16CCU504 B	BUSINESS ETHICS	Semester V L T P C 6 2 - 6

SCOPE:

Business Ethics are moral principles that define right and wrong behaviors in the world of business. The right and wrong behaviours in business is determined by the public interest groups and business organization as well as an individual‘s personal morals and values. The meaning of ethics is that it is the science of moral which is concerned with the human character and conduct.

OBJECTIVE:

To help to understand the ethical issues in business and managerial decisions

To make students aware of the social responsibilities of business

UNIT- I

Introduction to Business Ethics : Definition – Meaning – Nature and Objectives of Ethics, Factors Affecting business ethics – Ethical organization – Characteristics of an Ethical Organisation; Corporate Moral Excellence –Corporate Citizenship, Theories of Ethics – Utilitarian, Separatist and Integrative view of Ethics; Stages of Ethical Consciousness in Business; Relationship between Law and Moral Standards.

UNIT- II

Ethical Issues in Human Resource Management: The Principle of Ethical Hiring – Equality of Opportunity – Ethics and Remuneration – Ethics in Retirement; Ethical Issues in Operation and Purchase Management –Quality Control; Ethical Problems and Dilemmas in Operations Management; Role of Purchase Manager – Code of Ethics for Purchases; Ethical Issues in Global buyer – Supplier Relationships.

UNIT-III

Ethical Issues in Marketing Strategy: Ethical Issues in Marketing Mix – Product – Price – Promotion – Place – Process – People – Physical Evidence ; Ethical Issues and Consumerism – Consumer Protection- Consumer Welfare – Consumer Delight – Consumer Rights.

UNIT- IV

Ethical Issues in Finance: Ethical issues in Mergers and Acquisitions – Hostile Takeovers – Insider Trading – Money Laundering; Ethical Issues in Accounting Professional Conduct of Accountants; Ethics and Financial Statements – Fictitious Revenues – Fraudulent Timing – Differences – Concealed Liabilities and Expenses – Fraudulent Disclosures and Omissions – Fraudulent Valuation of Assets – Ethical Auditing

UNIT- V

Corporate Social Responsibility (CSR) : Meaning – Definition – Methods – Evaluation – Internal Stakeholders – Share holders – Employees – Management; External Stakeholders – Consumer – Suppliers – Creditors – Competitors – Community; Global and Local issues in Management – Black Money – Poverty – Child Labour – Gender equality and so on. Ethical issues in MNCs; Environmental Ethics – Environmental issues in India – Greening and Green initiatives – Sustainable development – Waste Management

Suggested Readings:

Text Book:

1. *Business Ethics and Corporate Governance*. (2003). Hyderabad,ICFAI Centre for Management Research,

Reference Books

1. A.C. Fernando, (2009) ― Business Ethics – An Indian Perspective‖ Pearson Education New
2. Delhi
3. John R Boatright 2009, Ethics and the conduct of Business, Pearson Education (Singapore) Pvt. Ltd. Indian Branch, Delhi
4. Cyriac K. 2000 ― Managerial Ethics and Social Issues – Reading and Cases‖ Reading
   Material for Business Ethics, XLRJ Jamshedpur
5. Fr. Mcgrarth, 2008, SJ Basic Managerial Skills for all, Prentice Hall of India, New Delhi.
6. Davis Keith and Blomstrom, 1987, Business, Society and Environment, Tata Mcgraw Hill Ltd, New Delhi.

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University Established Under Section 3 of UGC Act 1956)

Coimbatore – 641 021.

LECTURE PLAN
DEPARTMENT OF COMMERCE

STAFF NAME : Dr.M.S.SIBI
SUBJECT NAME: BUSINESS ETHICS **SUB.CODE:16CCU504B**
SEMESTER : V **CLASS: III B.Com (CA)**

S.No.	LECTURE DURATION (Periods)	TOPICSTOBECOVERED	SUPPORT MATERIAL
		UNIT-i	
1.	1	Introduction to ethics and business ethics	T1: pp 2-3
2.	1	Introduction to business ethics: meaning, Definition	R1: pp 13-15
3.	1	**Nature and Objectives of ethics**	R1: pp 18-14
4.	1	**Factors affecting business ethics**	R2: pp 26-29
5.	1	**Ethical organization**	R2: pp 26-30
6.	1	**Characteristics of ethical organization**	R2: pp 26-30
7.	1	**Characteristics of ethical organization**	R2: pp 26-31
8.	1	**Corporate Moral Excellence**	W1
9.	1	**Corporate Moral Excellence, Corporate citizenship**	W1
10.	1	**Theories of Ethics**	R2: pp 45-47
11	1	**Theories of Ethics- Utilitarian, Separatist and Integrative view of Ethics**	R2: pp 45-47
12	1	**Utilitarian, Separatist and Integrative view of Ethics**	R2: pp 45-47
13	1	**Ethical consciousness in Business**	W2
14	1	**Ethical consciousness in Business, Stages of ethical consciousness in Business**	W2
15	1	**Relationship between law and moral standards**	R2:pp 110-112
16		**Relationship between law and moral standards**	R2:pp 110-112

17	1	**Recapitulation and discussion of important questions**	
Total no. of hours planned for unit-1			**17 Hours**
UNIT-II			
1.	1	Introduction to ethical issues in human resource management	T1: pp 45-55
2.	1	The Principles of Ethical Hiring	T1: pp 45-55
3.	1	The Principles of Ethical Hiring	T1: pp 45-55
4.	1	Equality of Opportunity	R2: pp 38-41
5.	1	Ethics and Remuneration	R2: pp 38-41
6.	1	Ethics and Retirement	R2: pp 38-41
7.	1	Equality of Opportunity, Ethics and Remuneration, Ethics and Retirement	R2: pp 38-41
8.	1	Ethical issues in operation and purchase management	T1: pp 56-57
9.	1	Ethical issues in operation and purchase management	T1: pp 56-57
10.	1	Quality Control	T1: pp 58-59
11	1	Ethical Problems and Dilemmas in Operations management	T1: pp 58-61
12	1	Ethical Problems and Dilemmas in Operations management	T1: pp 58-61
13	1	Role of purchase manager	T1: pp 58-61
14	1	Code of ethics for Purchases	W1
15	1	Role of purchase manager, Code of ethics for Purchases	W1
16	1	Ethical issues in global buyer	R2: pp 67-69
17	1	Buyer -Supplier relationships	R2: pp 59-61
18	1	Ethical issues in global buyer- Supplier relationships	R2: pp 59-61

19	1	**Recapitulation and discussion of important questions**	
		Total no. of hours planned for unit-2	**19 Hours**
UNIT-III			
1.	1	Introduction of ethical issues in marketing strategy	T1: pp 57-58
2.	1	Ethical Issues in Marketing Mix	T1: pp 68-69
3.	1	Ethical Issues in Marketing Mix- Product- Price-Place- Promotion	T1: pp 68-69
4.	1	Ethical Issues in Marketing Mix- Process-People- Physical Evidence	T1: pp 67-69
5.	1	Ethical issues and consumerism	T1: pp 68-69
6.	1	Ethical issues and consumerism	T1: pp 68-69
7.	1	Consumer Protection	R4: pp 19-24
8.	1	Consumer welfare	R4: pp 19-24
9.	1	Consumer Delight	R4: pp 19-24
10	1	Consumer Delight, Consumer Right	R4: pp 19-24
14	1	**Recapitulation and discussion of important questions**	
		Total no. of hours planned for unit-3	**11 Hours**
UNIT-IV			
1.	1	Ethical issues ethical issues in finance	T1: pp 71-73
2.	1	Ethical Issues in Mergers and Acquisitions	T1: pp 74-75
3.	1	Ethical Issues in Mergers and Acquisitions	T1: pp 74-75
4.	1	Hostile Takeover	T1: pp76-77
5.	1	Hostile Takeover	T1: pp76-77
6.	1	Insider Trading	R4: pp101-102
7.	1	Money Laundering	R4: pp103-104
8	1	Insider Trading and Money Laundering	R4: pp101-104
9	1	Ethical Issues in Accounting Professional Conduct of Accountants	T1: pp 80-82

10	1	Ethical Issues in Accounting Professional Conduct of Accountants	T1: pp 80-82
11	1	Ethical and Financial Statement	T1: pp 81-82
12	1	Ethical and Financial Statement	T1: pp 81-82
13	1	Fictitious Revenue	T1: pp 107-108
14	1	Fictitious Revenue and Fraudulent Timing	T1: pp 107-110
15	1	Fictitious Revenue and Fraudulent Timing, Differences	T1: pp 107-111
16	1	Concealed Liabilities and Expenses	T1: pp 81-82
17	1	Concealed Liabilities and Expenses	T1: pp 81-82
18	1	Fraudulent Disclosures and Omission	T1: pp 111-112
19	1	Fraudulent Disclosures and Omission	T1: pp 111-112
20	1	Fraudulent Valuation of Asset	T1:pp 83
21	1	Fraudulent Valuation of Asset	T1:pp 83
22	1	Ethical auditing	
23	1	**Recapitulation and discussion of important questions**	
		Total no. of hours planned for unit-4	**23 Hours**
UNIT-V			
1.	1	Introduction to corporate social responsibility	T1: pp 21-27
2.	1	Meaning- Definition of corporate social responsibility	T1: pp 21-27
3.	1	Methods of corporate social responsibility	T1:pp 21-27
4.	1	Evaluation of corporate social responsibility	T1:pp 27-28
5.	1	Internal Stakeholders	W1
6.	1	Internal Stakeholders-Shareholders	W1
7.	1	Employees and Management	T1: pp 29-30
8	1	External Stakeholders	T1: pp 29-30
9	1	Consumers-Suppliers-Creditors	R5: pp 62-64
10	1	Consumers-Suppliers-Creditors- Competitors - Community	R5: pp 62-65
11	1	Global And Local Issues In Management	R5: pp 62-69

12	1	Black Money	R2: pp 101-106
13	1	Poverty	R2: pp 101-106
14	1	Child Labor	R2: pp 101-106
15	1	Gender Equality	R2: pp 101-106
16	1	Ethical Issues in MNCs	W1
17	1	Ethical Issues in MNCs	W2
18	1	Environmental Ethics	T1:pp 21-27
19	1	Environmental issues in India	T1:pp 21-27
20	1	Greening and Green Initiatives	W1
21	1	Sustainable Development	W1
22	1	Waste Management	W2
23	1	Recapitulation and discussion of important questions	
24	1	Discussion on previous ESE Question Paper	
25	1	Discussion on previous ESE Question Paper	
26	1	Discussion on previous ESE Question Paper	
Total no. of hours planned for unit-5			**26 Hours**
Total No. of Hours			**96 Hours**

REFERENCES

Text book

Text Book:

1. *Business Ethics and Corporate Governance*. (2003). Hyderabad,ICFAI Centre for Management Research,

Reference Books

1. A.C. Fernando, (2009) ― Business Ethics – An Indian Perspective‖ Pearson Education New
2. Delhi
3. John R Boatright 2009, Ethics and the conduct of Business, Pearson Education (Singapore) Pvt. Ltd. Indian Branch, Delhi

4. Cyriac K. 2000 ― Managerial Ethics and Social Issues – Reading and Cases‖ Reading
Material for Business Ethics, XLRJ Jamshedpur
5. Fr. Mcgrarth, 2008, SJ Basic Managerial Skills for all, Prentice Hall of India, New Delhi.
6. Davis Keith and Blomstrom, 1987, Business, Society and Environment, Tata Mcgraw Hill Ltd, New Delhi.

Website Reference

1. W1- http:// www.entrepreneurship.org
2. W2- http://www. soe.syr.edu/academic/counseling.com

UNIT- I

INTRODUCTION TO BUSINESS ETHICS: Definition-Meaning-Nature and Objectives of ethics, Factors affecting business ethics-Ethical organization-Characteristics of ethical organization-Corporate Moral Excellence-Corporate citizenship, Theories of Ethics-Utilitarian, Separatist and Integrative view of Ethics; Stages of ethical consciousness in Business; Relationship between Law and Moral Standards.

1. ETHICS AND BUSINESS ETHICS

1.1 Meaning of Ethics

The term 'ethics' defines the standards that bear on right and wrong issues of society. Business ethics is thus a set of professional standards, which emphasize principles of honesty and duty to the business and the general public. The other significant principles included in business ethics are:

- Fairness
- Integrity
- Commitment to agreements
- Broad-mindedness
- Considerateness
- Importance given to human esteem and self-respect
- Responsible citizenship
- Attempt to excel
- Accountability

These principles, if strictly pursued, lead to a decent business environment and create healthy relationships in the organization. However, deviations from these principles can occur due to the following factors:

- Ignorance and indifference to issues

- Selfishness
- Imperfect reasoning

1.2 BUSINESS ETHICS

Business ethics has different meanings for different people, but generally it is to decide what is right or wrong in the business. According to Wallace and Pekel, 'attention to business ethics is necessary during times of fundamental change as the moral values that were not taken seriously are strongly questioned at that time'. Business ethics enables the leaders and employees to act at the time of crises and confusion in the business. Therefore, business ethics helps to deal with business ethical issues that are vague.

Business ethics, also called corporate ethics, is a form of applied ethics or professional ethics that examines the ethical and moral principles and problems that arise in a business environment. It can also be defined as the written and unwritten codes of principles and values, determined by an organization's culture, that govern decisions and actions within that organization. It applies to all aspects of business conduct on behalf of both individuals and the entire company. In the most basic terms, a definition for business ethics boils down to knowing the difference between right and wrong and choosing to do what is right.

Business ethics is nothing but the application of ethics in business. Business ethics is the application of general ethical ideas to business behavior. Ethical business behavior facilitates and promotes good to society, improves profitability, fosters business relations and employee productivity. The concept of business ethics has come to mean various things to various people, but generally it‘s coming to know what it right or wrong in the workplace and doing what‘s right -this is in regard to effects of products/ services and in relationships with stakeholders. Business ethics is concerned with the behavior of a businessman in doing a business.

Unethical practices are creating problems to businessman and business units. The life and growth of a business unit depends upon the ethics practiced by a businessman. Business ethics are developed by the passage of time and custom. A custom differs from one business to another. If a custom is adopted and accepted by businessman and public, that custom will become an ethic. Business ethics is applicable to every type of business. The social responsibility of a business requires the observing of business ethics. A business man should not ignore the business ethics while assuming social responsibility. Business ethics means the behaviour of a businessman while conducting a business,by observing morality in his business activities.

According to Wheeler Business Ethics is an art and science for maintaining harmonious relationship with society, its various groups and institutions as well as reorganizing the moral responsibility for the rightness and wrongness of business conduct.

According to Rogene. A. Buchholz , ―Business ethics refers to right or wrong behaviour in business decisions ―.Business Ethics or Ethical standards are the principles, practices and philosophies that guide the business people in the day today business decisions. It relates to the behaviour of a businessman in a business situation. They are concerned primarily with the impacts of decisions of the society within and outside the business organizations or other groups who keep interest in the business activities . Business ethics can be said to begin where the law ends. Business ethics is primarily concerned with those issues not covered by the law, or where there is no definite consensus on whether something is right or wrong

1.3 IMPORTANCE OF BUSINESS ETHICS

There may be many reasons why business ethics might be regarded as an increasingly important area of study, whether as students interested in evaluating business activities, or as managers seeking to improve their decision-making skills.It is generally viewed that good business ethics promote good business.

1. The power and influence of business in society is greater than ever before. Business ethics helps us to understand why this is happening, what its implications might be, and how we might address thissituation.
2. Business has the potential to provide a major contribution to our societies, in terms of producing the products and services that we want, providing employment, paying taxes, and acting as an engine for economic development and thereby increases the goodwill.
3. Business malpractices have the potential to inflict enormous harm on individuals, on communities and on the environment. Through helping us to understand more about the causes and consequences of these malpractices, business ethics helps to create mutual trust and confidence in relationship.
4. The demands being placed on business to be ethical by its various stakeholders are constantly becoming more complex and more challenging. Business ethics provides the means to appreciate and understand these challenges more clearly, in order that firms can meet these ethical expectations more effectively.
5. Business ethics can help to improve ethical decision making by providing managers with the appropriate knowledge and tools that allow them to correctly identify, diagnose, analyse, and provide solutions to the ethical problems and dilemmas they are confronted with.
6. A business can prosper on the basis of good ethical standards and it helps to retain the business for long years.
7. Business ethics can provide us with the ability to assess the benefits and problems associated with different ways of managing ethics in organizations.
8. In the age of complexity in business fields, competition is increasing day by day Good ethical standard helps the business to face the challenges

1.4 CHARACTERISTICS OF BUSINESS ETHICS

The following are the important features of business ethics:

1. Business ethics are the principles, which govern and guide business people to perform business functions and in that sense business ethics is a discipline
2. It is considered both as a science and an art.
3. It continuously test the rules and moral standards and is dynamic in nature
4. It is based on theological principles such as sincerity, human welfare, service, good behavior etc.
5. It is based on reality and social customs prevailing in business environment.
6. It studies the activities, decisions and behavior which are related to human beings
7. It has universal application because business exists all over the world Many of the ethical principles develop the personal dignity
9. Business ethics keeps harmony between different roles of businessman, with every citizen, customer, owner and investors.

a) **Code of conduct** : Business ethics is a code of conduct. It tells what to do and what not to do for the welfare of the society. All businessmen must follow this code of conduct.

b) **Based on moral and social values :** Business ethics is based on moral and social values. It contains moral and social principles (rules) for doing business. This includes self-control, consumer protection and welfare, service to society, fair treatment to social groups, not to exploit others, etc.

c) **Gives protection to social groups :** Business ethics give protection to different social groups such as consumers, employees, small businessmen, government, shareholders, creditors, etc.

d) **Provides basic framework :** Business ethics provide a basic framework for doing business. It gives the social cultural, economic, legal and other limits of business. Business must be conducted within these limits.

e) **Voluntary :** Business ethics must be voluntary. The businessmen must accept business ethics on their own. Business ethics must be like self-discipline. It must not be enforced by law.

f) **Requires education and guidance:** Businessmen must be given proper education and guidance before introducing business ethics. The businessmen must be motivated to use business ethics. They must be informed about the advantages of using business ethics. Trade Associations and Chambers of Commerce must also play an active role in this matter.

g) **Relative Term** : Business ethics is a relative term. That is, it changes from one business to another. It also changes from one country to another. What is considered as good in one country may be taboo in another country.

h) **New concept :** Business ethics is a newer concept. It is strictly followed only in developed countries. It is not followed properly in poor and developing countries.Need or Importance of Business Ethics

1.5 NATURE AND OBJECTIVES OF ETHICS

1.5.1 **Nature of ethics**

The word "ethics" is connected intrinsically with questions of correct conduct within society. Etymologically, "ethics" comes from the Greek "ethos" meaning "character" which indicates a concern for virtuous people, reliable character and proper conduct. Ethics asks what we should do in some circumstance, or what we should do as participants in some form of activity or profession. Ethics is not limited to the acts of a single person. Ethics is also interested in the correct practices of governments, corporations, professionals and many other groups. Our basic values and the purpose of human society. Ethics is sometimes identified with an inflexible set of rules and self-righteous moralizing. Rules say an action is either right or wrong. This over-simplifies ethics. Ethical thinking requires the guidance of principles but it should not be shackled to them. Ethics should focus on how people interpret, apply, balance and modify their principles in light of new facts, new technology, new social attitudes and changing economic and political conditions. Ethics is not static. Ethics consists of dynamic frameworks of principles and values. Our ethical values reflect our deepest convictions and attachments. They define who we are, and give us an ethical "identity."Ethics is the process of inventing new and better ethical responses to problems and conflicts. This process is driven not only by social change but also by our "ethical imagination" which continually pushes on existing boundaries.

1.5.2 **Objective of ethics**

- Truthfulness
- Accuracy
- Objectivity
- Impartiality
- Fairness
- Public accountability

1.6 FACTORS AFFECTING BUSINESS ETHICS

1. Personal Code of Ethics

A man's personal code of ethics that is what one considers moral is the foremost responsible factor influencing his behavior.

2. Legislation

It is already stated that the Government will intervene and enact laws only when the businessmen become too unethical and selfish and totally ignore their responsibility to the society. No society can tolerate such misbehavior continuously. It will certainly exert pressure on the Government and the Government consequently has no other alternative to prohibit such unhealthy behavior of the businessmen.

3. Government Rules and Regulations

Laws support Government regulations regarding the working conditions, product safety, statutory warning etc. These provide some guidelines to the business managers in determining what are acceptable or recognized standards and practices.

4. Ethical Code of the Company

When a company grows larger, its standard of ethical conduct tends to rise. Any unethical behavior or conduct on the part of the company shall endanger its established reputation, public image and goodwill. Hence, most companies are very cautious in this respect. They issue specific guidelines to their subordinates regarding the dealings of the company.

5. Social Pressures

Social forces and pressures have considerable influence on ethics in business. If a company supplies sub-standard products and get involved in unethical conducts, the consumers will become indifferent towards the company. Such refusals shall exert a pressure on the company to act honestly and adhere strictly to the business ethics. Sometimes, the society itself may turn against a company.

6. Ethical Climate of the Industry

Modern industry today is working in a more and more competitive atmosphere. Hence only those firms, which strictly adhere to the ethical code, can retain its position unaffected in its line of business. When other firms, in the same industry are strictly adhering to the ethical standards, the firm in question should also perform up to the level of others. If the company's performance is below than other companies, in the same industry, it cannot survive in the field in the long run.

1.7 ETHICAL ORGANIZATION

To understand the term 'organizational ethics', one has to first try and understand the two terms 'organization' and 'ethics'. An organization is a collection of individuals with a common mission while 'ethics' may be described as an attempt or endeavour by individuals, to understand what is 'right' or 'wrong'. Ethics is concerned with the critical analysis of situations. Organizational design and follow a set of core principle or concepts in that attempt to develop ethical corporate behaviour.

1.7.1 Ethical Issues in Organizations

There exist many different ethical issues in the organization or at the workplace.

Some of them are:

- Identifying the conflict issues in the organization and trying to avoid them
- Deciding different methods to motivate employees
- Managing fairness in employee performance appraisals
- Protecting secret information of the organization
- Identifying the areas of interest of customers, employees, suppliers, owners and the staff
- Taking action against the reports of complaints in the organization
- Handling different problems of employees
- Taking corrective action against employees

Ethics management programmes are used by the organizations to manage ethics in their workplace. According to Brain Schrag, 'Ethics programmes convey corporate values using codes and policies to guide decisions and behaviour, and can include extensive training and evaluating, depending on the organization.' Ethics management programmes are made up of values, policies and activities that can affect the behaviour of the organization.

1.7.2 Characteristics of an Ethical Organization

Striving to earn a reputation as an ethical business is noble, but it requires commitment. Most businesses are financially driven, and it is possible to be both ethical and successful. But there is a fine line between making choices for financial gain and making choices that will not adversely affect others. The ethical business knows the difference.

1. Strong Leadership

The culture of an ethical business is defined starting from the very top of the organizational chart. For a business to be ethical, its leaders must demonstrate ethical practices in any situation. The true test of this leadership is in the decision-making process when there is a choice between what is ethically responsible and what will result in profit or gain. Leaders who can consciously choose the path that is ethically correct, as opposed to one that is purely financially driven, have successfully created an ethical culture in the business. When the culture is solid at the top of the organization, it trickles down to all areas and employees.

2. Good Values

An ethical business has a core value statement that describes its mission. Any business can create a value statement, but an ethical business lives by it. It communicates this mission to every employee within the structure and ensures that it is followed. The ethical business will institute a code of conduct that supports its mission. This code of conduct is the guideline for each employee to follow as he carries out the company's mission.

3. Integrity

Integrity is an all-encompassing characteristic of an ethical business. The ethical business adheres to laws and regulations at the local, state and federal levels. It treats its employees fairly, communicating with them honestly and openly. It demonstrates fair dealings with customers and vendors including competitive pricing, timely payments and the highest quality standards in the manufacture of its products.

4. Respect

Ethics and respect go hand in hand. An ethical business demonstrates respect for its employees by valuing opinions and treating each employee as an equal. The business shows respect for its customers by listening to feedback and assessing needs. An ethical business respects its vendors, paying on time and utilizing fair buying practices. And an ethical business respects its community by being environmentally responsible, showing concern and giving back as it sees fit.

5. Loyalty

Solid relationships are a cornerstone of an ethical business. Loyal relationships are mutually beneficial and both parties reap benefits. Employees who work for a loyal employer want to maintain the relationship and will work harder toward that end. Vendors and customers will remain loyal to a business that is reliable and dependable in all situations. An ethical business stays loyal to its partnerships even in challenging times. The result is a stronger relationship when emerging from the challenge.

6. Concern

An ethical business has concern for anyone and anything impacted by the business. This includes customers, employees, vendors and the public. Every decision made by the business is based on the effect it may have on any one of these groups of people, or the environment surrounding it.

1.8 CORPORATE MORAL EXCELLENCE

Corporate moral excellence is the outstanding practices in managing the organization and achieving results. It is mainly centers on the corporate culture. It is systematic use of the quality management principles and tools in business management, with the goal of improving performance based on the principles of customers focus , shareholder value, and process management. Corporate Excellence is defined as the ability of the company to outsmart Competitors consistently over a long period of time. In this context, successful organizations are different from excellent organizations. Success may be of one dimensions but excellence is of multiple dimensional in the company. In the ever-changing business environment, the following are the critical areas that facilitate the company to achieve excellence

1.9 CORPORATE CITIZENSHIP

Corporate citizenship involves the social responsibility of businesses and the extent to which they meet legal, ethical and economic responsibilities, as established by shareholders. The goal is to produce higher standards of living and quality of life for the communities that surround them and still maintain profitability for stakeholders. The demand for socially responsible corporations continues to grow, encouraging investors, consumers and employees to use their individual power to negatively affect companies that do not share their values.

1.9.1 Development of Corporate citizenship

There are stages that companies go through during the process of developing corporate citizenship. Companies rise to the higher stages of corporate citizenship based on their capacity and credibility when supporting community activities, a strong understanding of community needs, and their dedication to incorporate citizenship within the culture and structure of their company.

The five stages of corporate citizenship are elementary, engaged, innovative, integrated and transforming.

1. **Elementary**

In the elementary stage, known also as the compliant stage, a company's citizenship activities are basic and undefined because there is scant corporate awareness and little to no senior management involvement. Small businesses in particular tend to linger in this stage; they are able to comply with the standard health, safety and environmental laws, but they do not have the time nor the resources to fully develop a greater involvement in community activities.

2. **Engaged**

In this stage, companies will often develop policies that promote the involvement of employees and managers in activities that exceed rudimentary compliance to basic laws. Senior management is more active in developing policies for the entire corporation and assigning to all levels of management more sophisticated standards for corporate citizenship.

3. **Innovative**

Citizenship policies become more comprehensive in this stage. This occurs through increased meetings and consultations with shareholders and through participation in forums and other outlets that promote innovative corporate citizenship policies. Typically, this is the stage where corporate citizenship policies are funded and activated and become functional with assistance and support from upper-level management. Transparency comes into play in this stage as companies typically monitor how successfully they have become involved in the community, with results of this monitoring being made available through public reports.

4. **Integrated**

Citizenship activities are formalized and blend in fluidly with the company's regular operations. Performance in community activities is monitored. Citizenship activities are driven into the lines of a business. Consultations with shareholders continues, and some companies may even set up formal training in the area of community involvement for employees and management.

5. Transforming

Companies that have reached this stage understand that corporate citizenship plays a strategic part in fueling sales growth and expansion to new markets. Economic and social involvement, support and integration is a regular part of a company's daily operations in this stage.

1.10 THEORIES OF ETHICS

Ethics is a branch of philosophy that, at its core, seeks to understand and to determine how human actions can be judged as right or wrong. We may make ethical judgments, for example, based upon our own experience or based upon the nature of or principles of reason. Those who study ethics believe that ethical decision making is based upon theory and that these theories can be classified. What follows is a very brief description of four classes of ethical theories.

1. Consequentialism

2. Kantian Deontologism

3. Natural Law

4. Virtue Ethics

Consequentialism

Ethical theories that fall under the classification of consequentialism posit that the rightness or wrongness of any action must be viewed in terms of the consequences that the action produces. In other words, the consequences are generally viewed according to the extent that they serve some intrinsic good. The most common form of consequentialism is utilitarianism (social consequentialism) which proposes that one should act in such a way to produce the greatest good for the greatest number.

Kantian Deontologism

Deontologism is a position based, predominately, on the work of Immanuel Kant. Most simply, deontologism suggests that an act must be performed because the act in some way is characterized by universality (i.e. appropriate for everyone) or that it conforms with moral law (formal rules used for judging the rightness or wrongness of an act). According to this theoretical position, the rightness or wrongness of some acts are independent of the consequences that it produces and the act may be good or evil in and of itself.

Natural Law

This theoretical position suggests that one may, through rational reflection on nature (especially human nature), discover principles of good and bad that can guide our actions in such a way that we will move toward human fulfillment or flourishing. This position suggests that human beings have the capacity within themselves for actualizing their potential.

Virtue Ethics

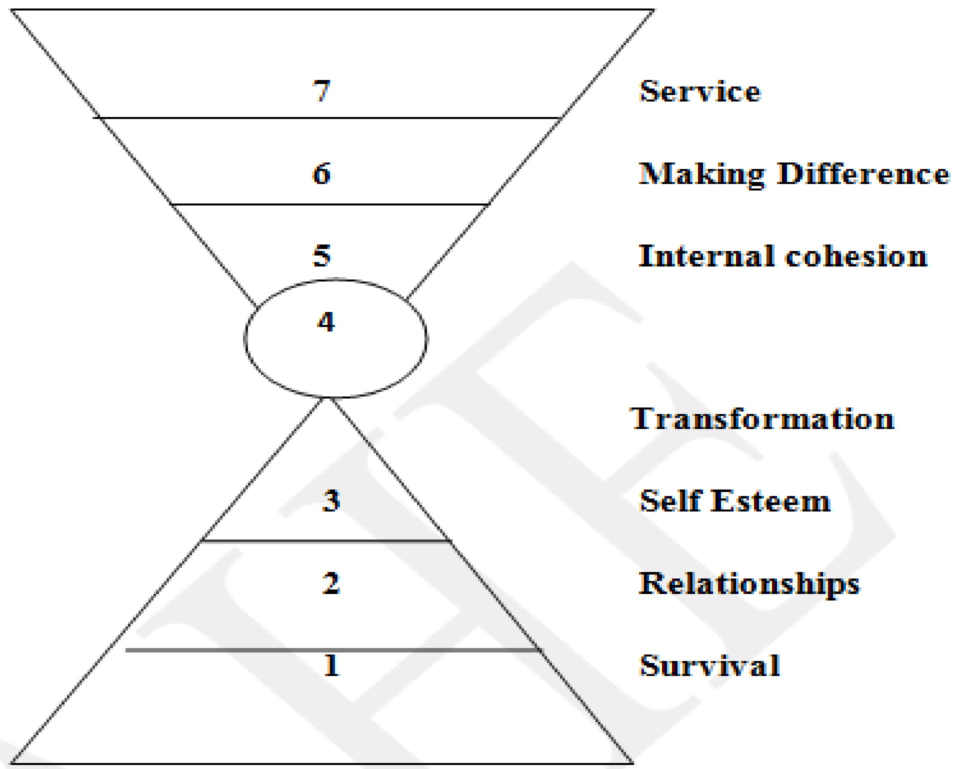
Virtue ethics consists of two differing approaches to ethics and can, therefore, be confusing to understand. Very briefly, the first approach to ethics in this theoretical orientation proposes that there are certain dispositional character traits (virtues) that are appropriate and praiseworthy in general and or in a particular role. More formally, virtue ethics represents a "systematic formulation of the traits of character that make human behavior praiseworthy or blameworthy".

The second approach to virtue ethics not only identifies the virtues, but focuses on their integration into what can be described as "practical wisdom" or "right reason." Practical wisdom is the phrase used to describe ones ability to choose patterns of actions that are desirable. These patterns of actions are informed by reasoning that is, in part, influenced by habits of emotional experience or virtues, but also by the depth and breath of experience available to the human being as he or she is placed in society.

1.11 ETHICAL CONSCIOUSNESS IN BUSINESS

All human group structures grow and develop in consciousness in seven well-defined stages. Each stage focuses on a particular existential need that is common to the human condition. These seven existential needs are the principal motivating forces in all human affairs.

The seven stages in the development and growth of the consciousness of an organisation are summarized in the following table, and described in detail in the following paragraphs. The model applies to all types of organisations—corporations, government departments, municipal agencies, institutions, non-governmental organisations (NGO), and educational establishments. The focus of this table is on a for-profit organisation. The differences between this type of organisation and other types of organisation are mainly in the they are financed or funded, and the way they distribute their products and/or services. The table describing the Seven Levels of Organisational Consciousness should be read starting from bottom and working up.



Stages of Ethical consciousness in business

Levels of Consciousness		**Motivation**
7	Service	**Social responsibility**: Working with other organisations and the stakeholders of the organisation in pursuit of societal objectives that enhance the sustainability of humanity and the planet, while deepening the level of internal connectivity inside the organisation by fostering compassion, humility and forgiveness.

6	Making a difference	**Strategic alliances and partnerships**: Building mutually beneficial alliances with other organisations and the local community to protect the environment, while deepening the level of internal connectivity inside the organisation by fostering internal cooperation between business units and departments.
5	Internal cohesion	**Strong cohesive culture**: Enhancing the organisation's capacity for collective action by aligning employee motivations around a singular mission, an inspiring vision and a shared set of values that create commitment and integrity, and unleash enthusiasm, creativity and passion.
4	Transfor mation	**Adaptability and continuous learning**: Giving employees a voice in decision-making and making them accountable and responsible for their own futures in an environment that supports innovation, continuous improvement, knowledge sharing, and the personal growth and development of all employees.
3	Self-Estee m	**High performance systems and processes**: Creating a sense of employee pride by establishing policies, procedures, systems, processes and structures that create order and enhance the performance of the organisation through the use of best practices. Focus on the reduction of bureaucracy, hierarchy, silo-mentality, power and status seeking, confusion, complacency, and arrogance.
2	Relations hip	**Relationships that support the organisation**: Building harmonious relationships that create a sense of belonging and loyalty among employees and caring and connection between the organisation and its customers. Focus on the reduction of Internal competition, manipulation, blame, internal politics, gender and ethnic discrimination.

1	Survival	**Pursuit of profit and shareholder value**: Creating an environment of financial stability, and focusing on the health, safety and welfare of all employees. Focus on the reduction of excessive control and caution,

While the model as a whole focuses on the needs of the organisation, different levels of consciousness focus on the needs of specific stakeholders. At the first level of consciousness there is a specific focus on the needs of investors and employees; at the second level on the needs of employees and customers; at the third fourth and fifth levels on the needs of employees; at the sixth level on needs of employees, partners, and the local community, and at the seventh level on employees, partners and society.

Ultimately, no matter what type of organisation is under consideration, it is the employees' experience of the organisation, and the leaders' ability to inspire them to unlock their discretionary energy that is fundamental factor in determining the organisation's level of success.

The "lower" needs, levels 1 to 3, focus on the basic needs of business—the pursuit of profit or financial stability, building employee and customer loyalty, and high performance systems and processes. The emphasis at these lower levels is on the self- interest of the organisation and its shareholders. Abraham Maslow referred to the needs of these three levels of consciousness as "deficiency" needs. An organisation gains no sense of lasting satisfaction from being able to meet these needs, but the leaders feel a sense of anxiety if these basic needs are not met.

The focus of the fourth level is transformation—a shift from fear-based, rigid, authoritarian hierarchies to more open, inclusive, adaptive systems of governance that empower employees to operate with responsible freedom (accountability).

The “higher” needs, levels 5 to 7, focus on cultural cohesion and alignment, building mutually beneficial alliances and partnerships, long-term sustainability and social responsibility. Abraham Maslow referred to these as “growth” needs. When these needs are met they do not go away. They engender deeper levels of commitment and motivation.

Organisations that focus *exclusively* on the satisfaction of the lower needs are not usually market leaders. They can achieve some success financially, but in general they are too internally focused and self-absorbed, or too rigid and bureaucratic to be at the top of their game. They are unable to adapt to changing market conditions: they are not adaptable, and do not empower employees. Consequently, there is little enthusiasm among the work force, and there is little innovation and creativity. These organisations are often ruled by fear, and are not healthy places to work. Employees often feel frustrated, and complain about stress.

Organisations that focus *exclusively* on the satisfaction of the higher needs lack the basic business skills and capabilities necessary to operate effectively. They are

ineffectual and impractical when it comes to financial matters. They are not customer oriented, and they lack the systems and processes necessary for high performance. They are simply not grounded in the reality of business. These characteristics are often found in non-governmental organisations and not-for-profit organisations.

The most successful organisations are those that have mastered both their “deficiency” needs and their “growth” needs. They operate from full spectrum consciousness. They create a climate of trust, have the ability to manage complexity, and can respond or rapidly adapt to all situations.

1.12 RELATIONSHIP BETWEEN LAW AND MORAL STANDARDS

Law and morality are intimately related to each other. Laws are generally based on the moral principles of society. Both regulate the conduct of the individual in society.

Some points of distinction between law and morality may be brought out as follows:

LAW:

1. Law regulates and controls the external human conduct. It is not concerned with inner motives. A person may be having an evil intention in his or her mind but law does not care for it.

Law will move into action only when this evil intention is translated into action and some harm is actually done to another person.

2. Law is universal in a particu-lar society. All the individuals are equally subjected to it. It does not change from man to man.

3. Political laws are precise and definite as there is a regular organ in every state for the formulation of laws.

4. Law is framed and enforced by a determinate political author-ity. It enjoys the sanction of the state. Disobedience of law is gen-erally followed by physical pun-ishment.

The fear of punishment acts as a deterrent to the breach of political law.

5. Law falls within the purview of a subject known as Jurispru-dence.

MORALITY:

1. Morality regulates and con-trols both the inner motives and the external actions. It is concerned with the whole life of man.

The province of law is thus limited as compared with that of morality because law is simply concerned with external actions and docs not take into its fold the inner motives.

Morality condemns a person if he or she has some evil intentions but laws are not applicable unless these intentions are manifested externally.

2. Morality is variable. It changes from man to man and from age to age. Every man has his own moral principles.

3. Moral laws lack precision and definiteness as there is no author-ity to make and enforce them.

4. Morality is neither framed nor enforced by any political author-ity. It does not enjoy the support of the state. Breach of moral prin-ciples is not accompanied by any physical punishment.

The only check against the breach of moral-ity is social condemnation or indi-vidual conscience. 'Moral actions are a matter of choice of inner conscience of the individual, laws are a matter of compulsion'.

5. Morality is studied under a separate branch of knowledge known as Ethics.

We may conclude the discussion in the words of Gilchrist, "The in-dividual moral life manifests itself in manifold ways. The state is the supreme condition of the individual moral life, for without the state no moral life is possible.

The state, therefore, regulates other organizations in the common interest. The state, however, has a direct function in relation to morality."

POSSIBLE QUESTIONS

PART-B (2 Marks)

1. What is Business Ethics?
2. Differentiate between Law and moral standards.
3. What is ethics and business ethics?
4. What is code of conduct?
5. State the importance of business ethics.
6. Explain corporate moral excellence.
7. What is meant by ethical organization?
8. State the concept of corporate citizenship.
9. Definition of Ethics.
10. What is morality?

PART–C (8 Marks)

1. Discuss about characteristics of ethical organization.
2. What are the factors affecting business ethics?
3. Define Business Ethics. Discuss its nature and need in business organization.
4. How does ethics benefit to Business organizations?
5. What is corporate citizenship? Explain the theories of ethics.
6. Explain about Utilitarian, Separatist and Integrative view points.
7. Define Business Ethics. Discuss its nature and need in business organization.
8. Explain the Theories of ethics.
9. Explain about the Stages of ethical consciousness in Business.
10. How is ethical issues will affect to business organization?
11. Discuss the terms given below:
    (a) Corporate moral excellence
    (b) Corporate citizenship

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KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore - 641021.

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

SUBJECT : BUSINESS ETHICS

SEMESTER : V

SUBJECT CODE : 16CCU504 B

CLASS : III B.COM CA

UNIT-I

S.No	Questions	option 1	option 2	option 3	option 4	Answer
1	The three major types of ethical issues include except?	Communication issues	Systematic issues	Corporate issues	Individual issues	Communication issues
2	Which of the following refers to the reasoning process by which human behaviors, institutions, or policies are judged to be in accordance or notwith moral standards?	Moral reasoning	Moral duty	Moral justice	Moral issues	Moral reasoning
3	Which kind of theory Utilitarianism has?	Ethical	Conceptual	Behavioral	Reasonable	Ethical
4	The contributive principle of distributive justice measured the contributions in terms of:	Economic quality	Minimum standard of living	Work effort	Opportunity	Work effort
5	An acquired disposition that is a valuable part of a morally good person, exhibited in the	Moral responsibility	Moral ethics	Moral virtue	Moral duty	Moral virtue

	person's habitual behavior is known as?					
6	Which one of the following is not considered as category of issues involving justice?	Distributive justice	Retributive justice	Compulsory justice	Compensatory justice	Compulsory justice
7	A written statement of policies and principles that guides the behaviour of all employees is called	Code of ethics	Word of ethics	Ethical dilemma	None of the above	Code of ethics
8	An empirical inquiry into the actual rules or standards of a particular group is	Normative justice	Descriptive justice	Interpersonal justice	Word of ethics	Descriptive justice
9	The HR policy which is based on the philosophy of the utmost good for the greatest number of people is covered under the	Utilitarian approach	Approach based on rights	Approach based on justice	Approach based on justice	Utilitarian approach
10	Which of the following is not usually the objective of a code of ethics?	To create an ethical workplace	To evaluate the ethical components of the proposed actions of the employees	To improve the public image of the company	To enhance the profits of the business continuously	To enhance the profits of the business continuously
11	Which of the following is not a core principle of the Society for Human Resource	Professional responsibil	Fairness and justice	Professional developm	None of the above	None of the above

	Management's Code of Ethics?	ity		ent		
12	Which of the following factors shapes the ethical behaviour of the members of an organization?	The supervisor's behaviour	Organizational culture	Code of ethics	All of the above	All of the above
13	Business ethics deals primarily with	Social responsibility.	The pricing of products and services.	Moral obligation.	Being unfair to the competition.	Moral obligation.
14	Ethics are important because	Suppliers prefer to deal with ethical companies.	Customers prefer to deal with ethical companies.	Employees prefer to deal with ethical companies.	All of the choices.	All of the choices.
15	According to the concept of moral intensity, a worker is most likely to behave ethically and legally when	A manager observes his or her behavior closely.	The worker has intense morals.	The consequences of the act are minor.	The consequences of the act are substantial.	The consequences of the act are substantial.
16	Pierre takes a utilitarian viewpoint of ethics. He will therefore judge a business decision to be ethical so long	More good than bad results from the	Everybody is treated fairly.	Certain rights are not violated.	He has good character and	More good than bad results

	as	decision.			integrity.	from the decision.
17	Small-business owner Jason is thinking about giving a potential customer an expense paid vacation to Las Vegas for her and her husband. When asked if he is being ethical, Jason replies, "Look whatever works, works." Which ethical principle is Jason most likely using?	Focus on the rights of individuals	Pragmatism	Utilitarianism (consequences)	Focus on integrity (virtue ethics)	Pragmatism
18	Bonita is an ethically centered production manager so she will ship a product	Only after all its problems have been eliminated.	Only if the shipping people use packing material that does not harm the environment.	Only after an ethics committee has approved it.	As quickly as she can to meet the customer's schedule.	Only after all its problems have been eliminated.
19	Benefits derived from social responsibility include	Enhanced organizational efficiency	Producing better products	Attracting people who want to work for the firm	Both a & c	Both a & c

20	According to concept of moral laxity, workers will often behave unethically because	They have planned to be unethical.	They come from dysfunctional families.	Other issues seem more important at the time.	Management pressures them into unethical behavior.	Other issues seem more important at the time.
21	Unethical behavior is often triggered by	Pressure from higher management to achieve goals.	An organizational atmosphere that condones such behavior.	Both a & b	A system of checks and balances.	Both a & b
22	Building a sustainable environment includes	Developing a green supply chain	Omitting hazardous emissions	Both a & b	Writing a code of ethics	Both a & b
23	Fairness in employment practices centers on	Hiring no family members or friends.	Giving people equal rewards for accomplishing the same tasks.	Obeying equal employment opportunity legislation.	Avoiding conflicts of interest.	Giving people equal rewards for accomplishing the same tasks.

24	Which one of the following is not recommended as a method for a company to protect itself against sexual harassment charges?	Develop a zero-tolerance policy on harassment and communicate it to employees.	Retaliate swiftly against employees who bring forth charges of harassment.	Give swift and sure punishment to harassers.	Train managers at all levels on sexual harassment issues.	Retaliate swiftly against employees who bring forth charges of harassment.
25	Team leader Gary is scheduled to prepare a performance of Lisa, a team member who also happens to be his wife's closest friend. The ethical temptation Gary faces is	Sexual harassment.	Misuse of corporate resources.	Dealing with confidential information.	Conflict of interest.	Conflict of interest.
26	Kate, the owner of a small telecommunications firm gives gifts of stock in her company to telephone company mangers who purchase her equipment. Kate is giving in to the ethical temptation of	Kickbacks.	Misuse of corporate resources.	Sexual harassment.	Treating people unfairly.	Kickbacks.
27	The ethical dilemma of choosing between two rights refers to	Choosing between the lesser of two evils.	Deciding which of two employee rights is the most important	Deciding to offer a bribe or lose out on an important opportunit	Choosing between the two types of sexual harassme	Choosing between the lesser of two evils.

			.	y.	nt.	
28	The stakeholder view of social responsibility states that organizations must respond to the needs of	Employees and customers.	Shareholders and owners.	All interested parties.	All those who might sue the organization.	All interested parties.
29	The word 'Ethics' is derived from Greek word ……….	Ethios	Ethikos	Ethoes	None of these	Ethikos
30	Ethics is a ………….	Pure science	Normative Science	Inexact Science	Exact Science	Normative Science
31	Ethics means ……….	Character	Manner	Custom	All of these	All of these
32	. ……… deals with the right actions of individuals	Sincerity	Rules	Ethics	Policies	Ethics
33	Ethics is a ……..	Social science	Science of conduct	Normative Science	All of these	All of these
34	The word 'moral' is derived from the Latin word ………	Moralis	Morilitic	Monatic	Moral	Moralis
35	. ………. Culture exists in fast paced high risk organizations	Fortress	Club	Baseball	Academy	Baseball
36	. ……….. culture can be seen in military	Fortress	Club	Baseball	Academy	Club
37	The traits or qualities that are considered as valuable are known as.……..	Culture	Values	Ethics	Principles	Values

38	The term ‘value’ is derived from the French word ……………	Valoir	Valas	Velois	Values	Valoir
39	……………… represent an individual’s highest priorities and deeply held driving forces.	Values	Principles	Culture	Ethics	Values
40	What is business ethics?	The study of business situations, activities, and decisions where issues of right and wrong are addressed	Defined as decisions organisations make on issues that could be considered right or wrong	Ethics that can be applied to an organisation’s practises	Ethical processes businesses use in order to achieve a good ethical standard	The study of business situations, activities, and decisions where issues of right and wrong are addressed
41	. ……………… refers to certain norms governing the conduct of workers involved in a work situation	Team Work	Work Ethos	Work Group	Work Management	Work Ethos
42	………… seeks to determine norms and values	Culture	Normative science	Value	Ethics	Normative science
43	…………………is primarily concerned with the relationship of business goals and techniques to specifically	Business ethics	Code of conduct	Work Management	Principles	Business ethics

	human ends					
44	…………are the principles, which govern and guide business people to perform business functions	Business ethics	Code of conduct	Work Management	Principles	Business ethics
45	………………….is the guiding principle for decision making in an economics based view of management	Profit maximization	Wealth Maximisation	Value maximization	Wealth Maximisation	Profit maximization
46	A ……………..is a written document, inspirational in contents and specify clearly what is acceptable or unacceptable behavior at workplace and beyond, when the employees represent their organizations outside.	Business ethics	Code of conduct	Work Management	Principles	Business ethics
47	…………specifies methods for reporting violations, disciplinary action for violations and the structure of the due process to be followed	Business ethics	Code of conduct	Work Management	Principles	Code of conduct
48	Which among the following are advantages of managing business ethics in the workplace?	Cultivate strong team work and productivity	Avoid criminal acts	Lower fines	All of these	All of these
49	A ……………..is a buzz word	Code of	Business	Principles	Value	Code of

	to employees to observe ethical norms and forms the basis for rules of conduct	ethics	Ethics			ethics
50	……….would be charged with implementing and administering an ethical management programme.	Top management	Ethics management committee	Middle management	A both a & c	Ethics management committee
51	……………….is a new framework for decisions making on all levels that is based on resource management of the whole	Holistic management	Ethics management	Code of conduct	Middle management	Holistic management
52	Ethics & Law overlap. This is called…	Yellow area	White area	Black area	Grey area	Grey area
53	______is the philosophical study of moral values and rules.	Morality	Ethics	Business Ethics	Principles	Ethics
54	A ....will determine its reputation. Good business ethics are essential for the long-term success of an organization	Personal ethics	Company's ethics	Corporate ethics	Business ethics	Company's ethics
55	………… are ethics that refer to the moral rules and regulations governing the business world	Personal ethics	Company's ethics	Corporate ethics	Business ethics	Business ethics
56	The common denominator in both personal ethics and business values is…	Responsibility	Integrity	Consistency	None of these	Integrity

57	Business ethics also known as……	Personal ethics	Corporate ethics	Environment ethics	Company's ethics	Corporate ethics
58	A teleological approach to business ethics proposes that the guiding principle should be:	Practice	Power	People	Purpose	Purpose
59	Marketing communications activities can be deemed 'ethically neutral', meaning that it depends on:	Stated business aims	Available finance	How they are carried out	Legal guidelines	How they are carried out
60	Ethical behavior is a matter of	Juggling standards and business needs	Acting on a considered judgement	Obeying the rules	Business needs	Acting on a considered judgement

UNIT – II

ETHICAL ISSUES IN HUMAN RESOURCE MANAGEMENT-The Principles of Ethical Hiring-Equality of Opportunity-Ethics and Remuneration-Ethics and Retirement; Ethical issues in operation and purchase management-Quality Control; Ethical Problems and Dilemmas in Operations management; Role of purchase manager-Code of ethics for Purchase; Ethical issues in Global Buyer-Supplier relationships.

2.1 CONCEPT OF HUMAN RESOURCE MANAGEMENT

HRM Is concerned with the human beings in an organization.“ The Management of man” is a very important and challenging job because of the dynamic nature of the people. No two people are similar in mental abilities, tacticians, sentiments, and behaviors; they differ widely also as a group and are subject to many varied influences. People are responsive, they feel, think and act therefore they cannot be operated like a machine or shifted and altered like template in a room layout. They therefore need a tactful handing by management personnel.

HRM is the process of managing people of an organization with a human approach. Human Resources approach to manpower enables the manager to view the people as an important resource. It is the approach through which organization can utilize the manpower not only for the benefits of the organization but for the growth, development and self satisfaction of the concerned people. Thus, HRM is a system that focuses on human resources development on one hand and effective management of people on the other hand so that people will enjoy human dignity in their employment.

2.2 Fourteen Principles of Ethical Conduct for Federal Employees

Fourteen Principles of Ethical Conduct for Federal Employees

This guide provides a brief overview of the ethics rules and standards of ethical conduct that all employees should know and follow. Public service is a public trust. Federal employees must always place loyalty to high ethical standards above private gain. Understanding and observing ethics rules are essential to fulfilling that trust. Print and sign a certification of completion and bring it with you on your first day of employment.

1. Public service is a public trust; employees must place loyalty to the Constitution, the laws, and ethical principles above private gain.
2. Employees shall not hold financial interests that conflict with the conscientious performance of duty.
3. Employees shall not engage in financial transactions using nonpublic Government information or allow the improper use of such information to further any private interest.
4. Employee shall not, except as permitted by the Standards of Ethical Conduct, solicit or accept any gift or other item of monetary value from any person or entity seeking official action from, doing business with, or conducting activities regulated by the employee's agency, or whose interests may be substantially affected by the performance or nonperformance of the employee's duties.
5. Employees shall put forth honest effort in the performance of their duties.
6. Employees shall not knowingly make unauthorized commitments or promises of any kind purporting to bind the Government.
7. Employees shall not use public office for private gain.
8. Employees shall act impartially and not give preferential treatment to any private organization or individual.
9. Employees shall protect and conserve Federal property and shall not use it for other than authorized activities.
10. Employees shall not engage in outside employment or activities - including seeking or negotiating for employment - that conflict with official Government duties and responsibilities.
11. Employees shall disclose waste, fraud, abuse, and corruption to appropriate authorities.
12. Employees shall satisfy in good faith their obligations as citizens, including all financial obligations, especially those imposed by law, such as Federal, state, or local taxes.
13. Employees shall adhere to all laws and regulations that provide equal opportunity for all Americans regardless of race, color, religion, sex, national origin, age, or handicap.

14. Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards set forth in the Standards of Ethical Conduct. Whether particular circumstances create an appearance that the law or these standards have been violated shall be determined from the perspective of a reasonable person with knowledge of the relevant facts.

These principles form the basis for the standards of ethical conduct regulation (5 C.F.R. part 2635) that is discussed and illustrated by examples on the following pages. A violation of these rules could result in disciplinary action or, for certain offenses, prosecution under related criminal statutes on conflicts of interest.

2.3 Ethics in Human Resource Management (HRM)

HRM is concerned with the management of the 'people' of an organization. The term HRM is used to refer to the procedures, philosophy, policies, and practices related to the management of people within an organization. HRM is an approach to bring the people and the organization together so as to achieve the desired goals. It helps in creating a relation between the management of the organization and the employees which is based on cooperation and coordination according to the designed strategy. It is the art of promoting, developing and maintaining a competent workforce to achieve the goals of an organization in an effective manner. HRM is responsible for performing various functions like planning, organizing, directing and controlling of human resources. HRM also involves activities like procurement, development, compensation and maintenance.

According to Ivancevich and Glucck, 'Human resource management is the function performed in organizations that facilitates the most effective use of people (employees) to achieve organizational and individual goals.' HRM is extensive in nature and it is present in all organizations and at all levels of an organization. HRM focuses on action rather than theoretical procedures and it encourages an employee to utilize his skills and potential completely to give his best to the organization. It encourages the employees through systematic procedures like recruitment, selection, training and development. An effective HRM works towards achieving its goals by providing a competent and motivated workforce. The primary aim of HRM is the promotion of effectiveness of the people employed in the organization and the performance of their allotted duties with cooperation. It seeks to develop and bring together an effective organization, enabling the women and men who make up an enterprise to give their best contribution towards its success both as members of a working group and as individuals. HRM can help organizations achieve their goals more effectively and efficiently. Effective management of human resources helps in improving the quality of work life. It seeks to provide fair conditions and terms of employment and work that satisfies all those employed.

The following are the key objectives of HRM:

- To recruit trained and spirited employees
- To help the organization reach its goals
- To train the employees for best results
- To communicate HR policies to the employee
- To ethically respond to the needs of the society

2.4 Ethics in Hiring

The most important resource to an organization is Human. Recruitment or hiring is the technique to attract potential applicants to apply for a specific position offered by the company. It is the process by which prospective employee is sourced matching to the job requirement as represented by job specification – a technique of job analysis. Recruitment has many technical stages till the closure of the position. But there are other Non technical stages also involved like Morals, Values, Ethics etc.

Ethics are important while recruiting new employees. There are rules, regulations, laws, that are to be followed for ethical hiring. Researches prove that by practicing ethical hiring, better quality of candidates are recruited. Ethics are the guidelines, standards and principles that show us the way for our daily business activities in relation to corporate values that are been established. It is therefore important that ethical rules are followed in recruitment.

Unethical practices during the recruitment process of a company:

- Recruitment of known persons without assessing their abilities
- Recruitment on the basis of financial favours
- Recruitment of the relatives of other employees
- Recruitment based on the recommendations of friend, business associates and other persons close to the leader
- Recruitment of underqualified persons
- Recruitment of overqualified persons
- Recruitment of less acceptable men when there are better suited women available for the job.
- Employing children below fourteen years for the job
- Giving less than minimum wages fixed by the government

2.4 Equality of Opportunity

Equality of Opportunity

Formal equality of opportunity requires that positions and posts that confer superior advantages should be open to all applicants. Applications are assessed on their merits, and the applicant deemed most qualified according to appropriate criteria is offered the position. Alternatively, applicants are winnowed by fair competition, and the winner or winners get the superior advantages.

Formal equality of opportunity might obtain in a variety of social settings. As defined here, this ideal does not presuppose that the production and distribution of goods and services are organized through a market economy with private ownership. For example, an autocratic society, in which economic life is organized by the commands of the autocrat, could satisfy equality of opportunity to this extent: the post of autocrat is open to all applicants, and selection is determined by the fitness of applicants for autocratic performance as indicated by the comparative merits of their applications. Moreover, the autocrat might organize economic life and distribute economic rewards by fair competitions. A communist society, in which political, social, and economic privileges accrue to communist party members, might conceivably be run in such a way that communist party membership is determined by competitive examination. If the examination were set so that the person who earns a top score is the best qualified for the post of party membership, and that person is offered party membership, formal equality of opportunity would be satisfied.

The ideal of formal equality of opportunity is associated with the liberation of economic practices and institutions from guild privileges and restrictions and with the development of competitive market economies. The slogan “careers open to talents” expresses the aspiration to establish a world where government posts go to the most qualified and economic opportunities may be seized by anyone independently of whether or not one's parents are of noble blood or cronies of the king. The ideal is opposed to nepotism, the distribution of what should be public offices to one's relatives and friends just because they are near and dear to the distributor and quite independently of their fitness for the post. In this entry for the most part the terms “formal equality of opportunity” and “careers open to talents” are used interchangeably to denote the same ideal.

A market economy conforms to formal equality of opportunity only if jobs offered by business firms are publicized in advance, so that anyone who might want to apply has a reasonable opportunity to do so. In this setting formal equality of opportunity also requires that applications from anyone are accepted, applications are judged on their merits, and the most qualified according to criteria that are relevant to job performance are offered positions. (A variant practice in which only current employees of a firm are eligible to apply to higher-level jobs might be deemed to satisfy equal opportunity provided entry-level jobs in the firm are open to all applicants.) In addition, equal opportunity in a market setting requires that the lending of money for investment purposes by banks should proceed by accepting applications from any interested party and deciding who should get loans according to the expected profit of lending to one rather than another of the various applicants. Equality of opportunity also requires that the access of economic firms to investment and operating capital by borrowing money through sales of bonds and through sales of shares in the ownership of the enterprise (stocks) should occur through processes that give all firms and economic agents the same opportunities for gain.

More generally, equality of opportunity in the market setting requires that firms and individuals deal with one another impartially as opportunities for gain. When formal equality of opportunity is satisfied in a market setting, each participant regards all others as potential partners for interaction and selects partners for a deal or a venture according to the extent to which interaction with those particular individuals or firms promises to further one's morally innocent economic goals. An alternative formulation would have it that when a market economy satisfies formal equality of opportunity, each market agent selects partners for interaction according to the extent to which interaction with those particular individuals or firms would further one's legally permitted goals.

The ideal of formal equality of opportunity has limited scope. Its sphere of application is public life, not private life. Where to draw this line between public and private for this purpose is itself an unsettled and controversial issue. Certainly decisions about whom to invite to be a dinner guest, whom to regard as a potential date or marriage partner, whom to cultivate with a view to forming a personal friendship are not decisions that fall within the sphere of equality of opportunity. This is not to deny that such decisions can be made in a way that reflects wrongful prejudice. This surely happens, and is morally criticizable. But equality of opportunity as normally understood is a norm that regulates a political and civil society, a common life in which all members participate, rather than every aspect of the conduct of individual lives. However, this scope restriction is open to challenge.

The idea of equality of opportunity tends also to be limited in scope along another dimension. Its domains are political societies or nation-states taken one at a time. If all Austrian universities are open to all Austrian youth and all Chinese universities are open to all Chinese youth, it is not ordinarily thought to be objectionable if Austrian universities are not open to Chinese and Chinese universities are not open to the Austrians. Thus limited in scope, formal equality of opportunity would be compatible with far greater educational opportunity being available to Austrian than to Chinese youth. However, nothing prevents broadening the scope of application of equality of opportunity. For example, one might uphold the ideal of a global marketplace in which all transactions conform to formal equality of opportunity applied world-wide.

It should be noted that formal equality of opportunity so understood puts moral constraints on market decisions. Equality of opportunity is violated if investors decline to invest in a company just because its CEO is a black, or a woman, and they are prejudiced against blacks and women. If one operates a business and provides a product or service to the public for sale, formal equality of opportunity is violated if one refuses to sell to some class of potential customers on grounds that are whimsical (no sales to people with brown hair, or wearing black shoes) or prejudiced (no sales to people of some disfavored race, religion, or skin color). By the same token, the ideal of formal equal opportunity puts constraints on the behavior of customers of firms and purchasers of goods and services as well as constraints on would-be providers. If a Jewish individual starts a business and people decline to purchase goods from her in virtue of the fact that she is Jewish, formal equality of opportunity is violated. In the same way, to refuse to purchase a product on the ground that its manufacture employed the labor of women in skilled jobs violates formal equality of opportunity.

Suppose the owner of a small business hires her family members or friends instead of advertising job openings and picking among the applicants according to the merits of their applications. This might be deemed a private matter and, for this reason, not a violation of formal equality of opportunity. However, if this same small business, a restaurant, serves whites only and refuses to accept blacks, Hispanics, and others as customers, this decision might well be deemed to lie in the public sphere and to constitute a violation of formal equality of opportunity. A perhaps controversial case of a type of decision that might be thought to lie in the public or in the private sphere with respect to the application of equality of opportunity would be decisions of business-oriented social clubs that are traditionally exclusively male or white in their membership to continue to deny membership to nonwhites and non males who might seek admission. Since valuable business contacts are made at these private social clubs, and business deals are sometimes made on the premises, the exclusion of women and minorities from membership in them might be deemed wrongfully discriminatory and a violation of equality of opportunity.

Notice that selection among applicants for a job by a random procedure that gives all applicants an identical chance of getting the job actually violates formal equality of opportunity as here interpreted (on equal opportunity as a lottery procedure, see Rae et al. 1981). At least, if there are relevant standards of merit that could be applied to the applicants and that would predict successful job performance, a lottery to select who gets the job would not qualify as selection according to merit. Only if all applicants are equally qualified or there is no feasible and cost-effective way to distinguish among the applicants according to their merit would a lottery satisfy the ideal of equality of opportunity.

Many companies today, in order to survive and grow, need and want to be efficient, profitable, flexible, adaptable, and have a dominant market position. Without these qualities, firms believe that is virtually impossible to be competitive in today's global economy. In some industries such as insurance or banking, firms may move into new markets. In others such as pharmaceuticals or software technology, firms may work with smaller firms that have developed or are developing new products that they can manufacture and/or distribute more efficiently, while other firms focus on their own internal growth, leadership and development. Regardless of the industry, however, it appears that it has become increasingly difficult in our global environment for firms to compete with others without growing and expanding through deals that result in mergers or acquisitions. India in the recent years has showed tremendous growth in the M&A deal. It has been actively playing in all industrial sectors.

It is widely spreading far across the stretches of all industrial verticals and on all business platforms. The increasing volume is witnessed in various sectors like that of finance, pharmaceuticals, telecom, FMCG, industrial development, automotives and metals. The volume of M&A transactions in India has apparently increased to about 67.2 billion USD in 2010 from 21.3 billion USD in 2009. At present the industry is witnessing a whopping 270% increase in M&A deal in the first quarter of the financial year

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This increasing percentage is mainly attributed to the increasing cross-border M&A transactions. Over that increasing interest of foreign companies in Indian companies has given a tremendous push to such transactions. Some of the major factors resulting in this sudden growth of merger and acquisition deal in India are favorable government policies, excess of capital flows, economic stability, corporate investments and dynamic attitude of Indian companies. The recent merger and acquisition 2011 made be Indian companies worldwide are those of Tata Steel acquiring Corus Group plc, UK based company with a deal of US$ 12,000 million and Hindalco acquiring Novelis from Canada for US$ 6,000 million. With these major mergers and many more on the annual chart, M&A services in India is taking a revolutionary form. The purpose of this paper is to articulate a systematic, social, ethical &people-oriented approach for effectively doing mergers and acquisitions from beginning to integration and post-integration.

2.5 Ethics and remuneration

The Ethical issues associated with Remuneration are mentioned below.

(i) Paying same remuneration to one who is serious, sincere and hardworking and also to one whose contribution is least.

(ii) Loss Suffering company being expected to declare bonus.

(iii) Paying at different rate to man and a woman doing the same kind of work.

(iv)Getting an employee signed on full pay and actually paying him less than that.

2.6 Ethics in retirement

The Retirement Research Foundation is a private foundation that strives to serve the public. RRF is guided by a Code of Ethics and is committed to:

- Act with honesty, truth, compassion, and integrity in all transactions and dealings
- Treat applicants and grantees fairly and show dignity and respect to every individual
- Avoid conflicts of interest and appropriately handle conflicts
- Treat employees with respect, fairness, and good faith, and provide conditions of

employment that safeguard their rights and welfare

- Comply with the spirit and letter of the law
- Be responsible, transparent, and accountable for all actions
- Improve the effectiveness of the nonprofit organizations with whom we interact
- Be responsible and prudently use resource

2.7 Ethical Issues in Purchase and Operations management

Purchase Management

Purchasing is the function of buying Goods & Services from External Source to an Organization. Purchase department buys Raw Materials, Spare parts, services etc. as required by the company or Organization. Purchase management is one of the most Crucial Area of the Entire Organization. A purchasing manager buys products for organizations to use or resell. They evaluate suppliers, negotiate contracts, review product quality, and often supervise purchasing agents and buyers. In smaller companies, the purchasing manager may also act as the agent or buyer.

Ethical Issues in Purchase Management

Ethical issues in purchasing- favoritism, accepting of gifts by suppliers, disclosing confidential information were also discussed. Purchase managers often favor suppliers who are also good customers. Thus developing a mutually beneficial relationship. In some cases, purchasing managers discriminate in favor of suppliers who are close to the top management so that they can gain the support and confidence of the top officials. Some of the most common ethical issues in international business include outsourcing, working standards and conditions, workplace diversity and equal opportunity, child labor, trust and integrity, supervisory oversight, human rights, religion, the political arena, the environment, bribery and corruption.

Operations management

Operations management is an area of management concerned with designing and controlling the process of production and redesigning business operations in the production of goods or services.

[1] It involves the responsibility of ensuring that business operations are efficient in terms of using as few resources as needed and effective in terms of meeting customer requirements. It is concerned with managing an entire production system which is the process that converts inputs (in the forms of raw materials, labor, and energy) into outputs (in the form of goods and/or services), as an asset or delivers a product or services.

[2] Operations produce products, manage quality and create service. Operation management covers sectors like banking systems, hospitals, companies, working with suppliers, customers, and using technology.

Operations is one of the major functions in an organization along with supply chains, marketing, finance and human resources. The operations function requires management of both the strategic and day-to-day production of goods and services.

Ethical Issues in Operations management

Managing ethical behavior not only within operations management but within an organization as a whole is one of the nost pervasive and complex challenge of modern companies. There are three theories introduced in the literature which describe ethical leadership. These theories include transformational leadership, servant leadership, and authentic leadership. The first theory states that a leadership transforms both the leader and followers through increasing the level of conducts and aspirations. The second theory, on the other hand, states that the leader should possess the character of devotion to change the ethical views of the followers. Finally, the third theory states that ethics comes from every individual through being true to themselves. Ethical character within an organization will not be achieved unless every member develops their own ethical character within themselves. Every member of an organization should have the choice of analyzing their inner character in every mistakes done, career setbacks that occur, and failures on their jobs. In other words, every organizational leader should develop their integrity to foster ethics.

2.8 Quality Control

The QA/QC good practice guidance outlined here reflects practicality, acceptability, cost-effectiveness, existing experience, and the potential for application on a world-wide basis. A QA/QC programme contributes to the objectives of good practice guidance, namely to improve transparency, consistency, comparability, completeness, and confidence in national inventories of emissions estimates. The outcomes of the QA/QC process may result in a reassessment of inventory or source category uncertainty estimates. For example, if data quality is found to be lower than previously thought and this situation cannot be rectified in the timeframe of the current inventory, the uncertainty estimates ought to be re-evaluated. The terms ‘quality control’ and ‘quality assurance’ are often used incorrectly.

Elements of a QA/QC System

The following are the major elements to be considered in the development of a QA/QC system to be implemented in tracking inventory compilation:

•An inventory agency responsible for coordinating QA/QC activities;

•A QA/QC plan;

•General QC procedures ;

•Source category-specific QC procedures ;

•QA review procedures;

•Reporting, documentation, and archiving procedures.

For purposes of the QA/QC system, the QC approach includes all procedures in plus additional source category-specific activities.

2.9. Ethical Problems and Dilemmas in Operation Management

Ethical dilemmas refer to a certain situation or issue wherein a decision has to be made to adopt one of the two equally urgent yet incompatible alternatives . One popular ethical issue discussed in the literature regarding operations management is opportunism. This issue has been a topic of many empirical studies conducted to focus on business and management field.

Opportunism is considered in the literature as an unethical behavior which refers to the abuse of opportunity. In company operations, managers or other professionals involved are vulnerable to unethical choices due to plentiful number of opportunities which may be abused. Some of the factors that drive professionals to engage in unethical behaviors are the pressures brought by the demands for cost reduction and unrealizable strategic objectives. One area of operations which is faced with an increased vulnerability of engaging to unethical behavior is the procurement since the employee assigned in this process handles a significant amount of company resources (Carter, 2000). Furthermore, the procurement process has an increased exposure to the external environment of a certain organization which makes it possible for easy conduct of an unethical act. This is not beneficial to the organization since its reputation is in jeopardy since the employee assigned in the procurement process acts in behalf of the organization as a whole when dealing with third parties.

The importance of ethics in managing business operations is stressed out in the article. Ethics is an essential requirement in order to build and maintain a good relationship between a business entity and other parties included in the conduct of its operations such as the suppliers. The procurement function in a business organization is critical for the achievement of business goals since. An organization's effective operations depend on the effective performance of the purchasing function while achieving global competitiveness depends on effective operations. It is therefore important that ethics is integrated in the whole process to ensure good relationship to suppliers and eventually to satisfy the needs and wants of the customers. One ethical challenge by procurement officers is the situation where many suppliers compete and offer different favors and gifts just to create a business deal. In many situations, the relationship of the procurement officer not only to the supplier but also to his employer may also be affected. More ethical challenges include having to exaggerate the problem of either the buyer or the supplier in order to obtain a business deal, offering preferential treatment to certain parties, allowing certain personalities to interfere with business deals, engaging in reciprocity, and seeking and providing information of different quotes from different competitors either in a fair or unfair manner.

Bribery is another frequently mentioned ethical issue. Bribery refers to the act of offering payments, goods or opportunities in exchange for something favorable. Accepting gifts is not a bad act but the situation tells whether it is unethical. When in operations, accepting gifts from people who have direct influence on the operations functions maybe considered as unethical especially when the person was being gifted and have the ability to satisfy the interest of the gift giver. Other ethical issues to consider in operations are breach of confidence, negligence, and fraud.

The establishment of a code of conduct within an organization can greatly help operations specialists to decide on a certain ethical issue. Every day, everyone is faced with the need to decide on a certain ethical issue. Organizations are faced with the pressure of having to demonstrate to the public their ability to decide correctly on an ethical issue. Organizations need to maintain a good reputation and the public trust to ensure their existence on the market. In order to achieve this, it is important for an organization to develop their own ethical code of conduct to guide every employee to decide correctly and to instill discipline among them.

Ethical leadership is seen as an important factor to instill ethics in a certain organization. ethical leadership is increasingly studied relevant to the operations of organizations. Many articles relating to the role of unethical behaviors in the failure of great companies take the example of Enron where thousands of employees were harmed due to the unethical actions of a few executives. Not only were the employees harmed but the ethical controversy also influenced other external factors such as the confidence of the public over the financial systems and the emergence of more strict government legislations. The increasing number of companies being involved in many ethical controversies which even brought them down made it possible for the others to realize the importance of integrating ethics in managing company operations in order to ensure profitability. Companies are more and more aware of this trend and have started to take actions to redirect their strategic plans to include ethical strategies in their paths to success. However, this move is never an easy way since in the current business environment where every company strives for international penetration or globalization and competition is getting tougher, ethical considerations are getting complex and extensive too. In this situation, ethical leadership in a company is needed to be headed by a charismatic leader.

Decision-making in a certain ethical situation is really a dilemma. This is especially true when the operations manager is required to choose between two alternatives which are unfavorable. This can be considered a tough challenge for the person in the situation. In some cases, ethical dilemmas may be impossible to resolve due to reasons like disintegration of value system. In today's world when every company aims for globalization, companies are faced with conflicting issues between the company objective of profitability and their corporate social responsibility. Ethics in the global market is complicated, so is the decision-making that operations managers have to face.

Dealing with the mentioned ethical issues, operations managers in non-profit organizations are faced with the decision of selecting between the right and the wrong action. This seems to be a simple choice but it may be difficult in real situations when other factors interfere with the decision-making. Operations manager and other professionals involved in the process face a dilemma when any course of action cannot provide a correct solution for any problem. Dilemmas also occur when managers cannot find a way to choose which responsibility should be prioritized especially when there is no theoretical model or framework of action that can guide the process. This may happen because non-profit organizations have strategic goals or objectives which are unique and distinct from the other organizations. Robinson and Yeh (2007) listed things that operations managers in non-profit sector should remember during ethical challenges including the awareness of the expectations of every stakeholder, the ethical issues accompanying them, and the possible ethical solutions.

The contribution of ethics to the whole organization is important. By having to change the ethical behaviors of the members of the operations department, the organization can create value in a better way specially that the operations function is the most important function of a business. The operations make the production of final products and services possible. It is therefore necessary that the personnel involve practice ethical behavior to perform excellently and produce a quality product which can satisfy the needs and wants of the customers.

(1) What are ethical issues faced in operations management?

Ethical considerations in operations management are complex, vast and extensive. In the literature review conducted, some of the most examined ethical issues are opportunism and bribery. More ethical issues recorded to have impacted many corporations and even brought those down include breach of confidence, negligence, and fraud.

(2) How do companies resolve ethical issues in their operations management?

Companies resolve ethical issues in their operations management through a number of ways. First is the establishment of the ethical code of conduct within the organization. The ethical code of conduct can serve as the guiding principle for managers and employees to act ethically or to decide on an alternative which serves the best interest for the organization. Another way is to develop the skill of decision-making. In different situations, decision-making may differ depending on the foundation for any alternative chosen. Different theories may be considered such as the theory of relativism, moral imperialism, or universalism. These theories are usually used in globalization where operations managers are required to consider the international or universal norms, the particular culture of a certain territory, and their own beliefs when conducting business in different nations.

(3) Does ethical behavior within the operations function need management?

Ethical behavior within the operations function of a business can be managed with the aid of a charismatic manager who has the capability to take ethical leadership responsibilities. Organizations may face many challenges in the process which may even lead to traps and pitfalls due to the complexities of the problem. A firm may be even required to modify its strategies, structure and other organizational activities such as the selection and training procedures, communications system, reporting system, and internal auditing system to integrate ethics in its pathway to profitability and success. Again, an excellent leadership skill is needed to achieve the needed modifications. As the literature review above provides, employees in operations department may have the chance to be influenced by many factors in the external environment which may drive them to attempt doing unethical actions. Considering this fact, companies cannot rely on the character and integrity of every employee to foster ethics. Companies need to promote initiatives which can manage ethical behaviors of employees.

2.9 Role of Purchase manager and Code of Ethics for Purchase

Job Duties and Tasks for: "Purchasing Manager" 1) Maintain records of goods ordered and received. 2) Locate vendors of materials, equipment or supplies, and interview them in order to determine product availability and terms of sales.

A Purchasing Manager is an employee within a company, business or other organization who is responsible at some level for buying or approving the acquisition of goods and services needed by the company. Responsible for buying the best quality products, goods and services for their company at the most competitive prices, purchasing managers work in a wide range of sectors for many different organizations. The position responsibilities may be the same as that of a buyer or purchasing agent, or may include wider supervisory or managerial responsibilities. A Purchasing Manager may oversee the acquisition of materials needed for production, general supplies for offices and facilities, equipment, or construction contracts. A Purchasing Manager often supervises purchasing agents and buyers, but in small companies the Purchasing Manager may also be the purchasing agent or buyer. The Purchasing Manager position may also carry the title "Procurement Manager" or in the public sector, "Procurement Officer". He or she can come from both an Engineering or Economics background.

A Purchasing Manager's responsibilities may include:

Seeking reliable vendors or suppliers to provide quality goods at reasonable prices negotiating prices and contracts reviewing technical specifications for raw materials, components, equipment or buildings determining quantity and timing of deliveries (more commonly in small companies)forecasting upcoming demand.

Purchasing categories

Policy and procedures

Purchasing policy

Purchasing ethics

Award procedure

European tendering procedure

Information and tools for suppliers

Code of ethics for purchasing is based on a number of principles:

- Confidentiality;
- Non-discrimination against suppliers;
- Transparency;
- Prevention of conflicts of interest.

2.10 Ethical issues in Global Buyer and Suppliers

In an international business, the most important ethical issues involve employment practices, human rights, environmental norms, corruption, and the moral obligation of international corporations.

Employment practices

Ethical issues may be related to employment practices in many nations. The conditions in a host country may be much inferior to those in a multinational's home nation. Many may suggest that pay and work conditions need to be similar across nations, but no one actually cares about the quantum of this divergence.

12-hour workdays, minimal pay, and indifference in protecting workers from toxic chemicals are common in some developing nations. Is it fine for a multinational to fall prey to the same practice when they chose such developing nations as their host countries? The answers to these questions may seem to be easy, but in practice, they really create huge dilemmas.

Human Rights

Basic human rights are still denied in many nations. Freedom of speech, association, assembly, movement, freedom from political repression, etc. is not universally accepted. South

Africa during the days of white rule and apartheid is an example. It lasted till 1994. The system practiced denial of basic political rights to the majority non-white population of South Africa, segregation between whites and nonwhites was prevalent, some occupations were exclusively reserved for whites, etc. Despite the odious nature of this system, Western businesses operated in South Africa. This unequal consideration depending on ethnicity was questioned right from 1980s. It is still a major ethical issue in international business.

Environmental Pollution

When environmental regulation in the host nation is much inferior to those in the home nation, ethical issues may arise. Many nations have firm regulations regarding the emission of pollutants, the dumping and use of toxic materials, and so on. Developing nations may not be so strict, and according to critics, it results in much increased levels of pollution from the operations of multinationals in host nations.

Corruption

Corruption is an issue in every society in history, and it continues to be so even today. Corrupt government officials are everywhere. International businesses often seem to gain and have gained financial and business advantages by bribing those officials, which is clearly unethical.

Moral Obligations

Some of the modern philosophers argue that the power of MNCs brings with it the social responsibility to give resources back to the societies. The idea of Social Responsibility arises due to the philosophy that business people should consider the social consequences of their actions.

They should also care that decisions should have both meaningful and ethical economic and social consequences. Social responsibility can be supported because it is the correct and appropriate way for a business to behave. Businesses, particularly the large and very successful ones, need to recognize their social and moral obligations and give resources and donations back to the societies.

2.11 Buyer and Suppliers Relationship

One of the most looked through relationship in any business is the one that the buyer and supplier share. While you aspire to delivering high quality, it is important to maintain a healthy relationship with your supplier. The amount of errors in the system can actually result in unwanted outcomes. The source of error could-be-anything. Understand and rectify the problem to its exact necessity.

Suppliers play a crucial role in any company's success. It is important to manage healthy relationship with your supplier. Here are the top 10 Challenges faced in any buyer supplier relationship management and how they can be resolved:

Supplier's Track Record

The first step to take before engaging with any supplier is to go through his past and current projects and to investigate his knowledge about tax and legal implication of exporting and importing. Knowing the supplier beforehand helps to create and build a healthy relations.

Understanding The Culture

Belonging to a different culture may give rise to different views and interpretations while having the same conversation.

Communication gap

Communication is absolutely necessary for many aspects of business. If a supplier doesn't understand the company's strategic goals that may fulfill the needs and requirements due to poor results. Maintaining a good contact with the suppliers can benefit the organization in a big way.

Non-Transparency of Processes

Many times, non-transparency of the supplier's process creates gaps in the company-supplier relationship. Technology can play a crucial role to fill this gap. Analyze the whole process more effectively by using online purchase order and invoice management tool like Invoicera.

Stressed Supplier

Suppliers deal with many organizations at once. Often the order is delivered late by the supplier because of unavailability of the product. These type of late deliveries can weaken the relationship. Forecasting the requirements of the company can help in running the SRM process smoothly.

Buyer Supplier Relationship Management Best Practices

Damaged Delivery

At times, the delivered product turns out to be damaged or flawed. Aggressive steps at such times can ruin a relationship. One should notify the supplier respectfully and ask him to replace it. A healthy balance maintained while taking steps against suppliers who are underperforming. A healthy balance manages underperforming suppliers.

Supplier training

If the supplier doesn't understand, what the company wants its customers to experience through their products, he won't be able to provide enough supplies. One should make sure that the supplier knows the company's motto. They should be given appropriate training to ensure expectation levels.

The Need To Nurture

A healthy relation only nurtures when the two sides stay together for long. Abandoning the suppliers at the time of success may create stress in a relationship. To avert this, one should include the supplier at every milestone and success celebration of a company.

Disharmony Amongst Buyer Supplier Chain

In time without recognition and encouragement, the supplier becomes disloyal to an organization. Changing the supplier is not the solution here as it will consume more time and money. One can gain the loyalty of a supplier by encouraging him, or perhaps, offering incentives if possible.

Conflicts over Contract

Signing a biased contract can be very unpleasant for the supplier. One should make sure that the contract has benefits for the both the sides. A contract must be reviewed very carefully before it gets finalized. Many organizations are now realizing the importance of Buyer-Supplier Relationship Management. Efforts have to made on a continuous basis to build harmonious Buyer- supplier relationships. SRM is a long-term approach to sustained success.

POSSIBLE QUESTIONS

PART-B (2 Marks)

1. Define Equality of opportunity.
2. Define Quality control.
3. Explain the concept of ethics in retirement.
4. What are the key objectives of HRM?
5. Explain the concept of ethics in remuneration.
6. What are the elements of QC?
7. What is the code of ethics for purchase?
8. What are the responsibilities of purchasing manager?
9. Explain the employment practices of business.
10. Explain the term communication gap.

PART–C (8 Marks)

1. Explain ethical issues in operation and purchase management.
2. State the role of purchase manager and code of ethics for purchase.
3. Explain the ethical problems in purchase management
4. Discuss the code of ethics for purchase.
5. What are the functional areas of management? Explain the ethical issues in functional areas?
6. Discuss the concept of ethics and remuneration, ethics in retirement and equality of opportunity.
7. Explain about unethical practices of recruiters.
8. Explain ethical problems and dilemmas in operation management.
9. Explain in detail about Principles of ethical hiring.
10. Define HRM? Explain about unethical practices of Human Resources Management.

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KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore - 641021.

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

SUBJECT : BUSINESS ETHICS

SEMESTER : V

SUBJECT CODE : 16CCU504 B

CLASS : III B.COM CA

UNIT-II

S.No	Questions	option 1	option 2	option 3	option 4	Answer
1	The framework for establishing good corporate governance and accountability was originally set up by the	Rowntree committee	Cadbury committee	Nestlé committee	Thornton committee	Cadbury committee
2	Which of the following is not one the underlying principles of the corporate governance Combined Code of Practice?	Openness	Integrity	Accountability	Acceptability	Acceptability
3	Which is not the reason for corporate misgovernance in India	Open economy	Sheltered market	Limited access to global market	Inefficient framework	Open economy
4	Bribery to concerned official, using import licences to make quick profit, illegaly holding money abroad to meet business expenses are types of	Corporate misgovernance	Illegal tacits of indian corporates	Series of scams	None of the above	Illegal tacits of indian corporates
5	Which of the statement is true: a) Directors elect shareholders who elect them b) Directors vote on key matters and adopt the majority decision c) Company adopts scientific methods to generate accounting info required by stakeholders d) The company policies and practices adher to applicable national, state and	Only B	A and C	B and D	All of them	B and D

	local laws					
6	Which of the following is not the issue of CG	Ditinguising the role of board and management	Composition of board and related issues	Combining the role of CEO and chairman	Director's and executive remuneration	Combining the role of CEO and chairman
7	Which of the following statement is true about CG?	The interest of society is ignored	Shareholder's interest are considered more over rest of the stakeholders	Combining the role of CEO and chairman	None of the above	None of the above
8	The OECD states that CG problem arises because of	Ownership & control is separated	Organization's main objective is profit maximization	Managers act in self interest	Power distribution among stakeholders	Ownership & control is separated
9	The ________ calls for protection to those who brings fraud to attention of those handling frauds	Cadbury committee	Greenbury committee	Sox act	Hampel committee	Sox act
10	In privately owned organizations only employees at __________ are seen indulging in corporate misgovernance	Low level	Mid level	Top level	All levels	Top level
11	Need for CG in India was realized with ___________	Plantation companies scam	It scam	Harshad mehta scam	Mutual fund scam	Harshad mehta scam
12	Extraordinary high income tax levels of 1960's led many companies to devise tax eviction tactics in form of compensation packages for	Senior employees	Low level employees	Middle level employees	Both (a) & (c)	Both (a) & (c)

13	By ________ each & every listed company joined the SEBI code	2002	2003	2004	2000	2003
14	__________ defines CG as system by which business corporations are directed & controlled	Oecd	Sox act	Cadbury committee	Greenbury committee	Oecd
15	CG maybe defined broadly as its relationship to	Shareholders	Society	Management	All of the above	Society
16	Executive pay in UK was reviewed by	Cadbury committee	Greenbury committee	Sox act	Hampel committee	Greenbury committee
17	Stakeholders are the individuals or groups who:	Depend on the organisation to fulfil their own goals and on whom the organisation depend.	Are shareholders in key competitors.	Dominate the strategy development process in an organisation.	Determine operational issues.	Depend on the organisation to fulfil their own goals and on whom the organisation depend.
18	FICCI stands for	The federation of international chambers of commerce and industry	The federation of indian chambers of commerce and industry	The finance of indian chambers of commerce and industry	The finance of international chambers of commerce and industry	The federation of indian chambers of commerce and industry
19	Which of the following is not a parameter as elucidated by OECD	Rights of shareholders	Disclosure and transparency	Responsibities of the board of directors	Full disclosure of all details of transactions	Full disclosure of all details of transactions
20	Which of the following is not one the underlying principles of the corporate governance Combined Code of Practice?	Accountability	Integrity	Openness	Acceptability	Acceptability

21	Infosys business activities are anchored in three pillar	Business ethics, corp governance and csr	Gdm,c-life prnciple and pride	CG, CSR and pride	Gdm,pride and CG	Business ethics, corp governance and csr
22	Infosys was the first Indian company to voluntarily adopt	Cadbury committee recommendation	Corporate governance	Us gaap	Cost cutting techniques	Us gaap
23	Fundamental objective of Corporate Govenance is …?	The enhancement of long term share holder value and protecting the interest of other stake holders	Protecting the interest of employees	Protecting the interest of board of director	Protecting the interest of outsiders	The enhancement of long term share holder value and protecting the interest of other stake holders
24	________Is one aspect of corporate goverance that helps a company achieve its goal of maximizing share hoders value	Effective and effficient risk management	Effective and efficent utilization of firms overall resources	Effective and efficient utilization of man power	None of these	Effective and effficient risk management
25	Effective and Efficient risk management helps comnpany to achieve its	Corporate social responsibility	Goals and maximization of shareholder wealths	Better corporate goverance in an organization	It employee commitment to work	Goals and maximization of shareholder wealths
26	Main purpose of CG is:	To separate ownership and mgt control of organizations	To maximize shareholders value	To make organizations more visibly accountable to a wider	to ensure that regulatory frameworks are	To maximize shareholders value

				range of stakeholders	adhered to	
27	Effective corporate governance does all of the following except:	Ensure corporate accountability.	Enhance the integrity and efficiency of the capital market	Eliminate the prospect of fraud within an organization	Enhance the reliability and quality of public financial information	Eliminate the prospect of fraud within an organization
28	The ultimate responsibility for maintaining an appropriate balance between management and the owners rests with:	Board of directors	Managers	Shareholders	Regulating entities	Board of directors
29	What is needed to create a corporate culture of consciousness, transparency and openness??	Corporate management	Corporate guidance	Corporate governance	Corporate control	Corporate governance
30	CII's first audit committee	Cadbury committee	Turnbull committee	Hampel committee	Kumar mangalam birla committee	Kumar mangalam birla committee
31	Which of the following is not a right of shareholders?	he has a right to demand a poll	He has a right to participate in declaration of dividends and receive his/her dividends duly	He is entitled to inspect and obtain copies of minutes of proceedings of general meetings	He cannot make a petition to the high court for the winding up of the company	He cannot make a petition to the high court for the winding up of the company
32	Divergence in objectives between ownership and management leads to	relational costs	Agency costs	Economies of scale	Economies of scale	Agency costs

33	The basic right of shareholder is :	Right to transfer and obtain registration of shares	Obtaining relevant information on the company on a timely and regular basis	Participating and voting in shareholder meetings	All the given options	All the given options
34	Conflicts of interest between shareholders and managers of a firm result in	Principal-agent problem	Increased agency costs	Both a and b	None of the above	Both a and b
35	Shareholders have the right to have certificate of shares within ___________ of allotment	2 months	3 months	1.5 months	2.5 months	3 months
36	Shareholders can apply for the rectification of the register of member to:	Company law board	Board of director	Management	Employees	Company law board
37	Shareholder is entitled to:	Can't particiapte in decision of dividend declaration	To receive a statutory report made by auditor.	Obtain copies of minute of proceeding of gm bt can't inspect them	Can particiapte in decision of dividend declaration	To receive a statutory report made by auditor.
38	Shareholder as right to inspect:	The registers of investment held by the third party on company's name.	The registers of investment held by the company in its own name	The registers of investment not held by the company in its own name	The registers of investment held by the company in its own name as well as by the third party.	The registers of investment not held by the company in its own name
39	Strong investor protection is associated with	Effective corporate governanc	Companies performa	Both	Principal-agent problem	Both

		e	nce			
40	The core substance of corporate governance lies in	Designing	Putting in place mechanisms	Only a	Both a and b	Both a and b
41	The relationship between investor protection and corporate goverance is	Principal and agent	Trustor and trustee	Both a and b	Trustee	Principal and agent
42	The objective of corporate governance reforms in most countries is to protect rights of outside investors, including	Shareholders	Creditors	Both a and b	Trustee	Both a or b
43	Investor protection is an important constituent of	Corporate governance	Insider trading	Both a and b	Outsider trading	Corporate governance
44	________ Provides ar markets	Banks	Investor protection	Both a and b	None of the above	Investor protection
45	After which scams did SEBI took investor protection seriously	Ketan parik scam	Uti crises	Both a and b	Principal -agent problem	Both a and b
46	Investor protection is inalienable part of corporate governance	TRUE	FALSE	Cant say	Don't know	TRUE
47	Who headed a corporate governance committee that was formed at RIL after Anil's acquitions	D.v. kapoor	Mukesh ambani	Y.p. trivedi	Anand jain	Y.p. trivedi
48	Which company won the national award for Execellence in corporate governance for the year 2003	Infosys	Reliance	ITC	TCS	Reliance
49	What was the main reason of tussel over corporate governance	Absence of will	Insider trading	Conflict of shareholders interest	None of the above	Absence of will
50	De facto' means	Director duly appointed and acts as a director	Director not duly appointed and don't act as a director	Director not duly appointed but acts as a director	Director appointed as per law	Director not duly appointed but acts as a director

51	Who among the following cannot remove the directors from the office?	Executive directors of the company	Federal govt.	Shareholders	The company law board	Executive directors of the company
52	To ensure better governance practices a strategic board should be all of these Except	Small size	Independent	Smaller vision	Well-informed	Smaller vision
53	For better governance, the board should ensure	Total commitment to the company	Steer discussion properly	Efficient ceo	All of the above	All of the above
54	Which act provides a negative definition of an independent director	Government act	Companies act	Contract act	Special provision act	Companies act
55	What should be the highest priority of the boards?	Better corporate performance through legitimate & transparent policies	Ensure long term maximisation of shareholder value & wealth	Commitment to corporate social responsibilty	Have vision,values & responsibilties well defined	Ensure long term maximisation of shareholder value & wealth
56	What percentage of independent external directors should be on board who can advise,admonish & control operation management?	Upto 40%	Upto 50%	Upto 60%	Upto 70%	Upto 50%
57	Which one is not a provision in SOX Act regarding Auditors	Audit patner rotation	Prohibition of non-audit services	No responsibility for financial reports	Conflict of interest	No responsibility for financial reports
58	What are the obligations of the management towards the investors for good corporate governance?	Social concern	Humane treatment	Encouraging whistle blowing	Gift and donation	Encouraging whistle blowing
59	Why the Tata steel adopted Tata code of conduct and audit committee system of evaluation	For protect the interest of shareholders only	In order to improve the internal management system	For increase in profit	Both a and c	In order to improve the internal management system

60	What are the obligations of the management towards the Society for good corporate governance?	Humane treatment	Fair employment practices	Participative and collaborative environment	National interest	National interest

UNIT- III

ETHICAL ISSUES IN MARKETING STRATEGY: Ethical Issues in Marketing Mix-Product-Price-Place-Promotion-Process-People-Physical Evidence; Ethical issues and Consumerism-Consumer Protection-Consumer welfare-Consumer Delight-Consumer Rights.

3.1 ETHICAL ISSUES IN MARKETING MIX

Marketing ethics concerns the application of ethical considerations to marketing decision making. Marketing ethics can be considered as moral judgement and behaviour standards in marketing practice or moral code or system in marketing area. In other words, marketing ethics is the research of the base and structure of rules of conduct, standards, and moral decisions relating to marketing decisions and practices.

Marketing executives who take strategic decisions often face with ethical conditions and their decisions is related to all sides of marketing mix as product, price, place and promotion. Marketing executives' ethical decision making process related to these decisions is affected by miscellaneous ways as philosophical, economical, sociological, psychological, and religious. In this study, marketing ethics is studied according to elements of marketing mix as product, price, place and promotion.

Ethics and Product Decisions

Marketing executives face with a lot of ethical problems related to planning and application of product strategies. For example,

• In new product development process, since ethics and legal subjects are discussed less than it is needed, faulty products are put on the market and so these products damage consumers. This grows out of seeing product security as engineering problem in most. Similarly, some product areas such as especially toys for children are sensitive to the ethical problems . For this reason, ethical way of thinking should come into all levels of marketing from engineering to customer support

• Other ethical issues related to product decisions, information on labels can sometimes be used as deceptive although it is technically true, rubbish problem which packing cause after its usage, failing in terms of guarantee related to product and performing planned product obselence to shorten product life cycle. .

Ethics and Pricing Decisions

Pricing is probably one of the most difficult areas of marketing when it is analyzed from the ethical point of view. Ethically, price should be equal or proportional to benefit which is taken by the consumers.

• However, when monopolistic power is had, it is seen that unreasonable price increase is set.

• Other ethical issues related to pricing include non-price price increases, misleading price reduction, price advertisements which can be misleading.

Ethics and Distribution Decisions

Ethical issues related to place grow out of enterprises, which form channel of distribution, have different needs and goals. At power relationship in the channel, if channel members to put their power which they have into bad use, this may cause an ethical problem. For example, a powerful manufacturer may force retailer to conduct in different ways in subjects such as choice of retailer locations, minimum order size, product mix selection, restriction on alternative supply resources and arrangement of physical condition in retailer's location.

Other ethical issues result in subjects as retailing decisions, direct marketing, supply and channel management.

• Ethical issues related to retailing decisions eventuate in areas such as buying, product assortment, pricing, selling, forward buying and slotting allowances.

• Ethical issues in direct marketing are the subjects which are privacy, confidentiality and intrusion

• Ethical problems which are faced while using of internet for marketing are reliability of operations, illegal activities, privacy, accuracy, pornographic, product guarantees, burglary, aiming at children, spams, deceptive advertisements.

Ethics and Promotion Decisions

Ethical issues related to promotion can be analysed under two headings as

• Advertising and

• Personal selling.

Advertisements are one of the ways of marketing which is criticised most from an ethical point of view. Unilateral advertising message, preconceived advertising messages, advertisements breaking programmes are criticized.

Whether advertisements are ethics or not is determined according to the extent of loss of advertisements to consumers. Loss can be defined in three ways:

• breach of the autonomy with control or manipulation,

• aggression to privacy, and

• breach of right to know .

Ethical problems in advertising can be analysed under two main headings:

• the content of advertising message and

• agent/customer relationships.

The relationship between advertising and ethics can be analysed from the point of view of persuasive trait of advertising, deception, puffery and making promises that cannot be kept. Other ethical issues related to advertising include advertising to children, demonstrations, mock-ups, endorsements and testimonials.

People

People are an essential ingredient in service provision; recruiting and training the right staff is required to create a competitive advantage. Customers make judgments about service provision and delivery based on the people representing your organisation. This is because people are one of the few elements of the service that customers can see and interact with. The praise received by the volunteers (games makers) for the London 2012 Olympics and Paralympics demonstrates the powerful effect people can create during service delivery.Staff require appropriate interpersonal skills, aptitude, and service knowledge in order to deliver a quality service. In the UK many organisations apply for the "Investors in People" Accreditation to demonstrate that they train their staff to prescribed standards and best practices.

Process

This element of the marketing mix looks at the systems used to deliver the service. Imagine you walk into Burger King and order a Whopper Meal and you get it delivered within 2 minutes. What was the process that allowed you to obtain an efficient service delivery? Banks that send out Credit Cards automatically when their customers old one has expired again require an efficient process to identify expiry dates and renewal. An efficient service that replaces old credit cards will foster consumer loyalty and confidence in the company. All services need to be underpinned by clearly defined and efficient processes. This will avoid confusion and promote a consistent service. In other words processes mean that everybody knows what to do and how to do it.

Physical Evidence (Physical Environment)

Physical evidence is about where the service is being delivered from. It is particularly relevant to retailers operating out of shops. This element of the marketing mix will distinguish a company from its competitors. Physical evidence can be used to charge a premium price for a service and establish a positive experience. For example all hotels provide a bed to sleep on but one of the things affecting the price charged, is the condition of the room (physical evidence) holding the bed. Customers will make judgments about the organisation based on the physical evidence. For example if you walk into a restaurant you expect a clean and friendly environment, if the restaurant is smelly or dirty, customers are likely to walk out. This is before they have even received the service.

ETHICAL ISSUES AND CONSUMERISM

The term "consumerism" has several definitions. These definitions may not be related to each other and confusingly, they conflict with each other.

1. One sense of the term relates to efforts to support consumers' interests. By the early 1970s it had become the accepted term for the field and began to be used in these ways:

a) "Consumerism" is the concept that consumers should be informed decision makers in the marketplace. Practices such as product testing make consumers informed.

b) "Consumerism" is the concept that the marketplace itself is responsible for ensuring social justice through fair economic practices. Consumer protection policies and laws compel manufacturers to make products safe.

c) "Consumerism" refers to the field of studying, regulating, or interacting with the marketplace. The consumer movement is the social movement which refers to all actions and all entities within the marketplace which give consideration to the consumer.

d) While the above definitions were becoming established, other people began using the term "consumerism" to mean "high levels of consumption". This definition has gained popularity since the 1970s and began to be used in these ways:

e) "Consumerism" is the selfish and frivolous collecting of products, or economic materialism. In protest against this, some people promote "anti-consumerism" and advocate simple living.

f) "Consumerism" is a force from the marketplace which destroys individuality and harms society. It is related to globalization and in protest against this some people promote the "anti-globalization movement"

CONSUMER PROTECTION

Consumer protection means safeguarding the interest and rights of consumers. In other words, it refers to the measures adopted for the protection of consumers from unscrupulous and unethical malpractices by the business and to provide them speedy redressal of their grievances. The most common business malpractices leading to consumer exploitation are given below.

(a) Sale of adulterated goods i.e., adding something inferior to the product being sold.

(b) Sale of spurious goods i.e., selling something of little value instead of the real product.

(c) Sale of sub-standard goods i.e., sale of goods which do not confirm to prescribed quality standards.

(d) Sale of duplicate goods.

(e) Use of false weights and measures leading to underweight.

(f) Hoarding and black-marketing leading to scarcity and rise in price.

(g) Charging more than the Maximum Retail Price (MRP) fixed for the product.

(h) Supply of defective goods.

(i) Misleading advertisements i.e., advertisements falsely claiming a product or service to be of superior quality, grade or standard.

(j) Supply of inferior services i.e., quality of service lower than the quality agreed upon

Need for Consumer Protection

The necessity of adopting measures to protect the interest of consumers arises mainly due to the helpless position of the consumers. There is no denying fact that the consumers have the basic right to be protected from the loss or injury caused on account of defective goods and deficiency of services. But they hardly use their rights due to lack of awareness, ignorance or lethargic attitude. However in view of the prevailing malpractices and their vulnerability there to, it is necessary to provide them physical safety, protection of economic interests, access to information, satisfactory product standard, and statutory measures for redressal of their grievances. The other main arguments in favour of consumer protection are as follows:

(a) Social Responsibility

The business must be guided by certain social and ethical norms. It is the moral responsibility of the business to serve the interest of consumers. Keeping in line with this principle, it is the duty of producers and traders to provide right quality and quantity of goods at fair prices to the consumers.

(b) Increasing Awareness

The consumers are becoming more mature and conscious of their rights against the malpractices by the business. There are many consumer organisations and associations who are making efforts to build consumer awareness, taking up their cases at various levels and helping them to enforce their rights.

c) Consumer Satisfaction

Father of the Nation Mahatma Gandhi had once given a call to manufactures and traders to "treat your consumers as god". Consumers' satisfaction is the key to success of business. Hence, the businessmen should take every step to serve the interests of consumers by providing them quality goods and services at reasonable price.

(d) Principle of Social Justice

Exploitation of consumers is against the directive principles of state policy as laid down in the Constitution of India. Keeping in line with this principle, it is expected from the manufacturers, traders and service providers to refrain from malpractices and take care of consumers' interest.

(e) Principle of Trusteeship

According to Gandhian philosophy, manufactures and producers are not the real owners of the business. Resources are supplied by the society. They are merely the trustees of the resources and, therefore, they should use such resources effectively for the benefit of the society, which includes the consumers.

(f)Survival and Growth of Business

The business has to serve consumer interests for their own survival and growth. On account of globalisation and increased competition, any business organisation which indulges in malpractices or fails to provide improved services to their ultimate consumer shall find it difficult to continue. Hence, they must in their own long run interest, become consumer oriented.

CONSUMER/CUSTOMER DELIGHT

Customer delight is surprising a customer by exceeding his or her expectations and thus creating a positive emotional reaction. This emotional reaction leads to word of mouth. Customer delight directly affects sales and profitability of a company as it helps to distinguish the company and its products and services from the competition. In the past customer satisfaction has been seen as a key performance indicator. Customer satisfaction measures the extent to which the expectations of a customer are met (compared to expectations being exceeded). However, it has been discovered that mere customer satisfaction does not create brand loyalty nor does it encourage positive word of mouth.

Eight principles of Consumer/Customer delight

1) Always Be Timely

In today's business world, speed is essential. If your company delays in responding to customers, you're missing a huge opportunity to capture valuable insights and feedback. Don't give your competitors an opportunity to serve your customer better and faster than you can.

2) Always Listen To Your Customers...

The Lean Startup preaches that entrepreneurs need to develop products and test them with real customers in order to build something useful. The same goes with serving your customers and understand their needs. Listen to customer feedback religiously. To this day, I still read every piece of customer feedback sent to our company and I make an effort to share those insights across the company to ensure we are continuously building the right products and features. If you don't have a "Feedback" link on your site that distributes customer feedback to your entire leadership team, add it.

3) ...But give them what they need (not always what they want)

Henry Ford said it best when he claimed, "If I had asked people what they wanted, they would have said faster horses." It's crucial to get real customer feedback on their needs and wants, but when it comes to building products you need to use your own vantage point to build something that's both realistic and useful. Some of the greatest products out there people didn't know they wanted until they arrived, and now they can't live without them.

4) Give Customers Little Things When They Don't Expect It.

Uber and Lyft are continually locked in a heated battle for market share. Anyone that uses their services knows the amount of unexpected rewards or credits they offer all the time. They know that one way to a customer's heart is showing them they care about them more than the bottom line

5) Give Customers A Point of Contact

It's very important for customers to know that they have someone they can come to with concerns or comments. Giving them a specific person as a point of contact at your business humanizes the relationship.

6) Give Customers Space

As a customer yourself, have you ever gotten too many emails from a company? It can be extremely frustrating and harmful to a business-customer relationship. Even for companies with the best intentions in mind, remember that sometimes it's best to step back and give customers space.

7) Have Policies, But Always Be Flexible

With customer service, not every situation is black and white. We have policies for how we deal with certain customer issues, but the truth is, every situation is a little different and it should be treated as such. Always be open to flexibility in order to please a customer.

8) Tell Your Customers How You Will Help Them

Many times when customers call in for support, they get told that their problem is being fixed, but they don't really know what that means. People like to know what's going on and if your customer has a problem or issue with your company, explain to them the steps you will take to solve it. The transparency will be appreciated.

CONSUMER WELFARE POLICY

Consumer welfare refers to the individual benefits derived from the consumption of goods and services. In theory, individual welfare is defined by an individual's own assessment of his/her satisfaction, given prices and income. Serve a broad range of customers for individual and group life insurance products and to remain competitive in the DepEd Automatic Payroll Deduction System financing market through better and faster service, harnessing the power of information technology to satisfy its customers' requirements and expectations regarding innovative products and services, quality of service, pricing, application process, service provisioning process, and the billing and collection process. Continuously engage with our customers through various touch points with the end in view of knowing and understanding their products and service needs, promptly addressing their concerns and identifying areas where we could further enhance customer experience. Strive to increase customer value and enhance customer experience; empower more customers including those with limited access to essential goods and services.

CONSUMER RIGHTS IN INDIA

The definition of Consumer right is 'the right to have information about the quality, potency, quantity, purity, price and standard of goods or services', as it may be the case, but the consumer is to be protected against any unfair practices of trade. It is very essential for the consumers to know these rights.

However there are strong and clear laws in India to defend consumer rights, the actual plight of consumers of India can be declared as completely dismal. Out of the various laws that have been enforced to protect the consumer rights in India, the most important is the Consumer Protection Act, 1986. According to this law, everybody, including individuals, a firm, a Hindu undivided family and a company, have the right to exercise their consumer rights for the purchase of goods and services made by them. It is significant that, as consumer, one knows the basic rights as well as about the courts and procedures that follow with the infringement of one's rights.

In general, the consumer rights in India are listed below:

The right to be protected from all kind of hazardous goods and services

The right to be fully informed about the performance and quality of all goods and services

The right to free choice of goods and services

The right to be heard in all decision-making processes related to consumer interests

The right to seek redressal, whenever consumer rights have been infringed

The right to complete consumer education

The Consumer Protection Act, 1986 and several other laws like the Weights, Standards & Measures Act can be formulated to make sure that there is fair competition in the market and free flow of correct information from goods and services providers to the ones who consume them. In fact, the degree of consumer protection in any country is regarded as the right indicator of the progress of the country. There is high level of phistication gained by the goods and services providers in their marketing and selling practices and different types of promotional tasks viz. advertising resulted in an increasing requirement for more consumer areness and protection. The government of India has realized the condition of Indian consumers therefore the Ministry of Consumer Affairs, Food and Public Distribution has incorporated the Department of Consumer Affairs as the nodal organization to protect the consumer rights, redress the consumer grievances and promote the standards governing goods and services provided in India. If there is infringement of rights of consumer then a complaint can be made under the following circumstances and reported to the close by designated

consumer court:

The goods or services purchased by a person or agreed to be purchased by a person has one or more defects or deficiencies in any respect

A trader or a service provider resort to unfair or restrictive practices of trade

A trader or a service provider if charges a price more than the price displayed on the goods or the price that was agreed upon between the parties or the price that was stipulated under any law that exist

Goods or services that bring a hazard to the safety or life of a person offered for sale, unknowingly or knowingly, that cause injury to health, safety or life.

Right to Safety

According to the Consumer Protection Act 1986, the consumer right is referred to as ‘right to be protected against marketing of goods and services which are hazardous to life and property’. It is applicable to specific areas like healthcare, pharmaceuticals and food processing, this right is spread across the domain having a serious effect on the health of the consumers or their well being viz. Automobiles, Housing, Domestic Appliances, Travel etc. When there is violation of the right then there occur medical malpractice lawsuits in the country. It is estimated every year that thousands or millions of citizens of India are killed or seriously injured by immoral practices by doctors, hospitals, pharmacies and the automobile industry. Still the government of India, known for its callousness, does not succeed in acknowledging this fact or making a feeble effort for maintaining statistics of the mishaps. The Government of India needs to have world class product testing facilities to test drugs, food, cars or any other consumable product that can prove to be a menace to life. It does not happen coincidently that Tata Nano is sold in India for half of what it costs in a country which is industrially developed ,this is a classic case of requirement of a cheap product that outweighs the need for safety of family and self. The developed countries like the United States have stalwart agencies which oversee the protection of consumer products, the Food and Drug Administration (FDA) for food and drugs, the National Highway Traffic Safety Administration (NHTSA) for automobiles and the Consumer Product Safety Commission (CPSC) for various other consumer products etc. This right needs each product which can potentially be a danger to our lives to be marketed after adequate and complete verification as well as validation. India is 50 years away, for empowering this right adequately and completely.

Right to Information

The right to information is defined as 'the right to be informed about the quality, quantity, potency, purity, standard and price of goods or services, as the case may be so as to protect the consumer against unfair trade practices' in the Consumer Protection Act of 1986. In the market place of India, consumers get information by two ways namely advertising and word of mouth however these sources are considered to be unreliable but still this word of mouth is quite common here.Because of this, the Indian consumers hardly have precise and complete information for assessing the true value, safety, suitability, reliability of any product. Usually the hidden costs can be found, lack of suitability, quality problems and safety hazards only after the purchase of the product. There is another right claimed by Indian government on paper, this right must ideally make sure that all consumable products have been labeled in a standard manner containing the cost, quantity, the ingredients and instructions given to use the product safely. It is unfortunate that even the medicines in the country do not follow a standardized labeling convention. There should be establishment of unit price publishing standards for consumer market where costs are revealed in standard units like per kg or per liter. The consumers, ought to be informed in an exact yet accurate manner for the cost involved during time of availing a loan. For providing benefit to the society through this right, advertisers must be held against the andards of products in the advertisements. The pharmaceuticals require todisclose potential side effects related to their drugs and manufacturers ought to be required to publish reports from independent product testing laboratories for the purpose of comparing the quality of their products from competitive products.

Right to Choose

The definition of Right to Choose as per the Consumer Protection Act 1986 is 'the right to be assured, wherever possible, to have access to a variety of goods and services at competitive prices'. For regulating the market place, there is just one factor required and that is competition.The existence of cartels, oligopolies and monopolies prove to be counterproductive to consumerism. The natural resources, liquor industry, telecommunications, airlines etc all are being controlled by a mafia to some or the other extent.Since the Indian consumers come from a socialistic background, the tolerating of monopolistic market is found in their blood. It is seldom seen that people want to switch the power company, in the times when they have a blackout at home.It is interesting to know that even micro markets like fish vendors in some cities are known to collude and discourage the consumers' bargaining power.No matter what size or form, or span, but collusion of various companies which sell a similar kind of product is unethical or say less legal. It can be estimated that India has to stride for about 20 more years for empowering its citizens fully in this regard.

Right to be Heard

As stated in the Consumer Protection Act 1986, 'the right to be heard and to be assured that consumer's interests will receive due consideration at appropriate forums' is the definition of the right to be heard. This right helps to empower the consumers of India for putting forward their complaints and concerns fearlessly and raising their voice against products or even companies and ensure that their issues are taken into consideration as well as handled expeditiously. However, till date the Indian Government has not formed even one outlet for hearing the consumers or their issues to be sorted out.There are a number of websites striving to do this. The major objective of Consumer is to ensure that their voices are heard by the corporate world. There is a website, Consumerdaddy.com, where consumers can upload their criticisms as well as file complaints. Every criticism filed gradually lessens the overall score of the product which is being criticized therefore each complaint is independently checked by an investigator who belonged to Consumerdaddy.com website. This website provides the consumers the benefit of doubt always, so their voice is considered over that of the company. It is believed at consumerdaddy.com, that consumer is always right, and that he is the king. In case a consumer makes an allegation regarding the product, the onus goes to the dealer, orsupplying company or manufacturer to disprove that allegation is not true.To be precise, the consumer is heard, and the load of proof goes to the company. Various attempts are made by the government for empowering the citizens with this right, and it is believed that about 10-15 years more are required for the accomplishment of this goal.

Right to Redressal

The right to seek redressal against unfair trade practices or restrictive trade practices or unscrupulous exploitation of consumers' is referred to as the right to redressal according to the Consumer Protection Act 1986.

The government of India has been bit more successful with regard to this right. The Consumer courts like District Consumer Disputes Redressal Forums at district level, State Consumer Disputes Redressal Commissions and National Consumer Disputes Redressal Commissions have been incorporated with the help of the consumer protection act. These consumer grievance redressal agencies have fiduciary as well as geographical jurisdictions which address consumer cases between businesses and consumers.About 20 lakhs Consumer cases are heard in the district consumer forum, and around one crore can be heard in the state consumer court while more than one crore cases are heard at national consumer court. It has been found that if one becomes guardian of consumer protection or consumer rights in the country these courts today are found to be ineffective because of bureaucratic sabotages, clogged cases, callousness of government and decadent infrastructure. Only some of the district forums have appointed officials for time being and majority of them are non-functional because of funding and infrastructure constraints. There are around 20-30 million open cases in India which remain unsolved and would take around 320 years to wind up. Having such type of compromised legal system the consumer cases form just civil litigations and are carried forward to the bottom of the priority list. It is estimated that India is 10 years away in effectively ensuring the right to redressal to every consumer of India.

Right to Consumer Education

The right of every Indian citizen to have education on matters regarding consumer protection as well as about her/his right is regarded as the last right provided by the Consumer Protection Act 1986. The right makes sure that the consumers in the country have informational programs and materials which are easily accessible and would enable them to make purchasing decisions which are better than before. Consumer education might refer to formal education through college and school curriculums as well as consumer awareness campaigns being run by non-governmental and governmental agencies both. Consumer NGOs, having little endorsement from the government of India, basically undertake the task of ensuring the consumer right throughout the country. India is found to be 20 years away from giving this right that gives power to the common consumer.

POSSIBLE QUESTIONS

PART-B (2 Marks)

1. Explain ethical issues and consumerism.
2. Explain the concept of marketing mix.
3. Give the explanation about consumer welfare policy.
4. What is marketing mix?
5. Define consumer welfare.
6. Explain about the Right to Consumer Education
7. What are the Principles of Social Justice?
8. Explain about Ethical issues of Distribution Decisions in marketing.
9. What is the Need for Consumer Protection?
10. Explain about the common business malpractices leading to consumer exploitation.

PART–C (8 Marks)

1. Describe the ethical issues in marketing mix.
2. Explain the concept of consumer rights in detail.
3. Discuss the ethical issues and relationship between global buyer and supplier.
4. Explain about the ethical business concept in consumer delight and consumer protection.
5. Explain about the ethical issues of consumerism and marketing mix
6. What is Quality control? Explain ethical issues in Quality control.
7. Explain ethical issues in Process, People and Physical evidence.
8. Explain about consumer protection and consumer rights.
9. What are the stages of ethical consciousness in business?
10. Explain ethical issues in Product, Price, Place and Promotion.
11. What is consumer delight? Explain the principles of consumer delight.

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KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed University Established Under Section 3 of UGC Act 1956)
Coimbatore - 641021.
(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

SUBJECT : BUSINESS ETHICS

SEMESTER : V

SUBJECT CODE : 16CCU504 B

CLASS : III B.COM CA

UNIT- III

S.No	Questions	Option 1	Option 2	Option 3	Option 4	Answer
1	Under which theory, Board composition, financial treporting, disclosure and auditing are necessary mechanisms to promote equity and fairness in the society is discussed?	Stake holders theory	Sociological theory	Agency theory	Stewardship theory	Sociological theory
2	Which theory considers the firm as an input- output model by explicitly adding all interest groups?	Sociological theory	Agency theory	Stake holders theory	Stewardship theory	Stake holders theory
3	Encouraging whistle blowing is the obligation of the management towards the	Customer	Employee	Society	Investors	Employee
4	What is consensus oriented?	Understanding of financial, legal and environmental issues	Understanding of historical, cultural and social context of the society	Understanding of customers behavior	Understanding of investors behavior	Understanding of historical, cultural and social context of the society
5	When was Cadbury Committe incorporated?	1995	1885	2000	1992	1992
6	Under Greenbury Committee, CBI stands for?	Central board of	Confedeartion of	Combined Board of	None of the above	Confedeartion of

		India	British industry	India		British industry
7	Which is one of the earliest international organisation to study the issue of corporate governance ?	RBI	World Bank	Central Bank	Federal Bank	World Bank
8	Common stock that is widely distributed among individuals describes what type of corporate governance structure?	Public.	Market.	Network.	Supervisory.	Market.
9	Which one of the following statements is true?	Conflicts of interests between management and stakeholders can result in bankruptcies or major frauds.	It is the responsibility of internal audit to design and monitor controls that reasonably assure that objectives are met.	The management board approves the mission, vision, objectives and strategy of the entity.	Corporate governance addresses the principal –agent relationship between management and directors on the one hand and the relationship between the company and suppliers on the other.	Conflicts of interests between management and stakeholders can result in bankruptcies or major frauds.
10	In a two-tier structure of corporate governance:	The chair of the non-executive board is also chair of the executive board.	Non-executives are responsible for the day-to-day operations.	Members of the supervisory board are appointed by the executive board.	CEO and chair of the board are split	CEO and chair of the board are split

11	Which of the following is not a code of corporate governance?	The sarbanes–oxley.	Vienot.	Cromme.	King.	The sarbanes–oxley.
12	According to agency theory:	The management board is the agent.	Information asymmetry does not exist.	Self-interest plays no role.	The management board is the principal	The management board is the agent.
13	Sustainability reporting consists of	Environmental issues.	Economic issues.	Social and environmental issues.	Economic, social and environmental issues.	Economic, social and environmental issues.
14	According to Anglo-Saxon best practice, the board represents	Minority shareholders.	All constituencies.	Shareholders – not other constituencies.	The employees.	Shareholders – not other constituencies.
15	XBRL refers to:	Standard language for business reporting.	A tool for generating a web-based audit report.	An automated audit tool.	Financial reporting software.	Standard language for business reporting.
16	Internal control objectives are, among others	Compliance with law and regulations.	Risk assessment.	Segregation of duties.	Control environment and monitoring	Compliance with law and regulations.
17	In agency theory Board of director are agents of	Employees	Customer	Shareholder	All of above	Shareholder
18	Agency theory refers to:	Providing value to all the company's stakeholders;	The directors acting to ensure the best interest of the shareholders are being met;	Corporations providing value by combining the key factors of production in a manner than markets cannot;	The directors existing to provide companies with the access to resources that they could not gain through	The directors acting to ensure the best interest of the shareholders are being met;

					market or management links.	
19	__________ is concerned with the branch of economics relating the behavior of principals and their agents	Financial management	Profit maximization	Agency theory	Corporate social responsibility	Agency theory
20	All constituencies with a stake in the fortunes of the company are known as ________	Shareholders	Stakeholders	Creditors	Customers	Stakeholders
21	Corporate governance success includes three key groups. Which of the following represents these three groups?	Suppliers, Managers, and Customers.	Board of Directors, Executive Officers, and common Shareholders.	Suppliers, Employees, and Customers.	Common Shareholders, Managers, and Employees.	Board of Directors, Executive Officers, and common Shareholders.
22	Ensuring a fair balance between an employee's contributions to the job and the rewards received in return from that job is the essence of	Equity theory	Expectancy theory	Agency theory	Contingency theory	Equity theory
23	Which of the following theory states that the employees work hard in the job only when they are sure of positive outcomes from that job?	Equity theory	Expectancy theory	Agency theory	Contingency theory	Expectancy theory
24	Managers never own complete responsibility for the all the decisions made by them since they are not the owners of the business is the assumption of	Equity theory	Expectancy theory	Agency theory	Contingency theory	Agency theory
25	Wages which are usually positioned above the minimum wages but below the living wages are described as	Real wages	Fair wages	Minimum wages	Living wages	Fair wages
26	The primary stakeholders are:	Customers.	Suppliers.	Shareholders.	Creditors	Shareholders.
27	The goal of corporate governance and business	Teach students	Change the way	Create more	Increase the	Create more

	ethics education is to:	their professional accountability and to uphold their personal integrity to society.	in which ethics is taught to students.	ethics standards by which corporate professionals must operat	workload for accounting students	ethics standards by which corporate professionals must operat
28	The corporate governance structure of a company reflects the individual companies':	Cultural and economic system.	Legal and business system.	Social and regulatory system.	All of the above	All of the above
29	The internal audit function is least effective when the department:	is non-independent.	is competent.	is objective	Exhibits integrity	is non-independent.
30	Under the ______________, both internal and external corporate governance mechanisms are intended to induce managerial actions that maximize profit and shareholder value	Shareholder theory.	Agency theory.	Stakeholder theory.	Corporate governance theory	Shareholder theory.
31	One of the objectives of the Sarbanes-Oxley Act was to	Increase the cost of compliance with federal regulations.	Force foreign companies to delist from u.s. Capital market exchanges.	Improve the quality and transparency of financial reporting.	Increase the compliance burden for small companies.	Improve the quality and transparency of financial reporting.
32	An organization's appropriate tone at the top promoting ethical conduct is an example of:	Ethics sensitivity.	Ethics incentives.	Ethical behavior.	Consequentialist.	Ethical behavior.
33	According to Cadbury (2002), corporate governance is an issue of power and:	Rights	Accountability	Profit	Appropriability	Accountability
34	The Institute of Chartered Accountants in England and Wales considers argue that one particular stakeholder group should have primacy	Customers	Managers	Shareholders	Society	Shareholders

	over all other groups. Which stakeholder group are they referring to?					
35	The view that sees profit maximization as the main objective is known as:	Shareholder theory	Principal-agent problem	Stakeholder theory	Corporation theory	Shareholder theory
36	Who is the most famous exponent of shareholder theory?	Michael Porter	Adam Smith	Milton Friedman	Peter Drucker	Milton Friedman
37	The key protagonist of stakeholder theory is:	Adam Smith	R. E Freeman	Adrian Cadbury	E Sternberg	R. E freeman
38	Where an organization takes into account the effect its strategic decisions have on society, this is known as:	Corporate Governance	Business Policy	Business Ethics	Corporate Social Responsibility	Corporate Social Responsibility
39	A company is viewed as the result of more or less formal “contracts”, in which several groups make some kind of contribution to the company, given a certain price’ describes what theory?	Agency theory.	Moderator of claimants theory.	Lending credibility theory.	Quasi-judicial theory.	Agency theory.
40	Which one of the following is not a theory on the demand of audit services?	Privity theory.	Theory of inspired confidence.	Agency theory.	Lending credibility theory.	Lending credibility theory.
41	Early corporate developments in India followed which theory of corporate governance?	Agency theory	Stewardship theory	Shareholder theory	Privity theory.	Agency theory
42	Which is the major theory shaping the corporate governance debate?	Stakeholder theory	Class hegemony theory	Team production theory	Agency theory	Agency theory
43	_____is a theory of organizational management and business ethics that addresses morals and values in managing an organization	Stakeholder theory	Class hegemony theory	Team production theory	Agency theory	Stakeholder theory
44	______is a theory that managers, left on their own, will act as responsible stewards of the assets they control.	Agency theory	Stewardship theory	Shareholder theory	Privity theory.	Steward ship theory
45	______theory is an alternative view of agency theory	Agency theory	Stewardship	Shareholder theory	Privity theory.	Steward ship

			theory			theory
46	According to the ASX Corporate Governance Council, corporate governance influencesall but which of the following?	How risk is monitored and assessed.	How the company determines the issue price of its shares.	How performance is optimised.	How the objectives of the company are set and achieved	How the company determines the issue price of its shares.
47	Stakeholder theory focuses:	More on providing value to the company's shareholders.	Less on providing value to all of the company's stakeholders.	More on providing value to all of the company's stakeholders.	More on providing value to the company's directors	More on providing value to all of the company's stakeholders.
48	Milton Friedman stated his belief that 'there is only one social responsibility' for a company to use its resources to:	Ensure employment	Provide good facilities for workers	Give as much to charitable causes as possible	Increase profits so long as it stays within the rules of the game	Increase profits so long as it stays within the rules of the game
49	Which of the following statements most accurately describe the nature of an ethical issue in business	Ethical issues can be resolved if you do what you think is right	Ethical issues are difficult because the results of a decision are hard to predict	Ethical issues are difficult because all the choices may do some harm	Ethical issues can be resolved by following the guidance of religious beliefs	Ethical issues are difficult because the results of a decision are hard to predict
50	If you believe in making decisions for the good of most people, you can be described as following which school of thought?	Utilitarianism	Individualism	Moral principles	Human rights	Utilitarianism

51	According to Carrol, there are four main criteria for evaluating corporate social performancWhich of the following is not one of those criteria?	Ethical responsibilities -- acting to meet a wider social interest	Legal responsibilities -- to follow prevailing laws	Economic responsibilities -- to make sufficient profit to stay in business and provide employment	Career responsibilities -- to ensure high rewards to senior managers and directors	Economic responsibilities -- to make sufficient profit to stay in business and provide employment
52	Milton Friedman argues that the justification for permitting stockholders to hire corporate executives is that an executive is an agent serving the interests of	Society	The stockholders	The common good	Social welfare	The stockholders
53	1	Agent to principal	Principal to agent	Agent to executive	Executive to agent	Agent to principal
54	R. Edward Freeman argues in favor of the ethical responsibility of the modern corporation in terms of:	Shareholders	Profit maximization	Stakeholders	Employee governance	Stakeholders
55	R. Edward Freeman argues that externalities, moral hazards, and monopoly power have led to more control of corporate decisions by	Capitalist values, like money-making	Socialist values, like collectivity	Internal stakeholders, like employees	Outside forces, like the government	Outside forces, like the government
56	Arrow insists that Milton Friedman's profit-maximization arguments could only work in a world of:	Rampant exploitation	Monopoly power	Voluntary contracts	Minimal market transparency	Voluntary contracts
57	Arrow argues that business might well improve its efficiency through the adoption of	A professional ethical code	An employee charter	A sales manifesto	A business plan	A professional ethical code
58	Under the ______________, both internal and external corporate governance mechanisms are intended to	Shareholder theory.	Agency theory.	Stakeholder theory.	Corporate governance theory	Shareholder theory.

	induce managerial actions that maximize profit and shareholder value					
59	Sustainability reporting consists of	Environmental issues.	Economic issues.	Social and environmental issues.	Economic, social and environmental issues.	Economic, social and environmental issues.
60	Which Theory considers the firm as an input- output model by explicitly adding all interest groups?	Sociological theory	Agency theory	Stake holders theory	Stewardship theory	Stake holders theory

UNIT: IV

ETHICAL ISSUES IN FINANCE: Ethical Issues in Mergers and Acquisitions- Hostile Takeover- Insider Trading-Money laundering- Ethical Issues in Accounting Professional Conduct of Accountants- Ethical Issues on a Financial Statement- Fictitious Revenue-Fraudulent Timing-Differences- Concealed Liabilities and Expenses- Fraudulent Disclosures and Omission- Fraudulent Valuation of Asset – Ethical auditing

4.1 MERGERS AND ACQUISITIONS

In a merger, two organizations join forces to become a new business, usually with a new name. Laws in India use the term Amalgamation for merger. In an acquisition, on the other hand, one business buys a second and generally smaller company which may be absorbed into the parent organization or run as a subsidiary. There are many Types of mergers and acquisitions that redefine the business world with new strategic alliances and improved corporate philosophies. From the business structure perspective, some of the most common and significant types of mergers and acquisitions are listed below:

Horizontal Merger

This kind of merger exists between two companies who compete in the same industry segment. The two companies combine their operations and gains strength in terms of improved performance, increased capital, and enhanced profits. This kind substantially reduces the number of competitors in the segment and gives a higher edge over competition for e.g. Lipton India & Brooke Bond.

Vertical Merger

Vertical merger is a kind in which two or more companies in the same industry but in different fields combine together in business. In this form, the companies in merger decide to combine all the operations and productions under one shelter.I t is like encompassing all the requirements& products of a single industry segment for e.g. Pixar-Disney Merger. Co-Generic Merger Co-generic merger is a kind in which two or more companies in association are some way or the other related to the production processes, business markets, or basic required technologies. It includes the extension of the product line or acquiring components that are all the way required in the daily operations. This kind offers great opportunities to businesses as it opens a hue gateway to diversify around a common set of resources and strategic requirements.

Conglomerate Merger

Conglomerate merger is a kind of venture in which two or more companies belonging to different industrial sectors combine their operations. All the merged companies are no way related to their kind of business and product line rather their operations overlap that of each other. This is just a unification of businesses from different verticals under one flagship enterprise or firm for e.g. Walt Disney Co. & The American Broadcasting Co.

Reasons for Merger

There are numerous reasons for companies to merge or acquire. Some of the most frequent include:

- Mergers for market dominance; economies of scale.
- Mergers for channel control.
- Mergers for risk spreading, cost cutting, synergies, defensive drivers.
- Growth for world class leadership and global reach.
- Survival; critical mass; sales maximization.
- Acquisition of cash, deferred taxes, and excess debt capacity.
- Move quickly and inexpensively.
- Flexibility; leverage.
- Bigger asset base to leverage borrowing.
- Adopt potentially disruptive technologies.
- Financial gain and personal power.
- Gaining a core competence to do more combinations.
- Acquiring talent, knowledge, and technology Reasons for Success Perhaps not surprisingly some of the major reasons for success in mergers and acquisitions include:
- Leadership
- Well-thought out goals and objectives

- Due diligence on hard and soft issues
- Well-managed M & A team
- Successful learning from previous experience
- Planning for combination and solidification steps completed early
- Key talent retained
- Extensive and timely communications to all stakeholders.
- Reasons for Failure Mergers and acquisitions fail for a variety of reasons, such as:
- Expectations are unrealistic.
- Hastily constructed strategy, poor planning, unskilled execution.
- Failure/inability to unify behind a single macro message.
- Talent is lost or mismanaged.

4.2 ETHICAL ISSUES IN MERGERS & ACQUISITIONS

- With the recent mergers and friendly and unfriendly takeovers, two important issues have not received sufficient attention as questionable ethical practices. One has to do with the rights of employees affected in mergers and acquisitions and the second concerns the responsibilities of shareholders during these activities.
- Although employees are drastically affected by a merger or an acquisition because in almost every case a number of jobs are shifted or even eliminated, employees at all levels are usually the last to find out about a merger transaction and have no part in the takeover decision. Second, if
- shareholders are the fiduciary beneficiaries of mergers and acquisitions, then it would appear that they have some responsibilities or obligations attached to these benefits. Broadly speaking:
- Utilitarian approach: It views ethics of a merger activity from the perspective of gains and losses or as actions that will increase or reduce efficiency

Rights approach:

- It holds that any action that violates anyone's rights is unethical whether it is a positive sum game or even if majority benefits from the action to opposing a merger.

Social Issues in Mergers & Acquisitions

- The social issues include matters like the name of the combined entity
- the location of its headquarters the composition of the combined board and most importantly,

Who will lead the combined company after the closing of the transaction

- Some mergers are likely to lessen

Competition & reduced competition in turn can lead to:

- Higher prices, reduced availability of goods or services, lower quality of products, and less innovation

4.3 HOSTILE TAKEOVER

A **hostile takeover** is the acquisition of one company (called the target company) by another (called the acquirer) that is accomplished by going directly to the company's shareholders or fighting to replace management to get the acquisition approved. A **hostile takeover** is a type of corporate acquisition or merger which is carried out against the wishes of the board (and usually management) of the target company.

How it works (Example):

In a *hostile takeover*, the target company's board of directors rejects the offer, but the bidder continues to pursue the acquisition. A bidder may initiate a hostile takeover through a tender offer, which means that the bidder proposes to purchase the target company's stock at a fixed price above the current market price. Another method of hostile takeover is acquiring a majority interest in the stock of the company on the open market. If that is impossible or just too expensive, a bidder may initiate a proxy fight, which means that the bidder persuades enough shareholders to replace the management of the company with one which will approve the acquisition.

Why it Matters:

Most acquisitions and mergers occur in the business world by mutual agreement -- both sides agree that all of the shareholder's interests are served best by the transaction. In those instances, both sides have a chance to evaluate the costs and benefits, assets and liabilities, and proceed with full knowledge of the risks and returns.

However, in a hostile takeover, because the management and board of the target company resist the acquisition, they usually do not share any information that is not already publicly available. As a result, the acquiring firm takes a risk and may unwittingly acquire debts or serious technical problems. In addition, the loss of key managers and leadership within the company may cause a shakeup within the target company that may disrupt its operations and threaten its viability.

4.4 INSIDER TRADING

Insider trading refers to the trading of securities by corporate insiders such as managers or executives.

How it works (Example):

Insider trading can be legal or illegal depending on if the information used to base the trade is public.

Individuals who engage in illegal insider trading attempt to benefit from trades based on information about a company not yet made public. For example, an executive of Company XYZ who purchases shares of the company based on a pending merger announcement is engaging in illegal insider trading.

However, once Company XYZ has announced the merger publicly, insiders may legally trade the shares based on the information. Insider transactions must be reported to the Securities and Exchange Commission (SEC) via Form 4.

Some investors follow legal insider trading because they believe insiders have a better insight to the financial health of a company.

For example, a CEO buying shares of his company conveys confidence in the future of the business. Meanwhile, illegal insider trading can lead to fine and even imprisonment for the guilty party.

4.5 MONEY LAUNDERING

Money laundering is the generic term used to describe the process by which criminals disguise the original ownership and control of the proceeds of criminal conduct by making such proceeds appear to have derived from a legitimate source.

The processes by which criminally derived property may be laundered are extensive. Though criminal money may be successfully laundered without the assistance of the financial sector, the reality is that hundreds of billions of dollars of criminally derived money is laundered through financial institutions, annually. The nature of the services and products offered by the financial services industry (namely managing, controlling and possessing money and property belonging to others) means that it is vulnerable to abuse by money launderers.

If you're considering developing your career in anti money laundering, find out more about joining ICA's global community here. Becoming a member today will give you access to a wealth of knowledge, tools, resources and practical support to help develop your career. Being a member of ICA also demonstrates a commitment to the highest standards of practice and conduct and enhances your professional reputation and employability.

How is the offence of money laundering committed?

Money laundering offences have similar characteristics globally. There are two key elements to a money laundering offence:

1. The necessary act of laundering itself i.e. the provision of financial services; and
2. A requisite degree of knowledge or suspicion (either subjective or objective) relating to the source of the funds or the conduct of a client.

The act of laundering is committed in circumstances where a person is engaged in an arrangement (i.e. by providing a service or product) and that arrangement involves the proceeds of crime. These arrangements include a wide variety of business relationships e.g. banking, fiduciary and investment management.

The requisite degree of knowledge or suspicion will depend upon the specific offence but will usually be present where the person providing the arrangement, service or product knows, suspects or has reasonable grounds to suspect that the property involved in the arrangement represents the proceeds of crime. In some cases the offence may also be committed where a person knows or suspects that the person with whom he or she is dealing is engaged in or has benefited from criminal conduct.

4.6 ETHICAL ISSUES IN ACCOUNTING PROFESSIONAL CONDUCT OF ACCOUNTANTS

The **ethical issues** cited in the survey are typical **issues** which might be faced by many in organisations and in **professional** practices. **Ethical issues** such as conflict of interest and failure to maintain objectivity and independence are not unique to the **accounting profession**.

A professional accountant should take qualitative as well as quantitative factors into account when considering the significance of a threat. If a professional accountant cannot implement appropriate safeguards, the professional accountant should decline or discontinue the specific professional service involved, or where necessary resign from the client (in the case of a professional accountant in public practice) or the employing organization (in the case of a professional accountant in business).

A professional accountant may inadvertently violate a provision of this Code. Such an inadvertent violation, depending on the nature and significance of the matter, may not compromise compliance with the fundamental principles provided, once the violation is discovered, the violation is corrected promptly and any necessary safeguards are applied.

A professional accountant should not be associated with reports, returns, communications or other information where they believe that the information:

(a)Contains a materially false or misleading statement;

(b)Contains statements or information furnished recklessly; or

(c)Omits or obscures information required to be included where such omission or obscurity would be misleading.

4.7 ETHICAL ISSUES ON A FINANCIAL STATEMENT

Preparing and maintaining precise and reliable financial statements is the essence of fair financial reporting. However, as practice shows, many companies are looking for ways to present their financial standing in a better light rather it actually is. The purpose for such unethical behavior could be an intention to increase a company's market capitalization, ease off the debt load or simply avoid paying dividends or fulfill contract obligations to its partners.

The most common way to present things in a better light is to increase earnings and hide costs. A simple way to boost earnings in income statements is to recognize revenues earlier than they actually occur. Fraudulent asset valuations happen when companies utilize off-balance sheet financing or create hidden reserves to show minimal income. These are the unethical accounting practices to watch for on financial statements.

Revenue Recognition

The only way a company can recognize and report earnings on a financial statement is when most of the job is complete, the costs are known and its clients are ready to pay their bills. Unethical accounting introduces fraudulent timing differences, such as recognizing revenues at the time of contract signing before producing or shipping the product. As a result, earnings may never happen due to unreliable clients that do not pay or unexpected increases in production costs. There are two primary methods of revenue recognition: the sales method and percentage of completion. The first method defines revenue at the moment of sale -- the moment when goods or services are transferred to the buyer in exchange for cash. The second method defines revenue as a percentage of the work completed -- this method is common for large-scale manufacturers, such as aircraft makers or construction companies.

Off-balance Sheet Financing

Some managers have been known to apply particular accounting methods to show little debt on the balance sheet. Off-balance sheet financing allows companies to hide expenses by putting them into joint ventures, research projects or purchasing equipment through operating leases rather than reporting the full ownership. In order to examine the reliability of debt structure, users of financial statements should also consider the influence of top managers over accounting policies.

Hidden Reserves

Creating hidden reserves is another unethical accounting method to decrease taxable income. By creating fraudulent asset valuations, a company shows less resources on the balance sheet but overstates its liabilities, such as listing buildings or land for a price below market value. By releasing hidden reserves, a company can show higher income and improve its numbers on financial statements. Therefore, savvy investors should carefully study the footnotes where companies have to state the release of hidden reserves.

4.8 FICTITIOUS REVENUE

Revenue recognized on a nonexistent sale or service transaction.

Fictitious Revenue Schemes

Fictitious revenue schemes artificially inflate a company's profits by recording phony revenues for goods or services that are never delivered. These schemes are distinguished from timing difference schemes in that with fictitious revenues, the revenue should not be recognized in any period. This is normally accomplished in one of two manners:

1. Recording journal entries for sales without attributing the sales to specific customers (e.g., "top-side" entries)
2. Recording sales attributable to fictitious customers

A third technique, recording of phony sales to legitimate customers, can be utilized but is less common.

The mechanics of fictitious revenue schemes will be illustrated through descriptions of three cases:

1. Satyam Computer Services Ltd.
2. Symmetry Medical Sheffield
3. LocatePlus Holdings Corporation

Satyam Computer Services Ltd.

One of largest reported fictitious revenue cases occurred with Satyam Computer Services Ltd., which later became Mahindra Satyam Ltd. Satyam was incorporated in India and was recognized as one of that country's largest information technology services companies. It employed more than 40,000 people in offices throughout the world.

4.9 FINANCIAL STATEMENT FRAUDULENT TIMING DIFFERENCES

Timing Differences (Including Improper Revenue Recognition)

Financial statement fraud might also involve timing differences—that is, the recording of revenues or expenses in improper periods. This can be done to shift revenues or expenses between one period and the next, increasing or decreasing earnings as desired. This practice is also referred to as *income smoothing*.

Premature Revenue Recognition

Generally, revenue should be recognised in the accounting records when a sale is complete—that is, when title is passed from the seller to the buyer. This transfer of ownership completes the sale and is usually not final until all obligations surrounding the sale are complete.

As previously discussed, in general, under IFRS revenue is recognised or recorded when it becomes realised or realisable, and earned. According to accrual accounting, revenue should not be recognised for work that is to be performed in subsequent accounting periods, even though the work might currently be under contract. In general, revenue should be recognised in the period in which the work is performed.

The core principle of the revised revenue recognition standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve compliance with this revised standard, an entity should apply the following steps:

- Step 1: Identify the contract(s) with a customer. A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- Step 2: Identify the performance obligations in the contract. A contract includes promises to transfer goods or services to a customer. If those goods or services are distinct, the promises are performance obligations and are accounted for separately.
- Step 3: Determine the transaction price. The transaction price is the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

- Step 4: Allocate the transaction price to the performance obligations in the contract. An entity usually allocates the transaction price to each performance obligation based on the comparative standalone selling prices of each distinct good or service promised in the contract. If a standalone selling price is not easily observable, it must be estimated.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. An entity recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

4.10 CONCEALED LIABILITIES AND EXPENSES

Manipulation in expenses and liabilities

Liabilities and expenses are concealed to show an unrealistically better financial position of a company. With the exclusion of liabilities and expenses, company may attempt to conceal the loan agreements and other debts from the shareholders with the intent to present a wealthy state of the corporation. Reduced amount of liabilities also reduces the gearing and strengthens the quick ratio of the company. Therefore, these might be the incentives for the organization to under record its obligations. For a bank to grant a loan to a company, the existing amount of debt is the key factor along with the future prospects that are analyzed before the finance is made available for the borrowing purposes. Company may possibly attempt to exclude a loan from its financial statements to meet the lending criteria of a bank.

Capitalization of expenses

Expenses and liabilities have a direct consequence from accounting perspective. An expense is recorded against a liability: debit entry adds to the expense whereas credit entry increases the liabilities. Accordingly, if an expense is omitted from the financial statements it reduces the amount of liabilities as well.

For instance, if an asset is capitalized instead of recording it as an expense will greatly affects the figures. A main example is research and development costs recording. Though there are explicit guidelines regarding the amount to capitalize but the manipulation is still possible. A company may capitalize its research and development cost with the rationality of its future economic benefits and undermining the remaining requirements like availability of sufficient resources to complete the research. This results in the overstatement of assets and profits due to the understatement of expenses.

Omission of expenses

An invoice from a vendor may completely be ignored and not taken into consideration while preparing the financial statements. This might have legal implications in the coming year nonetheless it has reduced the amount of expenses and overstated the profit for the current year. Similarly, court's decision against the company which requires recording may also be totally omitted from the financial statements to show the overstated profits for the current period. These omissions might be done during the valuation of a company from a potential acquirer to manipulate the profits for higher compensation. It is important to mention here that incomes can also be understated for avoiding tax and by showing less profit, distributing minimum amount among the shareholders. Other possibilities also exist that provoke a fraudster to manipulate with the accounting figures.

Detecting omissions

Analytical procedures to calculate unusual fluctuations are useful to uncover the concealed amount of liabilities. Moreover, auditors may use physical inspection of the invoices to compare it to the systems to confirm the recording at the original amount. However, if the omitted expenses and liabilities are not material to the financial statements then analytical reviews might not detect their absence. Invoices may either be overlooked while selecting the sample by the auditors or there is no invoice as it might have been thrown away by the company employees conducting fraud soon as it was received.

Provisions

Warranty costs are provisions that require an accounting adjustment if they originate a present obligation as a consequence of business dealing. The fraud in this area is conducted through deliberate omission of liability that also reduces the expense and as a result an overstated figure of profit is shown in the financial statements. Fraudster may claim that there is no present obligation in the case to reduce liabilities and expenses. Those areas which are subjective are exposed to the risk of manipulation too.

4.11 FRAUDULENT DISCLOSURES AND OMISSION

The fraudulent misrepresentation or omission of material facts related to investment recommendations made by financial advisors is considered a cause of action for a FINRA securities arbitration claim for damages. The securities fraud claims filed under Section 10(b)(5) of the Securities Exchange Act of 1934, must involve some aspects of fraud, deception, misrepresentation, non-disclosure or omission of material facts related to the purchase or sale of a security.

According to the securities industry anti-fraud regulations, an investor who lost money must prove the investment recommendations made:

- were misrepresentations or omissions of a material fact;
- were intentional, reckless;
- were in connection with the purchase of sale of a security;
- were relied upon by investors; and
- resulted in an investment loss.

An investor must prove that they reasonably relied upon the misrepresentation and as a result of the reliance on the broker's advice they suffered losses. In the event of an omission or non-disclosure of a material fact, the investor must prove that the broker had a duty to disclose the facts in question.

A securities fraud claim requires an intent on the part of the financial advisor to misrepresent or omit material information to an investor. If the misrepresentation was not intentional a negligence claim is more appropriate. The vast majority of brokerage accounts are considered non-discretionary accounts which require approval by investors of all transactions executed in their accounts. As a result, the information provided by financial advisor is relied upon by investors to make the correct decisions. If the information is incorrect or incomplete investors are at risk and brokerage firms can be held responsible for investment losses. Misrepresentation or omission of a material fact can be made in any of the following situations:

- inadequate due diligence was conducted concerning security offerings;
- failure to disclose of all material risks related to an investment;
- failure to disclose all costs related to transaction;
- forfeiture of any vested benefits from the replacement of a variable annuity;
- unrealistic assumptions for investment projections; and
- in accurate performance calculations.

Investment losses that can be attributed to a financial advisor's misrepresentation or omission of a material fact may result in a viable securities arbitration claim for damages. The misrepresentation or omission of a material fact related to an investment recommendation is a FINRA sales practice violation which may result in a viable securities arbitration claim for damages.

4.12 FINANCIAL STATEMENT FRAUD: IMPROPER ASSET VALUATION

One way to commit financial statement fraud is to manipulate the valuation of a company's assets. Typically, a fraudster artificially increases asset accounts to strengthen the company's statement of financial position and its financial ratios. In some cases, however, a fraudster might want to record phoney revenues, and overstated assets are simply a by-product of that scheme.

With the exception of certain securities, asset values are generally not increased to reflect current market value. It is often necessary to use estimates in accounting. For example, estimates are used in determining the residual value and the useful life of a depreciable asset, the uncollectible portion of accounts receivable, or the excess or obsolete portion of inventory. Whenever estimates are used, there is an additional opportunity for fraud by manipulating those estimates.

Many schemes are used to inflate current assets at the expense of long-term assets. In the case of such schemes, the net effect is seen in the current ratio, which divides current assets by current liabilities to evaluate a company's ability to satisfy its short-term obligations. By misclassifying long-term assets as short-term, the current ratio increases. This type of misclassification can be of critical concern to lending institutions that often require the maintenance of certain financial ratios. This is of particular consequence when the loan covenants are on unsecured or under-secured lines of credit and other short-term borrowings. Sometimes these misclassifications are referred to as "window dressing."

Most improper asset valuations involve the fraudulent overstatement of inventory or receivables, again with the goal being to strengthen the appearance of the statement of financial position. Other improper asset valuations include manipulation of the allocation of the purchase price of an acquired business to inflate future earnings, misclassification of fixed and other assets, or improper capitalisation of inventory or start-up costs.

Improper asset valuations usually take the form of one of the following classifications:

- Inventory valuation

- Accounts receivable
- Business combinations
- Fixed assets

Inventory Valuation

Under many countries' accounting standards, as well as IFRS, inventory should be recorded at the lower of cost or net realisable value. This means that inventory must be valued at its acquisition cost, except when the cost is determined to be higher than the net realisable value, in which case it should be written down to its net realisable value or written off altogether if it has no value. Failing to write down or write off inventory results in overstated assets and the mismatching of cost of goods sold with revenues.

Other methods by which inventory can be improperly stated include manipulation of the physical inventory count, inflation of the unit costs used to price out inventory, and failure to adjust inventory for the costs of goods sold. Fictitious inventory schemes usually involve the creation of fake documents, such as inventory count sheets and receiving reports. Many inventory reports are kept electronically, which allows the fraud examiner to total columns and perform data analysis techniques to detect these types of inventory fraud schemes.

In some instances, friendly co-conspirators claim to be holding inventory for companies in question. Other times, companies falsely report large values of inventory in transit, knowing that it would be nearly impossible for the auditors to observe. "Bill and hold" items that have already been recorded as sales might be included in the physical inventory count, as might goods owned by third parties but held by companies on consignment or for storage. There have been cases of fraudsters assembling pallets of inventory with hollow centres, placing bricks in sealed boxes instead of high-value products, and shuttling inventory overnight between locations being observed by auditors on different days so as to double count the inventory. Another possible inventory inflation strategy is for companies to insert phoney count sheets during the inventory observation or change the quantities on the count sheets.

Accounts Receivable

Accounts receivable are subject to manipulation in the same manner as sales and inventory, and in many cases the schemes are conducted together. The two most common schemes involving overstated accounts receivable are recording fictitious receivables and failing to write off uncollectable accounts receivable as a bad debt expense (or failing to establish an adequate provision for doubtful debts). Fictitious receivables commonly arise from fictitious revenues, which were discussed earlier. Generally, accounts receivable should be reported at net realisable value—that is, the amount of the receivable less the amount expected not to be collected.

At the end of each reporting period, an entity should assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has occurred, the loss must be recognised.

Suppose ABC Company has learned one of its debtors is filing for bankruptcy and will likely default on their $15,000 loan. ABC Company would need to perform the following journal entry to establish the provision for doubtful debts:

Date	Description	Debit	Credit
01/31/X1	Bad debt expense	15,000	
	Provision for doubtful debts		15,000

Once this journal entry is made, accounts receivable can be reported at net realisable value— that is, the amount of the receivable less the amount expected not to be collected. The provision for doubtful debts represents the amount expected not to be collected. It is a contra-account to accounts receivable. These two accounts are netted to arrive at the net realisable value of accounts receivable. The net realisable value of ABC Company’s receivables would be $500,000 less $15,000 or $485,000.

Fictitious Accounts Receivable

Fictitious accounts receivable go hand-in-hand with fictitious sales, as discussed in the previous section. They are common among companies with financial problems, as well as with managers who receive a commission based on sales. The typical entry under fictitious accounts receivable is to debit (increase) accounts receivable and credit (increase) sales. Of course, these schemes are more common around the end of the accounting period, since accounts receivable are expected to be paid in cash within a reasonable time. Fraudsters commonly attempt to conceal fictitious accounts receivable by providing false confirmations of balances to auditors. They get the audit confirmations because the mailing address they provide for the phoney customers is typically either a mailbox under their control, a home address, or the business address of a co-conspirator. Such schemes can be detected by using satellite imaging software, business credit reports, public records, or even the telephone book to identify significant customers who have no physical existence or no apparent business need for the product sold to them.

Failure To Write Down

Companies generally are required to write off uncollectible receivables. However, companies struggling for profits may choose to not write off bad accounts receivable in order to artificially prop up earnings. Managers can overstate their company's accounts receivable balance by failing to record bad debt expense. Bad debt expense is recorded to account for any uncollectible accounts receivable. The debit side of the entry increases bad debt expense, and the credit side of the entry increases the provision for doubtful debts, which is a contra account that is netted against accounts receivable. Therefore, if the controller fails to record bad debt expense, the provision for doubtful debts will be understated.

Business Combinations

Companies are required to allocate the purchase price they have paid to acquire another business to the tangible and intangible assets of that business. Any excess of the purchase price over the value of the acquired assets is treated as goodwill. In many countries, changes in required methods of accounting for goodwill have decreased the incentive for companies to minimise the amount allocated to goodwill that previously was required to be amortised against future earnings. However, companies might still be tempted to over-allocate the purchase price to in-process research and development assets so that they can then write them off immediately. Alternatively, they might establish excessive reserves for various expenses at the time of acquisition, intending to quietly release those excess reserves into earnings at a future date.

Fixed Assets

Bogus fixed assets can be created by a variety of methods. They are subject to manipulation through several different schemes. Some of the more common schemes involve booking fictitious assets, misrepresenting asset values, and capitalising non-asset costs.

Booking Fictitious Assets

One of the easiest methods of asset misrepresentation is the recording of fictitious assets. This false creation of assets affects account totals on a company's statement of financial position. The corresponding account commonly used is the owners' equity account. Because company assets are often physically found in many different locations, this fraud can sometimes be easily overlooked. One of the most common fictitious asset schemes is to simply create fictitious documents. In other instances, the equipment is leased, not owned, and this fact is not disclosed during the audit of fixed assets. Bogus fixed assets can sometimes be detected because the fixed asset addition makes no business sense.

Misrepresenting the Value Of Fixed Assets

Fixed assets should be recorded at cost. Although assets might appreciate in value, this increase in value should generally not be recognised on company financial statements. Many financial statement frauds have involved the reporting of fixed assets at market values instead of the lower historical (acquisition) costs, or at even higher inflated values with unreasonable valuations to support them. Misrepresentation of asset values frequently goes hand in hand with other schemes.

4.13 ETHICAL AUDITING

Neutral, third-party verifiable process to understand, measure, report on, and help improve an organization's social and environmental performance. Evaluation on an entity's moral and legitimate performance. Measures an organization's perspective and execution on that which is ethical done by a neutral, third-party. Here are some quick tips to ensure better detection of unethical practice within your business:

- Enlist an independent external auditor – This is an extremely important part of the audit process as it ensures greater objectivity and transparency. It also signifies to staff that the audit is being taken seriously and that the reports will reflect unbiased findings.
- Unannounced audits – If there is any impropriety within the business operation an announced audit defeats the opportunity of observing standard day-to-day behaviour.
- One-to-one interviews – Ideally the independent auditor should be permitted to conduct one-to-one interviews with selected members of staff from the payroll. This allows the auditor to get a better representation of the firm's activities from different points of view. Interviews also allow employees to candidly express any concerns to an objective third party.
- Monitoring continuing performance – Throughout the course of business, many things can change and only regular assessments will ensure that ethical practice is being upheld.

POSSIBLE QUESTIONS

PART-B (2 Marks)

1. Describe ethics and financial statement.
2. Write about Concealed liabilities and expenses?
3. What is fictitious revenue?
4. What is improper asset valuation?
5. Explain about the term Auditing.
6. What is Booking Fictitious Assets?
7. Explain the term Inventory Valuation.
8. Explain the concept of Manipulation in expenses and liabilities.
9. What is Conglomerate Merger?
10. What is Acquisition?
11. What is Hostile Takeover?

PART–C (8 Marks)

1. What are the ethical issues in Mergers and Acquisitions?
2. Explain about Money Laundering.
3. What are the ethical issues facing by mergers, acquisitions and hostile takeovers?
4. Discuss about ethical issues of accounting professional.
5. Discuss the terms given below:
   (1)Money laundering
   (2)Fraudulent timing
   (3)Fictitious revenue
   (4)Insider trading
6. Explain about fraudulent disclosures and omissions.
7. What is hostile takeovers and insider trading?
8. Explain about ethical auditing and fraudulent valuation of asset.
9. Briefly explain about Ethical Issues on a Financial Statement and concealed liabilities and assets.
10. What are difference of Off-balance Sheet Financing and On-balance Sheet Financing?

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KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed University Established Under Section 3 of UGC Act 1956)
Coimbatore - 641021.
(For the candidates admitted from 2016 onwards)
DEPARTMENT OF COMMERCE (CA)

SUBJECT : BUSINESS ETHICS

SEMESTER : V

SUBJECT CODE : 16CCU504 B

CLASS : III B.COM CA

UNIT -IV

S.No	Questions	option 1	option 2	option 3	option 4	Answer
1	The acronym CSR stands for	Corporate Search and Rescue	Corporate social responsibility	Corporate sensitive reliability	Corporate social reality	Corporate social responsibility
2	All those who are affected by or can affect the ~perations of the organisation are known as:	Owners	Interested parties	Stakeholders	Stockholders	Stakeholders
3	The stakeholder view of social responsibility states that organisations must respond to the needs of	Employees and customers	Shareholders and owners	All interested parties	All those who might sue the organisation	All interested parties
4	A firm is said to have good corporate social performance when:	Stockholders invest in socially responsible causes	Charitable deductions are automatically deducted from pay without the consent of employees	The company has not been convicted of ethical violations for five consecutive years	Stakeholders are satisfied with its level of social responsibility	Stakeholders are satisfied with its level of social responsibility

5	A socially responsible mutual fund will only purchase stocks in companies that	Have a no-smoking policy in place	Have a culturally diverse management team	Hire some job candidates who are hiv positive	Have good social performance	Have good social performance
6	A whistle blower is an employee who	Exposes organisational wrongdoing	Complains a lot to company management	Engages in un-ethical behavior	Referees disputes with other employees	Exposes organisational wrongdoing
7	Which one of the follciwing approaches to creating an ethical and socially responsible workplace is likely to be the most powerful?	Passing out buttons with the statement "Just Say No to Bad Ethics"	Placing posters about ethics through out the organisation	Top management acting as models of the right behavior	Including a statement about ethics and social responsibility in the employee handbook	Top management acting as models of the right behavior
8	A recommended way of minimising unethical behaviour is for employees to	Write anonymous notes to ethical violators	Immediately report all suspicious behaviour to top management	Spend part of their vacation preparing a personal philosophy of ethics	Confront fellow employees about ethical deviations	Confront fellow employees about ethical deviations
9	Corporate Social Responsibility (CSR) consists of which four kinds of responsibilities	Economic, ethical, societal, and altruistic	Economic, legal, ethical, and altruistic	Fiscal, legal, societal, and philanthropic	Economic, legal, ethical, and philanthropic	Economic, legal, ethical, and philanthropic
10	Which of the items listed is NOT a product of a "favourable corporate reputation"?	Charge more for its products and services	Attract, hire and keep higher quality applican	Enhance their access to better capital	Ignore the foreign corrupt practices act	Ignore the foreign corrupt practices act

			ts/employees	markets		
11	Employee relations, philanthropy, pricing, resource conservation, product qualityand safety, and doing business in countries that violate human rights are someobvious examples of ___________________	Social responsibility ethics that managers must decide on a daily basis	Social responsibility issues that employees must confront while at work	Areas of social responsibility that influence managers, not employees	Decisions that managers face that have a social responsibility dimension	Decisions that managers face that have a social responsibility dimension
12	The classical view of social responsibility holds that management's only socialresponsibility is to ____________________.	Maximize organizational profits for stockholders	Maximize adherence to the laws for stockholders	Maximize organizational profits for stakeholders	Minimize adherence to the laws for stockholders	Maximize organizational profits for stockholders
13	Which of the following is associated with the classical view of social responsibility?	Economist Robert Reich	Concern for social welfare	Stockholder financial return	Voluntary activities	Stockholder financial return
14	Proponents of the socioeconomic view of social responsibility believe that businessorganizations are _______	Not just merely economic institutions	Just merely economic institutions	To be leaders in social responsibility	Not to be involved in social responsibility, but to maximize profits for stakeholders	Not just merely economic institutions
15	Applying social criteria to investment decision refers to ________	Socioeconomic view	Social responsiveness	Social responsibility	Social screening	Social screening
16	______________ is defined as a business firm's obligation, beyond that required by lawand economics, to pursue long-term goals that are good for society	Social obligation	Social responsibility	Social screening	Values-based management	Social responsibility

17	The most outspoken advocate of the classical view of social responsibility iseconomist and Nobel laureate, ______	Carnegie Milton	Charles darwin	Milton freeman	Milton friedman	Milton friedman
18	The belief that businesses should be responsible because such actions are right for theirown sake is known as which argument for social responsibility?	Public expectatio n	Ethical obligatio n	Public image	Discourage ment of further government regulation	Ethical obligation
19	The belief that businesses that help solve difficult social problems create a desirablecommunity and attract and keep skilled employees is known as which argument for socialresponsibility?	Ethical obligation	Public image	Better environ ment	Possession of resources	Better environmen t
20	Carroll's model of social responsibility includes the social responsibilities categories of _____________, ____________, and _____________ plus those at the discretion of the firm.	Consumer ism; discrimina tion; environme nt	Ethical responsi bilities; discrimi nation; legal responsi bilities	Ethical responsi bilities; legal responsi bilities; economi c responsi bilities	Occupation al safety; legal responsibili ties; economic responsibili ties	Ethical responsibili ties; legal responsibili ties; economic responsibili ties
21	Ethics are moral principles and values which……	Guide a firm's behaviour	Govern the actions of an individu al	Provide employe es with rules on how to behave	Are legally enforceable	Govern the actions of an individual
22	CSR stands for	Customer Satisfactio n Ratios	Corporat e sales returns	Custome r sales ratios	Corporate social responsibili ty	Corporate social responsibili ty
23	Truthfulness in marketing	Ethics	Business ethics	Marketi ng ethics	Corporate social	Marketing ethics

	communications is an example of:				responsibility	
24	CSR is based on ________________ Theory	Stakeholder	Involvement	Ethical	Marketing	Stakeholder
25	Carroll's four part model of corporate social responsibility focuses on 4 interrelated responsibilities. Which of the following group of responsibilities is not included in this model	Economic	Legal	Ethical	Technological	Technological
26	In which dimension of CSR responsibility would you classify the issue of recycling and non wasteful packaging?	Consumer	Social and community involvements	Physical environment	Employee relations	Physical environment
27	One aim of societal marketing is to	Consider consumers needs and long-term welfare	Encourage satisfaction of short-term needs	Demand support from local communities	Form partnerships which benefit the selling organization	Consider consumers needs and long-term welfare
28	Integrity, transparency, sincerity and mutual respect are important principles for _____	E-marketing	Cause-related marketing	Reciprocal marketing	Fair trade marketing	Cause-related marketing
29	Which of the following is not a criticism of CSR	CSR is too costly	CSR encourages cynicism	CSR leads to enhanced brand reputation	CSR is misguided	CSR leads to enhanced brand reputation
30	The consumerism movement seeks to …	Protect company's rights	Protect retailer's rights	Protect advertiser's rights	Protect consumers' rights	Protect consumers' rights
31	If you joined Greenpeace you might be referred to by your friends as an	Environmentalist	Ethical economist	Philanthropist	Socialist	Environmentalist

	________					
32	Industries like to be in control and as a result prefer self-regulation to laws imposed by governments. Self regulation is often controlled by	Company law	Tribunals	Codes of practice	Common law	Codes of practice
33	The four types of social responsibility include:	Legal, philanthropic, economic, and ethical	Ethical, moral, social, and economic	Philanthropic, justice, economic, and ethical	Legal, moral, ethical, and economic	Legal, philanthropic, economic, and ethical
34	The ________ dimension of social responsibility refers to a business's societal contribution of time, money, and other resources	Ethical	Philanthropic	Volunteerism	Strategic	Philanthropic
35	A stakeholder orientation includes all of the following activities except	Generating data about stakeholder groups	Assessing the firm's effects on stakeholder groups	X distributing stakeholder information throughout the firm	Minimizing the influence of stakeholder information on the firm	Minimizing the influence of stakeholder information on the firm
36	Stakeholders are considered more important to an organization when	They can make use of their power on the organization	They do not emphasize the urgency of their issues	Their issues are not legitimate	They can express themselves articulately	They can make use of their power on the organization
37	Which of the following is a problem presented by ethics audits?	They may be used to reallocate resources.	They identify practises that need improvement.	Selecting auditors may be difficult.	They may pinpoint problems with stakeholder relationships.	Selecting auditors may be difficult.

38	The first step in the auditing process should be to secure the commitment of	Employees.	Top executives and directors.	Stockholders	Customers.	Top executives and directors.
39	Which of the following was advanced as an argument for social responsibility?	Most organisations have social objectives implied in their legal purposes.	Since society grants rights and privileges to organisations, these should be exercised responsibly.	When social consequences are involved, managers are quite capable of making the right decisions.	Unless an organisation has social goals, it should avoid them.	Since society grants rights and privileges to organisations, these should be exercised responsibly.
40	Which of the following statements about a stakeholder is true?	Seeks to influence a key aspect of operations.	Has a meaning ful stake in the organisation's performance.	Will be found in the organisation's environment.	Has made a personal financial investment in the business.	Has a meaningful stake in the organisation's performance.
41	Which of the following was not suggested as a potential benefit for the socially responsible organisation?	Being more robust in times of recession	Creating markets for environmentally friendly process technologies	Swaying public opinion	Attracting ethical investors	Being more robust in times of recession
42	Which of the following statements best describes ethics?	Ethics is concerned with how a person chooses between right and wrong.	Ethics is about values and principles.	Ethics considers how someone chooses among alternative	Each of the above covers part of the definition.	Each of the above covers part of the definition.

				courses of action.		
43	We suggested that the domain of ethics lies between two other ill-defined and changing domains. What are they?	Coercion and personal freedom	Altruism and hedonism	Free choice and law	Altruism and enlightened self-interest	Free choice and law
44	The moral course is the one that offers the greatest good to the greatest number of people.' Which approach to ethics is this?	Utilitarian	Aristotelian	Deterministic	Unitarian	Utilitarian
45	What is whistle blowing?	Announcing a high standard of ethical behaviour to persuade outsiders of the benefits of dealing with an organisation	Calling for an end to unethical practice in an organisation	Revealing unethical behaviour to superiors or outsiders	Warning colleagues of threats from unethical dealers, investors and the like	Revealing unethical behaviour to superiors or outsiders
46	What, in the context of management, best describes an amoral attitude?	Relying on others to report malefactors.	Stating, 'business is business,' and joining in.	Being blind or indifferent to moral questions.	Turning a blind eye to suspected unethical or illegal practices.	Being blind or indifferent to moral questions.
47	The hand-of-government refers to the	Ability of the government to interfere in business negotiations	Role of corporations to be profitable within the law	Effect of national politics on business decisions	Impact of changing government regulations	Role of corporations to be profitable within the law

48	An organisation's obligation to act to protect and improve society's welfare as well as its own interests is referred to as	Organisational social responsibility	Organisational social responsiveness	Corporate obligation	Business ethics	Organisational social responsibility
49	The view that business exists at society's pleasure and businesses should meet public expectations of social responsibility is the	Iron law of responsibility argument	Enlightened self-interest argument	Capacity argument	Anti-freeloader argument	Enlightened self-interest argument
50	Managerial ethics can be characterised by all of the following levels except	Immoral management	Amoral management	Demoral management	Moral management	Demoral management
51	The development of organisational decision processes where managers anticipate, respond to, and manage areas of social responsibility is	Organisational social responsibility	Organisational social obligations	Organisational social responsiveness	Organisational social welfare	Organisational social responsiveness
52	The social demands and expectations of organisations can be assessed by all of the following except	Social planning	Social forecasting	Social scanning	Social audits	Social planning
53	Management's social responsibilities include all of the following except	Economic	Caretaker	Legal	Ethical	Caretaker
54	Which of the following does not contribute to the development of a manager's standard of ethics?	Competitor behaviours	Society's norms and values	Individual life experiences	Environmental situations	Competitor behaviours
55	A document prepared to guide organisation members when encountering ethical dilemmas is a(n)	Code of conduct	List of rules and responsibilities	Code of ethics	Outline of expected behaviours	Code of ethics
56	Corporate contributions for charitable and social responsibility	Corporate philanthropy	Corporate charities	Corporate donation	Corporate discretionaries	Corporate philanthropy

	purposes is called			s		
57	Corporate social responsibility that extends beyond legal mandates can help meet societal expectations in the absence of	Statutory devices	Social tool	Cost tool and techniqu es	Science tool	Statutory devices
58	Which of the following is not a criticism of CSR	CSR is too costly	CSR encoura ges cynicis m	CSR leads to enhance d brand reputatio n	CSR is misguided	CSR leads to enhanced brand reputation
59	A socially responsible mutual fund will only purchase stocks in companies that	Have a no-smoking policy in place	Have a culturall y diverse manage ment team	Hire some job candidat es who are hiv positive	Have good social performanc e	Have good social performanc e
60	The contributive principle of distributive justice measured the contributions in terms of:	Economic quality	Minimu m standard of living	Work effort	Opportunity	Work effort

CORPORATE SOCIAL RESPONSIBILITY

UNIT: V

CORPORATE SOCIAL RESPONSIBILITY: **Meaning- Definition-Methods-Evaluation-Internal Stakeholders- Share Holders- Employees - Management; External Stakeholders-Consumers-Suppliers-Creditors-Competitore-Community; Global And Local Issues In Management-Black Money-Poverty- Child Labor- Gender Equality-Ethical Issues in MNCs-Environmental Ethics-Environmental Issues in India-Greening and Green Initiatives-Sustainable Development –Waste Management**

5.1 MEANING AND DEFINITION OF CORPORATE SOCIAL RESPONSIBILITY (CSR):

A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship

(1) through their waste and pollution reduction processes,

(2) by contributing educational and social programs, and

(3) by earning adequate returns on the employed resources.

Movement aimed at encouraging companies to be more aware of the impact of their business on the rest of society, including their own stakeholders and the environment.

Corporate social responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders.

CSR is a concept with many definitions and practices. The way it is understood and implemented differs greatly for each company and country. Moreover, CSR is a very broad concept that addresses many and various topics such as human rights, corporate governance, health and safety, environmental effects, working conditions and contribution to economic development. Whatever the definition is, the purpose of CSR is to drive change towards sustainability.

Although some companies may achieve remarkable efforts with unique CSR initiatives, it is difficult to be on the forefront on all aspects of CSR. Considering this, the example below provides good practices on one aspect of CSR – environmental sustainability.

Example

Unilever is a multinational corporation, in the food and beverage sector, with a comprehensive CSR strategy. The company has been ranked 'Food Industry leader' in the Dow Jones Sustainability World Indexes for the 11 consecutive years and ranked 7th in the 'Global 100 Most Sustainable Corporations in the World'.

One of the major and unique initiatives is the 'sustainable tea' programme. On a partnership-based model with the Rainforest Alliance (an NGO), Unilever aims to source all of its Lipton and PG Tips tea bags from Rainforest Alliance Certified™ farms by 2015. The Rainforest Alliance Certification offers farms a way to differentiate their products as being socially, economically and environmentally sustainable.

Consumers consider more than quality goods and services when choosing a brand. Many are prioritizing corporate social responsibility (CSR), and holding corporations accountable for effecting social change with their business beliefs, practices and profits. In fact, some will even turn their back on their favorite companies if they believe they're not taking a stand for societal and environmental issues.

"Corporate responsibility is simply a way for companies to take responsibility for the social and environmental impacts of their business operations," said Jen Boynton, vice president of member engagement at 3BL Media. "A robust CSR program is an opportunity for companies to demonstrate their good corporate citizenship … and protect the company from outsized risk by looking at the whole social and environmental sphere that surrounds the company."

CORPORATE SOCIAL RESPONSIBILITY

To illustrate how critical CSR has become, a 2017 study by Cone Communications found that more than 60 percent of Americans hope businesses will drive social and environmental change in the absence of government regulation. Most consumers surveyed (87 percent) said they would purchase a product because a company supported an issue they care about. More importantly, a whopping 76 percent will refuse to buy from a company if they learn it supports an issue contrary to their own beliefs.

"CSR creates a filter for the actions of a company," said Wendy Burk, CEO of Cadence Travel. "It keeps organizations accountable and ethical."

But consumers aren't the only ones who are drawn to businesses that give back. Susan Cooney, head of global diversity, equity and inclusion at Symantec, said that a company's CSR strategy is a big factor in where today's top talent chooses to work.

"The next generation of employees is seeking out employers that are focused on the triple bottom line: people, planet and revenue," said Cooney. "Coming out of the recession, corporate revenue has been getting stronger. Companies are encouraged to put that increased profit into programs that give back."

Ways to practice CSR

Recognizing how important social responsibility is to their customers, many companies now focus on and practice a few broad categories of CSR:

1. Environmental efforts: One primary focus of corporate social responsibility is the environment. Businesses regardless of size have a large carbon footprint. Any steps they can take to reduce those footprints are considered both good for the company and society.

2. Philanthropy: Businesses can also practice social responsibility by donating money, products or services to social causes. Larger companies tend to have a lot of resources that can benefit charities and local community programs.

3. Ethical labor practices: By treating employees fairly and ethically, companies can also demonstrate their corporate social responsibility. This is especially true of businesses that operate in international locations with labor laws that differ from those in the United States.

4. Volunteering: Attending volunteer events says a lot about a company's sincerity. By doing good deeds without expecting anything in return, companies can express their concern for specific issues and support for certain organizations.

5.2 METHODS AND REGULATIONS TO ENSURE CORPORATE SOCIAL RESPONSIBILITY

Nowadays business sector is becoming more and more influential and authoritative and plays one of the key roles in the development of the world society. Because the impacts of the business are so large, and with potential to be either positive or negative, governments and wider society should pay special attention to the fact that business can contribute a lot to the world sustainable development. And it is necessary to mention that business laws and regulations worldwide are becoming more uniform in response to economic globalization. The same is true of Corporate Social Responsibility (CSR).

Corporate Social Responsibility is a form of self-regulation that is integrated into a business model. CSR is the process with the aim to embrace the responsibility for the company's actions and encourage the positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders. The term CSR came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder, meaning those on whom an organization's activities have an impact.

Nowadays there are different approaches to the CSR in different parts of the world. The most common approach is corporate philanthropy. This includes monetary donations and aid given to local and non-local nonprofit organizations and communities, including donations in areas such as the arts, education, housing, health, social welfare and the environment.

CORPORATE SOCIAL RESPONSIBILITY

Another approach is garnering increasing corporate responsibility interest. This is called Creating Shared Value, or CSV. The shared value model is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and adept government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy.

Many companies use the strategy of benchmarking to compete within their respective industries in CSR policy, implementation, and effectiveness. Benchmarking involves reviewing competitor CSR initiatives, as well as measuring and evaluating the impact that those policies have on society and the environment, and how customers perceive competitor CSR strategy. After a comprehensive study of competitor strategy and an internal policy review performed, a comparison can be drawn and a strategy developed for competition with CSR initiatives.

Bearing in mind different approaches to the CSR strategy and existing beliefs that companies use CSR strategies just to raise their reputation with the public and with the government or to distract the public from ethical questions posed by their core operations, the most significant and relevant problem nowadays is to create some common regulations that will ensure that CSR strategies are used by most of the companies in fair and effective way.

Corporate Social Responsibility strategies used by the companies should include measures and activities pertaining to:

- corporate governance and ethics;
- health and safety;
- environmental stewardship;
- human rights (including core labour rights);
- sustainable development;
- conditions of work (including safety and health, hours of work, wages);
- industrial relations;
- community involvement, development and investment;

· involvement of and respect for diverse cultures and disadvantaged peoples;
· corporate philanthropy and employee volunteering;
· customer satisfaction and adherence to principles of fair competition;
· anti-bribery and anti-corruption measures;

Governments and authorities of the states must ensure that all companies are using CRS strategies in an effective and honest way. It is also desirable to encourage and stimulate other companies that have chain stores to increase their corporate responsibility as they can and should contribute to the development of the state and the world society as a whole.

5.3 EVALUATING CORPORATE SOCIAL RESPONSIBILITY/ SUSTAINABLE DEVELOPMENT

Corporate Social Responsibility (CSR) presents significant risks and opportunities for many organizations. Stakeholders expect boards and management to accept responsibility and implement strategies and controls to manage their impact on society and the environment, to engage stakeholders in their endeavors, and to inform the public about their results. The proliferation of regulation and voluntary standards has made CSR management a complex endeavor.

Internal auditors should understand the risks and controls related to CSR objectives. Where appropriate, the Chief Audit Executive (CAE) should plan to audit, facilitate control self-assessments, verify results, and/or consult on the various subjects. Internal auditors should maintain the skills and knowledge necessary to understand and evaluate the governance, risks, and controls of CSR strategies.

This guide will assist internal auditors in understanding:

- The risks (operational, reputational, etc.) associated with CSR activities and how to use such knowledge in audit planning.

- The approaches to evaluating CSR activities, including auditing, facilitating, and consulting.
- Audit considerations such as use of the audit opinion, independence and objectivity, and types of resources.
- Considerations in developing the internal audit program, including whether CSR information is consistent with standards and how management communicates and sets priorities for CSR strategies.

The guide also explains detailed approaches to auditing in the following appendices:

- Auditing by Element
- Auditing by Stakeholder Group
- Stakeholder Theory
- Additional Resources (includes references to additional Practice Guides)

5.4 STAKEHOLDERS AND CORPORATE SOCIAL RESPONSIBILITY

Let's begin this topic with quotation of Robert W. Lane, the Chairman and CEO of Deere & Company, "If you don't have honesty and integrity, you won't be able to develop effective relationships with any of your stakeholders."

These stakeholder groups form the basis of success and failure of the business. Stakeholders are individuals or groups that have interests, rights, or ownership in an organization and its activities. Customers, suppliers, employees, and shareholders are example of primary stakeholder groups. Each has interest in how an organization performs or interacts with them. These stakeholder groups can benefit from a company's success and can be harmed by its mistakes.

Secondary stakeholders are also important because they can take action that can damage or assist the organization. Secondary stakeholders include governments (especially through regulatory agencies), unions, nongovernmental organizations (NGOs), activities, political action groups, and the media.

CORPORATE SOCIAL RESPONSIBILITY

In orders to serve their stakeholders in an ethical and social manner, more and more organizations are adapting the model of corporate social responsibility. The term Corporate Social Responsibility goes by many other terms such as corporate citizenship, responsible business or simply corporate responsibility.

Stakeholders of Organization

When an organization builds ethical and social elements in its operating philosophy and integrate them in its business model, it is said to have possessed a self-regulating mechanism that guides, monitor and ensure its adherence to law, ethics, and norms in carrying out business activities that ensures the serving the interest of all external and internal stakeholders. In other words, the objective of being socially responsible business is achieved when its activities meet or exceed the expectations of all its stakeholders.

Here is a model for evaluating an organization's social performance. The model indicates that total corporate social responsibility can be subdivided into four criteria-economic, legal, ethical and discretionary responsibilities.These responsibilities are ordered from bottom to top in the following illustration. Let's discuss each one them briefly.

Economic responsibilities:

The first criterion of social responsibility is **economic responsibility**. The business institution is, above all, the basic economic unit of society. Its responsibility is to produce goods and services that a society wants and to maximise profit for its owners and shareholders. Economic responsibilities, carried to the extreme, is called **profit-maximizing view;** it was advocated by Nobel economist Milton Friedman. This view argued that a company should be operated on a profit-oriented basis, with its sole mission to increase its profits so long as is stays withing the rule of the game.

The purely profit-maximizing view is no longer considered an adequate criterion of performance in the world in general. Treating economic gain in the social as the only social responsibility can lead companies into trouble.

Legal responsibilities

All modern societies lay down ground rules, laws and regulations that businesses are expected to follow. **Legal responsibility** defines what society deems as important with respect to appropriate corporate behavior. Businesses are expected to fulfil their economic goals within the legal framework. Legal requirements are imposed by local councils, state and federal governments and their regulating agencies. Organizations that knowingly break the law are poor performers in this category. Intentionally manufacturing defective goods or billing a client for work not done is illegal. Legal sanctions may include embarrassing public apologies or corporate 'confessions'.

Ethical responsibilities

Ethical responsibility include behavior that is not necessarily codified into law and may not serve the organization's direct economic interests. To be ethical, organization's decision makers should act with equity, fairness and impartiality, respect the rights of individuals, and provide different treatments of individual only when differences between them are relevant to the organization's goals and tasks. **Unethical** behavior occurs when decisions enable an individual or organization to gain expense of society.

Discretionary responsibilities

Discretionary responsibility is purely voluntary and guided by an organization's desire to make social contributions not mandated by economics, laws or ethics. Discretionary activities include generous philanthropic contributions that offer no payback to the organization and are not expected. Discretionary responsibility is the highest criterion of social responsibility, because it goes beyond societal expectations to contribute to the community's welfare.

CORPORATE SOCIAL RESPONSIBILITY

Stakeholders and Corporate Social Responsibility

This section is concerned with the connections between CSR and stakeholders. In the way of thinking that spread in the USA and various European countries in the late 1990s, CSR is the concept that provides theoretical support for the transformation in business management from striving for quantitative expansion to striving for qualitative improvement. However, there is at present no comprehensive definition of CSR. Therefore, although there are measures of some sort for evaluating CSR, in practice, this is carried out by means of a CSR framework, consisting of a triple bottom line of economic, environmental and social issues.[3] An important issue is what stakeholder relationships are when business management is assessed from the point of view of CRS.

Considering, for example, the case of shareholders, these being some of the most important stakeholders in a corporation, they generally want good returns on their investments, and thus demand high profits, growth and share prices. If these are not achieved, they put pressure on management, via the shareholders' committee, or they simply sell their shares. In other words, the actions of shareholders constitute a major restrictive factor on a corporation's activities. On the other hand, there have been actions taken by shareholders in the context of CSR, and the roles of socially responsible investment (SRI) funds can be given as an example in this respect. SRI funds have an approach to investment that involves taking social and environmental factors into account in addition to financial performance when selecting the companies with which to invest, and these funds maintain a strong position, especially among institutional investors such as pension funds, in Europe and the USA.[4] One of the tools used by SRI funds for selection of companies in which to invest is called ‘negative screening’. This involves comparing companies with ethical criteria, and eliminating companies engaged in ethically unacceptable corporate activities. Such activities include paying low wages, having unsafe and/or unhygienic working conditions, using child labour, discriminating against ethnic minorities, polluting the environment, and supporting dictatorial regimes. If the fund judges a company to be problematic in one or more of these respects, the fund eliminates it from its list of investment-worthy companies, or, if it has already invested in it, it sells up and severs connection. In addition, shareholder activism is a method used by SRI funds. What this means is that the fund requests the companies in which it is to invest to act in accordance with the social and/or environmental concerns on which the shareholders place importance; that is, shareholders use those rights that they have, such as the rights to make decisions, to put forward motions, and to have lawsuits brought on their behalf.[5] When these options are taken into consideration, shareholders, as stakeholders, can also be seen to function as restrictive factors on CSR.

Another issue is the relationships between CSR and not-for-profit organizations (NPOs), which are increasingly being seen as stakeholders. These NPOs, which form a third sector, in addition to government and business, have in recent years become increasingly active in fields such as welfare, environmental protection, and education, and are in the process of establishing various relationships, as stakeholders, with the CSR actually carried out by corporations. As the aims and organizations of profit-making companies and NPOs are fundamentally different, there is little mutual understanding, and their relationships are therefore usually considered to be antagonistic or distant. When companies pollute the environment or have poor working conditions through prioritizing the pursuit of profit, they are sometimes vigorously criticized or aggressively exposed by NPOs. In this context, the following two international examples can be given:

1. The first company is Royal Dutch — Shell Group (Shell), a huge oil corporation. In the mid-1990s, two events occurred with gas extraction, which is the most important part of Shell's business. One of these was the problem of how to dispose of Brent Spar, an oil-storage and tanker-loading platform in the North Sea, and the other was its standing with respect to the Nigerian human-rights activist, Ken Saro-Wiwa, who was executed for his opposition to Nigeria's military dictatorship. With respect to Brent Spar, Shell proposed towing the redundant platform into the Atlantic Ocean, and sinking it in deep water, but NPOs such as Greenpeace objected to this on the grounds that it would result in water pollution, and organized an extensive boycott of Shell petrol stations. In the case of Saro-Wiwa, Shell's heavy involvement in Nigeria's economy brought it under pressure from the Nigerian government, so it was loath to get involved in politics, and made no

effective response. Shell was thus subjected to intense criticism from human rights NPOs, as having been cowed by political pressure, and putting profits first.

2. The second company was Nike, a large, global sportswear manufacturer. Nike does not run its own factories, and instead, in order to increase profits, follows an out-sourcing business model, in which manufacturing is contracted out to low-cost Chinese and South-East Asian factories. However, these factories have been sharply criticized by NPOs for having poor working conditions, involving very low wages, child labour, and sexual harassment. Initially, Nike maintained that these issues had nothing to do with Nike itself, being problems with the contract companies, and it therefore made no response to the NPOs' demands for amelioration, but this led to a large-scale boycott of Nike's goods, which had a marked negative impact on company profits.

The above cases are well known, but there have been numerous similar examples of hostile interactions between companies and NPOs. To summarize, it is clear that NPOs act as stakeholders, and are thus restrictive factors on CSR.

Finally, one entity that has an important role as a stakeholder with respect to CSR is the United Nations (UN). The UN has hosted three large-scale international conferences on global environmental protection, at Stockholm (1972), Rio de Janeiro (1992), and Johannesburg (2002), and has played an important role in the international trend towards environmental protection. At this point it is necessary to explain about the Global Compact. The Global Compact was put forward by UN President Kofi Annan at the Global Economic Forum, held at Davos in January 1999. Annan asked global business leaders to bear in mind the need for all the world's inhabitants to benefit from globalization, and his proposed Global Compact consisted of 10 basic principles, in the four areas of human rights, labour, environment and anti-corruption. Companies supporting these 10 principles pledge to abide by them, and to report yearly to the UN about their activities in these respects. In the case of companies that have signed the Global Compact, it is possible that, rather than their being motivated by an agreement with, and desire to follow, the 10 principles, their aim is to achieve status as brands that are trusted and respected by the UN, a body with very high public status. In this case, the relationship between the companies in question and the UN can be seen as one of resource exchange.

External Stakeholders: The external stakeholders include the consumers or **customers**, **suppliers**, creditors, **competitors**, and local community. Companies must cater to the needs of the **customers** for their satisfaction. They should purchase products of good quality to improve their standard of living.

Internal Stakeholders: **Internal stakeholders** are individuals or groups who are directly and/or financially involved in the operational process. This includes employees, owners, and **managers**.

5.5 SOCIAL ISSUES IN MANAGEMENT

The Social Issues in Management (SIM) Division studies the social issues, institutions, interactions, and impacts of management. The common logic of SIM scholarship is our shared interest in understanding responsible behavior by organizations and the people and groups working in and around them. Such investigation leads us to ask fundamental questions about the ethical systems, roles, functioning, and legitimacy of business institutions. Members also bridge scholarship to applied social practices, developing understanding and methods to promote social change and sustainable development.

Specifically, we address:

- Individual and organizational ethics. Descriptive, including behavioral, work covers individual characteristics, group/organizational influences, and firm-environment interactions. Prescriptive work includes ethical theories; e.g., rights and justice, and the study of norms, values, and moral principles.
- Organizational and systemic governance. The study of relationships and responsibilities covering both top-level corporate and within-organization governance, and social/environmental governance, including regulatory partnerships, corporate corruption/compliance, strategic issues/public affairs management, and corporate political activity.

- Stakeholder behaviors, relationships, and systems. Descriptive approaches illuminate interactions with multiple stakeholders; e.g., corporate philanthropy and management of natural environmental issues. Instrumental approaches investigate the impacts of stakeholder management on firm goals. Prescriptive approaches consider the organization's responsibilities to stakeholders; e.g., corporate social responsibility, corporate social performance, corporate citizenship; and stakeholders' responsibilities to the organization.

5.6 LOCAL ISSUES IN MANAGEMENT

These days, being a C-suite executive is getting more challenging by the minute. Whether trying to keep up with rapidly evolving technology, navigating a multi-generational workforce or reforming corporate harassment and discrimination policies in the wake of the Me Too movement, business leaders face a transforming workplace.

Meanwhile, on top of these relatively new concerns, executives are still struggling with age-old management challenges. Topping that list is finding and retaining talent, something that's become one of the great management mysteries of the century.

Other longstanding issues include poor communication among departments—particularly production and business—and overlooking the benefit of employee appreciation and recognition. Then there are the more technical issues regarding compensation under the federal Fair Labor Standards Act that many employers are working through.

At the end of the day, what all of these issues boil down to, essentially, is change. Being able to adapt or alter a business plan to meet the needs of today's fast-paced and constantly-changing world is crucial to solving the growing list of business management concerns.

"Change in general is a challenge. Nobody likes change," says Blane Clark, managing partner at Kean Miller's Baton Rouge office. "One aspect of this challenge is reducing the amount of time between determining that change is necessary and implementing the change because if you take too long, it will be too late."

Now's the time to act. For a head start, *Business Report* reached out to local business management experts, including Clark, to create a list of the five most pressing issues executives are dealing with today:

1. Hidden talent

Companies today are limited in growth not because they can't find business, but because they can't find and keep decent employees, says Jerry Stovall, a labor attorney at Breazeale, Sachse & Wilson. It has less to do with education and more to do with employees not being able to pass a drug test and show up on time. "Particularly in Louisiana, it's a big issue," Stovall says. Adding to the challenge is the fact that millennials, who now make up the largest share of the workforce, are notorious job-hoppers. Employers must be rigorous in identifying the specific talent they are looking for and choosing candidates who fit the bill. "If a person is not the right fit for the organization then they probably will not be talented enough to justify the hire," Clark adds. "This takes a great deal of discipline."

2. Sexual harassment scramble

"At the risk of beating a dead horse, harassment and discrimination, and sexual harassment in particular, are on the minds of most executives I'm dealing with today," Stovall says. The storm of workplace sexual harassment allegations last fall that led to the downfall of several powerful men has left businesses across all industries on edge. Their main concern, Stovall says, is whether their written harassment policies comply with the law, but they aren't sure what the law actually is. If they receive an allegation, do they believe the accuser and punish the accused? Or do they investigate and make a credibility determination as to who is telling the truth? These are difficult waters to navigate, and the problem isn't going away anytime soon. "It comes down to basic human relationships. People don't know how to turn it off," Stovall says. "I could make a lot of money if I knew how."

3. Making connections

Business leaders often need better systems to transfer relevant information across the organization to drive business decisions, says Vanessa Graham, business consultant and owner of VGraham. Most companies have some type of production system—whether it be in inventory, manufacturing, rental services or software—which measures time or units produced. Issues arise when production doesn't communicate well with the business or financial departments. "This is probably the greatest way we help businesses," Graham says. "People outgrow their systems, so they don't bring data together well." Businesses have to update their systems, practices and workflow to become more efficient and to connect operational performance with financial outcomes.

4. Appreciate who you've got

Another personnel issue that is often overlooked and can be surprisingly challenging for top-level executives is employee appreciation. "In industries that are full of pressure and heavy demands, this can be difficult," Clark says. Making employees feel appreciated, as a valuable part of an organization, can go a long way in terms of workforce productivity and retention. According to Gallup, employees who do not feel adequately recognized are twice as likely to say they'll quit within the next year.

5. Complicated compensation

Employers are finding it difficult to navigate the complexities of the Fair Labor Standards Act. This often happens when employees are misclassified as salaried exempt when they don't actually qualify, which can result in not paying employees for all hours they've worked. "These sound like relatively simple things, but in fact they are very complicated," Stovall says. Just because an employee is paid a salary doesn't mean they're exempt from overtime. They must also meet a "duties" test. The most common exempt duties classifications are executive, administrative and professional.

5.7 ETHICAL ISSUES IN MNCS

Multinational companies are fronting when doing business abroad. In a business that competes mainly in global markets, multinational companies (MNCs) operate in different social, cultural and ethical environments. This poses significant ethical dilemmas over MNCs. Particularly, choosing how to behave, is not a choice between good and bad, right and wrong, but only between the right and right choice. The first section elaborates on ethical dimensions of MNC's business and issues such as child labor, sweatshops, discrimination, environment pollution, indigenous people rights, nepotism, human rights, bribery and corruption. Questions whether MNCs have obligation or not towards suppliers, subcontractors and consumers are represented. The second section presents the ethical behavior options for companies in global business regarding ethical relativism, ethical imperialism, ethical reciprocity and universal ethics.

A multinational corporation's (MNC) ethical and social responsibility issues must be an integral part of its strategic management process. The MNC headquarters (HQ) must decide on its core ethical and social responsibility values and priorities, and, it should empower its foreign units to formulate their specific programs and strategies to respond to changing host countries' environments.

5.8 ENVIRONMENTAL ETHICS

Environmental ethics is the part of environmental philosophy which considers extending the traditional boundaries of ethics from solely including humans to including the non-human world. It exerts influence on a large range of disciplines including environmental law, environmental sociology, ecotheology, ecological economics, ecology and environmental geography**.**

What are Environmental Ethics?

Environmental ethics is a branch of ethics that studies the relation of human beings and the environment and how ethics play a role in this. Environmental ethics believe that humans are a part of society as well as other living creatures, which includes plants and animals. These items are a very important part of the world and are considered to be a functional part of human life.

Thus, it is essential that every human being respect and honor this and use morals and ethics when dealing with these creatures.

"*Environmental ethics is a branch of applied philosophy that studies the conceptual foundations of environmental values as well as more concrete issues surrounding societal attitudes, actions, and policies to protect and sustain biodiversity and ecological systems.*"

"*Environmental ethics is the part of environmental philosophy which considers extending the traditional boundaries of ethics from solely including humans to including the non-human world. It exerts influence on a large range of disciplines including environmental law, environmental sociology, ecotheology, ecological economics, ecology and environmental geography.*" Global warming, global climate change, deforestation, pollution, resource degradation, threat of extinction are few of the issues from which our planet is suffering. Environmental ethics are a key feature of environmental studies, that establishes relationship between humans and the earth. With environmental ethics, you can ensure that you are doing your part to keep the environment safe and protected. Every time that a tree is cut down to make a home or other resources are used we are using natural resources that are becoming more and more sparse to find. It is essential that you do your part to keep the environment protected and free from danger. It is not as difficult to do as you may think so long as you're willing to make a few simple and easy changes. With the rapid increase in world's population, the consumption of natural resources has increased several times. This has degraded our planet's ability to provide the services we humans need. The consumption of resources is going at a faster rate than they can naturally replenish.

Environmental ethics builds on scientific understanding by bringing human values, moral principles, and improved decision making into conversation with science. It was Earth Day in 1970 that helped to develop environmental ethics in the US, and soon thereafter the same ethics were developed in other countries including Canada and North America. This is important because the ethics of the environment are of major concern these days.

CORPORATE SOCIAL RESPONSIBILITY

Global Warming Solutions

For millions of years, the earth’s climate has naturally fluctuated, changing up from warmer periods to ice ages. However, within the past century, the earth’s temperature has increased unusually fast; 1.2 to 1.5 degrees Fahrenheit to be exact. According to research studies, human activities are hugely contributing to this unusual spike in temperatures; a phenomenon commonly referred to as global warming.

The proliferation of fossil fuels such as coal, oil and natural gas triggered by the onset of industrial revolution are the main contributors to global warming. Power plants, factories, and cars have been burning these fossils fuels since the industrial age, releasing massive amounts of greenhouse gasses. Greenhouse gasses contribute to a natural phenomenon called greenhouse effect.

Greenhouse Effect

To understand global warming, it would be beneficial to know what greenhouse effect is. The atmosphere is composed of a few gasses such as carbon dioxide, nitrous oxide, and methane. The collective name for these gasses is greenhouse gasses. If they are in the right amount, these greenhouse gasses are good.

Greenhouse gasses naturally form a circular layer wrapping around the earth. When sun rays strike the surface of the earth, some are absorbed by the earth. But a majority of them bounce back to the atmosphere. The reflected sun rays go all the way to the upper atmosphere.

In the upper atmosphere, the greenhouse gasses absorb vast quantities of heat from the reflected sun rays. Some of the heat finds way into space. The heat absorbed by greenhouse gasses meander in every direction. The absorbed heat helps in keeping the earth warm. If the heat emanating from the sun is not absorbed by these greenhouse gasses, the earth will freeze.

This point to the fact that these gasses are essential for the survival of every species living on earth such as animals, plants, and humans. This absorption of the sun's heat by greenhouse gasses to keep the earth warm is referred to as greenhouse effect. The greenhouse effect ensures that humans live happily on earth.

5.9 THE GREEN INITIATIVE

The Green Initiative has as its main objective the offsetting of Greenhouse gases emitted by human activities that can range from complex industrial production processes to simply driving a car, with reforestation projects in riparian areas that need to be recovered. The trees planted will absorb carbon dioxide from the atmosphere and provide, as well as environmental benefits, such as water and air quality preservation, and biodiversity protection.

Carbon Neutralization of the 8th Conference of the Parties to the Biological Diversity

The purpose of the Project done by The Green Initiative is the neutralization of the Greenhouse gasses (GHG) emissions related to the realization of the COP 8 through the reforestation of a degraded riparian area in the City of Curitiba . The Project will be realized in two stages and will demonstrate in a practical way a possibility to contribute at the same time to the Biodiversity and Climate Conventions.

Carbon Free CD

The Green Initiative is the first organization in Brazil to develop a **Carbon Free Album** (Compact Disc).

The musician Txai Brasil released his first album which is the first in Brazil to have its carbon emissions neutralized by reforesting 1 ha of riparian area in the State of São Paulo - Brazil.

The production, distribution and usage of the 3.000 copies caused an emission of 5.4 tonnes of CO_2 equivalent to the atmosphere which will be absorbed by the reforestation of the riparian area.

5.10 WASTE MANAGEMENT

Waste management or **waste disposal** are all the activities and actions required to manage waste from its inception to its final disposal.[1] This includes amongst other things collection, transport, treatment and disposal of waste together with monitoring and regulation. It also encompasses the legal and regulatory framework that relates to waste management encompassing guidance on recycling.

Waste can take any form that is solid, liquid, or gas and each have different methods of disposal and management. Waste management normally deals with all types of waste whether it was created in forms that are industrial, biological, household, and special cases where it may pose a threat to human health.[2] It is produced due to human activity such as when factories extract and process raw materials.[3] Waste management is intended to reduce adverse effects of waste on health, the environment or aesthetics.

Waste management practices are not uniform among countries (developed and developing nations); regions (urban and rural areas), and sectors (residential and industrial).[4]

A large portion of waste management practices deal with municipal solid waste (MSW) which is the bulk of the waste that is created by household, industrial, and commercial activity.[5]

Waste hierarchy

The waste hierarchy refers to the "3 Rs" reduce, reuse and recycle, which classifies waste management strategies according to their desirability in terms of waste minimisation. The waste hierarchy is the cornerstone of most waste minimisation strategies. The aim of the waste hierarchy is to extract the maximum practical benefits from products and to generate the minimum amount of end waste; see: resource recovery.[6] The waste hierarchy is represented as a pyramid because the basic premise is that policies should promote measures to prevent the generation of waste. The next step or preferred action is to seek alternative uses for the waste that has been generated i.e. by re-use. The next is recycling which includes composting. Following this step is material recovery and waste-to-energy. The final action is disposal, in landfills or through incineration without energy recovery. This last step is the final resort for waste which has not been prevented, diverted or recovered.[7][*page needed*] The waste hierarchy represents the progression of a product or material through the sequential stages of the pyramid of waste management. The hierarchy represents the latter parts of the life-cycle for each product.[7][*page needed*]

Life-cycle of a product

The life-cycle begins with design, then proceeds through manufacture, distribution, and primary use and then follows through the waste hierarchy's stages of reduce, reuse and recycle. Each stage in the life-cycle offers opportunities for policy intervention, to rethink the need for the product, to redesign to minimize waste potential, to extend its use. Product life-cycle analysis is a way to optimize the use of the world's limited resources by avoiding the unnecessary generation of waste.

Resource efficiency

Resource efficiency reflects the understanding that global economic growth and development can not be sustained at current production and consumption patterns. Globally, humanity extracts more resources to produce goods than the planet can replenish.[7][*page needed*] Resource efficiency is the reduction of the environmental impact from the production and consumption of these goods, from final raw material extraction to last use and disposal. This process of resource efficiency can address sustainability.

Polluter-pays principle

The polluter-pays principle mandates that the polluting party pays for the impact on the environment. With respect to waste management, this generally refers to the requirement for a waste generator to pay for appropriate disposal of the unrecoverable material.

CORPORATE SOCIAL RESPONSIBILITY

POSSIBLE QUESTIONS

PART-B (2 Marks)

1. Define Corporate Social Responsibility.
2. Explain waste management
3. Is CSR needed for Business?
4. Explain environmental issues in India.
5. Explain ethical issues in MNCs.
6. What is resource efficiency?
7. Explain about the life cycle of a product.
8. State any two examples for green initiatives.
9. Explain about ethical responsibilities of CSR.
10. Explain about 3 R's in waste management.

PART–C (8 Marks)

1. Explain about environmental ethics and environmental issues in India.
2. What are the global and local ethical issues in management?
3. Discuss Corporate Social Responsibility towards environment.
4. "Operationalizing CSR for sustainable development"-Discuss.
5. Explain the terms given below:
    (1) Consumer/Customer
    (2) Internal and external Stakeholders
    (3) Supplier, creditor and competitors
    (4)Community
6. Explain about greening and green initiatives.
7. Describe about global and local issues in management.
8. What is CSR? Explain about the evaluation methods and internal stakeholders of CSR.
9. Explain about black money, competitors, creditors and shareholders.
10. Discuss the methods of CSR in business.
11. Explain the concept of;
    (a) Gender equality
    (b) Child labor
    (c) External stakeholders
    (d) Sustainable development.

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KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore - 641021.

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

SUBJECT : BUSINESS ETHICS

SEMESTER : V

SUBJECT CODE : 16CCU504 B

CLASS : III B.COM CA

UNIT -V

S.No	Questions	option 1	option 2	option 3	option 4	Answer
1	Which of the following statements best describes Corporate Social Responsibility?	A corporation's requirement to make as much profit as possible.	A corporation's obligation to society that goes beyond the requirements of the law and economics to take into account the social and environmental impact of its decisions.	A corporation's obligation to consider the impact of its decisions on the environment.	The duty of care a corporation has to its employees and customers	A corporation's obligation to society that goes beyond the requirements of the law and economics to take into account the social and environmental impact of its decisions.

2	Which of the following arguments was not put forward by Friedman in his criticism of the idea of CSR	Managers are not experts in social welfare or in dealing with environmental problems.	Managers are the agents of the owners and should act in their best interest.	Corporations have responsibilities.	Using funds for purposes other than profit maximisation would be undemocrati	Corporations have responsibilities.
3	Which of this is not a CSR initiative	Maintaining a plant to recycle waste	Organizing sports meet for the employees	Sell products with a margin to the cost to increase profits.	Organizing blood donation camps	Sell products with a margin to the cost to increase profits.
4	What is the moral argument for CSR	That the corporation is a creation of society and should therefore serve its needs.	Business decisions will have social and environmental consequences which will be addressed by governments.	That the corporation is a legal creation and therefore cannot be a moral agent.	Large corporations do not have the power or resources to address society's problems	That the corporation is a creation of society and should therefore serve its needs.
5	What is the business case for CSR	Better motivated staff reduce operating costs.	Increased brand value and reputation.	The maintenance of the	All of these	All of these
6	What is triple bottom line	A management strategy which states all the attention should be on profits.	An accounting tool that looks at the impact on people, planet and profits.	An accounting tool that looks at cost, profit and loss.	A management strategy which focuses on corporate social responsibility	An accounting tool that looks at the impact on people, planet

						and profits.
7	____________ refers to a strategic process involving stakeholder assessment to create long-term relationships with customers, while maintaining, supporting, and enhancing the natural environment.	Eco-strategy	Green marketing	Superfund reauthorization	Recycle and reprocess management	Green marketing
8	Which of the following is NOT one of the primary elements of a strong organizational compliance program?	A written code of conduct	An ethics officer	Significant financial expenditures	A formal ethics training program	Significant financial expenditures
9	The ability to interpret and adapt successfully to different national, organizational, and professional cultures is called:	National competitiveness.	Global development.	Cultural intelligence.	Stakeholder sensitivity.	Cultural intelligence.
10	Successful global initiatives addressing standards for business must begin and end with:	The role of corporate governance and shareholder power in corporate decision making.	Social activism.	The implementation of standardized ethics programs.	The consolidation of economic and environmental efforts.	The role of corporate governance and shareholder power in corporate decision making.

11	Achieving cultural intelligence is not necessary to achieve social responsibility.	True	FALSE	Maybe	None of these	FALSE
12	The social economy partnership philosophy emphasizes:	Cooperation and assistance.	Profit maximization.	Competition.	Restricting resources and support.	Cooperation and assistance.
13	Which of the following is not a driver of responsible competitiveness?	Policy drivers	Development drivers	Business action	Social enablers	Development drivers
14	In the past, the community relations function was deemed a(n) ________ between the organization and its immediate community.	Buffer	Distraction	Irritation	Strategic necessity	Buffer
15	A firm that has become a "neighbour of choice" builds and sustains ________ within the community	Commitment	Trust	Educational opportunities	Political clout	Trust
16	To determine key areas that require support and to refine the mission statement, a company should periodically conduct	A community needs assessment.	Effective governance.	Cause-related marketing.	Community field trips.	A community needs assessment.
17	The community relations function should develop community mission statements, assess opportunities, and identify priorities for the types of contributions a	Consistently privileging one stakeholder group.	Considering only internal constituents.	Remaining independent of all stakeholder groups.	Cooperating with various internal and external constituents.	Cooperating with various internal and external constituents.

	business will make by:					
18	"Ethics deals with the right actions of individuals." Who said?	Peter F. Drucker	S. Rao	J. R. Betty	Zahe	Peter F. Drucker
19	An organisation's obligation to act to protect and improve society's welfare as well as its own interests is referred to as	Organisational social responsibility	Organisational social responsiveness	Corporate obligation	Business ethics	Organisational social responsibility
20	Corporate contributions for charitable and social responsibility purposes is called	Corporate philanthropy	Corporate charities	Corporate donations	Corporate discretionaries	Corporate philanthropy
21	Human and ethical values or qualities such as courage, vision, social awareness, fearlessness, integrity, pure and clear mind, truth et, are subjective subtle and	Intangible concepts	Subjective approach	Tangible concepts	System	Intangible concepts
22	Managers today are usually quite sensitive to issues of social responsibility and ethical behaviour because of ___________.	Interest groups	Legal and governmental concerns	Media coverage	All of the above	All of the above
23	In between the corporate extremes of working solely for the interests of stockholders and working to solve social problems is the position of being	Socially reactive	Environmentally sensitive	Professionally committed	Ecologically proactive	Socially reactive

	______________.					
24	A stakeholder can best be defined as:	The network of people who come into contact with a business.	All the organisations that work with a business.	All the suppliers, customers and employees of a business.	Any individual, group, or organisation that is affected by or can affect the activities of a business.	Any individual, group, or organisation that is affected by or can affect the activities of a business.
25	Which of the following form part of the business case for CSR?	Better motivated staff reduce operating costs.	Increased brand value and reputation.	The maintenance of the 'licence to operate'.	All of the options given.	All of the options given.
26	The most influential theory of corporate responsibility of the past century is:	The moral minimum model.	The classical model.	The social contract theory.	The stakeholder theory.	The classical model.
27	Which concerns does CSR address?	Moral & Ethical	Social & Environmental	Legal & Regulatory	Monetary & Profit	Social & Environmental
28	Which offollowing stakeholders are interested in CSR?	Customers & communes	Investors	Employees	Everyone	Everyone
29	A philanthropist is someone who	Buys products which have a positive impact on society	Boycotts products which have a negative impact on society	Both (a) and (b)	Recognises the social impact of business on society	Recognises the social impact of business on society

30	Effective management of long-term cooperative relationship necessitates that managers recognize the	Global importance of profit	Global impact of business competitiveness among large corporations	Global interdependence of economies and environments	Need to maximize profits in all economic settings	Global interdependence of economies and environments
31	In Carroll's model, a company with a(an) ______________ philosophy will put in the extra effort to fulfill discretionary responsibilities, whereas a company with a(an) ______________ philosophy will not be concerned beyond its legal responsibilities.	Activist; economic	Proactive; economic	Defensive; activist	Defensive; proactive	Defensive; proactive
32	Which principle suggests that a businessman should be guided by the 'service motto' in all his acts and decisions?	Principle of Aspirit of Service	Principle of Expectations	Principle of Human Dignity	Principle of Autonomy	Principle of Aspirit of Service
33	The Indian ethos is for the individual self to become aware, develop and contribute social welfare by linking yourself to the	Customs	Business	Cooperation and planning	Society	Customs
34	The concept of international social responsibility is the expectation that MNCs concern themselves about ______________ effects of their decisions regarding	Philosophical	Competitive	Environmental	Social and economic	Social and economic

	activities in other countries.					
35	Global corporate culture involves an integration of ____________ in which firms currently operate.	Business environments	Ecological environments	Profit environments	Technical environments	Business environments
36	Benefits derived from social responsibility include	Enhanced organizational efficiency	Producing better products	Attracting people who want to work for the firm	Both a & b	Both a & b
37	Corporate social responsibility has three components according to professors Basu and Palazzo:	Cognitive, linguistic, and cognitive	Ethical, social, authoritative	Reflective, analytic, corporative	Conceptual, sensing, assertive	Cognitive, linguistic, and cognitive
38	Which of the following is NOT an influence on organisational purposes?	Minor stakeholders.	Business ethics.	Corporate governance.	The organisational mission.	The organisational mission.
39	The governance framework determines:	Whom the organisation is there to serve.	Whom the organisation is there to serve and how the purposes and priorities of the organisation should be decide	The legal framework for the administration of the organisation.	The regulatory framework in which the organisation operates.	Whom the organisation is there to serve and how the purposes and priorities of the organisation should be decide
40	The two-tier board of an organisation is particularly useful:	In ensuring that the there is a	For managers to assert their power.	In improving operational efficiency.	In ensuring that employees can	In ensuring that the there is

		counterbalance to the power of managers.			determine strategies for the organisation.	a counterbalance to the power of managers.
41	Stakeholders are the individuals or groups who:	Depend on the organisation to fulfil their own goals and on whom the organisation depen	Are shareholders in key competitors.	Dominate the strategy development process in an organisation.	Determine operational issues	Depend on the organisation to fulfil their own goals and on whom the organisation depen
42	The purpose of stakeholder mapping is to:	Outline policies on stakeholder relationships.	Geographically locate different stakeholders.	Identify stakeholder power.	Identify stakeholder interest and power	Identify stakeholder interest and power
43	Where a stakeholder has a high level of interest in the development of an organisation, but a low level of power, strategists or managers should:	Keep these stakeholders informe	Keep these stakeholders informed and satisfie	Expend minimal effort on these stakeholders.	Treat these stakeholders as key players.	Keep these stakeholders informe
44	An indicator of power held by external stakeholders is:	The organisational perception of the status of an external party. .	Negotiating skills.	Personal relationship with a key decision-maker.	Mutual resource dependency	The organisational perception of the status of an external party. .

45	Ethical issues concerning business and public sector organisations exist at three levels:	Macro; Corporate; Individual.	Corporate; Business; Functional.	Corporate; Functional; Individual.	Business; Family; Individual.	Macro; Corporate; Individual.
46	Corporate social responsibility concerns:	How an organisation meets the expectations of its stakeholders.	The behaviour of individual managers.	External stakeholder relationships.	The ways in which an organisation exceeds its minimum required obligations to stakeholders.	The ways in which an organisation exceeds its minimum required obligations to stakeholders.
47	The cultural frames of reference include (this is not a comprehensive list): .	National; organisational field; competitors.	National; organisational; organisational field and functional/divisional.	Unions; organisational; industrial.	Organisational; colleagues; organisational field	National; organisational; organisational field and functional/divisional.
48	The "say no to drugs" campaign sponsored by an organization is an example of _____ marketing.	Cause-Related	Social	Campaign	Political	Social
49	_____ addresses the what and why of marketing activities; _____ addresses the who, where, when, and how.	Control; Audit	Evaluation; Control	Implementation; Strategy	E. Strategy; Implementation	E. Strategy; Implementation

50	_____ control aims to ensure that the company achieves the sales, profits, and other goals established in its annual plan.	Annual-plan	Profitability	Efficiency	Strategic	Annual-plan
51	Managers today are usually quite sensitive to issues of social responsibility and ethical behaviour because of __________.	Internal; External	Internal	External	B or C	Internal; External
52	1. CalPERS, the California Public Employees' Retirement System pressures the companies it invests in to engage in good corporate governance and socially responsible practices in areas such as __________________ and __________________.	Human rights and environmental responsibility	Principles and Policy	Social and Economical	Control; Audit	Human rights and environmental responsibility
53	1. In the ___________ perspective, social responsibility is seen as appropriate because it is "the right thing to do."	Duty-based	Cause-related	Social	Campaign	Duty-based
54	1. According to the Corporate Social Responsibilities (CSR) pyramid, the ___________ responsibility is considered to be of	Economic	Social	Campaign	Political	Economic

	primary importance to organizations.					
55	The three reasons that corporations should care about social responsibility are ___________, ________________ and _____________.	Social , Political, Ethical	Pragmatic reason, Ethical reason, Strategic reason	Social , Technical, Ethical	Social , Political, Technical	Pragmatic reason, ethical reason, strategic reason
56	The _________ reason that corporations should care about social responsibility stands for the proposition that corporations must anticipate stakeholder concerns and act defensively to protect their reputation and viability.	Ethical	Strategic	Pragmatic	Social	Pragmatic
57	The ________ reason for corporate social responsibility argues that businesses, as part of society, have a responsibility to behave in the right way.	Ethical	Strategic	Pragmatic	Social	Ethical
58	______ ______ _________ (3 words) are those shareholders who clearly care about the financial and the social bottom line of a business.	Socially responsible investors	Socially responsible manager	Socially respectable manager	Socially responsible shareholder	Socially responsible investors

59	Which of the items listed is NOT a product of a "favorable corporate reputation."	Attract, Hire and keep higher quality applicants/ employees	Enhance their access to better capital markets	Attract investors	Ignore the Foreign Corrupt Practices Act	Ignore the Foreign Corrupt Practice s Act
60	_______________, such as environmental damage, are costs to society that are produced by companies but not reflected in the company's cost structure.	Internal; external	Internal	Externalitie s	B or C	External ities

Reg No……………………..

16CCU504B

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University)
Established Under Section 3 of UGC Act 1956
COIMBATORE- 641021
(For the candidates admitted from 2017 onwards)
First Internal Examination – July 2018

III B.COM CA - THIRD SEMESTER

BUSINESS ETHICS

Time : 2 Hours **Maximum: 50 Marks**

PART-A (20×1=20 Marks)

CHOOSE THE CORRECT ANSWER

1. Individual actions are directed through……………..
   a) Policies b) **Culture**
   b) Associations d) Both a & b
2. A principle that describes that it would be acceptable to a group of rational, self interested persons who know they will live under it themselves is known as?
   a) **Moral** b) Basic
   c) Immoral d) None of the above
3. Moral standards are absorbed from
   a) Family & Friends b) Experience
   c) Intellectual capital d) **All of the above**
4. Morality stands for……………
   a) Nature of human being
   b) **Individual standards to decide about right or wrong**
   c) Principles of conduct governing an individual
   d) None of the above
5. Which one of the country has more collectivist culture?
   a) **USA** b) Japan
   c) Pakistan d) None of the above
6. Which philosopher of utilitarianism presents the cost-benefit analysis?
   a) Aristotle b) Mill
   c) Kant d) **Bentham**
7. In a command economy, all decisions are taken by the:
   a) People b) **Government**
   c) Voters d) Workers
8. Which one of the following is not an essential component of moral reasoning?
   a) Understanding of reasonable requirement of moral standard
   b) Evidence or information regarding these moral standards
   c) **Both a & b**
   d) None of the given options
9. Which of the following refers to the reasoning process by which human behaviors, institutions, or policies are judged to be in accordance or not with moral standards?
   a) **Moral reasoning** b) Moral duty
   c) Moral justice d) None of the above

10. Which kind of theory Utilitarianism has?

a) **Ethical** b) Conceptual
c) Behavioral d) None of the above

11. The main purpose of business ethics is to ………………..

a) Understanding ethical Uncertainities b) **Principles and concepts**
c) Application of practices d) All of the above

12. The type with which one looks only at moral rules or actions of a particular type is known as…………

a) Rule utilitarianism b) Utilitarianism
c) **Both a & b** d) None of the above

13. Literally the word ethics stand for……………..

a) **Understanding human nature** b) Study of morality
c) Properties of chemical substances d) Both 2 & 3

14. _________is a code of conduct that an individual or a group has about right and wrong.

a) Morality b) **Ethics**
c) Business Ethics d) Personal Ethics

15. Sustainability reporting consists of

(a) Environmental issues.
(b) Social and environmental issues.
(c) Economic issues.
(d) **Economic, social and environmental issues.**

16. …………………is primarily concerned with the relationship of business goals and techniques to specifically human ends

(a) **Business ethics** (b) Code of conduct
(c) Work Management (d) Principles

17. ……………..is a buzz word to employees to observe ethical norms and forms the basis for rules of conduct

(a) **Code of ethics** (b) Business Ethics
(c) Principles (d) Value

18. Fairness in employment practices centers on……….

a) Hiring no family members or friends
b) **Giving people equal rewards for accomplishing the same tasks**
c) Obeying equal employment opportunity legislation
d) Avoiding conflicts of interest

19. …………………..is the guiding principle for decision making in an economics based view of management

(a) **Profit maximization** (b) Wealth Maximization
(c) Value maximization (d) Wealth Maximization

20. Wages which are usually positioned above the minimum wages but below the living wages are described as

(a) Real wages (b) F**air wages**
(c) Minimum wages (d) Living wages

PART – B (3×2= 6 Marks)

Answer all the Questions

21. Explain in detail about corporate moral excellence.

Answer: Corporate moral excellence is the outstanding practices in managing theorganization and achieving results. It is mainly centers on the corporate culture. It is systematic use of the quality management principles and tools in business management, with the goal of improving performance based on the principles of customers focus , shareholder value, and process management. Corporate Excellence is defined as the ability of the company to outsmart Competitors consistently over a long period of time. In this context, successful organizations are different from excellent organizations. Success may be of one dimensions but excellence is of multiple dimensional in the company. In the ever-changing business environment, the following are the critical areas that facilitate the company to achieve excellence.

22. What is code of conduct?

Answer: When a company grows larger, its standard of ethical conduct tends to rise. Any unethical behavior or conduct on the part of the company shall endanger its established reputation, public image and goodwill. Hence, most companies are very cautious in this respect. They issue specific guidelines to their subordinates regarding the dealings of the company.

23. State the relationship of Law and Moral Standards.

Answer:

LAW:

1. Law regulates and controls the external human conduct. It is not concerned with inner motives. A person may be having an evil intention in his or her mind but law does not care for it.

Law will move into action only when this evil intention is translated into action and some harm is actually done to another person.

2. Law is universal in a particu-lar society. All the individuals are equally subjected to it. It does not change from man to man.

MORALITY:

1. Morality regulates and con-trols both the inner motives and the external actions. It is concerned with the whole life of man.

The province of law is thus limited as compared with that of morality because law is simply concerned with external actions and docs not take into its fold the inner motives.

PART – C (3×8= 24 Marks)
ANSWER ALL THE QUESTIONS

24. (a)What are the factors affecting business ethics?

Answer: 1. Personal Code of Ethics
A man’s personal code of ethics that is what one considers moral is the foremost responsible factor

influencing his behavior.

2. Legislation

It is already stated that the Government will intervene and enact laws only when the businessmen become too unethical and selfish and totally ignore their responsibility to the society.

3. Government Rules and Regulations

Laws support Government regulations regarding the working conditions, product safety, statutory warning etc.

3. Government Rules and Regulations

Laws support Government regulations regarding the working conditions, product safety, statutory warning etc.

5. Social Pressures

Social forces and pressures have considerable influence on ethics in business. If a company supplies sub-standard products and get involved in unethical conducts, the consumers will become indifferent towards the company.

6. Ethical Climate of the Industry

Modern industry today is working in a more and more competitive atmosphere. Hence only those firms, which strictly adhere to the ethical code, can retain its position unaffected in its line of business.

(OR)

(b)Discuss Equality of opportunity, Ethics in retirement and Ethics and Remuneration.

Answer: Equality of Opportunity

Formal equality of opportunity requires that positions and posts that confer superior advantages should be open to all applicants. Applications are assessed on their merits, and the applicant deemed most qualified according to appropriate criteria is offered the position. Alternatively, applicants are winnowed by fair competition, and the winner or winners get the superior advantages.

Ethics in retirement

The Retirement Research Foundation is a private foundation that strives to serve the public. RRF is guided by a Code of Ethics and is committed to:

- Act with honesty, truth, compassion, and integrity in all transactions and dealings
- Treat applicants and grantees fairly and show dignity and respect to every individual
- Avoid conflicts of interest and appropriately handle conflicts

Ethics and remuneration

The Ethical issues associated with Remuneration are mentioned below.

(i) Paying same remuneration to one who is serious, sincere and hardworking and also to one whose contribution is least.

(ii) Loss Suffering company being expected to declare bonus.

(iii) Paying at different rate to man and a woman doing the same kind of work.

(iv)Getting an employee signed on full pay and actually paying him less than that.

25. (a)Define Business Ethics. Discuss its nature and characteristics features in business organization.

Answer: The term 'ethics' defines the standards that bear on right and wrong issues of society. Business ethics is thus a set of professional standards, which emphasize principles of honesty and duty to the business and the general public. Business ethics has different meanings for different people, but generally it is to decide what is right or wrong in the business.

Characteristics of Business Ethics
The following are the important features of business ethics:

1. Business ethics are the principles, which govern and guide business people to perform business functions and in that sense business ethics is a discipline
2. It is considered both as a science and an art.
3. It continuously test the rules and moral standards and is dynamic in nature
4. It is based on theological principles such as sincerity, human welfare, service, good behavior etc.

Nature of ethics

The word "ethics" is connected intrinsically with questions of correct conduct within society. Etymologically, "ethics" comes from the Greek "ethos" meaning "character" which indicates a concern for virtuous people, reliable character and proper conduct. Ethics asks what we should do in some circumstance, or what we should do as participants in some form of activity or profession. Ethics is not limited to the acts of a single person.

(OR)

(b)Discuss in detail about various theories of Ethics.

Answer: Ethics is a branch of philosophy that, at its core, seeks to understand and to determine how human actions can be judged as right or wrong. We may make ethical judgments, for example, based upon our own experience or based upon the nature of or principles of reason. Those who study ethics believe that ethical decision making is based upon theory and that these theories can be classified. What follows is a very brief description of four classes of ethical theories.

1. Consequentialism

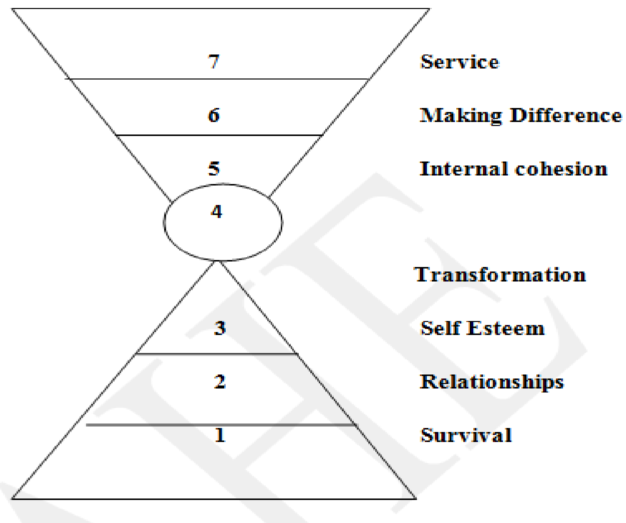
2. Kantian Deontologism

3. Natural Law

4. Virtue Ethics

26. (a)Describe stages of ethical consciousness in business.

Answer: All human group structures grow and develop in consciousness in seven well-defined stages. Each stage focuses on a particular existential need that is common to the human condition. These seven existential needs are the principal motivating forces in all human affairs.



(OR)

(b)Explain ethical issues in operation and purchase management.

Ethical Issues in Purchase Management

Ethical issues in purchasing- favoritism, accepting of gifts by suppliers, disclosing confidential information were also discussed. Purchase managers often favor suppliers who are also good customers. Thus developing a mutually beneficial relationship. In some cases, purchasing managers discriminate in favor of suppliers who are close to the top management so that they can gain the support and confidence of the top officials. Some of the most common ethical issues in international business include outsourcing, working standards and conditions, workplace diversity and equal opportunity, child labor, trust and integrity, supervisory oversight, human rights, religion, the political arena, the environment, bribery and corruption.

Ethical Issues in Operations management

Managing ethical behavior not only within operations management but within an organization as a whole is one of the nost pervasive and complex challenge of modern companies. There are three theories introduced in the literature which describe ethical leadership. These theories include transformational leadership, servant leadership, and authentic leadership. The first theory states that a leadership transforms both the leader and followers through increasing the level of conducts and aspirations.

……………………

Reg.No……………………

(16CCU504 B)

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COIMBATORE- 641021
(For the candidates admitted from 2016 onwards)
Second Internal Examination –2018
III B.Com (CA) – FIFTH SEMESTER

BUSINESS ETHICS

Time: 2 hours **Maximum: 50 Marks**

PART-A (20*1=20 Marks)

CHOOSE THE CORRECT ANSWER

1. Which of the following is not one the underlying principles of the corporate governance Combined Code of Practice?
(a) Openness (b) Integrity
(c) Accountability (d) **Acceptability**

2. Managers today are usually quite sensitive to issues of social responsibility and ethical behaviour because of __________.
(a) **Internal; External** (b) Internal
(c) External (d) Interpersonnel

3. In privately owned organizations only employees at _________ are seen indulging in corporate misgovernance
(a) Low Level (b) Mid Level Top Level
(c) All Levels (d) **Top Level**

4. Building a sustainable environment includes
(a)Developing a green supply chain
(b)Omitting hazardous emissions
(c)**Both a & b**
(d)Writing a code of ethics

5. Ethics is a …………
(a)Pure science (b)**NormativeScience**
(c)Inexact Science (d)Exact Science

6. ……… deals with the right actions of individuals
(a)Sincerity (b)Rules
(c)**Ethics** (d)Policies

7. The ultimate responsibility for maintaining an appropriate balance between management and the owners rests with:
(a)**Board of Directors** (b)Managers
(c)Shareholders (d)Regulating Entities

8. Truthfulness in marketing communications is an example of:
(a)Ethics (b)Businessethics
(c)**Marketing ethics** (d)CSR

9. An organization's appropriate tone at the top promoting ethical conduct is an example of:
(a) Ethics sensitivity (b) Ethics incentives
(c) **Ethical behavior** (d) Consequentialist

10. Fairness in employment practices centers on……….
(a) Hiring no family members or friends
(b) **Giving people equal rewards for accomplishing the same tasks**
(c)Obeying equal employment opportunity legislation
(d) Avoiding conflicts of interest

11. ……………is primarily concerned with the relationship of business goals and techniques to specifically human ends
(a) **Business ethics** (b) Code of conduct
(c)Work Management (d) Principles

12. A teleological approach to business ethics proposes that the guiding principle should be:
(a) Practice (b) Power
(c) People (d) **Purpose**

13. Which among the following are advantages of managing business ethics in the workplace?
(a) Cultivate strong team work and productivity
(b) Avoid criminal acts
(c) Lower fines
(d)**All of these**

14. ……….would be charged with implementing and administering an ethical management programme.

(a) Top management
(b) Middle management
(c) **Ethics management committee**
(d) Both a & c

15. A ....will determine its reputation. Good business ethics are essential for the long-term success of an organization

(a)Personal ethics (b)**Company's ethics**
(c)Corporate ethics (d)Business ethics

16. Integrity, transparency, sincerity and mutual respect are important principles for _____

(a) E-marketing (b) Reciprocal marketing
(c) **Cause-related marketing** (d) Fair trade marketing

17. The consumerism movement seeks to …

(a)Protect company's rights
(b)Protect retailer's rights
(c)Protect advertiser's rights
(d)**Protect consumers' rights**

18. To ensure better governance practices a strategic board should be all of these except

(a)Small Size (b) Independent
(c)**Smaller Vision** (d) Well-Informed

19. The social demands and expectations of organizations can be assessed by all of the following except

(a)**Social planning** (b)Social forecasting
(c)Social scanning (d)Social audits

20. The three major types of ethical issues include except?

(a)**Communication issues** (b) Systematic issues
(c) Corporate issues (d) Individual issues

PART – B (3*2=6 Marks)
ANSWER ALL THE QUESTIONS

21. Explain ethical issues and consumerism.

Answer: One sense of the term relates to efforts to support consumers' interests. By the early 1970s it had become the accepted term for the field and began to be used in these ways:

a) "Consumerism" is the concept that consumers should be informed decision makers in the marketplace. Practices such as product testing make consumers informed.

While the above definitions were becoming established, other people began using the term "consumerism" to mean "high levels of consumption". This definition has gained popularity since the 1970s and began to be used in these ways:

b) "Consumerism" is the selfish and frivolous collecting of products, or economic materialism. In protest against this, some people promote "anti- consumerism" and advocate simple living.

22. Elucidate the concept of marketing mix.

Answer: Marketing ethics concerns the application of ethical considerations to marketing decision making. Marketing executives who take strategic decisions often face with ethical conditions and their decisions is related to all sides of marketing mix as product, price, place and promotion. Marketing executives' ethical decision making process related to these decisions is affected by miscellaneous ways as philosophical, economical, sociological, psychological, and religious. In this study, marketing ethics is studied according to elements of marketing mix as product, price, place and promotion.

23**. Discuss about the code of ethics for purchase.**

Answer: Purchasing is the function of buying Goods & Services from External Source to an Organization. Purchase department buys Raw Materials, Spare parts, services etc. as required by the company or Organization. Purchase management is one of the most Crucial Area of the Entire Organization. A purchasing manager buys products for organizations to use or resell. They evaluate suppliers, negotiate contracts, review product quality, and often supervise purchasing agents and buyers. In smaller companies, the purchasing manager may also act as the agent or buyer.

PART – B (3*8=24 Marks)
ANSWER ALL THE QUESTIONS

24. (a) Describe the ethical issues in marketing mix.

Answer: Ethics and Product Decisions

Marketing executives face with a lot of ethical problems related to planning and application of product strategies. For example,

• In new product development process, since ethics and legal subjects are discussed less than it is needed, faulty products are put on the market and so these products damage consumers. This grows out of seeing product security as engineering problem in most.

Ethics and Pricing Decisions

Pricing is probably one of the most difficult areas of marketing when it is analyzed from the ethical point of view. Ethically, price should be equal or proportional to benefit which is taken by the consumers.

Ethics and Distribution Decisions

Ethical issues related to place grow out of enterprises, which form channel of distribution, have different needs and goals. At power relationship in the channel, if channel members to put their power which they have into bad use, this may cause an ethical problem.

Ethics and Promotion Decisions

Ethical issues related to promotion can be analysed under two headings as

• Advertising and

• Personal selling.

(OR)

(b) Explain about rights of consumers in business.

Answer: The definition of Consumer right is 'the right to have information about the quality, potency, quantity, purity, price and standard of goods or services', as it may be the case, but the consumer is to be protected against any unfair practices of trade. It is very essential for the consumers to know these rights.

In general, the consumer rights in India are listed below:

- The right to be protected from all kind of hazardous goods and services
- The right to be fully informed about the performance and quality of all goods and services
- The right to free choice of goods and services
- The right to be heard in all decision-making processes related to consumer interests
- The right to seek redressal, whenever consumer rights have been infringed
- The right to complete consumer education

25. (a) Explain the ethical problems in purchase management

Answer: Purchasing is the function of buying Goods & Services from External Source to an Organization. Purchase department buys Raw Materials, Spare parts, services etc. as required by the company or Organization. Purchase management is one of the most Crucial Area of the Entire Organization. A purchasing manager buys products for organizations to use or resell. They evaluate suppliers, negotiate contracts, review product quality, and often supervise purchasing agents and buyers. In smaller companies, the purchasing manager may also act as the agent or buyer.

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Ethical issues in purchasing- favoritism, accepting of gifts by suppliers, disclosing confidential information were also discussed. Purchase managers often favor suppliers who are also good customers. Thus developing a mutually beneficial relationship. In some cases, purchasing managers discriminate in favor of suppliers who are close to the top management so that they can gain the support and confidence of the top officials. Some of the most common ethical issues in international business include outsourcing, working standards and conditions, workplace diversity and equal opportunity, child labor, trust and integrity, supervisory oversight, human rights, religion, the political arena, the environment, bribery and corruption.

(OR)

(b) Discuss the ethical issues and relationship between global buyer and supplier.

Answer: One of the most looked through relationship in any business is the one that the buyer and supplier share. While you aspire to delivering high quality, it is important to maintain a healthy relationship with your supplier. The amount of errors in the system can actually result in unwanted outcomes.

- Understanding The Culture
- Communication gap
- Non-Transparency of Processes
- Stressed Supplier

Buyer Supplier Relationship Management Best Practices

- Damaged Delivery
- Supplier training
- The Need To Nurture
- Disharmony Amongst Buyer Supplier Chain
- Conflicts over Contract

26. (a) What is consumer delight? Explain the principles of consumer delight.

Answer: Customer delight is surprising a customer by exceeding his or her expectations and thus creating a positive emotional reaction. This emotional reaction leads to word of mouth. Customer delight directly affects sales and profitability of a company as it helps to distinguish the company and its products and services from the competition.

- Always Be Timely
- Always Listen To Your Customers
- But give them what they need (not always what they want)
- Give Customers Little Things When They Don't Expect It.
- Give Customers A Point of Contact
- Give Customers Space
- Have Policies, But Always Be Flexible
- Tell Your Customers How You Will Help Them

(OR)

(b) What is Quality control? Explain about the ethical issues in Quality Control.

The QA/QC good practice guidance outlined here reflects practicality, acceptability, cost-effectiveness, existing experience, and the potential for application on a world-wide basis. A QA/QC programme contributes to the objectives of good practice guidance, namely to improve transparency, consistency, comparability, completeness, and confidence in national inventories of emissions estimates.

Elements of a QA/QC System

The following are the major elements to be considered in the development of a QA/QC system to be implemented in tracking inventory compilation:

- •An inventory agency responsible for coordinating QA/QC activities;
- •A QA/QC plan;
- •General QC procedures ;
- •Source category-specific QC procedures ;
- •QA review procedures;
- •Reporting, documentation, and archiving procedures.

For purposes of the QA/QC system, the QC approach includes all procedures in plus additional source category-specific activities.

Reg.No……………………

(16CCU504 B)

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed to be University)
Established Under Section 3 of UGC Act 1956
COIMBATORE- 641021
(For the candidates admitted from 2016 onwards)
Third Internal Examination –2018
III B.Com (CA) – FIFTH SEMESTER

BUSINESS ETHICS

Time: 2 hours **Maximum: 50 Marks**

PART-A (20×1=20 Marks)
CHOOSE THE CORRECT ANSWER

1. The primary stakeholders are:

(a) Customers (b) Suppliers
(c) **Shareholders** (d)Creditors

2. _______________ is defined as a business firm's obligation, beyond that required by law and economics, to pursue long-term goals that are good for society

(a) Social obligation (b)**Social responsibility**
(c)Social screening (d)Value Based

3. The most outspoken advocate of the classical view of social responsibility is economist and Nobel laureate, ______

(a)Carnegie Milton (b) Charles Darwin
(c)Milton Freeman (d) **Milton Friedman**

4. The belief that businesses should be responsible because such actions are right for their own sake is known as which argument for social responsibility?

(a)Public expectation (b)**Ethical obligation**
(c)Public image (d)Discouragement

5. The belief that businesses that help solve difficult social problems create a desirable community and attract and keep skilled employees is known as which argument for social responsibility?

(a)Ethical obligation (b)Public image
(c)**Better environment** (d)Poss

6. Building a sustainable environment includes

(a)Developing a green supply chain (b) Omitting hazardous emissions
(c)**Both a & b** (d) Writing a code of ethics

7. According to the Corporate Social Responsibilities (CSR) pyramid, the __________ responsibility is considered to be of primary importance to organizations.

(a) **Economic** (b) Social
(c) Campaign (d) Political

8. ______ ______ _________ (3 words) are those shareholders who clearly care about the financial and the social bottom line of a business.

(a)**Socially responsible investors** (b)Socially responsible manager
(c)Socially respectable manager (d)Socially responsible shareholder

9. CSR is based on ________________ Theory

(a)**Stakeholder** (b)Involvement
(c)Ethical (d)Marketing

10. Which of the following is not a criticism of CSR

(a)CSR is too costly (b)CSR encourages cynicism
(c)**CSR leads to enhanced brand reputation**(d)CSR is misguided

11. The concept of international social responsibility is the expectation that MNCs concern themselves about _______________ effects of their decisions regarding activities in other countries.

(a)Philosophical (b) Competitive
(c)Environmental (d) **Social and economic**

12.Global corporate culture involves an integration of ______________ in which firms currently operate.

(a) **Business environments** (b) Ecological
(c) Profit environments (d)Technical environments

13. A teleological approach to business ethics proposes that the guiding principle should be:

(a) Practice (b) Power
(c) People (d) **Purpose**

14. A socially responsible mutual fund will only purchase stocks in companies that

(a) Have a no-smoking policy in place
(b) Have a culturally diverse management team
(c) Hire some job candidates who are HIV positive
(d) Have good social performance

15. Some companies are blending their corporate social responsibility initiatives with their marketing activities in what is called _____ marketing.

(a) Socially responsible (b) **Cause-related**
(c) Corporate responsible (d) Holistic

16. The purpose of stakeholder mapping is to:

(a) Outline policies on stakeholder relationships.
(b) Geographically locate different stakeholders.
(c) Identify stakeholder power.
(d) **Identify stakeholder interest and power**

17. Ethical issues concerning business and public sector organisations exist at three levels:

(a) **Macro; Corporate; Individual.** (b) Corporate; Business; Functional.
(c) Corporate; Functional; Individual(d) Business; Family; Individual.

18. Which concerns does CSR address?

(a) Moral & Ethical (b) **Social & Environmental**
(c) Legal & Regulatory (d) Monetary & Profit

19. Which of following stakeholders are interested in CSR?

(a) Customers & communes (b) Investors
(c) Employees (d) **Everyone**

20. Which of the following is a problem presented by ethics audits?

(a) They may be used to reallocate resources.
(b) They identify practises that need improvement.
(c) Selecting auditors may be difficult.
(d) They may pinpoint problems with stakeholder relationships.

PART – B (3×2=6 Marks)
ANSWER ALL THE QUESTIONS

PART-B

21. **Revenue** recognized on a nonexistent sale or service transaction.

Fictitious Revenue Schemes

Fictitious revenue schemes artificially inflate a company's profits by recording phony revenues for goods or services that are never delivered. These schemes are distinguished from timing difference schemes in that with fictitious revenues, the revenue should not be recognized in any period. This is normally accomplished in one of two manners:

1. Recording journal entries for sales without attributing the sales to specific customers (e.g., "top-side" entries)

2. Recording sales attributable to fictitious customers

22.
- Manipulation in expenses and liabilities
- Capitalization of expenses
- Omission of expenses
- Detecting omissions
- Provisions

23. **Waste management** or **waste disposal** are all the activities and actions required to manage waste from its inception to its final disposal .This includes amongst other things collection, transport, treatment and disposal of waste together with monitoring and regulation. It also encompasses the legal and regulatory framework that relates to waste management encompassing guidance on recycling.

PART – C (3×6=30 Marks)
ANSWER ALL THE QUESTIONS

24. (a) **Ethical Issues in Mergers, Acquisitions and Hostile Takeovers.**

- With the recent mergers and friendly and unfriendly takeovers, two important issues have not received sufficient attention as questionable ethical practices. One has to do with the rights of employees affected in mergers and acquisitions and the second concerns the responsibilities of shareholders during these activities.
- Although employees are drastically affected by a merger or an acquisition because in almost every case a number of jobs are shifted or even eliminated, employees at all levels are usually the last to find out about a merger transaction and have no part in the takeover decision. Second, if

- shareholders are the fiduciary beneficiaries of mergers and acquisitions, then it would appear that they have some responsibilities or obligations attached to these benefits. Broadly speaking:
- Utilitarian approach: It views ethics of a merger activity from the perspective of gains and losses or as actions that will increase or reduce efficiency

Rights approach:

- It holds that any action that violates anyone's rights is unethical whether it is a positive sum game or even if majority benefits from the action to opposing a merger.

Social Issues in Mergers & Acquisitions

- The social issues include matters like the name of the combined entity
- the location of its headquarters the composition of the combined board and most importantly,

Who will lead the combined company after the closing of the transaction

- Some mergers are likely to lessen

Competition & reduced competition in turn can lead to:

- Higher prices, reduced availability of goods or services, lower quality of products, and less innovation
- Some investors follow legal insider trading because they believe insiders have a better insight to the financial health of a company.

(b) The **ethical issues** cited in the survey are typical **issues** which might be faced by many in organisations and in **professional** practices. **Ethical issues** such as conflict of interest and failure to maintain objectivity and independence are not unique to the **accounting profession**.

A professional accountant should take qualitative as well as quantitative factors into account when considering the significance of a threat. If a professional accountant cannot implement appropriate safeguards, the professional accountant should decline or discontinue the specific professional service involved, or where necessary resign from the client (in the case of a professional accountant in public practice) or the employing organization (in the case of a professional accountant in business).

A professional accountant may inadvertently violate a provision of this Code. Such an inadvertent violation, depending on the nature and significance of the matter, may not compromise compliance with the fundamental principles provided, once the violation is discovered, the violation is corrected promptly and any necessary safeguards are applied.

A professional accountant should not be associated with reports, returns, communications or other information where they believe that the information:

(a)Contains a materially false or misleading statement;

(b)Contains statements or information furnished recklessly; or

(c)Omits or obscures information required to be included where such omission or obscurity would be misleading.

25. **(a)** A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship

(1) through their waste and pollution reduction processes,

(2) by contributing educational and social programs, and

(3) by earning adequate returns on the employed resources.

Nowadays business sector is becoming more and more influential and authoritative and plays one of the key roles in the development of the world society. Because the impacts of the business are so large, and with potential to be either positive or negative, governments and wider society should pay special attention to the fact that business can contribute a lot to the world sustainable development. And it is necessary to mention that business laws and regulations worldwide are becoming more uniform in response to economic globalization. The same is true of Corporate Social Responsibility (CSR).

Corporate Social Responsibility is a form of self-regulation that is integrated into a business model. CSR is the process with the aim to embrace the responsibility for the company's actions and encourage the positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders. The term CSR came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder, meaning those on whom an organization's activities have an impact.

Corporate Social Responsibility strategies used by the companies should include measures and activities pertaining to:

- corporate governance and ethics;
- health and safety;
- environmental stewardship;
- human rights (including core labour rights);
- sustainable development;
- conditions of work (including safety and health, hours of work, wages);
- industrial relations;
- community involvement, development and investment;

(b) Neutral, third-party verifiable process to understand, measure, report on, and help improve an organization's social and environmental performance. Evaluation on an entity's moral and legitimate performance. Measures an organization's perspective and execution on that which is ethical done by a neutral, third-party.

One way to commit financial statement fraud is to manipulate the valuation of a company's assets. Typically, a fraudster artificially increases asset accounts to strengthen the company's statement of financial position and its financial ratios. In some cases, however, a fraudster might want to record phoney revenues, and overstated assets are simply a by-product of that scheme.

With the exception of certain securities, asset values are generally not increased to reflect current market value. It is often necessary to use estimates in accounting. For example, estimates are used in determining the residual value and the useful life of a depreciable asset, the uncollectible portion of accounts receivable, or the excess or obsolete portion of inventory. Whenever estimates are used, there is an additional opportunity for fraud by manipulating those estimates.

26. (a) Environmental ethics is the part of environmental philosophy which considers

extending the traditional boundaries of ethics from solely including humans to including the non-human world. It exerts influence on a large range of disciplines including environmental law, environmental sociology, ecotheology, ecological economics, ecology and environmental geography**.**

"Environmental ethics is a branch of applied philosophy that studies the conceptual foundations of environmental values as well as more concrete issues surrounding societal attitudes, actions, and policies to protect and sustain biodiversity and ecological systems."

"*Environmental ethics is the part of environmental philosophy which considers extending the traditional boundaries of ethics from solely including humans to including the non-human world. It exerts influence on a large range of disciplines including environmental law, environmental sociology, ecotheology, ecological economics, ecology and environmental geography.*" Global warming, global climate change, deforestation, pollution, resource degradation, threat of extinction are few of the issues from which our planet is suffering. Environmental ethics are a key feature of environmental studies, that establishes relationship between humans and the earth. With environmental ethics, you can ensure that you are doing your part to keep the environment safe and protected. Every time that a tree is cut down to make a home or other resources are used we are using natural resources that are becoming more and more sparse to find. It is essential that you do your part to keep the environment protected and free from danger. It is not as difficult to do as you may think so long as you're willing to make a few simple and easy changes. With the rapid increase in world's population, the consumption of natural resources has increased several times. This has degraded our planet's ability to provide the services we humans need. The consumption of resources is going at a faster rate than they can naturally replenish.

(b) Individual and organizational ethics. Descriptive, including behavioral, work covers individual characteristics, group/organizational influences, and firm-environment interactions. Prescriptive work includes ethical theories; e.g., rights and justice, and the study of norms, values, and moral principles.

Organizational and systemic governance. The study of relationships and responsibilities covering both top-level corporate and within-organization governance, and social/environmental governance, including regulatory partnerships, corporate corruption/compliance, strategic issues/public affairs management, and corporate political activity.

Stakeholder behaviors, relationships, and systems. Descriptive approaches illuminate interactions with multiple stakeholders; e.g., corporate philanthropy and management of natural environmental issues. Instrumental approaches investigate the impacts of stakeholder management on firm goals. Prescriptive approaches consider the organization’s responsibilities to stakeholders; e.g., corporate social responsibility, corporate social performance, corporate citizenship; and stakeholders’ responsibilities to

These days, being a C-suite executive is getting more challenging by the minute. Whether trying to keep up with rapidly evolving technology, navigating a multi-generational workforce or reforming corporate harassment and discrimination policies in the wake of the Me Too movement, business leaders face a transforming workplace.

Meanwhile, on top of these relatively new concerns, executives are still struggling with age-old management challenges. Topping that list is finding and retaining talent, something that’s become one of the great management mysteries of the century.