Semester V

17CCU504 B	BUSINESS ETHICS	L	T	P	C
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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.

S.No.	LECTURE DURATION	TOPICSTOBECOVERED	SUPPORTMATERIALS
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**

Text Book:

1. Business Ethics and Corporate Governance. (2018), Aswathappa, Himalaya publishers.
2. 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
3. https://www.scribd.com/document/102836154/Business-Ethics-and-Corporate-Governance

4. https://accountlearning.com/factors-influencing-business-ethics-what-affects-business-ethics/

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.

An Introduction to Ethics

Ethics is not a recent discovery. Over the centuries many philosophers in their struggle with human behaviour have developed various approaches to ethics, each leading to different conclusion. The word "Ethics" which is coined from the Latin word 'Ethics' and Greek word 'Ethikos' pertains to character. Ethics is thus said to be the science of conduct. As a matter of fact it deals with certain standard of human conduct and morals.

The field of ethics involves systematising, defending and recommending concepts of right and wrong behaviour. Ethics is a mass of moral principles or set of values about what is right or wrong, true or false, fair or unfair, proper or improper, what is right is ethical and what is wrong is unethical.

Meaning and Definition of Ethics

Peter F. Drucker writes, "There is only one ethics, one set of rules of morality, one code that of individual behaviour in which the same rules apply to everyone alike." Philip Wheel Wright says, "Ethics is the branch of philosophy which is the systematic study of selective choice, of the standards of right and wrong and by which it may ultimately be directed. Swami Vivekananda has set the tone for ethics. He says "Supreme oneness is the rationale of all ethics and morality. Ethics cannot be derived from the mere sanction to any personage. Some eternal principle of truth has the sanction of ethics. Where is the eternal sanction to be found except in the only infinite reality that exists in you and us and in all, in the self, in the soul?" Discussion on ethics cannot be completed without Swami's views on ethics. He suggested ethics as the degree of faith in oneself. Ethics comes from the attainment of freedom, renunciation, which comes only when the individual attain a superior strength.

INTRODUCTION TO BUSINESS ETHICS

Nature and Objectives of Ethics

The liberalisation and globalisation being sweep changes in the concept of doing business, but the major by-product like corruption, favouritism and nepotism, deterioration of human values, series of scam in business, govt. policies and society are also produced in the 21st century. There is a loss of faith in instruments of society. Business houses are becoming big with control of large resources, human, financial and technical but their surviving purposes to society are always having the doubtful values. Day by day innocent Indians are losing their faith in laws, courts and govt. At one side business enterprise are coping up with intense emerged competition and on the other side they are violating the principles of proper public conduct. In the wake of mounting scandals corporations, all around the world are adopting ethical conduct, code of ethics. They are excellent organisations, which have shown a spurt of activity towards evaluation of goals, concepts, values management and conduct.

Objectives of Ethics

The following points discuss the need and objective for business ethics in today's era:

1. Survival of Business – If a company does not follow business ethics it will have a bad reputation in the market therefore its survival will become difficult.
2. Protecting Consumer Rights - Business ethics safe guard rights of consumers such as health and safety, proper information and choice.
3. Safeguarding employees and shareholders – Business Ethics protect employees and shareholders against unfair practices and exploitation.
4. Develops strong relations – Business Ethics result in good relations between the society and the business. It will help regulate sufficient supply, more profits and eventually better economic growth.
5. Importance of labor- Good business and work ethics help retain employees through proper salaries, job security and better working conditions. This helps a business to be more stable due to workforce loyalty.

Nature of Ethics

The nature of ethics can be explained by these points:

1. The concept of ethics is applied to human beings only as they have freedom of choice and means of free will. They can only decide the degree of ends they wish to pursue and the means to achieve the ends.
2. The study of ethics is nothing but a field of social science in which a set of systematic knowledge about moral behaviour and human conduct is learned.

3. Ethics deals with human conduct which is voluntary not forced by circumstances or humans. So we can say that at the ground level ethics deals with moral judgement regarding set directed human conduct.
4. The science of ethics is a normative science. It is a search for an ideal litmus test of proper behaviour. Normative science involves arriving at moral standards that regulate right and wrong conduct.

Business Ethics:

In any organisation from top executive to bottom line employees, ethics is considered as everybody business. It is not just only achieving high level of economic performance but also to conduct one of business's most important social challenges, ethically at the same time. Here what we get a combination of two familiar words—'Ethics and Business' in 'Business Ethics'. Different meaning is given to business as follows:

- Business ethics are the application of general ethical rules to business behaviour.
- Business ethics are rules of business by which propriety of business activity may be judged.

According to John Donalds on Business ethics in short can be desired as the systematic study of ethical matters pertaining to business industry or related activities, institutions and beliefs. Business ethics is the systematic handling of values in business and industry.

- Business ethics concentrate on moral standard as they apply to business policies, institutions and behaviour. It is a specialised study of moral right or wrong. It is a form of applied ethics.
- Business ethics are nothing but the application of ethics in business. It proves that business can be and have been ethical and still make profits. Today more and more interest is being given to the application of ethical practices in business dealings and the ethical implications of business.

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 this situation.

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.

CHARACTERISTICS OF BUSINESS ETHICS:

The following are the important features of business ethics:

Business ethics are the principles, which govern and guide business people to perform business functions and in that sense business ethics is a discipline It is considered both as a science and an art.

1. It continuously test the rules and moral standards and is dynamic in nature
2. It is based on theological principles such as sincerity, human welfare, service, good behavior etc. It is based on reality and social customs prevailing in business environment.
3. It studies the activities, decisions and behavior which are related to human beings

4. It has universal application because business exists all over the world Many of the ethical principles develop the personal dignity
5. 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 businesss. 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.

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.

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.

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.

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.

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

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.

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.

THEORIES OF ETHICS

INTRODUCTION TO BUSINESS 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

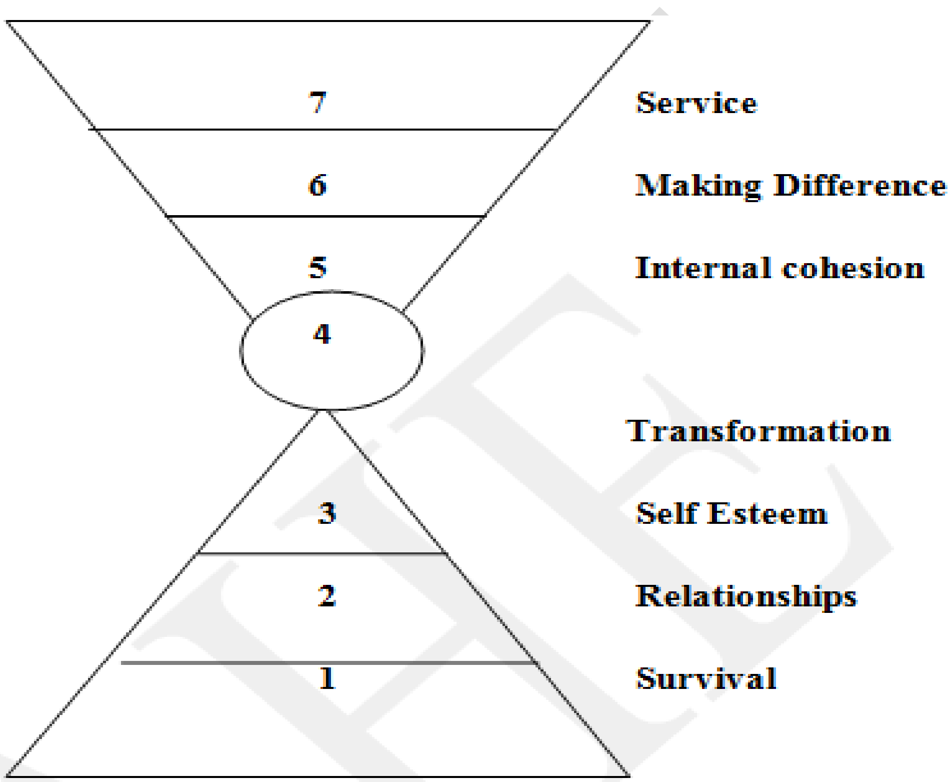
Virtue ethics consists of two differing approaches to ethics and can, therefore, be confusing to understand. Very briefly, the first approach to ethics in this theoretical orientation proposes that there are certain dispositional character traits (virtues) that are appropriate and praiseworthy in general 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.

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.

INTRODUCTION TO BUSINESS ETHICS

2	Relationship	**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.

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 individual 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."

INTRODUCTION TO BUSINESS ETHICS

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

S.No	Questions	option 1
1	The three major types of ethical issues include except	Communication issues
2	Which of the following refers to the reasoning proces	Moral reasoning
3	Which kind of theory Utilitarianism has?	Ethical
4	The contributive principle of distributive justice meas	Economic quality
5	An acquired disposition that is a valuable part of a mo	Moral responsibility
6	Which one of the following is not considered as categ	Distributive justice
7	A written statement of policies and principles that gui	Code of ethics
8	An empirical inquiry into the actual rules or standards	Normative justice
9	The HR policy which is based on the philosophy of th	Utilitarian approach
10	Which of the following is not usually the objective of	To create an ethical wo
11	Which of the following is not a core principle of the S	Professional responsibi
12	Which of the following factors shapes the ethical beha	The supervisor’s behav
13	Business ethics deals primarily with	Social responsibility.
14	Ethics are important because	Suppliers prefer to deal
15	According to the concept of moral intensity, a worker	A manager observes his
16	Pierre takes a utilitarian viewpoint of ethics. He will t	More good than bad res
17	Small-business owner Jason is thinking about giving a	Focus on the rights of i
18	Bonita is an ethically centered production manager so	Only after all its proble
19	Benefits derived from social responsibility include	Enhanced organization
20	According to concept of moral laxity, workers will of	They have planned to b
21	Unethical behavior is often triggered by	Pressure from higher m
22	Building a sustainable environment includes	Developing a green su
23	Fairness in employment practices centers on	Hiring no family memb
24	Which one of the following is not recommended as a	Develop a zero-toleranc
25	Team leader Gary is scheduled to prepare a performan	Sexual harassment.
26	Kate, the owner of a small telecommunications firm g	Kickbacks.
27	The ethical dilemma of choosing between two rights r	Choosing between the l
28	The stakeholder view of social responsibility states th	Employees and custom
29	The word ‘Ethics’ is derived from Greek word ………	Ethios
30	Ethics is a ………….	Pure science
31	Ethics means ……….	Character
32	. ……… deals with the right actions of individuals	Sincerity
33	Ethics is a ……..	Social science
34	The word ‘moral’ is derived from the Latin word ……	Moralis
35	. ………. Culture exists in fast paced high risk organi	Fortress
36	. ……….. culture can be seen in military	Fortress
37	The traits or qualities that are considered as valuable a	Culture
38	The term ‘value’ is derived from the French word ….	Valoir
39	……………… represent an individual’s highest prior	Values

40	What is business ethics?	The study of business s
41	. ……………… refers to certain norms governing the	Team Work
42	………… seeks to determine norms and values	Culture
43	…………………is primarily concerned with the relat	Business ethics
44	…………are the principles, which govern and guide l	Business ethics
45	………………….is the guiding principle for decisio	Profit maximization
46	A ……………..is a written document, inspirational i	Business ethics
47	…………specifies methods for reporting violations, d	Business ethics
48	Which among the following are advantages of manag	Cultivate strong team w
49	A ……………..is a buzz word to employees to obser	Code of ethics
50	……….would be charged with implementing and adr	Top management
51	……………….is a new framework for decisions mak	Holistic management
52	Ethics & Law overlap. This is called…	Yellow area
53	______is the philosophical study of moral values and	Morality
54	A ....will determine its reputation. Good busi	Personal ethics
55	………… are ethics that refer to the moral rules and r	Personal ethics
56	The common denominator in both personal ethics and	Responsibility
57	Business ethics also known as……	Personal ethics
58	A teleological approach to business ethics proposes th	Practice
59	Marketing communications activities can be deemed	Stated business aims
60	Ethical behavior is a matter of	Juggling standards and

option 2	option 3	option 4		
Systematic issues	Corporate issues	Individual issues		
Moral duty	Moral justice	Moral issues		
Conceptual	Behavioral	Reasonable		
Minimum standar	Work effort	Opportunity		
Moral ethics	Moral virtue	Moral duty		
Retributive justice	Compulsory justice	Compensatory justice		
Word of ethics	Ethical dilemma	None of the above		
Descriptive justice	Interpersonal justic	Word of ethics		
Approach based o	Approach based on	Approach based on justice		
To evaluate the et	To improve the pul	To enhance the profits of the business continuously		
Fairness and justic	Professional develo	None of the above		
Organizational cu	Code of ethics	All of the above		
The pricing of pro	Moral obligation.	Being unfair to the competition.		
Customers prefer	Employees prefer t	All of the choices.		
The worker has in	The consequences	The consequences of the act are substantial.		
Everybody is treat	Certain rights are n	He has good character and integrity.		
Pragmatism	Utilitarianism (con	Focus on integrity (virtue ethics)		
Only if the shippi	Only after an ethics	As quickly as she can to meet the customer's schedule.		
Producing better p	Attracting people w	Both a & c		
They come from d	Other issues seem	Management pressures them into unethical behavior.		
An organizational	Both a & b	A system of checks and balances.		
Omitting hazardou	Both a & b	Writing a code of ethics		
Giving people equ	Obeying equal emp	Avoiding conflicts of interest.		
Retaliate swiftly a	Give swift and sure	Train managers at all levels on sexual harassment issues		
Misuse of corpora	Dealing with confi	Conflict of interest.		
Misuse of corpora	Sexual harassment.	Treating people unfairly.		
Deciding which o	Deciding to offer a	Choosing between the two types of sexual harassment.		
Shareholders and	All interested parti	All those who might sue the organization.		
Ethikos	Ethoes	None of these		
Normative Scienc	Inexact Science	Exact Science		
Manner	Custom	All of these		
Rules	Ethics	Policies		
Science of conduc	Normative Science	All of these		
Morilitic	Monatic	Moral		
Club	Baseball	Academy		
Club	Baseball	Academy		
Values	Ethics	Principles		
Valas	Velois	Values		
Principles	Culture	Ethics		

Defined as decisio	Ethics that can be a	Ethical processes businesses use in order to achieve a go		
Work Ethos	Work Group	Work Management		
Normative science	Value	Ethics		
Code of conduct	Work Managemen	Principles		
Code of conduct	Work Managemen	Principles		
Wealth Maximisat	Value maximizatio	Wealth Maximisation		
Code of conduct	Work Managemen	Principles		
Code of conduct	Work Managemen	Principles		
Avoid criminal ac	Lower fines	All of these		
Business Ethics	Principles	Value		
Ethics managemen	Middle manageme	A both a & c		
Ethics managemen	Code of conduct	Middle management		
White area	Black area	Grey area		
Ethics	Business Ethics	Principles		
Company's ethics	Corporate ethics	Business ethics		
Company's ethics	Corporate ethics	Business ethics		
Integrity	Consistency	None of these		
Corporate ethics	Environment ethics	Company's ethics		
Power	People	Purpose		
Available finance	How they are carri	Legal guidelines		
Acting on a consid	Obeying the rules	Business needs		

Answer
Communication issues
Moral reasoning
Ethical
Work effort
Moral virtue
Compulsory justice
Code of ethics
Descriptive justice
Utilitarian approach
To enhance the profits of the business continuously
None of the above
All of the above
Moral obligation.
All of the choices.
The consequences of the act are substantial.
More good than bad results from the decision.
Pragmatism
Only after all its problems have been eliminated.
Both a & c
Other issues seem more important at the time.
Both a & b
Both a & b
Giving people equal rewards for accomplishing the same tasks.
Retaliate swiftly against employees who bring forth charges of harassment.
Conflict of interest.
Kickbacks.
Choosing between the lesser of two evils.
All interested parties.
Ethikos
Normative Science
All of these
Ethics
All of these
Moralis
Baseball
Club
Values
Valoir
Values

The study of business situations, activities, and decisions where issues of right and wrong are addressed

Work Ethos
Normative science
Business ethics
Business ethics
Profit maximization
Business ethics
Code of conduct
All of these
Code of ethics
Ethics management committee
Holistic management
Grey area
Ethics
Company’s ethics
Business ethics
Integrity
Corporate ethics
Purpose
How they are carried out
Acting on a considered judgement

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.

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.

****

S. NO	QUESTIONS	OPTION 1
1	Document that consists of all ethical standards that em	ethics code
2	Standards that decided, what kind of conduct employee	descriptive justice
3	Employees involuntary separation from a job for a cert	mergers
4	To be ethical and social towards needs of society is __	societal
5	"No discrimination to be made while recruiting men an	Factories Act
6	A written statement of policies and principles that guid	Code of ethics
7	Equal Remuneration Act passed during the year_____	1965
8	Paying at differential remuneration rate to man and a w	Ethical
9	Opportunity should be given ______	Equally
10	An ethical practices is to get full day work and pay him	Eight hours
11	Appraisal involves evaluating a person's quality of work an	Planning
12	Fairness in employment practices centers on________	Hiring family members o
13	Concept that focuses on availability of jobs to all indiv	equal employment oppor
14	Type of discrimination in which applicants for a job ar	individualistic discrimina
15	What does the concept of diversity in the workplace re	Physical differences amo
16	The Equality Act passed in India was__________	1970
17	The 'Liberal Approach' to Equal Opportunities advoca	Positive discrimination
18	The HR function can promote equality and inclusion by	Employing people of diff
19	When was the first piece of discrimination legislation i	1995
20	Base or Basic Pay is	Dependent upon individu
21	Kind of pension plan in which employer's contribution	defined benefit pension p
22	For continuous work growth, company's direct, non-fin	benefits
23	Providing equal pay for jobs of equal nature based on j	external equity
24	Payment of cash rewards for the work extracted from t	direct compensation
25	Insurance schemes, retirement benefits and leave travel	indirect monetary compe
26	Ensuring a fair balance between an employee's contrib	equity theory
27	Wages which are usually positioned above the minimu	real wages
28	Performance-based annual bonuses are an example of	base salary
29	Which of the following is not an objective of wage inc	Developing ownership in
30	Evaluating the relative worth of the employees in the o	Merit rating
31	Which of the following is NOT true of the changing bu	More legal regulation
32	The purchase order form is designed by	Materials Manager
33	Purchase Manager also known as _______________	Materials Manager
34	Purchase order is a legal binding contract only if it is_	accepted by the supplier
35	The parameters for vendor rating include	Price
36	Inadequate production capacity ultimately leads to___	Poor quality
37	Operations management is applicable_____________	Mostly to the service sec
38	Generally, which sequence is most typical of the procu	Supplier to originator to a
39	E-procurement aims to improve performance _______	of the right quality
40	The aim of e-procurement is increased choice of suppli	from the right source
41	Production related procurement refers to the purchasin	Information systems
42	Negotiated contracts with regular suppliers typically in	Spot sourcing

43	Which of the following is not an inventory?	Machines
44	The time period between placing an order its receipt in	Lead time
45	"Quality is defined by the customer" is_____________	An unrealistic definition
46	All of the following costs are likely to decrease as a result o	acustomer dissatisfaction
47	Which of the following is not a key activity of an operation	Understanding the needs
48	Quality is both quantitative and __________	Supportive
49	The most common form of quality control includes	Planning
50	Which of the following is not an area of responsibility for a	inventory
51	Lean production involves	Improvement of speed or
52	Which function typically employs more people than any oth	Information System
53	Product design and process selection are examples of _____	financial
54	Which of the following factors would tend to reduce pr	improvements in workpla
55	Poor quality adversely affects	Costs
56	A product performing consistently refers to which of the fo	Safety
57	Which of the following is not a type of operations?	goods production
58	In a _______________ the purchasing department reord	new task buy
59	The buyer-supplier relationship characterized by simpl	contractual transaction
60	The last stage in the industrial buying process is _____	performance review

OPTION 2	OPTION 3	OPTION 4		
descriptive code	procedural code	distributive code		
procedural justice	distributive justice	ethics		
acquisitions	layoffs	downsizing		
operational	functional	organizational		
Equal Remuneration Act	Employment Exchanges	Minimum Wages Act		
Word of ethics	Ethical dilemma	Conduct		
1970	1980	1976		
Unethical	Conduct	Logical		
Unequally	Frequently	Occasionally		
Five hours	Four hours	Six hours		
Compensation	Performance	Maintenance		
Giving people equal rew	Obeying equal employm	Avoiding conflicts of interest		
nondiscrimination oppor	opportunity of equality	All of the above		
affirmative discriminatio	diversified discriminatio	reverse discrimination		
Social differences among	Historical differences an	Managerial difference among employees		
1975	1976	1966		
The quota system	The possibility for indiv	Policies concerned with the specific needs of trad		
Collecting information a	Providing diversity train	Publishing the organisation's demographic data		
2010	1980	1970		
The basis for the social e	The irreducible minimu	A fair assessment of an employee's contribution t		
defined contribution pen	defined noncontributory	deferred contribution pension plan		
stock ownership	loyalty scholarships	all of above		
internal equity	neutrality	None of the above		
indirect compensation	non-monetary compensa	None of the above		
direct monetary compens	non-monetary compensa	None of the above		
expectancy theory	agency theory	contingency theory		
fair wages	minimum wages	living wages		
short-term incentive plan	long-term incentive plan	All of the above		
Improving employee rete	Reducing labour cost	Facilitating the separation of employees		
Differential piece rate	Task and time bonuses	Straight piece rate		
Demand for better qualit	Less ethical sensitivity	More frequent product introduction		
Purchase Manager	Marketing Manager	None of them		
Procurement Manager	Marketing Manager	Process Manager		
acknowledged by the sup	posted by the buyer	none of these		
Service	Delivery	All of these		
Poor Customer Service	Poor inventory control	All of the above		
To services exclusively	Mostly to the manufactu	To the manufacturing & service sectors		
Originator to approver to	Approver to originator t	Originator to buyer to approver to supplier		
at the right price	at the right source	of the right quantity		
at the right price	of the right quantity	delivered at the right time		
Office supplies	Furniture	Raw materials		
Systematic sourcing	MRO sourcing	E-procurement		

Raw material	Finished products	Consumable tools		
Carrying time	Shortage time	Over time		
A user-based definition o	A manufacturing-based	A product-based definition of quality		
maintenance costs	scrap costs	warranty and service costs		
Continually learning	Managing cash flows	Exploiting technology to produce goods and serv		
Qualitative	Measurable	Conclusive		
Organizing	Inspection	Directing		
purchasing	warehousing	marketing		
Improvement of quality o	Elimination of all types	Elimination of cost only		
Operations	Marketing	Finance		
tactical	system design	system operation		
reductions in labor turno	more inexperienced wor	reductions in the scrap rate		
Productivity	Profitability	All of the given options		
Conformance	Durability	Reliability		
storage/transportation	entertainment	price reduction		
straight rebuy	new service buy	modified task		
mutually adaptive	customer is king	basic buying and selling		
proposal solicitation	problem recognition	order-routine specification		

ANSWER
ethics code
ethics
layoffs
societal
Equal Remuneration Act
Code of ethics
1976
Unethical
Equally
Eight hours
Performance
Giving people equal rewards for accomplishing the same tasks.
equal employment opportunity
reverse discrimination
Social differences among employees
1976
The possibility for individuals to compete for social rewards without constraints
Providing diversity training to all employees
1970
The irreducible minimum that an employee can expect for fulfilling their duties at work
defined contribution pension plan
benefits
external equity
direct compensation
indirect monetary compensation
equity theory
fair wages
short-term incentive plan
Facilitating the separation of employees
Merit rating
Less ethical sensitivity
Purchase Manager
Procurement Manager
accepted by the supplier
All of these
Poor Customer Service
Mostly to the manufacturing sector
Originator to approver to buyer to supplier
of the right quality
from the right source
Raw materials
Systematic sourcing

Machines
Lead time
A user-based definition of quality
maintenance costs
Managing cash flows
Qualitative
Inspection
marketing
Elimination of all types of waste
Operations
system design
more inexperienced workers
All of the given options
Reliability
price reduction
straight rebuy
basic buying and selling
performance review

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

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.

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

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

ETHICAL ISSUES IN FINANCE

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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S.No	Questions	option 1	option 2
1	Marketing is a task of satisfying____		
2	The ____ is an offering form a known source	Brand	Economics
3	A ____ are the basic human requirements	wants	needs
4	a _____ is a consumer commitment for a product	producing	selling
5	The ultimate level of segmentation leads to_______	niche marketing	individual marketing
6	Marketing environment variables are:	the market forces over	the market forces ove
7	The variables the most common marketing mix are:	Product, Price, Produc	Product, Price Promo
8	Placement focuses on distribution. Which of the followi	channels of distributio	convenience or acces
9	Promotion does not include which of the following:	Marketing Research	Advertising
10	The 4 Cs are:	Convenience; Cost to	A singing group from
11	A marketing mix is :	the combination of ele	specific to each targe
12	Distribution decisions include all but one of the followi	Inventory managemen	Sales Promotion
13	Out Of 4ps in marketing mix three are product, promoti	Purpose	Pursuit
14	___________________ deals with the specification of th	Price aspect	Product aspect
15	In Marketing mix which scope of product supports the e	Guarantee	Warrantee
16	Which P is not included in the 7Ps of marketing mix?	People	Purpose
17	__________________ is the best promotion tool in any t	Creativity	Communication
18	___________________ is the best operable within a first	Elasticities	Market skimming
19	“Place” in 4Ps mean same as	Promotion	People
20	Setting a low initial price to attract a large number of bu	Skimming pricing	Going-rate pricing
21	__________________ refers to the system that assists th	Product	Process
22	____________________ is the price that a buyer carries	Psychological pricing	Segmented pricing
23	When different version of products are priced differentl	Psychological pricing	Product-form pricing
24	_____________ is the straight reduction in price on purc	Discount	Allowance
25	Which is the tool that will help to increase the sale of pr	Premium and bonus of	Free samples
26	The practice of charging different price with different c	Price discrimination	Discount
27	What do we call a person who first suggests the idea of	Influencer	Initiator
28	The price reduction to buyers who purchase in large vol	Discount	Two-part pricing
29	An individual buys a product out of habit, they search fo	Complex buying beha	Habitual buying beha

30	In marketing, ______ is the focal point.	Profit	Sales
31	The promotion "P" of marketing is also known as _____	Product Differentiatio	Distribution
32	Six rights 1)right to safety, 2)right to be informed,3)righ	Philip Kotler	Nielson
33	_____________ is related to the moral principles that sh	Sociology	Market ethics
34	A prestigious firm can raise more capital from the publi	Profit	More money making
35	A firm will attain higher prestige and recognition only i	Keep a physical existe	Is economically good
36	Burger hut is a fast food outlets on school premises, is n	Proactive	Active
37	_________________________ provides the adequate an	Right to choose	Right to be heard
38	The most important and remarkable benefit to the societ	Availability of custom	Availability of shops
39	______________________ of a business denote its obli	Social objective	Sole objective
40	In context to social responsibility, undesirable activities	Growing business	Earning profit
41	______________________ are concerned with the dev	Sales objective	National objective
42	To charge fair prices from the customers is an example	Good habit	Bad habit
43	If a firm wants to stay and grow in business, it must crea	New products	New shops
44	__________________________________ provides sep	Consumer Protection A	Consumer Protection
45	______________________________ provides the cons	Right to consumer pro	Right to choose
46	_____________________________ provides a safeguard for consumers against goods and services which are hazardous to health.	a) Right to safety	b) Right to be informed
47	What is the concept purpose of the quoted line. "To separate ownership and management control of organizations and to make organizations more visibly accountable to wider range of stakeholders."	a) Business ethics	b) Business malpractice
48	________________________ provides consumer associations, educational institutions and policy makers can play an important part.	a) Right to safety	c)Right to choose
49	Growth brings higher profits and several powers in business. One power is economics than the other one is	c) Social power	d)Money power
50	The pricing technique according to which the low price is charged for a quality offering is classified as	c) Perceived value pricing	b)Break- even pricing
51	Although companies are increasingly recognizing the negative impacts they have on society, many are also increasingly trying to contribute positively to societal	a) ethics.	b) the marketing concepts.
52	Marketing ethics can be divided into normative and _____________ branches.	a) moral	b) normative
53	Sustainable marketing can also be characterized as the 'third age' of _____________.	a) planned obsolescence	b) green marketing

54	________________ is concerned with how marketers go about the management process of identifying,	a) Marketing ethics	b) Philanthropy
55	Professional marketing organizations typically have a ___________ which requires members to behave and	a) regulation	b) code of professional practice
56	Companies collude over production quotas, companies abuse their monopoly status, and companies	a) Promotion.	b) Distribution management.
57	This occurs when companies collaborate on submitting bids for some competitions but not others.	a) Switch rigging.	b) Bait and switch.
58	This involves the setting of different prices for different groups of people:	a) Price gouging.	b) Price discrimination.
59	This occurs when a company charges more than governments perceive is fair for their offerings:	a) Price gouging.	b) Price discriminatio
60	When an organization's rhetoric concerning the promotion of its environmental impacts (based on its offering or organizational practices) are not backed up in practice, i.e. it makes misleading claims about how environmentally friendly it is. This is referred to as:	a) marketing ethics.	b) sustainable marketing.

option 3	option 4	Answer
Relations	Social	Brand
luxuries	offerings	needs
advertisin	purchase	purchase
local marketing	Segmentatio n	individua
the macro and mark	the same as the market place.	the macro and market forces over which marketers have little control, but which affect buyers' needs as well as marketing managers' decisions regarding marketing mix variables.
Product, Price Prom	Product, Research Promotion, and Placement.	Product, Price, Promotion, and People.
logistics	All are part of placement	All are part of placement
Personal Selling	Sales Promotion	Marketing Research
Convenience; Costs	Customer cost; Customer commitment; Communication; Customer motivation.	Convenience; Cost to the user; Communication; Customer motivation.
a strategy that inclu	All of the above.	All of the above.
Order processing	Facilitators	Sales Promotion
Place	Promotion	Place
Promotion aspect	Place aspect	Product aspect
Packaging	All of these	All of these
Promotion	Price	Purpose
Telecalling	Publicity	Publicity
Market penetration	Marketing research	Market skimming
Distribution	Demand	Distribution
Value based pricing	Penetration pricing	Penetration pricing
Price	Promotion	Process
Product-line pricing	Reference pricing	Reference pricing
Product-line pricing	Reference pricing	Product-form pricing
Sale	Price	Discount
Discount offers	Free gifts	Premium and bonus offer
Allowance	Two-part pricing	Price discrimination
Buyers	Marketer	Initiator
Quantity discount	Value based pricing	Quantity discount
Variety buying beh	Dissonance buying behavior	Habitual buying behavior

Customer	All of the above	Customer
Cost	Marketing Communication	Marketing Communicatior
John F Kennedy	H R Bowen	John F Kennedy
Business ethics	Anthropology	Business ethics
Growth	Maintenance	Growth
Has good productio	Has well established building	Is economically good
Obstructive	Destructive	Obstructive
Right to be informe	Right to consumer education	Right to be informed
Availability of good	Availability of good markets	Availability of good produ
Market objective	Sales objective	Social objective
Own profit	All of these	All of these
Market objective	Social objective	National objective
Good ethics	Bad ethics	Good ethics
New customers	New markets	New customers
Consumer Protectic	Consumer Protection Act,2000	Consumer Protection Act,1
Right to safety	Right to be heard	Right to choose
c) Right to choose	d) Right to be heard	Right to safety
c) Corporate Governance	d) National Commission	Corporate Governance
d)Right to be heard	b) Right to consumer education	Right to consumer education
b) Business power	a) Consumer power	Social power
a) Value pricing	d) Target return pricing	Value pricing
c) facilitating functions of marketing.	d) Corporate social responsibility programmes.	d) Corporate social responsibility programmes.
c) descriptive	d) virtue	c) descriptive
c) pollution	d) recycling	d) recycling

c) Cause marketing	d) Green marketing	a) Marketing ethics
c) system	d) norm	b) code of professional practice
c) Products.	d) Process.	b) Distribution management.
c) Bid rigging.	d) Collusion.	d) Collusion.
c) Price differential.	d) Price fixing.	b) Price discrimination.
c) Price differential	d) Price fixing.	a) Price gouging.
c) CSR.	d) greenwashing	d) greenwashing

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S.NO	QUESTION
1	An acquisition is the same thing as________________
2	Managerial motives for M&As do not relate to_________
3	The three broad approaches to company valuation do not include___________
4	Which of the following are commonly cited reasons for M&As?
5	Which of the following is a defensive tactic against a hostile takeover by tender offer?
6	All of the following are potential sources of tax savings in an acquisition except
7	What would probably not be considered insider trading during a blackout period if you
8	What can be used to launder money?
9	A financial statement is outcome of ______ accounting
10	Financial statement records only______________
11	Financial statements are__________________
12	The 'good' reasons for M&As do not include
13	Justifications for M&As do not include
14	Financial motives for M&As do not relate to
15	The three broad approaches to company valuation do not include
16	Asset-based company valuations do not include the
17	Other reasons for company valuations do not include
18	All of the following are common motives for a merger or acquisition except for
19	Vertical mergers are those in which the participants are
20	A merger is a combination of businesses in which
21	The complete absorption of one company by another, wherein the acquiring firm retai
22	A merger in which an entirely new firm is created and both the acquired and acquiring
23	A public offer by one firm to directly buy the shares of another firm is called a
24	An attempt to gain control of a firm by soliciting a sufficient number of stockholder vo
25	What is the value of the firm usually based on?
26	Which one of the following defensive tactics is designed to prevent a "two-tier"
27	Omission of paise and showing the round figures in financial statement is based
28	Which of the following is any activity that illegally inhibits competition betwee
29	Which of the following is financial fraud or financial institution fraud?
30	Which of the following is the misleading of creditors through the concealment a
31	Which of the following is the unlawful misappropriation for personal use of mo
32	Which of the following describes fraudulent billing practices by healthcare prov
33	Which of the following describes the return of a certain amount of money from
34	Which of the following describes the use of the U.S. mail in furtherance of crim
35	Which of the following describes fraud committed by filing false tax returns or
36	An acquisition is the same thing as:
37	The ways in which mergers and acquisitions (M&As) occur do not include:
38	The 'good' reasons for M&As do not include:
39	Justifications for M&As do not include:
40	Financial motives for M&As do not relate to:
41	The three broad approaches to company valuation do not include:
42	The complete absorption of one company by another, wherein the acquiring firm

43	A merger in which an entirely new firm is created and both the acquired and ac
44	An agreement between firms to create a separate, co-owned entity established t
45	In a merger the:
46	The audit standards define fraud as ‘an intentional act by one or more individua
47	A situation where someone believes they have a favourable or promising combi
48	The auditor must obtain an understanding of the controls of the service organis
49	Business operations, types of investments, capital structure and financing, and
50	Detection risk is:
51	Risk assessment procedures that may indicate fraud include inquiries of manag
52	The primary stakeholders are:
53	The goal of corporate governance and business ethics education is to:
54	The corporate governance structure of a company reflects the individual compa
55	The internal audit function is least effective when the department:
56	Which of the following valuation methods is based on “Going concern concept
57	Book value of assets includes__________________
58	The IFAC Code prohibits the following non-audit service for audit clients
59	Differences in view of an employee within a company about the correct judgem
60	A professional accountant should not allow bias, conflict of interest or undue in

OPTION1	OPTION2	OPTION3
a spin-off	a takeover	an amalgamation
dividends	power	job security
asset valuation	future earnings valuation	stock market valuation
Synergy	Market power	Strategic realignment
Leveraged buyout (LBO)	Acquisition	Conglomerate merger
Economies of scale	Net operating losses	Unused debt capacity
Exercising and holding stock optio	Exercising and selling stock	Trading company stock i
Property	Businesses	Race Horses
Cost	Management	Financial
Monetary facts	No monetary facts	Both a and b
Estimates of facts	Anticipated facts	Recorded facts
increasing earnings per share	complementing business st	stopping a competitor m
to gain economies of scale	to achieve synergy	to increase risk
value added tax	corporation tax	unemployed tax shields
asset valuation	stock market valuation	inventory valuation
marginal cost method	realisable value method	book value method
tax evasion	inheritance tax assessment	security for loans
operating synergy	financial synergy	raising the cost of capit
in the same industry.	in different industries	in different phases of th
two businesses combine to form	the participants are necessa	one of the two firms be
merger	consolidation	tender offer
divestiture	consolidation	tender offer
merger	consolidation	tender offer
tender offer	proxy contest	going-private transactio
The value of debt and equity.	The value of equity.	The value of debt.
poison put	shark repellent	dual class capitalization
conservatism concept	money measurement conce	materiality concept
Bank Fraud	Antitrust violation	Bankruptcy fraud
Antitrust violation	Wire fraud	Tax evasion
Bankruptcy fraud	Economic espionage	Trade secret theft
Environmental law violation	Embezzlement	Kickbacks
Insider trading	Insurance fraud	Healthcare fraud
Money laundering	Securities fraud	Wire fraud
Mail fraud	Insurance fraud	Tax evasion
Wire fraud	Tax evasion	Kickbacks
a merger	a takeover	a spin-off
vertical integration	conglomerate takeover	diversification
increasing earnings per share	supporting value-added gro	stopping a competitor m
to increase risk	to enter new markets	to achieve synergy
unemployed tax shields	corporation tax	earnings per share
future earnings valuation	inventory valuation	stock market valuation
merger	consolidation	tender offer

divestiture	consolidation	tender offer
consolidation	merged alliance.	joint venture
legal status of both the acquiring	acquiring firm retains its n	acquiring firm acquires
Employees, vendors or third par	Employees or third parties	Employees or others.
Management fraud.	Rationalisation.	Perceived opportunity.
Using another auditor to perform	Obtaining a Type 1 or Typ	Contacting the service o
The nature of the entity.	Accounting policies.	Objectives and strategie
The risk that a misstatement tha	The susceptibility of an ass	The risk that an auditor
If there are any relatives of the e	Internal control effectivene	Whether management k
Customers	Suppliers	Shareholders
Teach students their professiona	Change the way in which e	Create more ethics stan
Cultural and economic system	Legal and business system	Social and regulatory sy
Is non-independent	Is competent	Is objective
Market value method	Book value method	Liquidation method
Fixed assets, current asset	Fixed assets, current asset,	Fixed assets, current as
Outsourcing of internal audit fu	Valuation services.	Information technology
Reported to the PCAOB.	Raised initially with the en	Reported to the SEC.
Professional competence and du	Integrity.	Professional Behaviour

OPTION4			ANSWER
a merger			a takeover
emoluments			dividends
inventory valuation			inventory valuation
All of the above			All of the above
Takeover			Leveraged buyout (LBO)
Surplus funds of the acquiring firm			Economies of scale
None of the above			Exercising and holding stock options
All of the above			All of the above
Accounting			Financial
Non Monetary			Monetary facts
Historical Facts			Recorded facts
supporting value-added growth			increasing earnings per share
to enter new markets			to increase risk
earnings per share			value added tax
future earnings valuation			inventory valuation
replacement cost method			marginal cost method
capital gains tax assessment			tax evasion
buying undervalued assets			raising the cost of capital
none of the above			none of the above
none of the above			none of the above
spinoff			merger
spinoff			consolidation
spinoff			tender offer
leveraged buyout			proxy contest
The value of assets plus liabilities.			The value of equity.
fair price provision			fair price provision
consistency concept			materiality concept
Economic espionage			Antitrust violation
Bank fraud			Bank fraud
Embezzlement			Bankruptcy fraud
Mail fraud			Embezzlement
Kickbacks			Healthcare fraud
Kickbacks			Kickbacks
Wire fraud			Mail fraud
Insider trading			Tax evasion
an amalgamation			a takeover
horizontal integration			diversification
complementing business strategies			increasing earnings per share
to gain economies of scale			to increase risk
value added tax			value added tax
asset valuation			inventory valuation
spinoff			merger

spinoff			consolidation
strategic alliance			joint venture
stockholders of the target firm have little, if any, sa			acquiring firm retains its name and legal status.
Employees or vendors.			Employees or third parties.
Perceived pressure.			Perceived opportunity.
Visiting the service organisation and performing pr			Visiting the service organisation and performing proc
Measurement and review of financial performance.			The nature of the entity.
The risk that the auditor expresses an inappropriate			The risk that an auditor’s substantive procedures will
If there is fraud elsewhere in their industry.			Whether management knows of any fraud in the entity
Creditors.			Shareholders
Increase the workload for accounting students.			Create more ethics standards by which corporate prof
All of the above			All of the above
Exhibits integrity			Is non-independent
Salvage value method			Book value method
Fixed assets, current asset, intangible asset, fictitiou			Fixed assets, current asset, intangible asset
Actuarial services.			Valuation services
Reported to the company’s independent auditor.			Raised initially with the employee’s immediate super
Objectivity.			Objectivity.

edures.

not detect a misstatement that exists and that could be material.
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essionals must operate.

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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**

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.

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.

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)

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**.

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.

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.

CORPORATE SOCIAL RESPONSIBILITY

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.

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.

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.

CORPORATE SOCIAL RESPONSIBILITY

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.

****

S.No	Questions	option 1
1	Which of the following statements best describes Corporate Social Respon	A corporation's re
2	Which of the following arguments was not put forward by Friedman in his	Managers are not
3	Which of this is not a CSR initiative	Maintaining a pla
4	What is the moral argument for CSR	That the corporat
5	What is the business case for CSR	Better motivated
6	What is triple bottom line	A management st
7	____________ refers to a strategic process involving stakeholder assessme	Eco-strategy
8	Which of the following is NOT one of the primary elements of a strong or	A written code of
9	The ability to interpret and adapt successfully to different national, organiz	National competit
10	Successful global initiatives addressing standards for business must begin	The role of corpor
11	Achieving cultural intelligence is not necessary to achieve social responsib	True
12	The social economy partnership philosophy emphasizes:	Cooperation and a
13	Which of the following is not a driver of responsible competitiveness?	Policy drivers
14	In the past, the community relations function was deemed a(n) ________ b	Buffer
15	A firm that has become a "neighbour of choice" builds and sustains _____	Commitment
16	To determine key areas that require support and to refine the mission state	A community ne
17	The community relations function should develop community mission stat	Consistently privi
18	"Ethics deals with the right actions of individuals." Who said?	Peter F. Drucker
19	An organisation's obligation to act to protect and improve society's welfare	Organisational so
20	Corporate contributions for charitable and social responsibility purposes is	Corporate philant
21	Human and ethical values or qualities such as courage, vision, social aware	Intangible concep
22	Managers today are usually quite sensitive to issues of social responsibility	Interest groups
23	In between the corporate extremes of working solely for the interests of sto	Socially reactive
24	A stakeholder can best be defined as:	The network of p
25	Which of the following form part of the business case for CSR?	Better motivated
26	The most influential theory of corporate responsibility of the past century i	The moral minim
27	Which concerns does CSR address?	Moral & Ethical
28	Which offollowing stakeholders are interested in CSR?	Customers & con
29	A philanthropist is someone who	Buys products wh
30	Effective management of long-term cooperative relationship necessitates t	Global importance
31	In Carroll's model, a company with a(an) _____________ philosophy will	Activist; economi
32	Which principle suggests that a businessman should be guided by the 'serv	Principle of Aspir
33	The Indian ethos is for the individual self to become aware, develop and co	Customs
34	The concept of international social responsibility is the expectation that M	Philosophical
35	Global corporate culture involves an integration of _____________ in whi	Business environm
36	Benefits derived from social responsibility include	Enhanced organiz
37	Corporate social responsibility has three components according to professo	Cognitive, linguis
38	Which of the following is NOT an influence on organisational purposes?	Minor stakeholde
39	The governance framework determines:	Whom the organi

40	The two-tier board of an organisation is particularly useful:	In ensuring that t
41	Stakeholders are the individuals or groups who:	Depend on the or
42	The purpose of stakeholder mapping is to:	Outline policies c
43	Where a stakeholder has a high level of interest in the development of an o	Keep these stakel
44	An indicator of power held by external stakeholders is:	The organisationa
45	Ethical issues concerning business and public sector organisations exist at	Macro; Corporate
46	Corporate social responsibility concerns:	How an organisat
47	The cultural frames of reference include (this is not a comprehensive list):	National; organis
48	The "say no to drugs" campaign sponsored by an organization is an examp	Cause-Related
49	_____ addresses the what and why of marketing activities; _____ addresse	Control; Audit
50	_____ control aims to ensure that the company achieves the sales, profits,	Annual-plan
51	Managers today are usually quite sensitive to issues of social responsibility	Internal; External
52	1. CalPERS, the California Public Employees' Retirement System pres	Human rights and
53	1. In the __________ perspective, social responsibility is seen as appro	Duty-based
54	1. According to the Corporate Social Responsibilities (CSR) pyramid, t	Economic
55	The three reasons that corporations should care about social responsibility	Social , Political,
56	The _________ reason that corporations should care about social responsi	Ethical
57	The ________ reason for corporate social responsibility argues that busine	Ethical
58	______ ______ _________ (3 words) are those shareholders who clearl	Socially responsib
59	Which of the items listed is NOT a product of a "favorable corporate reput	Attract, Hire
60	______________, such as environmental damage, are costs to society that	Internal; external

option 2	**option 3**	**option 4**		
A corporation's obligatio	A corporation's ob	The duty of care a corporation has to its employees and		
Managers are the agents	Corporations hav	Using funds for purposes other than profit maximisatio		
Organizing sports meet f	Sell products wit	Organizing blood donation camps		
Business decisions will h	That the corporat	Large corporations do not have the power or resources		
Increased brand value an	The maintenance	All of these		
An accounting tool that l	An accounting to	A management strategy which focuses on corporate so		
Green marketing	Superfund reautho	Recycle and reprocess management		
An ethics officer	Significant financ	A formal ethics training program		
Global development.	Cultural intelligen	Stakeholder sensitivity.		
Social activism.	The implementati	The consolidation of economic and environmental effo		
FALSE	Maybe	None of these		
Profit maximization.	Competition.	Restricting resources and support.		
Development drivers	Business action	Social enablers		
Distraction	Irritation	Strategic necessity		
Trust	Educational oppo	Political clout		
Effective governance.	Cause-related ma	Community field trips.		
Considering only internal	Remaining indepe	Cooperating with various internal and external constitu		
S. Rao	J. R. Betty	Zahe		
Organisational social resp	Corporate obligati	Business ethics		
Corporate charities	Corporate donatio	Corporate discretionaries		
Subjective approach	Tangible concepts	System		
Legal and governmental c	Media coverage	All of the above		
Environmentally sensitive	Professionally co	Ecologically proactive		
All the organisations tha	All the suppliers,	Any individual, group, or organisation that is affected		
Increased brand value an	The maintenance	All of the options given.		
The classical model.	The social contra	The stakeholder theory.		
Social & Environmental	Legal & Regulato	Monetary & Profit		
Investors	Employees	Everyone		
Boycotts products which	Both (a) and (b)	Recognises the social impact of business on society		
Global impact of busines	Global interdepen	Need to maximize profits in all economic settings		
Proactive; economic	Defensive; activis	Defensive; proactive		
Principle of Expectations	Principle of Huma	Principle of Autonomy		
Business	Cooperation and p	Society		
Competitive	Environmental	Social and economic		
Ecological environments	Profit environmen	Technical environments		
Producing better products	Attracting people	Both a & b		
Ethical, social, authoritati	Reflective, analyti	Conceptual, sensing, assertive		
Business ethics.	Corporate govern	The organisational mission.		
Whom the organisation i	The legal framew	The regulatory framework in which the organisation o		

For managers to assert th	In improving ope	In ensuring that employees can determine strategies fo		
Are shareholders in key d	Dominate the stra	Determine operational issues		
Geographically locate dif	Identify stakehold	Identify stakeholder interest and power		
Keep these stakeholders	Expend minimal	Treat these stakeholders as key players.		
Negotiating skills.	Personal relations	Mutual resource dependency		
Corporate; Business; Fur	Corporate; Functi	Business; Family; Individual.		
The behaviour of individ	External stakehol	The ways in which an organisation exceeds its minimu		
National; organisational;	Unions; organisa	Organisational; colleagues; organisational field		
Social	Campaign	Political		
Evaluation; Control	Implementation;	E. Strategy; Implementation		
Profitability	Efficiency	Strategic		
Internal	External	B or C		
Principles and Policy	Social and Econor	Control; Audit		
Cause-related	Social	Campaign		
Social	Campaign	Political		
Pragmatic reason, Ethical	Social , Technical	Social , Political, Technical		
Strategic	Pragmatic	Social		
Strategic	Pragmatic	Social		
Socially responsible mana	Socially respectab	Socially responsible shareholder		
Enhance their access t	Attract invest	Ignore the Foreign Corrupt Practices Act		
Internal	Externalities	B or C		

Answer
A corporation's obligation to society that goes beyond the requirements of the law and economics to tal
Corporations have responsibilities.
Sell products with a margin to the cost to increase profits.
That the corporation is a creation of society and should therefore serve its needs.
All of these
An accounting tool that looks at the impact on people, planet and profits.
Green marketing
Significant financial expenditures
Cultural intelligence.
The role of corporate governance and shareholder power in corporate decision making.
FALSE
Cooperation and assistance.
Development drivers
Buffer
Trust
A community needs assessment.
Cooperating with various internal and external constituents.
Peter F. Drucker
Organisational social responsibility
Corporate philanthropy
Intangible concepts
All of the above
Socially reactive
Any individual, group, or organisation that is affected by or can affect the activities of a business.
All of the options given.
The classical model.
Social & Environmental
Everyone
Recognises the social impact of business on society
Global interdependence of economies and environments
Defensive; proactive
Principle of Aspirit of Service
Customs
Social and economic
Business environments
Both a & b
Cognitive, linguistic, and cognitive
The organisational mission.
Whom the organisation is there to serve and how the purposes and priorities of the organisation shoulc

In ensuring that the there is a counterbalance to the power of managers.
Depend on the organisation to fulfil their own goals and on whom the organisation depen
Identify stakeholder interest and power
Keep these stakeholders informe
The organisational perception of the status of an external party. .
Macro; Corporate; Individual.
The ways in which an organisation exceeds its minimum required obligations to stakeholders.
National; organisational; organisational field and functional/divisional.
Social
E. Strategy; Implementation
Annual-plan
Internal; External
Human rights and environmental responsibility
Duty-based
Economic
Pragmatic reason, ethical reason, strategic reason
Pragmatic
Ethical
Socially responsible investors
Ignore the Foreign Corrupt Practices Act
Externalities

ke into account the social and environmental impact of its decisions.

l be decide