context of business →
 - Business organization should adopt ethical business practices.
 - This creates the environment for long term prosperity of business
 - Ethically driven business results in prosperity of society also.

Topic 8

Enumerate the Nature of Ethics

Ethics refer to standard of behavior which humans ought to act in many situations where they act as friend, parents, citizen, businessman etc.

It is helpful to identify what Ethics is NOT

- i. Ethics is not same as FEELINGS → Some people feels bad while doing something wrong & some people feel good for that.
- ii. Ethics is not RELIGION → Most people are not religious but ethics applies to all.
- iii. Ethics is not following LAW → It may be slow to address new problems in existing legal structure as it is a lengthy process to change existing laws.
- iv. Ethics is not following culturally accepted Norms → Some cultures are quite ethical but other becomes corrupt or blind to certain ethical concerns. (Eg. Dropping of bombs on Hiroshima & Nagasaki by Unites states of America)
- v. Ethics is not SCIENCE → If something is scientifically or technologically possible, it may not be ethical to do so.

Topic 9**Sources of Ethical Standards ; Approaches towards Ethical Standards ; Basis of Ethical Approach.**1. The Utilitarian Approach

This approach focus on → greatest balance of good over harm
Increase the good done and to reduce the harm done.

2. The Right Approach (The Deonto-logical approach)

Every individual has right to make one's own choices about what kind of life to lead, to be told truth, not to be injured.

This approach focus on → Duty to respect other's right.

3. The Fairness or Justice Approach

All should be treated equally, because all humans are equal.

People should be paid on their hard work or greater amount that they contribute to organization i.e. there should be some standardized basis of evaluating and rewarding employee performance.

4. The Common good approach

This approach focus on → Interlocking relationship of society

There should be Respect & Compassion for all others.

Eg. Law, police, fire department, health care etc.

5. The Virtue Approach

This approach focus on → what kind of person will I become, if I do this?

Eg Honesty, Integrity, compassion, prudence, fidelity etc

Topic 10**Stakeholders**

- ❖ Stakeholders are all those who influence and in turn influenced by an organization.
- ❖ All stakeholders have an interest in conduct of business of organization
- ❖ All stakeholders have certain rights with respect to working of organization.
- ❖ List of Stakeholders : -

1. Shareholder

7. Society

2. Employee

8. Media

3. Supplier

9. Environment

4. Customer

5. Government

6. Competitor

Topic 11

Benefits of paying attention to business Ethics or Need for Business Ethics

1. Improved society for development of ethical behavior in business houses.
Pressure from government regulation, trade union and media help in keeping a check on ethical behavior of businesses.
2. Ethics help to promote a Strong Public Image
People see such organization as valuing people more than profit and striving to operate with integrity and honour.
3. Ethics programs help to avoid criminal acts of omission and can lower fines.
Violations can be detected early and can be reported or addressed in quick time.
4. Ethics programs help to achieve maximum benefits of Quality management, Strategic planning & Diversity management.
Ethics programs → helps in identifying → Preferred Value and ensure that same is aligned to the organizational behavior → helps in achieving the benefits of quality management, strategic planning & diversity management
5. Easier to manage changes in Business environment
Implementing change becomes easy with support of employees.
Ethical conduct helps management with confidence and support of employee thus, enabling easier change management.
6. Stronger Team work and greater productivity
Fair wages and better working condition → leads to high morale and motivation of employees
7. Enhanced employee growth
Attention to ethics helps employee in facing reality of world, both in good and bad terms.
It helps in building up the confidence to deal with complex situations in life
8. Ethics programs help to ensure that HR policies followed by organization is as per Law.
Ethical treatment should be given to employee with respect to hiring, evaluating, disciplining, firing etc.
Employer can be sued for breach of contract for failure to comply with any promise made.
Eg. Provident Fund, Gratuity litigations etc
It is better to incur cost on mechanism to ensure ethical practices rather than to incur costs of litigation later.



Topic 12 Ethical Dilemma:-

It is a kind of situation where person has to choose between two choices, both being positive and ethically right choices. Such Ethical dilemma must be resolved by addressing following points:-

- 1) Define the problem clearly
- 2) How to define the problem if you stood on the other side of the fence?
- 3) How did the situation arise?
- 4) To whom you are loyal as a person and member of organization?
- 5) What is your intention in making this decision?
- 6) Whom could your decision injure?
- 7) Can you discuss with affected parties before you make your decision?
- 8) Could you disclose your decision without any doubt to your superiors, family or society?
- 9) What is the potential outcome if your decision is understood or misunderstood?
- 10) Are you confident that your position and respect will be as valid over a long period after your decision is implemented?

Question Bank

Q1 Explain the Social Sins listed by Mahatma Gandhi.

Q2 Answer stating whether the statement is correct or incorrect with brief reason: 'Ethics and morals are synonymous'.

Q3 What is the difference between 'Morals' and 'Ethics'?

Q4 Explain the meaning of the terms 'ethics' and 'business ethics' and also state the requirements of 'business ethics'.

Q5 Explain the fundamental principles relating to ethics.

Q6 "To maintain social contract between society and business, the trusteeship relations are essential". Describe the role of business ethics in this reference.

Q7 State with reasons whether the following statements are correct or incorrect. Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one.

Q8 Examine the following hypothetical situation and give a brief analytical note on it.

Mr. XYZ is a CEO of a pharmaceutical company. His R&D department, while experimenting with a chemical molecule, sees the possibility that the molecule may be developed into a drug for a rare, painful, life-threatening genetic disease that afflicts only one child in ten million. But to develop the drug, his company may have to invest huge sums of the shareholders' money, despite the drug not having wide salability. Is Mr. XYZ confronted by an ethical dilemma? How should he resolve the issue?

Q9 "To pay proper attention to business ethics is certainly beneficial in the interest of business. Describe four such benefits which may be obtained by paying attention to business ethics

Q10 Answer whether the statement is correct or incorrect with brief reasons.

In the long run those business firms which do not respond to society's needs favourably will survive.

Q11 State with reasons whether the following statement is correct or incorrect: Business ethics helps to promote public reputation

Q12 State with reasons whether the following statement are correct or incorrect:

Ethics programs are not helping to manage values associated with quality management, strategic planning and diversity management.

Q13 State with reasons whether the following statements are correct or incorrect:

- (i) 'Fairness and Justice' are two different approaches as a source of ethical standards.
- (ii) Inclusion of environmental consideration as a part of corporate strategy improves corporate performance.

9

Q 14 Explain any four sources of ethical standard.

Chapter : Corporate Governance & CORPORATE SOCIAL RESPONSIBILITY.

Topic 1 Definition Of Corporate Governance

It is about promoting corporate fairness, transparency and accountability.

Explanation / Meaning

It is concerned with structures & processes for

- ✓ Decision making
- ✓ Accountability
- ✓ Control
- ✓ Behavior

At Top level of Organizations.

So, it influences

- ✓ How the Objectives of organization are set & achieved
- ✓ How risk is monitored & assessed
- ✓ How performance is optimized

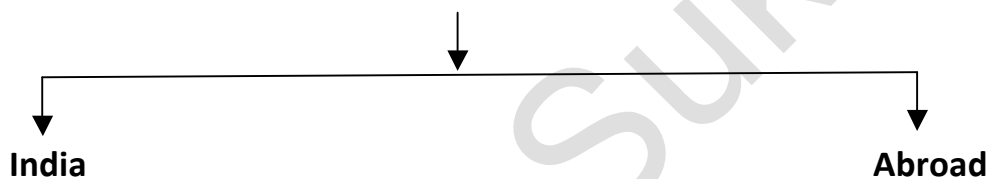
Topic 2

Core objectives / Major Characteristics of Good corporate Governance

1. Focus Objectives of organization clearly & sharply defined.
2. Predictability Expectation from actions of organization known in advance.
3. Transparency
Stakeholder gets a true picture of financial & non financial aspects.
4. Participation of all stakeholders.
5. Accountability Checks & control to prevent abuse of power
6. Efficiency & effectiveness
Organization should achieve its goal & need of society also
7. Stakeholder satisfaction
Management should be responsive in addressing their concerns.
8. Compliance with Law.

Topic 3**STAKEHOLDERS****The Governance model positions management as accountable solely to Investors Comment**

Ans – Incorrect. Management is answerable to other stakeholders also.

Topic 4**Strategy / Key issues - Corporate Governance****Corporate Governance Measures****How to evaluate corporate governance**

Clause 49 of listing Agreement of Stock Exchanges	Sarbanes – Oxley Act (Sox-Compliance)
Introduced in Dec'99 , Revised in 2003	Introduced in 2002
Focus is on following areas:-	External Standards :-
1. Board Composition and Procedure	1. Global reporting Initiative
2. Audit Committee responsibilities	2. AA1000
3. Subsidiary Companies	3. United Nations Global Compact
4. Risk Management	4. OECD guidelines of MNC
5. CEO / CFO certification of Financial statements and Internal control	5. Caux Round Table (CRT)
6. Legal Compliance	6. Global Sullivan Principles
7. Other disclosures	7. APEC Business Code of Conduct.



Topic 5

Role played by different committees in regulating the “Corporate Governance”

- 1) Board of Directors
 - Plays Trusteeship role
 - Responsible to Protect & enhance shareholder value
 - Accountable for their strategies & Achievement of Goals.
- 2) Audit Committee
 - Gives assurance to board that Internal control are adequate
- 3) Compensation Committee
 - Recommend Board → Compensation terms for Executive directors and Senior Level Management
- 4) Nomination Committee
 - Recommend Board → Nominations for membership of corporate management committee and Board & Oversee successors for Senior level management.
- 5) Investor Services Committee
 - Look for redressal of Shareholder and Investors grievances
- 6) Corporate Management Committee
 - Formulate & implement strategies for achieving organization goal.
 - Act according to Board of directors.
- 7) Divisional Management Committee
 - It is to realize tactical and strategic objectives in accordance with Corporate Management Committee or Board approved plans

Topic 6

Benefits of Good Corporate Governance

- 1) Protection of Investors Interests
 - Sustainable competitive return to Shareholder’s Equity
- 2) Strong Capital Markets
 - Increase capital flow , Because of Increase in Investor’s Confidence
- 3) Higher Market Valuations
 - High valuations increase the wealth of Shareholders.
- 4) Ensures commitment of board in
 - Managing the company in transparent way
- 5) Compliance with Internal control & law
 - Ensuring No scams and scandals.

Topic 7

What is Corporate Social responsibility

- It is a concept → that organization has an obligation to consider interest of shareholders, employees, Customer, community & ecological consideration in all aspect of their operations.
- This obligation extends beyond statutory obligation to comply with legislation
- Organization need to integrate social, environmental and ethical concerns into its business practices.

- **CSR is closely linked with Principles of sustainable development**
Thus, it is a concept that besides profit making, business has social obligation. Therefore, CSR advocates moving away from “Shareholder alone” focus to “multi-stakeholder focus”.

- **CSR can mean different things to different people.**
 - ❖ **Economic responsibility towards**
 - a) Shareholders : Responsible and transparent decision to be taken with respect to use of capital of shareholders.
 - ❖ **Ethical responsibility towards**
 - b) Employees: Fair wages + No discrimination + Acceptable work conditions.
 - c) Customers: Good quality + Fair prices + Timely delivery
 - d) Suppliers: Payment on time
 - ❖ **Legal responsibility towards**
 - e) Government: Payment of taxes + Compliance with Law.
 - ❖ **Philanthropic responsibility towards**
 - f) Local Community : Hospital , School, NGO’s Charities etc..
 - g) Environment: Water harvesting, planting trees, Environment friendly products.



Topic 8

Corporate Citizenship

- It denotes the extent to which businesses meet Economic, Ethical, Legal and philanthropic responsibilities placed on them by stakeholders.
- Benefits derived by fulfilling above mentioned responsibilities include :-
 1. Stable Socio-political-legal environment for business
 2. Enhance competitive advantage → because of better Brand image and Corporate reputation
 3. Improved employee recruitment, retention & motivation.
 4. Improved stakeholder concern
 5. More secured environment to operate , because of compliance with law
 6. Protection of Interest of Shareholder.

Topic 9

State the common CSR policies for business organization

1. Internal control → Adequate Internal control to avoid frauds like Enron, Satyam.
2. No discrimination → in hiring, promoting, work conditions, dismissal of employee.
3. Viewing Employee as Asset → rather than cost.
4. Views of employee considered → Decision making process
5. Ensuring Compliance with all policies & standards of Social & environmental laws
6. Conservation of Natural resources →
 - ✓ Using renewal sources of energy
 - ✓ Recycling waste , manufacture eco-friendly products & using eco-friendly technology



Topic 10

Why CSR has become so popular? Factors behind growth in awareness of CSR.

- 1) Investors pressure
 - Various corporate accounting scandal has forced company to focus more attention on ethical & socially responsible behavior.
- 2) Proliferation of codes, standards, indicators and guidelines
 - Again accounting scandals have created a surge of reforms and new standards of performance measurement.
- 3) Accountability through value chain
 - Stakeholders hold company accountable for various business practices
- 4) Transparency and reporting
 - Increasing demand from stakeholders to:-
 - ✓ Report the impact of their operations on the society
 - ✓ Get 3rd party verification & audit of their CSR activities.
- 5) Convergence of CSR and Governance agenda
 - Board of directors diversity → Appointment of independent directors
 - Limits on directors independence
 - Director's responsibility statement in Annual report → stating responsibilities fulfilled by them.
- 6) Growing investor pressure & market based incentive

CSR initiatives has also an impact on stock market performance of company
- 7) Advancement in technology
 - Rapid flow of information related to CSR performance through news, mobile, internet etc.
- 8) Quantify CSR in terms of Return on Investment

Measure long term benefits & take future action accordingly.



Topic 11

Key strategies companies can use when implementing CSR policies and practices

1. Mission, Vision, and Value statements
 - CSR becomes integral part of business decision making when it gets incorporated in company's core Mission vision & value statements.
2. Management Structure
 - CSR integrated in operation & decision at all level.
 - It depends upon Company's mission, size, culture, geographic location etc.
3. Strategic Planning
 - CSR incorporated in Long term planning processes and strategies
 - CSR objectives considered in finalizing any major company proposal
4. General Accountability
 - CSR incorporate in Job description and performance objectives of employees
 - So that each one understand how they can contribute to company's overall effort to be socially responsible..
5. Employee recognition and rewards
 - Employee tends to engage in behavior that is recognized and rewarded and avoid behavior that is penalized.
 - System of publicly honoring employee, give them letter of appreciation for performance, financial assistance etc can be done.
6. Communication, Education & Training
 - Employee communicated about their roles & responsibilities
 - Employee educated for importance of CSR
 - Employee trained for continuous improvement
7. CSR reporting
 - CSR reporting is being done in Annual Reports → to build & gain → trust and confidence of investors and stakeholders.
8. Cultural Value
 - Allow innovation and independent thinking
 - Organization should say what it means.



Topic 12.01

The Global Reporting Initiative (GRI) – Estd in 1997

- Design Global guidelines →
 - Prepare enterprise level sustainability report
 - Report includes social and environmental indicators
- Organized by →
 - CERES i.e. Coalition for Environmentally responsible economies
- Participants →
 - Corporations, NGO's, International organizations, U.N.A. Accountancy organizations, Other stakeholders etc
- Vision →
 - Reporting on Economic, Social & Environmental performance by all organization becomes routine
 - And as comparable as Financial reporting
- How vision is being accomplished →
 - Continually improving developing & building capacity around the use of its Sustainability reporting framework.

Topic 12.02

AA1000 – Estd in 1999

- It is an Accountability standard
- It is based on John Elkington's 3BL triple bottom line.
- It is designed to complement GRI reporting guidelines with objective to improve accountability & performance by learning through stakeholder engagement.
- AA1000 Assurance Standard – Launched in 2003
 - World's 1st sustainability assurance standard.
 - Applies to principles of materiality, completeness & responsiveness

Topic 12.03

UNITED NATIONS GLOBAL COMPACT

- Voluntary international corporate citizenship Network
- Initiated to support participation of both private and social sector.

Topic 12.04

Social Accountability 8000

- SA8000 – It is an international standard for improving work conditions.
- Objectives – As per standard, Workplace should be managed in such a way that basic human rights are supported and management is accountable for this.
- How it is achieved – Standard is based on principles of international human right norms as described in
 - ✓ ILO Convention
 - ✓ UN Convention
 - ✓ Universal declaration of Human rights
- Applicability – Requirement of this standard applies regardless of geographic location, industry or size of company.

Topic 12.05

Caux round Table (CRT)

- Senior business leaders from Europe, Japan & North America comprises CRT.
- Caux is a place in Switzerland.
- “Principles of Business” document is produced by them.
- It seeks Ethical & responsible corporate behavior worldwide.
- Principles include →
 - ✓ respect for rules and ethics,
 - ✓ respect for environment,
 - ✓ Avoidance of illegal operations like bribery, money laundering & other corrupt practices.

Topic 12.06

OECD Guidelines for MNC (Organization for Economic Cooperation & development)

- These guidelines are the Recommendation given by Government's to MNC's
- These are voluntary principles and standards , they are not legally enforceable



Topic 13

Benefits of CSR / Need of CSR

1. Iron law of responsibility

- Society gives license to operate the business, because business gives invaluable services to society.
- But if business fails to live up the expectations of society, then society revokes this license.
- So business should respond to society's need constructively if it intends to retain its existing social role and power

This is known as Iron Law of responsibility. Therefore, In Long Run, those who do not use power in a responsible manner will tend to lose it.

2. Achievement of long term objectives

- Business Organization sensitive to community needs will like to have a better community in which it can conduct its business.
- To achieve this, special program for social welfare need to be organized. Resulting benefits would be:-
 - ✓ Increase in employment
 - ✓ Decrease in crime
 - ✓ Easy access to Capital in the way of loan in international money market because of favorable domestic environment.
 - ✓ Brand image as preferred supplier

Therefore, a better society would produce a better environment in which business may gain long term profit maximization

3. Enhanced Brand Image and Reputation

Enhanced Brand Image with

Public	Community
↓	↓
✓ Customer Loyalty	✓ Attract Capital
✓ Easy acceptance of New product & services	✓ Attract Trading partner

4. Check Government Regulation / Controls

- Government intervention is costly to business in terms of energy & money.
- Once government control the activities, it limits the power of businesses to take decisions freely
- So, business can prevent government intervention by their socially responsible behavior.

5. Help minimize ecological damage

- Businesses damages their surrounding environment
- They should be proactive in recognizing their ecological responsibility towards society
- This helps in mitigating such risk and avoiding government intervention

6. Improved Financial performance

- It has been long debated that whether there is a real connection between socially responsible business practices and positive financial performance
- In 2002, a DePaul university study has shown that overall financial performance of 2001 Business Ethic best citizen company was much higher than remaining of companies in S&P 500 Index

7. Reduced Operating Cost

- Improving environmental performance
 - Taking measures such as reducing emission of gases can also cut cost
- Improving work life balance of employees
 - Reduced absenteeism and Increase retention of employees saves hiring cost and Increases productivity
- Recycling Initiatives
 - Cut waste disposal cost and generate income by selling recycled material

8. Increased sales and customer loyalty

- Result of improved brand image

9. Increase productivity and quality of work life

- Result in reduced operating cost

10. Increased ability to attract & retain employees

- Results in reduced operating cost



Question Bank

Question 1

What is meant by corporate governance? Explain the benefits of good corporate governance.

Question 2

Answer whether the statement is correct or incorrect with brief reason: Company management has responsibility only towards its shareholders.

Question 3

Answer whether the statement is correct or incorrect with brief reason:

'The Governance Model positions management as accountable solely to investors'.

OR The responsibility of the corporate management lies towards shareholders only.

Question 4

What is meant by 'Stakeholders'? Describe those stakeholders who are affected by or can affect the organization?

OR

What is meant by 'Stakeholders'? Give the list of such stakeholders.

Question 5

What is meant by 'Corporate Governance'? State the major 'characteristics' of good corporate governance.

Question 6

What is Corporate Social Responsibility? Why it is needed in Indian Business environment?

Question 7

State with reasons whether the following statement is correct or incorrect: Corporate Social Responsibility is closely linked with the principles of sustainable development.



Question 8

State the “Common Corporate Social responsibility” (CSR) policies for business organizations.

Question 9

Write a note on “Social Accountability-8000”.

Question 10

Explain the role played by different committees in regulating the ‘Corporate Governance’.

Question 11

State the benefits of socially responsible corporate performance.

Question 12

Explain how corporate social responsibility minimises the ecological damage and helps in achieving long-term objectives, so that the business may gain long-term profit maximization.

Question 13

Explain the meaning of the "Iron Law of Responsibility". State the resulting benefits which may be acquired by achieving the long-term objectives through the business activities.

Question 14

State with reasons whether the following statements are correct or incorrect:

The phrase ‘Iron Law of Responsibility’ means that the institution of business exists only because it performs invaluable services towards its promoters.

Question 15

State with reasons whether the following statements are correct or incorrect:
“The institution of business exists only if it fulfils the society's expectations”



Question 16

Explain briefly the key strategies which can be used at the time of implementation of Corporate Social Responsibility policies and practices in a company.

Question 17

Examine the concept of Corporate Social Responsibility (CSR) and also explain in brief some of the key strategies which can be used by companies while implementing CSR policies and practices.

Question 18

What is meant by 'Corporate Governance'? State the 'measures of Corporate Governance' with reference to Indian companies.



Chapter : Workplace ethics

Topic 1

Need / Importance / Benefits of Ethical behavior at workplace.

If Employer does not create a work environment,

- ✓ Where Employees have clear understanding regarding → What is right and What is wrong.
- ✓ And feel free to discuss and ask question about Ethical issues
- ✓ And report violations.

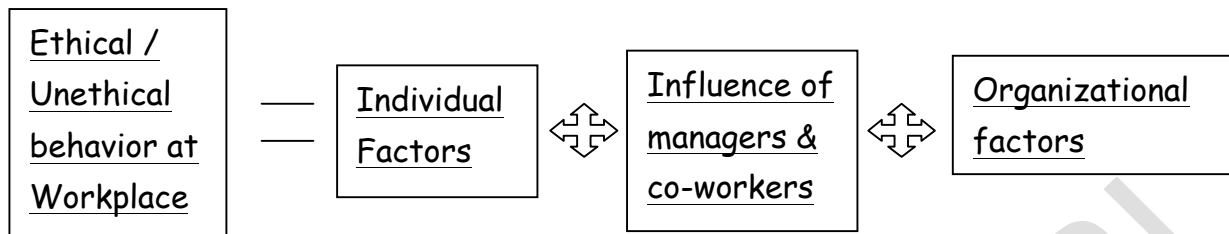
Significant problems could arise like :-

1. Increased risk of Employee taking Unethical decision
 - ❖ Resulting into misconduct, fraud, scams etc.
2. Whistle blowing i.e Employee reporting violations to outside regulatory authorities
 - ❖ Because, they lack an internal forum to discuss.
3. Inability to recruit and retain efficient people.
 - ❖ Because talented people like to work in organization where ethical behavior is appreciated.
4. Diminished reputation in Industry and Community
5. Significant Legal exposure and Government Intervention.
6. Loss of competitive advantage in marketplace
 - ❖ Because of low productivity & immorality of employees, loosing customer loyalty due to inferior products.



Topic 2

Factors influencing Ethical behavior at workplace.



1. Individual Factors

- ❖ An Employee Ethical / Unethical behavior depends a lot on his Personal values and Moral standards
- ❖ Value and standards are developed during childhood and youth as a result of teachings of parents, teachers and religion etc.
- ❖ Socio-psychological factors responsible for individuals unethical behavior could be :-
 - Negative Life Experiences ;
 - Financial difficulties ;
 - Overly aggressive financial or career objectives.
 - Over aggressive financial or business targets
 - Pressure to perform & take Quick decision

2. Influence of Managers and Co-workers

- Action of Co-workers and Senior Managers influence action of Employees
- Eg. Personal use of Organization resources by a Senior Manager encourage sub-ordinate to do so. Therefore, permitting unethical behavior

3. The Opportunity to engage in misconduct

- Company should provide Direction and good examples for appropriate conduct.
- If Company fails in doing so, confusion and conflict will develop and result in opportunity of unethical behavior

Topic 3

Examples of unethical behavior at workplace.

a) Relationship with Suppliers & Business partners

- Bribery & immoral entertainment
- Discrimination between suppliers
- Dishonesty in making and keeping contract
- Delay in making payments.

b) Relationship with Customers

- Unfair Pricing
- Cheating Customers
- Misleading advertisement
- False assurance of after sale services.

c) Employees

- Discrimination in hiring and working conditions.
- Harassment at workplace
- Abusive behavior towards employees

d) Management of Resources

- Misuse of organization resources for personal use
- Divulging business secrets to competitors for personal gain
- Tax Evasion



Topic 4

Discrimination → Meaning , Elements & Common Practices

Meaning → It refers to wrongful act of treating people differently on some basis other than INDIVIDUAL MERIT.

It involves classifying people into different groups and then treating those groups unequally without any rational justification for differential treatment.

Characteristics / Elements →

1) No regard to Merit

- Eg senior and more qualified staff is not promoted, whereas a less qualified staff is promoted because of his relation with director.

2) Bias / Prejudice

- Treating person favorably or unfavorably than others in same circumstances.
- Decision is taken on some basis which is not related to Job Like gender, age , colour ,religion etc

3) Negative Impact

- ✓ On Employee's Morale
- ✓ On Organization's reputation



Topic 5

Common employment Discrimination practices.

- i. Recruitment practices
 - ❖ Solely relying on word of mouth referrals of present employee. It is discriminating as others having same potential are not even given a chance
 - ❖ New Job positions advertised in such media which has access to a particular gender only
- ii. Screening Practices (Selection)
 - ❖ There is written test, Group discussion & personal interview aimed at finding right candidate suitable for job.
 - ❖ It is discriminatory if something is asked in tests which is not at all relevant for Job
- iii. Promotion practices

It is discriminatory when:-

 - ❖ Promotions are based on gender, age, culture, religion etc & rely on subjective recommendation of immediate supervisors rather than INDIVIDUAL MERIT.
 - ❖ Not promoting women or minorities to certain high level jobs , because management thinks them inferior
- iv. Conditions of Employment

Discrimination can be on basis of:-

 - ❖ Abuse of labour → Child labour and bonded labour
 - ❖ Unequal Wages / Salaries , discrimination in use of facilities, timings etc
- v. Dismissal
 - ❖ Terminating an Employee on ground which has nothing to do with his performance of duties results in discrimination



Topic 6 Harassment

➤ Meaning →

Harassment occurs when person is made to feel intimidated, insulted or humiliated.

It includes behavior which a reasonable person considers to be offensive.

➤ Types →

It can be of 2 kinds: - (a) Workplace harassment ;(b) Physical harassment

(a) Workplace Harassment

- It includes Verbal or physical attack.
- It results into:-
 - ◆ Effect on work performance
 - ◆ Hostile work environment
 - ◆ Demotion or Termination
- Examples
 - a. Giving unexplained Jobs & meaningless task
 - b. Giving impossible deadline.
 - c. Constant criticism or insulting in presence of others
 - d. Physical or Verbal abuse
 - e. Making Employee to feel useless
 - f. Intimidating (Giving threats of dismissal)

(b) Physical Harassment

- Where an Employee coerces another employee to fulfill his own physical demands. Such coercion is in form of threat of losing any job benefit or even job.
- Vishaka v/s State of Rajasthan & others
Supreme Court held that Employer or Institution employing women employees must mandatorily constitute a Women's physical harassment redressal committee.
- Examples → Staring, Unwelcome touching, patting or pinching, etc.

➤ Effect →

1. Hostile Work Environment
2. Psychological disturbance to victim
3. Employee basic right to freedom & integrity violated



Topic 7

Guidelines for Managing Ethics in Workplace

1. Integrate ethics management with other management practices
 - Include ethical values preferred at workplace while developing organization mission, vision & value statements
2. Set an example from the top
 - Ethics should flow down from top to bottom, across all the level of organization.
 - Top management has to ensure that they follow it themselves also.
3. Code of conduct & Ethics
 - Code of conduct – specify actions in the workplace.
Eg – Style of dress, restriction on smoking, alcohol, not accepting personal gifts.
 - Code of Ethics – guides with respect to decision taken for specified actions.
4. Regularly update policies and procedures
 - To instill ethical behavior in its employees, organization often institute policies such as recycling wastes, donating to charities, and employee participation in community events.
5. Establish open communication
 - Instead of just creating and distributing ethics policy, it is important to explain the reason for this policy and conduct formal and informal training to sensitize employee.
6. Make ethics decision in group
 - This produces quality decision and increases the credibility of decision.
7. Use of Cross functional teams
 - Employees feel sense of participation and ownership when developing ethics policies in program.



8. Creating an atmosphere of trust in employees
 - It helps in encouraging employee to report unethical behavior as they have no fear of seniors.
 - It can be done by providing a Tip box where personnel can report unethical activities on an anonymous basis.
9. Appointing an Ombudsperson
 - Ombudsman is a person who investigates and attempts to resolve complaints and problems between employers and employee.
 - It establishes a point of contact for employee to go and seek advice.
10. Grievance policy for employees
 - To resolve disagreements with supervisors and staff.

Topic 8

Ethical issues / Areas where Ethical concerns can arise

1. Business relationships :-
 - # What is the concern here :
Behavior of business persons toward customers, suppliers & others in their workplace
 - # Example : It involves
 - ✓ Keeping company's secrets
 - ✓ Meeting obligations & responsibilities towards customers
 - ✓ Avoiding undue pressure on others to act unethically eg. Spying on competitors.
2. Conflicts of interests :-
 - # What is the concern here :
Concern is to choose between either own personal interest or company's interest.
 - # Example :
 - ✓ Bribe is conflict of interest, because it benefits an individual at the expense of an organization or society.



3. Fairness and honesty:-

What is the concern here :

- a. Disclosure of potential harm caused by product use
- b. Competition should be fostered and monopolistic practices should not be followed.

Example :

- ✓ Non – disclosure of manufacturing defect in automobiles
- ✓ Price-cartel or creating monopoly in market.

4. Communications :-

What is the concern here :

- a. False & misleading advertisement is a cause of concern
- b. Truthfulness about product safety and quality should be told to customer.
- c. Product labeling is also important.

Example :

- ✓ Company selling 2 types of contact lenses → Normal one and One day lens. Company directed consumers to dispose one day lens after using it for one day's use. But 2 products were identical and could be used for up to 2 weeks. Here, Company was cheating customers.
- ✓ Labeling of health warning on cigarette packet is must



Question Bank

Question 1

Explain the factors that influence ethical behaviour of an employee. List out some examples of various ethical issues faced in a workplace.

Or

State some examples of ethical issues faced by an individual at the workplace.

Or

State the ethical issues which are being faced by an individual at the workplace of an industrial organization

Question 2

Describe the factors which influence the ethical behaviour at work in an organization

Question 3

State with reasons whether the following statement is correct or incorrect: Fairness and honesty are the pillars of success in business.

Question 4

Answer whether the statement is correct or incorrect with brief reason:

Promotion policies based on individual merit and not purely on the basis of seniority is discriminatory.

Question 5

What do you understand by the term 'discrimination' in employment as sometime found in an establishment? Explain the basic elements of 'discrimination'.

OR

State the elements which create discrimination in employment in the business organizations.

Question 6

Write a note on harassment at workplace.



Question 7

Answer whether the statement is correct or incorrect with brief reasons. Ethical behaviour is not essential to working environment at the workplace.

Or

Explain the importance of ethical behavior at the workplace.

OR

What problems may arise at work place when ethical behaviour is not adopted?

Question 8

Explain in brief the measures to ensure ethics in the Work place.

Or

State in brief the guidelines for managing ethics and to prevent the need for whistle-blowing in the work place.

Question 9

Explain the various socio-psychological factors responsible for developing negative attitude by an individual at workplace.

Question 10

Explain the practices widely recognized as discriminatory in employment.



Chapter : ETHICS IN ACCOUNTING & FINANCE.

Topic 1

Ethics are principles of conduct governing an individual or group. It shapes the decision of individuals & group in deciding what is good or bad.

Ethical behavior → It implies such course of action which has impact on society and other stakeholder

Ethical Dilemma → exists when Finance & Accounts professional need to choose from different alternatives and there are:-

1. Significant value conflicts
2. Different alternatives & all can be justified
3. Significant consequences to all stakeholders

Example → Client X ask F&A professional B to prepare & sign a project report which provides profit estimates of Rs 50Lac/month on a New product. X requires this report to take Bank Loan. If X don't receive bank loan, his company will shut down.

Optimistic projection shows if all goes well then company may achieve a profit target of Rs50L/month.

Realistic assumption shows a much lower figure on which bank loan will be rejected.

Now, F&A professional is in ethical dilemma that whether to give realistic projection, because of which company will not get loan and eventually shut down or give optimistic projection and mislead the banker. There is NO right answer to such situation. Both actions have their own risk.



Topic 2

Importance of Ethics for Finance & Accounts professionals

1. Public Interest

F& A is only business function which accepts responsibility to act in public interest.

2. Accounting Scandals

In past, many corporate scandals like Enron, satyam have occurred due to false and manipulative presentation & disclosures in financial statements.

3. Investor protection

Companies fraudently create accounting entries with sole purpose of making their financial statement look attractive thereby inviting further investments by duping investors.

4. Stock Markets

Every fraud has a negative impact on stock market. It ultimately hampers the growth of economy.

Topic 3

Potential conflicts

- Finance & Accounting professional may face conflict of interest either as a Auditor (Independent Consultant) or as an Accountant (Employee)
- He may face pressure to:-
 - 1) Act contrary to Law or Regulation
 - 2) Act contrary to Professional Ethics
 - 3) Facilitate unethical management strategies
 - 4) Intentionally mislead stakeholders like Auditors and regulators
 - 5) Issue of financial or non financial statement that materially misrepresent the facts.

Topic 4 Creating an Ethical environment

A sound ethical environment may be created and corporate scandals may be avoided by adopting following methods:-

↓	↓	↓
↓	↓	↓
Ensure Employee awareness regarding their Ethical and Legal responsibilities	Ensure fair treatment to whistle blowers	Provide communication system between Employee and management
↓	↓	↓
Organization should have policy to train & motivate employee towards Ethical behavior	Such acts should be appreciated inside the company rather than from outside	To avoid fear of demotion. Eg. System of helpline numbers.

Topic 5

Reasons for Unethical behavior

1) Emphasis on short term result

It is a primary reason for downfall of companies. Instead of running business with honesty, promoters having fraudulent intention on applying investors fund to their personal interests. Eg. False profitability to lure investors.

2) Ignoring small unethical issues

It is a known fact that most of compromises we make are small but they lead us to committing large mistakes.

3) Economic cycles

In good times, companies lacks in their accounting disclosures. When hardship comes, the hit taken to p&L is almost fatal, which sometimes lead to shut down of company. Eg Losses on forex fluctuations.

4) Accounting rules

In era of globalization, massive international money flows across the borders. Accounting rules and standards have become more complex and therefore it is difficult to identify deviation from these standards. This may promote unethical behavior.

Topic 6 Threats

Dynamic environment in which business operates creates no. of circumstances, because of which compliance with fundamental principles may be potentially threatened:-

a) Self Interest Threat

It may occur as a result of financial or other interest of Finance & accounts professional.

Example:-

- # Auditor → Fees, potential employment with client, possibility of losing client or close relationship
- # Accountant (Employee) → Job security, higher compensation, personal use of company asset, loan taken from company

b) Self review Threat

It occurs when same professional is required to review any work which he himself carried out earlier

Example:-

- # Detection of error after submission of report
- # Audit of accounts by same person who prepared financials or accounting system of company
- # Auditor/ Accountant having personal interest in company.

c) Advocacy Threat

It may occur when professional is required to give his submission with respect to his client's position and his decision may be biased towards client

Example:-

Professional becoming witness where a party to litigation is his client.

d) Familiarity threat

It occurs when F&A professional has close relationship with client. This may impair his selfless attitude towards work

e) Actual Threat

It occurs when professional is threatened to not to perform his duties or reduce scope of audit.

Example:- Physical force or violence.



Topic 7**Safeguard to overcome various threats**

Safeguard are important, because they increases the chances of detecting any unethical behavior before its happening and thus avoid such behaviours

Safeguard which eliminate the threats relating to F&A to an acceptable level falls into following categories:-

Safeguard created by Profession, legislation or regulation (Eg ICAI)	Safeguard in the work environment (Eg ABC Pvt limited)
1. Education, training & experience requirement for Entry into profession	1. Recruitment of high caliber competent staff
2. Continuing professional development requirements (Eg CPE hours in ICAI)	2. Communicate policies & procedures of organization to employees and accordingly give training & education
3. Professional ethics & standards	3. Organization should conduct programs on Ethics and standards
4. Professionals – Regulatory monitoring & disciplinary procedures	4. Monitor the quality of employee performance & implement appropriate disciplinary procedures
5. Peer review or External review of reports , communication, information produced by concerned professionals	5. Strong Internal controls
6. Corporate governance regulation	6. Leadership that stresses the importance of ethical behaviour
	7. Employing organization system of corporate oversight structures
	8. Creating an atmosphere of trust among employee.



Topic 8

Ethical conflict resolution

A. Meaning of Ethical Conflict

Ethical conflict arises when it becomes difficult for a professional to decide right course of action because of conflict with regulatory requirement

B. Resolving an Ethical Conflict

1. Consider relevant facts

- Relevant facts
- Ethical issue involved
- Fundamental principles related to matter in question
- Established internal proceedings
- Alternative course of actions

2. Selecting the course of actions

- Weigh down the consequences of each action
- Select that course of action which comply with ethical standards

3. Consultation

- With those who are in charge of organization.
Eg. Director

4. Legal Advice

- Professional body or legal counsel

5. Withdrawal

- Withdraw from specific assignment or resign altogether

6. Documentation

- Document the substance of issue, details of discussion held and decision made.



Question Bank

Question 1

Answer whether the statement is correct or incorrect with brief reason: 'Window-dressing of financial statements will not be useful in the long run'.

Question 2

Answer whether the statement is correct or incorrect with brief reason:

'Ensuring fair treatment to whistle blowers will help in creating good ethical accounting environment in a business enterprise'.

Question 3

State, how far a sound ethical environment in a company may be created and corporate scandals may be avoided.

Question 4

Explain the reasons for unethical behaviour among finance and accounting professionals.

Question 5

Self interest threats may occur as a result of financial or other interests of finance and accounting professional. Give three examples each of such threats when the accounting professional is working as-

- (i) An auditor or consultant
- (ii) An employee in a company.

Question 6

Finance and accounting professionals working as employees in an organization have to face various threats which make it difficult for them to comply with fundamental principles relating to ethics. Explain the safeguards in the work environment which may be created by a business enterprise to overcome such threats.

Question 7

What are the fundamental principles of ethics applicable to the persons of finance and accounting profession?

Question 8

State the pressures which are faced by the finance and accounting professionals' in an organization in the compliance of fundamental principles of ethics.

Question 9

Describe the safeguards which may be created by finance and accounting profession and legislation to eliminate or reduce the threats to an acceptable level to ensure an ethical environment in an organization.

Question 10

Which threats are existing in environment which adversely affect the fundamental principles of ethics?

OR

Explain the 'threats faced by an accounting and finance professional adhering to ethical principles' at the time of performing his professional duties.

Question 11

Explain briefly the matters to be considered and the steps that may be taken by a Finance and Accounting professional when he is required to resolve an ethical conflict in the application of Fundamental principles.

Question 12

Explain the importance of 'Ethics' for finance and accounting professionals.



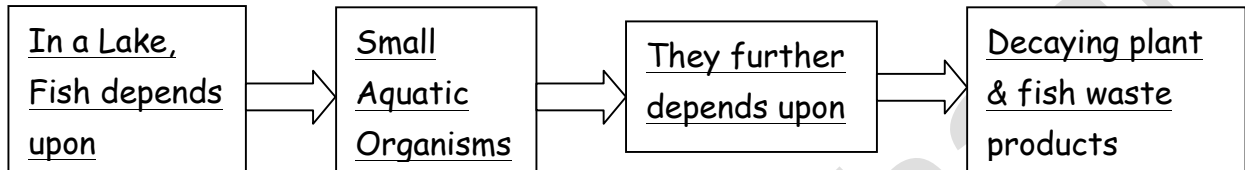
Chapter : Ecological Ethics.

Topic 1.1

❖ What is Ecological system

It is an interrelated & interdependent set of organisms and environments.

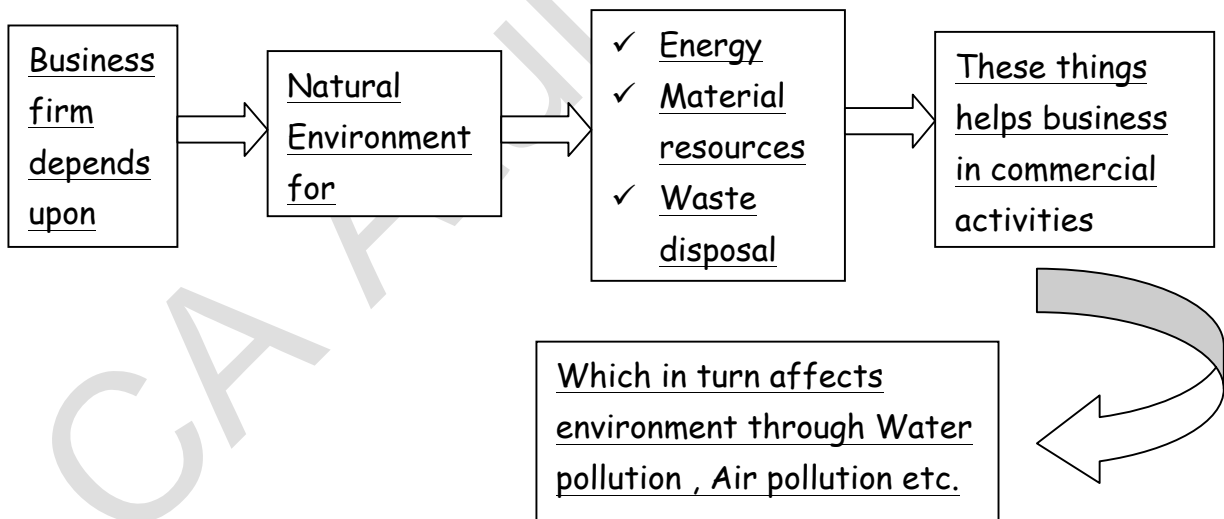
Example:-



To overcome the problem of pollution, it is our duty to recognize and preserve ecological systems within which we live.

Topic 1.2

❖ Business firms are part of larger ecological system



Therefore, Problem of pollution can't be overcome, unless

- ✓ Business recognize interrelation & interdependency of ecological system in which they live
- ✓ And ensure their activities not seriously injure the system.

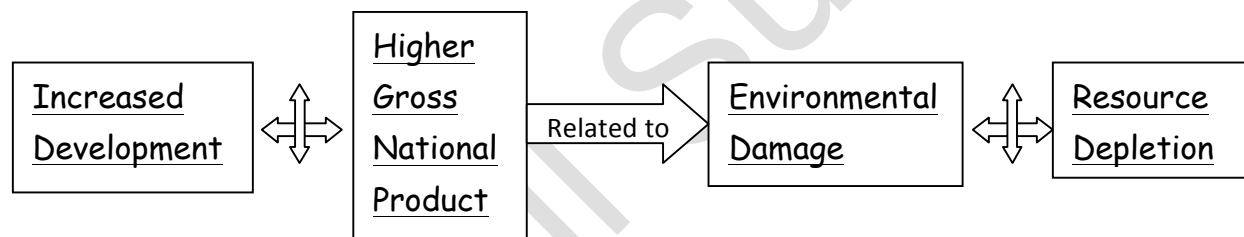
Topic 1.3

❖ Ecological Ethics

- It is based on idea that environment should be protected not only for sake of Human beings but for its own sake.
- Issue of Environment Ethics is wider than problems related to protection of environment from pollution, resource utilization or waste disposal.
- It is issue of Exploitative nature of humans
- International cooperation is required to tackle Global problems like
 - ✓ Global Warming
 - ✓ Ozone depletion
 - ✓ Disposal of hazardous waste

Topic 2 No Economic Growth without Ecological Cost

It is fact that:-



Thus, it is important that Economic Growth has to be environmentally sustainable.

It can be achieved, if development program includes elements of

➤ Resource Generation

It is possible through maintaining development over a period of time, known as Sustainable development.

Sustainable development is development that meets the needs of present without compromising the ability of future generation to meet their own needs. Therefore, Nation should satisfy its social, economic or other requirements without putting into risk interest of future generations.

➤ Positive approach towards environment

It is possible through conservation of Natural resources.

It means saving/ rationing/ limiting the consumption of natural resources today to have resources available for tomorrow's generation.

Topic 3

Conservation of Natural resources

- It means saving/ rationing/ limiting the consumption of natural resources today to have resources available for tomorrow's generation
- Pollution control is a form of conservation. Pollution depletes the quality of Air and Water. Pollution control conserves the same for future.

➤ Industries which are based on Natural resources like Minerals, timber etc have social responsibility for:

- a) Make "Environment friendly" products with minimum impact on people and eco-system
- b) Adopt processes that
 - ✓ Minimize use of natural resources and energy
 - ✓ Reduce waste
 - ✓ Prevent pollution
- c) Adopt practices that have
 - ✓ Built in environmental considerations
- d) **Follow Green Accounting systems**
 - ➔ This system requires to include Environmental cost in the cost of products.
 - ➔ It is also known as "Environmental Accounting" or "Natural resource accounting".
 - ➔ It helps in implementing "Polluter Pay Principle"
When environmental cost is properly reflected in prices paid for goods and services, then consumer will adjust his consumption behaviour in such a way which will reduce damage to environment, pollution & waste production.
 - ➔ It helps in calculating Government subsidies.



Topic 4

Environment Ethics / Eco friendly business practices.

Business and Industry are closely linked with Environment and Resource Utilization

Introduction

Focus should be on using

- ✓ Renewable source of energy
- ✓ Eco-friendly techniques throughout product life cycle and
- ✓ Stress on minimization of waste

to protect and conserve resources of environment

Following are the best environmental business practices

1. Waste Management: It is done by

- a. Reducing i.e. Minimum production of waste
- b. Reusing i.e. Maximize reuse of waste
- c. Recycling of Waste
- d. Promoting environmentally sound waste disposal practices

Above can be achieved by Redesigning product and adopting latest technologies.

2. Eco-friendly techniques:

- a. Conduct Environment Impact Assessment & Environmental Audits
- b. Implement Environmental Standards like ISO4001

3. Special responsibilities of Industries based on Natural resources:

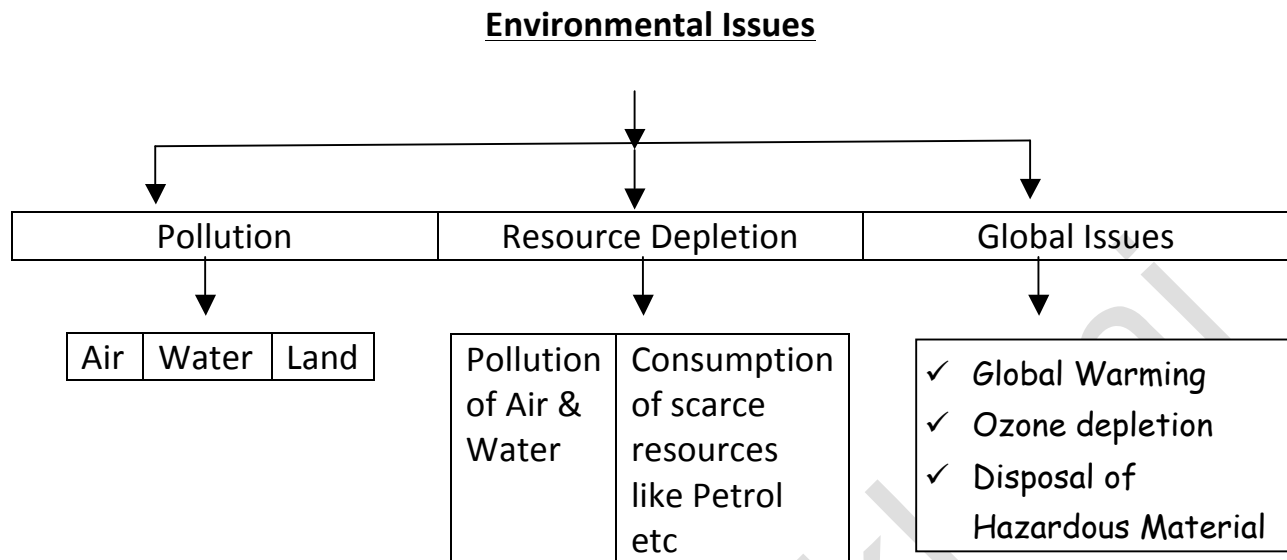
(Refer Topic 3)

Conclusion

A good environmental practice improves corporate performance in following ways:-

- ✓ Increase in Brand Image
- ✓ Increase in Sales
- ✓ Increase in profit
- ✓ Increase in Cost savings & efficiency.



Topic 5

- **Air Pollution (Topic 5.1)**

Gases & dust particles emitted by industries & auto vehicles have following consequences:-

- 1) Affects Quality of air we breathe
- 2) Affects Vegetation, thereby decreasing Agricultural yields
- 3) Deteriorate construction material through corrosion
- 4) Global warming
- 5) Ozone layer depletion
- 6) Acid rains

- **Water Pollution (Topic 5.2)**

- Oceans used as disposal sites for low & medium level radio-active wastes. Traces of radio-active materials is found in sea water which is most apparently leaked from sealed drums in which radioactive are disposed off
- Increase in economic activity & population has shrunked the per capita supplies of water

- **Land Pollution (Topic 5.3)**

- Solid wastes Like Mercury, lead, copper, zinc are major factors of land pollution. People living in cities produce tons of solid wastes every year.
- Hazardous or Toxic Substances like Benzene & Vinyl chloride both are industrial chemicals used in manufacture of plastic. They cause diseases like leukemia, liver damage, brain cancer, bone damage etc.

	Meaning	Causes	Adverse effects	Solutions
(Topic 5.4)				
Global warming	Increase in earth's temperature	Increase in level of Greenhouse gases	# High temperature # Increase in sea level # More deserts # Reduced Agriculture yield # Natural disaster like flood & drought	→ Reduce Emission of Greenhouse gases → Increase trees and forest to take out gases
(Topic 5.5)				
Ozone depletion	Destruction of ozone layer which protects earth from harmful UV rays	It is destroyed by CFC gases. (CFC means Chlorofluoro Carbons)	# Skin cancer # Eye diseases # Decrease in Agriculture yield # Adverse effect on trees , plant & forests	
(Topic 5.6)				
Acid Rain	It is rain containing high proportion of harmful substances like Nitrogen Oxide & Sulphur dioxide	It is caused by burning of fossil fuels	# Damage forests # Decrease in productivity of soil # Decay of buildings # Danger to wildlife & aquatics	→ Use of renewal sources of energy like wind, solar energy → Reduce electricity → Use of Public transport.

Question Bank

Question 1

What is meant by 'Sustainable Development'? State the special responsibilities of the industries that are based on natural resources. How the adoption of Green Accounting System helps in avoiding policy decisions which are non-sustainable for the country?

OR

The industries that are based on natural resources, like minerals, timber, fibre and foodstuffs, have some special responsibility for making "environment-friendly products". Examine this statement and also explain in brief the concept of Green Accounting System.

Question 2

Answer whether the statement is correct or incorrect with brief reasons.

'There is no economic growth without ecological costs'.

Question 3

Write a note on ecological ethics

Question 4

State with reason whether the following statement is correct or incorrect:

A nation should satisfy its social and economic requirements without damaging the interest of future generations.

Question 5

Answer whether the statement is correct or incorrect with brief reason:

Depletion of Ozone layer will have adverse effect on human beings and not on vegetation.



Question 6

Answer whether the statement is correct or incorrect with brief reason: Water pollution is also a kind of resource depletion.

Question 7

Discuss different environmental phenomena of ethical concern?

Question 8

What is meant by 'Environmental ethics'? How does its non-adoption lead to 3 Ps Viz., Polluter Pays and Principles? Explain.

Question 9

Answer whether the statement is correct or incorrect with brief reason: 'Business does not sub-serve environmental ethics'

Question 10

State with reason whether the following statement is correct or incorrect: 'A good environmental practice improves corporate performance'

Question 11

State with reason whether the following statement is correct or incorrect.

'Business and industry are closely linked with environment and resource utilization'.

Question 12

What do you understand by the term "Acid Rain"? How does it adversely affect the environment?



Chapter : Ethics in marketing and consumer protection.

Topic 1 Ethics and Marketing

❖ Marketing

- Task of marketer is to influence behaviour of customers
- This task is achieved by following activities :-
 - a) Designing of product
 - b) Price at which it is offered
 - c) Message used to describe it
 - d) Place at which it is made available

❖ Ethics

- Ethics are standards of moral conduct
- To act ethically means to accept standards of moral behaviour. When things are going well, everyone prefers to behave ethically but when things are not going well and pressures build up, that time ethics of an individual are tested and marketing is NO exception.

❖ Ethics of Marketing executives

- Marketing executives face challenges of balancing their own interest in form of pay, promotion, & recognition in organization with interest of consumer, society and organization.
- Here, they have to identify between Ethical & Unethical Act and act accordingly without thinking of consequences.

Topic 2 Ethical Guidelines

- Organization must establish Code of Ethics that identify specific acts like bribery as Unethical.
- It reduces the chance that employee will violate company's standard.
- However, it is not possible to take every decision out of hands of marketing executives. Marketing executives must evaluate situation and act accordingly.



Topic 3 Behave Ethically in Marketing. / What reason force a marketing executive to adopt ethical practices in marketing. Explain Merits and Demerits

Marketing executives should practice ethical behaviour because it is morally correct. Following positive reasons may be useful for Marketing executives:-

1. To reverse declining public confidence in marketing.

- Generally, Public have negative image of marketers. Because of reasons like misleading package labeling, false claims in advertisements, unfair prices, false after sales assurance etc.
- To reverse this situation, company has to enforce their highest ethical standards & has to be concerned with well being of consumers.

2. To avoid increase in government regulation

- Organization failure to maintain ethical standards results in government intervention, inspection and paper work.
- This results into wastage of money, time & reputation. Also this results into loss of flexibility in decision making.

3. To retain power granted by society

- Marketing executives has power to influence markets and speak on economic issues. There is a responsibility tied to that power. If marketers don't use power in acceptable way, power will be lost in long run.

4. To protect the image of organization.

- Buyers form an impression of entire organization based on their interaction with one person and generally sales executives are those who becomes the representative of companies.
- Thus, a single sales clerk may influence the market opinion with respect to the company in which he is working.



Topic 4 Consumer

As per Section 2(f) of Competition Act 2002, Consumer means any person who

- i. **Buys*** any goods for a consideration which is paid/promised/party paid or promised under deferred payment system
And includes any user of such good other than the person who buys such goods, when such use is made with approval of buyer of goods
Goods can be purchased for
 - Resale
 - Commercial purpose
 - Personal use.
- ii. ***Buy** = hire or avail any services.

As per Section 2(d) of Consumer Protection Act 1986, Consumer means any person who

- I. **Buys*** any goods for a consideration which is paid/promised/party paid or promised under deferred payment system
And includes any user of such good other than the person who buys such goods, when such use is made with approval of buyer of goods
Goods can be purchased for
 - Personal use only
 Consumer does not include a person who has obtained goods for
 - Resale or
 - Commercial purpose
- II. ***Buy** = hire or avail any services.
- III.

Point of difference between consumer protection act and competition act



Topic 5 Objectives of Competition Act 2002.

For Economic development of Country, CA 2002 established a commission:-

- 1) To prevent practices having adverse effect on competition.
- 2) To promote and sustain competition in Market
- 3) To protect the interest of consumer
- 4) To Ensure freedom of Trade carried on by participants in Indian Market
- 5) Any Other Matter

Topic 6 Parameters of Competition Law

- 1) Prohibition of certain agreements which are considered to be anti-competitive in Nature.
 - Eg. Exclusive dealing for supply & distribution , refusal to deal, etc
 - Such agreements are considered anti-competitive when they cause an adverse effect on competition within India and such agreements are void.
- 2) Abuse of Dominant position: Following activities are prohibited.
 - Imposing unfair conditions
 - Restricting production of goods and Services
- 3) Regulation of Combinations having adverse affect on competition in Indian market. Such contracts are void.
Eg. Producers forming price cartel



Topic 7 Consumer Interest V/s Public Interest.

Basis	Consumer Interest	Public Interest
a) Meaning	It covers all such areas which are concerned with consumer well being	It covers all such areas which are concerned with Social welfare at large or general welfare
b) Scope	Consumer is one of the several groups that constitute Public interest	Public Interest is sum total of interest of all the groups in society. Therefore, Public interest is wider than Consumer interest
c) Factors affecting interests of consumers and public	Consumers are affected by Purity, price, quality, quantity, standard of goods and services	Public is affected by economic reforms, law and order, political stability, inflation, corruption etc.
d) Focus	Focus is on consumer protection, consumer education & consumer awareness	Focus is on balance of interest of all sections of society
e) Eg. Of Acts enacted.	Consumer Protection Act 1986 , Competition Act 2002	Right to Information Act 2005, Prevention of Corruption Act 1988.



Topic 8 Consumer Interest V/s Public Interest.

- a. Meaning – same as above
- b. Scope – Same as above
- c. Focus – Same as above
- d. Example –
 - A farmer wants price of goods he consumes to be as cheap as possible but wants highest price for his produce.
 - A Government wishing to encourage agriculture for self-sufficiency of food as a national security measure is now in a conflict that whether it should support high prices to encourage production or low price to protect consumer
 - This is a characteristic of public interest and consumer interest conflict.
- e. It can be stated that buyers want competition and sellers want monopoly.
- f. Suggestion by Economists :-
In a Society there are too many divergent interests, therefore price decision should be left on market equilibrium with less or No government intervention.

Topic 9 Objectives of Consumer Protection Councils in india.

CPCI is a forum established to promote & protect the right of consumers such as:-

- a. Right to be Protected →
From marketing of products which are harmful to life and property
- b. Right to be heard →
Assurance that consumer's interest will receive due consideration
- c. Right to seek redressal against unfair trade practices →
Or undue exploitation of consumers
- d. Right to be assure →
For access to variety of goods and services at competitive prices
- e. Right to be informed →
About purity & price, Quality & quantity, Standard. So as to protect consumer against unfair trade practices
- f. Right to Consumer education.

Topic 10 UN guidelines themes on Consumer Protection .

Enumerate also consumer rights enshrined there in.

UN guidelines call upon governments to develop, strengthen and maintain strong consumer policy by giving steps and measures revolving around eight themes:-

- 1) Physical safety
- 2) Specific areas concerning health
- 3) Economic Interest
- 4) Standards
- 5) Redress
- 6) Essential Goods and Services
- 7) Sustainable Consumption
- 8) Education and Information

Consumer rights

- 1) Right to safety
- 2) Right to healthy environment
- 3) Right to representation
- 4) Right to information
- 5) Right to redress
- 6) Right to choice
- 7) Right to basic needs
- 8) Right to consumer education.



Question Bank

Question 1

Explain the extent to which it is possible to observe ethical behaviour in marketing. Also explain in brief the merits and demerits of the above.

Question 2

Answer 'yes' or 'no' with brief reason:

Ethics are necessary in marketing to build Brand image only.

Question 3

Answer whether the statement is correct or incorrect with brief reason:

Ethical behaviour in marketing is necessary to avoid Government intervention/ regulation.

Question 4

Explain the pragmatic reasons for maintaining ethical behaviour in marketing through marketing executives.

Or

What reasons force a marketing executive to adopt ethical practices in marketing? Explain.

Question 5

Answer 'yes' or 'no' with brief reason:

Consumer purchases goods and health services for personal purposes only.

Question 6

Answer whether the statement is correct or incorrect with brief

reason: 'Competition Act, 2002 protects the interest of

consumers'.



Question 7

A retailer was purchasing goods regularly from XYZ Ltd. for the purpose of resale. There were defects in the goods in one of the purchase lot and as a result the retailer suffered loss of his share in competition. The retailer sued the said company for this reason. The company contended that the goods were purchased for the purpose of resale and therefore, not bound. Is it a valid contention? Explain clearly the provisions of the Competition Act, 2002 in this regard

Question 8

Answer whether the statement is correct or incorrect with brief reason:
'Consumer for personal use and consumer for commercial use are synonymous'

Question 9

Answer whether the statement is correct or incorrect with brief reason. 'Consumer interest' and 'Public interest' are synonymous'.

Or

Differentiate between 'consumer interest' and 'public interest'.

Question 10

What are the United Nations' guidelines themes on consumer protection? Enumerate also the consumer rights enshrined therein.

Question 11

Examine the following hypothetical situation and give a brief analytical note on it.

ABC Ltd. has been the leading scientific equipment manufacturing company in South India. But it suddenly finds that certain companies from North India that do not have anywhere near its own kind of clout in their own turfs, are trying to enter the south Indian market. But because of its superior clout, ABC Ltd coerces them to enter into agreement with itself such that they do not sell at prices above that of its own products. Please comment on the legality of such agreements. Conversely, if ABC Ltd were to enter into agreements with distributors such that the distributors are prevented from marketing the products of the North Indian companies, would that be illegal?

Question 12

State the objectives of the Central Consumer Protection Council in India.

What are the objects of the “Central Consumer Protection Council” in relation to protection of rights of the consumers?

Question 13

Which parameters are applicable in relation to Competition Law in India?

