



Roll No.

**PRESIDENCY UNIVERSITY  
BENGALURU**

**SCHOOL OF MANAGEMENT**

**SET B**

**MID TERM EXAMINATIONS**

**Sem & AY: Odd Sem 2019-20**

**Date: 19.10.2019**

**Course Code: MGT 109**

**Time: 9.30 AM – 11.00 AM**

**Course Name: BUSINESS ETHICS, CG & CSR**

**Max Marks: 40**

**Program & Sem: MBA & III**

**Weightage: 20%**

**Instructions:**

- (i) All questions are compulsory*

**Part A [Memory Recall Questions]**

**Answer both the Questions. Each Question carries three marks. (2Qx3M=6M)**

1. Describe the relationship between morality, ethics and ethical theory.  
(C.O.NO.2) [Knowledge]
2. List down the benefits of Corporate Governance to business?  
(C.O.NO.5) [Knowledge]

**Part B [Thought Provoking Questions]**

**Answer all the Questions. Each Question carries five marks. (4Qx5M=20M)**

3. Define business ethics. Why is business ethics important to business?  
(C.O.NO.3) [Comprehension]
4. Describe how Promoter system has contributed to evolution of CG in India.  
(C.O.NO.5) [Comprehension]
5. What is Sustainability? How is the concept of sustainability related to business ethics as proposed by the triple bottom line approach?  
(C.O.NO.4) [Comprehension]
6. Define Corporate Governance. Also describe the nature of a good corporate governance system?  
(C.O.NO.5) [Comprehension]

**Part C [Problem Solving Questions]**

**Answer the Question. The Question carries fourteen marks. (1Qx14M=14M)**

7. 'The need for corporate governance arises on account of corporate failures.' Do you agree? Elaborate what led to the downfall of major telecom company, World.Com. What were the lessons learnt?  
(C.O.NO.5) [Application]





## SCHOOL OF MANAGEMENT

**Semester:** Odd Sem 2019-20

**Course Code:** MGT 109

**Course Name** Business Ethics, CG and SR

**Date:** 19/10/2019

**Time:** 9:30 am- 11:00 am

**Max Marks:** 40 marks

**Weightage:** 20%

### Extract of question distribution [outcome wise & level wise]

Q.NO	C.O.NO (%age of CO)	Unit/Module Number/Unit /Module Title	Memory recall type	Thought provoking type	Problem Solving type	Total Marks
			[Marks allotted] Bloom's Levels	[Marks allotted] Bloom's Levels	[Marks allotted]	
			K	C	A	
Q1	Co2	Module: 1: Understanding Business Ethics	K			3
Q2	Co5	Module: 2: Evolution of Corporate Governance	K			3
Q3	Co3	Module: 1: Understanding Business Ethics		C		5
Q4	Co5	Module: 2: Evolution of Corporate Governance		C		5
Q5	Co4	Module: 1: Understanding Business Ethics		C		5



Q6	CO 5	Module: 2: Evolution of Corporate Governance				5
Q7	Co5	Module: 2: Evolution of Corporate Governance			A	14
	Total Marks					40

K =Knowledge Level C = Comprehension Level, A = Application Level

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

I hereby certify that all the questions are set as per the above guidelines. [Dr. Shikha Manchanda]

Reviewer's Comments:

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## Annexure- II: Format of Answer Scheme



### SCHOOL OF MANAGEMENT

#### SOLUTION

Semester: III

Course Code: MGT 109

Course Name: Business Ethics, CG and SR

Date: 19/10/2019

Time: 9:30 am- 11:00 am

Max Marks: 40 marks

Weightage: 20%

#### Part A

(2Q x 3M = 6 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
Q1.	<ul style="list-style-type: none"><li>• Morality is concerned with the norms, values and beliefs embedded in social processes which define right and wrong for an individual or a community.</li><li>• Ethics is concerned with the study of morality and the application of reason to elucidate specific rules and principles that determine right and wrong for any given situation.</li><li>• These rules and principles are called ethical theories.</li><li>• Ethics rationalizes morality to produce ethical theory that can be applied to any situation</li></ul>	1+1+1	10
Q2.	<p>Benefits of Good Corporate Governance</p> <ol style="list-style-type: none"><li>1. Increase in Revenue / Profit growth</li><li>2. Increase in Profitability</li><li>3. Growth in market share price</li><li>4. Provides stability and Goodwill to the company</li><li>5. Building brand image</li><li>6. Builds confidence among investors</li><li>7. Reduces perceived risks, consequently reducing cost of capital.</li><li>8. Well governed companies encourage the employees to acquire and develop company specific skills</li><li>9. Satisfied stakeholders (shareholders, employees, suppliers, creditors, government)</li></ol>	3	10





Q No	Solution	Scheme of Marking	Max. Time required for each Question
Q3.	<p>Part1:“Business Ethics, thus, refers to set of rules of conduct applied to business which is acceptable to society at large without any hitch/reservation. In practice business ethics is used to describe do’s and don’ts for business, the various things that corporate’s should or should not do.</p> <p>Part 2: Importance of Business Ethics</p> <ol style="list-style-type: none"> <li>1. Power and influence of business in society</li> <li>2. Potential to provide major contribution to society</li> <li>3. Potential to inflict harm</li> <li>4. Increasing demands from stakeholders</li> <li>5. Lack of business ethics education or training</li> <li>6. Continued occurrence of ethical infractions</li> <li>7. Evaluating different ways of managing business ethics</li> <li>8. Interesting and rewarding</li> </ol>	1+4	10
Q4.	<p><u>The promoter system 1956-1991</u></p> <p>The basic form of the post independent economy was characterized by many factors such as:</p> <ol style="list-style-type: none"> <li>1. Restriction on importing consumer&amp; capital goods</li> <li>2. Restriction on dealing on foreign exchange</li> <li>3. A policy of mixed economy</li> <li>4. Economic planning and a wide range of government support programs in the area of industrial financing.</li> <li>5. Govt. passed new companies act with intention to: <ol style="list-style-type: none"> <li>(a) eliminate the institution of managing agency system</li> <li>(b) safeguard the shareholder rights and</li> <li>(c) protect the common interests in a more effective way.</li> </ol> </li> <li>6. Many reforms took place in the industrial sector such as enactment of Industrial Policy resolution,1956; Companies Act of 1956; and Securities Contract Act 1956</li> <li>7. With the Promoter system, there was a transformation in the formal mechanism of governance from managing agency contract to the board of directors based on the provisions of the Companies Act, 1956.</li> <li>8. Following reforms promoted shareholder right to exercise control over the corporates: a) Disclosure norms b) AGM rules c) standard for maintenance of records d) Maximum limit on no. of directorships for an individual e) restriction on family members serving on a board.</li> </ol>	5	10



Q5.	<p>Part 1: Sustainability refers to the long-term maintenance of systems according to environmental, economic and social considerations.</p> <p>Part2: For a long time, sustainability was synonymous with Environmental sustainability. More recently, the concept has been broadened to include Economic and Social considerations (Elkington, 1998)</p> <p>Part 3: Triple bottom line concept was coined by John Elkington. Bottom line thinking suggests sustainability as a goal for business ethics with Three dimensions:</p> <ul style="list-style-type: none"> <li>• Environmental perspectives</li> <li>• Economic perspectives: Focus on those strategies which lead to long-term rise in share price, revenues and market share rather than focusing on short term profit. Avoid paying bribes or building cartels, non-payment of taxes through accounting tricks</li> <li>• Social perspectives: Social Justice for local communities / indigenous communities in less developed countries. Removal of inequalities. Contribute towards Millennium Development Goals of UN.</li> </ul>	1+1+3	10
Q6.	<p>Part 1: Corporate Governance is a system of structuring, operating and controlling a company with a view to achieve long-term strategic goals to satisfy its shareholders, creditors, employee's, customers and suppliers. It aims to comply with the legal and regulatory requirements, besides meeting the environmental and local community needs. It includes the policies and procedures adopted by a company to achieve its objectives. (OECD)</p> <p>Part 2: Good corporate governance is based on following pillars:</p> <ol style="list-style-type: none"> <li>1. Fair dealings</li> <li>2. Transparency of operations</li> <li>3. Accountability to stakeholders</li> <li>4. Participation</li> </ol>	1+4	10



Q No	Solution	Scheme of Marking	Max. Time required for each Question
Q7.	<p><u>Part 1</u> Need for Corporate Governance</p> <ul style="list-style-type: none"> <li>• Lax Board</li> <li>• Frauds</li> <li>• Unchallenged powers and decision making</li> <li>• Lack of transparency and inadequate disclosures</li> <li>• Unethical business conduct and behavior</li> <li>• Promoters and senior management involved in cooking of books, accounts and insider trading</li> <li>• Unwarranted acquisitions</li> <li>• Failure of external audit</li> <li>• Lack of proper internal audits</li> <li>• Questionable role of watchdogs including Independent directors, auditors, rating agencies and regulators.</li> </ul> <p><u>Part 2</u> Brief introduction followed by flaws in corporate governance such as:</p> <ol style="list-style-type: none"> <li>1. Unplanned acquisitions.</li> <li>2. Absence of controls</li> <li>3. Unabated dominance</li> <li>4. Questionable role of directors</li> <li>5. Ineffective board committees</li> <li>6. Faulty accounting practices</li> <li>7. Failure of internal audit department</li> <li>8. Incompetent external auditor</li> <li>9. Conflict of interest</li> </ol> <p><u>Part 3</u> Lessons learnt</p> <ol style="list-style-type: none"> <li>1. Need for a better corporate governance framework</li> <li>2. Clear cut, well defined power-authority relations</li> <li>3. Tightening the norms for board committees</li> <li>4. Strong internal and external auditors</li> </ol>	3+8+3	25





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**PRESIDENCY UNIVERSITY  
BENGALURU**

**SCHOOL OF MANAGEMENT**

**SET A**

**MID TERM EXAMINATIONS**

**Sem & AY:** Odd Sem. 2019-20

**Date:** 19.10.2019

**Course Code:** MGT 109

**Time:** 9.30 AM to 11.00 AM

**Course Name:** BUSINESS ETHICS, CG & CSR

**Max Marks:** 40

**Program & Sem:** MBA & III

**Weightage:** 20%

**Instructions:**

- i. Answer all the Questions.

**Part A [Memory Recall Questions]**

**Answer both the Questions. Each Question carries three marks. (2Qx3M=6M)**

1. Explain the relationship between morality, ethics and ethical theory with the help of a diagram. (C.O.NO.2) [Knowledge]
2. Write a note how Managing Agency System contributed to the evolution of corporate governance? (C.O.NO.5) [Knowledge]

**Part B [Thought Provoking Questions]**

**Answer all the Questions. Each Question carries five marks. (4Qx5M=20M)**

3. Sustainability is a key goal of business ethics; defend the statement with the help of Triple Bottom Line theory. (C.O.NO.2) [Comprehension]
4. The nature of corporate governance has undergone a transformation comment. (C.O.NO.5) [Comprehension]
5. Summarize the objectives of corporate governance.(C.O.NO.5) [Comprehension]
6. Why business ethics is important? State the reasons. (C.O.NO.3) [Comprehension]

**Part C [Problem Solving Questions]**

**Answer the Question. The Question carries fourteen marks.**

**(1Qx14M=14M)**

7. Why do corporates forget the principles of governance? Elucidate in detail the Enron scam, and lessons of corporate governance that were learnt? (C.O.NO.5) [Application]







## SCHOOL OF MANAGEMENT

**Semester:** Odd Sem 2019-20

**Course Code:** MGT 109

**Course Name** BE, CG & CSR:

**Date:** 19-10-2019

**Time:** 9.30- 11.00

**Max Marks:** 40

**Weightage:** 20%

### Extract of question distribution [outcome wise & level wise]

Q.NO	C.O.NO (%age of CO)	Unit/Module Number/Unit /Module Title	Memory recall type	Thought provoking type	Problem Solving type [Marks allotted]	Total Marks
			[Marks allotted] Bloom's Levels	[Marks allotted] Bloom's Levels		
			K	C	A	
1	2	1	3			3
2	5	2	3			3
1	2	1		5		5
2	5	2		5		5
3	5	2		5		5
4	3	1		5		5
1	5	2			14	14
	Total Marks	40				

K =Knowledge Level C = Comprehension Level, A = Application Level

Note: While setting all types of questions the general guideline is that about 60%

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.



I hereby certify that all the questions are set as per the above guidelines. [Name of faculty]

Reviewer's Comments:

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## Annexure- II: Format of Answer Scheme



### SCHOOL OF Management

#### SOLUTION

Semester: Odd Sem 2019-20

Course Code: MGT 109

Course Name: BE, CG, & CSR

Date: 19.10.2019

Time: 9.30 – 11.00

Max Marks: 40

Weightage: 20%

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#### Part A

(2Q x3 M = 6Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	<p>Morality is concerned with the norms, values and beliefs embedded in social processes which define right and wrong for an individual or a community. Ethics is concerned with the study of morality and the application of reason to elucidate specific rules and principles that determine right and wrong for any given situation. These rules and principles are called ethical theories.</p>	1+!+1	10 minutes



2	<p><b>Managing Agency System 1850-1955</b></p> <p><b>British merchants were the managing agents, having financial and managerial expertise. Served three basic functions:</b></p> <p><b>(a) Started new companies</b></p> <p><b>(b) They were appointed to manage and control the existing companies based on managing agency contract.</b></p> <p><b>(c) They provided important financial functions as managing agents, due to their ability to attract new investors to secure bank loans , especially at the time when the credit system was not fully developed and the money and capital markets were non-existent.</b></p>	1+1+1	10 minutes

**Part B**

(4Qx 5M = 20 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	Sustainability refers to the long-term maintenance of systems according to	2+8	10 minutes



	<p>environmental, economic and social considerations.</p> <p>Triple bottom line (TBL)- Bottom line thinking suggests sustainability as a goal</p> <p>Three dimensions:</p> <ul style="list-style-type: none"> <li>• Environmental perspectives</li> <li>• Economic perspectives</li> <li>• Social perspectives</li> </ul>	
2	<ul style="list-style-type: none"> <li>• Accountability is the hallmark of corporate governance.</li> <li>• In today's competitive borderless world environment, the fundamentals have been significantly transforming corporate governance and stakeholders in an integral relationship. While change is the solitary invariable in this world, all the governed companies will have to accept the changes in and around them in a way that does not impair their vision when they serve the society at large.</li> <li>• Companies have to be responsive in facing altered social and economic relations such as digital environment, information, corporate social responsibility, accounting-disclosures transparency, investor awareness, investor protection, increased flow in trade and transnational investment.</li> </ul>	10 minutes
3	<p>The Company Law Amendment Bill, 2013 seeks to enable the corporate sector in India to operate in a regulatory environment of best international practices that fosters</p>	10 minutes





	<p>entrepreneurship, investment and growth.</p> <p>The basic principles of all aspects of internal governance of corporate entities and a framework for their regulation, irrespective of their area of operation, from incorporation to liquidation and winding up, in a single, comprehensive, legal framework administered by the Central Government.</p>		
4	<p>Why is business ethics important?</p> <ol style="list-style-type: none"> <li>1. Power and influence of business in society</li> <li>2. Potential to provide major contribution to society</li> <li>3. Potential to inflict enormous harm</li> <li>4. Increasing demands from stakeholders</li> <li>5. Lack of business ethics education or training</li> <li>6. Continued occurrence of ethical infractions</li> <li>7. Evaluating different ways of managing business ethics</li> <li>8. Interesting and rewarding</li> </ol>		10 minutes

**Part C**

(1Q x 14M = 14 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	<p>The three principles of governance are:</p> <ol style="list-style-type: none"> <li>1. Transparency</li> <li>2. Accountability &amp;</li> <li>3. Responsibility.</li> </ol> <p>The students have to write the Enron Saga.</p> <p>Lessons learnt are:</p> <ol style="list-style-type: none"> <li>1. The corporate boards should be packed with independent directors,</li> <li>2. All the companies</li> </ol>	3+5+5	30 minutes



	<p>should have three committees i.e</p> <ol style="list-style-type: none"><li>1. Nomination committee,</li><li>2. Remuneration committee, &amp;</li><li>3. Audit committee</li></ol> <p>to have good governance in the company.</p>		
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**PRESIDENCY UNIVERSITY  
BENGALURU**

**SCHOOL OF MANAGEMENT**

**SET A**

**MID TERM EXAMINATIONS**

**Sem & AY: Odd Sem. 2019-20**

**Date: 19.10.2019**

**Course Code: MGT 109**

**Time: 9.30 AM to 11.00 AM**

**Course Name: BUSINESS ETHICS, CG & CSR**

**Max Marks: 40**

**Program & Sem: MBA & III**

**Weightage: 20%**

**Instructions:**

- i. Answer all the Questions.**

**Part A [Memory Recall Questions]**

**Answer both the Questions. Each Question carries three marks. (2Qx3M=6M)**

1. Explain the relationship between morality, ethics and ethical theory with the help of a diagram. (C.O.NO.2) [Knowledge]
2. Write a note how Managing Agency System contributed to the evolution of corporate governance? (C.O.NO.5) [Knowledge]

**Part B [Thought Provoking Questions]**

**Answer all the Questions. Each Question carries five marks. (4Qx5M=20M)**

3. Sustainability is a key goal of business ethics; defend the statement with the help of Triple Bottom Line theory. (C.O.NO.2) [Comprehension]
4. The nature of corporate governance has undergone a transformation comment. (C.O.NO.5) [Comprehension]
5. Summarize the objectives of corporate governance.(C.O.NO.5) [Comprehension]
6. Why business ethics is important? State the reasons. (C.O.NO.3) [Comprehension]

**Part C [Problem Solving Questions]**

**Answer the Question. The Question carries fourteen marks.**

**(1Qx14M=14M)**

7. Why do corporates forget the principles of governance? Elucidate in detail the Enron scam, and lessons of corporate governance that were learnt? (C.O.NO.5) [Application]





## SCHOOL OF MANAGEMENT

**Semester:** Odd Sem 2019-20

**Course Code:** MGT 109

**Course Name** BE, CG & CSR:

**Date:** 19-10-2019

**Time:** 9.30- 11.00

**Max Marks:** 40

**Weightage:** 20%

### Extract of question distribution [outcome wise & level wise]

Q.NO	C.O.NO (%age of CO)	Unit/Module Number/Unit /Module Title	Memory recall type	Thought provoking type	Problem Solving type [Marks allotted]	Total Marks
			[Marks allotted] Bloom's Levels	[Marks allotted] Bloom's Levels		
			K	C	A	
1	2	1	3			3
2	5	2	3			3
1	2	1		5		5
2	5	2		5		5
3	5	2		5		5
4	3	1		5		5
1	5	2			14	14
	Total Marks	40				

K =Knowledge Level C = Comprehension Level, A = Application Level

Note: While setting all types of questions the general guideline is that about 60%

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.





I hereby certify that all the questions are set as per the above guidelines. [Name of faculty]

Reviewer's Comments:

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## Annexure- II: Format of Answer Scheme



### SCHOOL OF Management

#### SOLUTION

Semester: Odd Sem 2019-20

Course Code: MGT 109

Course Name: BE, CG, & CSR

Date: 19.10.2019

Time: 9.30 – 11.00

Max Marks: 40

Weightage: 20%

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#### Part A

(2Q x3 M = 6Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	Morality is concerned with the norms, values and beliefs embedded in social processes which define right and wrong for an individual or a community. Ethics is concerned with the study of morality and the application of reason to elucidate specific rules and principles that determine right and wrong for any given situation. These rules and principles are called ethical theories.	1+!+1	10 minutes



2	<p><b>Managing Agency System 1850-1955</b></p> <p><b>British merchants were the managing agents, having financial and managerial expertise. Served three basic functions:</b></p> <p><b>(a) Started new companies</b></p> <p><b>(b) They were appointed to manage and control the existing companies based on managing agency contract.</b></p> <p><b>(c) They provided important financial functions as managing agents, due to their ability to attract new investors to secure bank loans , especially at the time when the credit system was not fully developed and the money and capital markets were non-existent.</b></p>	1+1+1	10 minutes

**Part B**

(4Qx 5M = 20 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	Sustainability refers to the long-term maintenance of systems according to	2+8	10 minutes



	<p>environmental, economic and social considerations.</p> <p>Triple bottom line (TBL)- Bottom line thinking suggests sustainability as a goal</p> <p>Three dimensions:</p> <ul style="list-style-type: none"> <li>• Environmental perspectives</li> <li>• Economic perspectives</li> <li>• Social perspectives</li> </ul>	
2	<ul style="list-style-type: none"> <li>• Accountability is the hallmark of corporate governance.</li> <li>• In today's competitive borderless world environment, the fundamentals have been significantly transforming corporate governance and stakeholders in an integral relationship. While change is the solitary invariable in this world, all the governed companies will have to accept the changes in and around them in a way that does not impair their vision when they serve the society at large.</li> <li>• Companies have to be responsive in facing altered social and economic relations such as digital environment, information, corporate social responsibility, accounting-disclosures transparency, investor awareness, investor protection, increased flow in trade and transnational investment.</li> </ul>	10 minutes
3	<p>The Company Law Amendment Bill, 2013 seeks to enable the corporate sector in India to operate in a regulatory environment of best international practices that fosters</p>	10 minutes



	<p>entrepreneurship, investment and growth.</p> <p>The basic principles of all aspects of internal governance of corporate entities and a framework for their regulation, irrespective of their area of operation, from incorporation to liquidation and winding up, in a single, comprehensive, legal framework administered by the Central Government.</p>		
4	<p>Why is business ethics important?</p> <ol style="list-style-type: none"> <li>1. Power and influence of business in society</li> <li>2. Potential to provide major contribution to society</li> <li>3. Potential to inflict enormous harm</li> <li>4. Increasing demands from stakeholders</li> <li>5. Lack of business ethics education or training</li> <li>6. Continued occurrence of ethical infractions</li> <li>7. Evaluating different ways of managing business ethics</li> <li>8. Interesting and rewarding</li> </ol>		10 minutes

**Part C**

(1Q x 14M = 14 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	<p>The three principles of governance are:</p> <ol style="list-style-type: none"> <li>1. Transparency</li> <li>2. Accountability &amp;</li> <li>3. Responsibility.</li> </ol> <p>The students have to write the Enron Saga.</p> <p>Lessons learnt are:</p> <ol style="list-style-type: none"> <li>1. The corporate boards should be packed with independent directors,</li> <li>2. All the companies</li> </ol>	3+5+5	30 minutes





	<p>should have three committees i.e</p> <ol style="list-style-type: none"><li>1. Nomination committee,</li><li>2. Remuneration committee, &amp;</li><li>3. Audit committee</li></ol> <p>to have good governance in the company.</p>		
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# SCHOOL OF MANAGEMENT

## END TERM FINAL EXAMINATION

**Semester:** Odd Semester: 2019 - 20

**Course Code:** MGT 109

**Course Name:** Business Ethics, Corporate Governance and Social Responsibility

**Program & Sem:** MBA & III

**Date:** 30 December 2019

**Time:** 1:00 PM to 4:00 PM

**Max Marks:** 80

**Weightage:** 40%

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### Instructions:

- (i) Read the all questions carefully and answer accordingly.
  - (ii) All questions are compulsory.
- 

### Part A [Memory Recall Questions]

**Answer all the Questions. Each Question carries 5 marks.**

**(6Qx5M=30M)**

1. Why is business ethics important to business? (C.O.No.2) [Knowledge]
2. Describe how Promoter system has contributed to evolution of Corporate Governance in India.  
(C.O.No.5) [Knowledge]
3. Identify the four levels of corporate social responsibility proposed by Archie Carroll.  
(C.O.No.4) [Knowledge]
4. State the Sustainability concept proposed by John Elkington in triple bottom line theory?  
(C.O.No.3) [Knowledge]
5. Write a short note on Japanese model of corporate governance. (C.O.No.5) [Knowledge]
6. Describe the relationship between morality, ethics and ethical theory.  
(C.O.No.1) [Knowledge]

### Part B [Thought Provoking Questions]

**Answer all the Questions. Each Question carries 10 marks.**

**(2Qx10M=20M)**

7. Some economists opine that corporations have no responsibility towards society apart from making profits for shareholders. In the light of the above, clearly bring out the arguments in favor and against CSR.  
[5+5] (C.O. No.4) [Comprehension]

**Answer both the Questions. Each Question carries 15 marks.**

**(2Qx15M=30M)**

9. "The political role of the corporations have changed". Elucidate this point, clearly highlighting the CSR activities of Jaipur Foot Centre run by Bhagwan Mahaveer Viklang Sahayata Samiti (BMVSS). [15] (C.O.No.4) [Application]
10. 'The need for corporate governance arises on account of corporate failures.' Illustrate what led to the downfall of major telecom company, World.Com? What were the lessons learnt? [10+5] (C.O.No.5) [Application]

Semester: Odd Sem 2019-20

Course Code: MGT 109

Course Name Business Ethics, CG and SR

Date: 30/12/2019

Time: 1:00pm- 4:00pm

Max Marks: 80 marks

Weightage: 40%

**Extract of question distribution [outcome wise & level wise]**

Q.NO	C.O.NO (%age of CO)	Unit/Module Number/Unit /Module Title	Memory recall type	Thought provoking type	Problem Solving type	Total Marks
			[Marks allotted] Bloom's Levels	[Marks allotted] Bloom's Levels	[Marks allotted] A	
			K	C	A	
Q1	CO 2	Module: 1: Understanding Business Ethics	5			
Q2	CO 5	Module: 2: Evolution of Corporate Governance	5			
Q3	CO 4	Module: 4: Corporate Responsibility, Stakeholders and Citizenship	5			
Q4	CO 3	Module: 1: Understanding Business Ethics	5			
Q5	CO 5	Module: 3: Theory and Practice of Corporate Governance	5			

		Corporate Responsibility, Stakeholders and Citizenship				
Q8	CO 5	Module: 3: Theory and Practice of Corporate Governance		10		
Q9	CO 4	Module: 4: Corporate Responsibility, Stakeholders and Citizenship			15	
Q10	CO 5	Module: 3: Theory and Practice of Corporate Governance			15	
	Total Marks		30	20	30	80

K =Knowledge Level C = Comprehension Level, A = Application Level

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

I hereby certify that all the questions are set as per the above guidelines. [Dr. Shikha Manchanda]

Reviewer's Comments:

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Semester: III

Course Code: MGT 109

Course Name: Business Ethics, CG and SR

Date: 30/12/2019

Time: 3 hours

Max Marks: 80 marks

Weightage: 40%

## Part A

(2Q x 3M = 6 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
Q1	<p>“Business Ethics, thus, refers to set of rules of conduct applied to business which is acceptable to society at large without any hitch/reservation. In practice business ethics is used to describe do’s and don’ts for business, the various things that corporate’s should or should not do.</p> <p>Importance of Business Ethics</p> <ol style="list-style-type: none"> <li>1. Power and influence of business in society</li> <li>2. Potential to provide major contribution to society</li> <li>3. Potential to inflict harm</li> <li>4. Increasing demands from stakeholders</li> <li>5. Lack of business ethics education or training</li> <li>6. Continued occurrence of ethical infractions</li> <li>7. Evaluating different ways of managing business ethics</li> <li>8. Interesting and rewarding</li> </ol>	5	10
Q2.	<p><u>The promoter system 1956-1991</u></p> <p>The basic form of the post independent economy was characterized by many factors such as:</p> <ol style="list-style-type: none"> <li>1. Restriction on importing consumer &amp; capital goods</li> <li>2. Restriction on dealing on foreign exchange</li> <li>3. A policy of mixed economy</li> <li>4. Economic planning and a wide range of government support programs in the area of industrial financing.</li> <li>5. Govt. passed new companies act with intention to: <ol style="list-style-type: none"> <li>(a) eliminate the institution of managing agency system</li> <li>(b) safeguard the shareholder rights and</li> <li>(c) protect the common interests in a more effective way.</li> </ol> </li> <li>6. Many reforms took place in the industrial sector such as enactment of Industrial Policy resolution, 1956;</li> </ol>	5	10

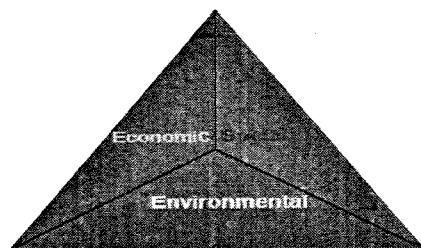
	exercise control over the corporates. a) Disclosure norms b) AGM rules c) standard for maintenance of records d) Maximum limit on no. of directorships for an individual e) restriction on family members serving on a board.		
Q3.	<p><b>Carroll's four-part model of corporate social responsibility</b></p> <p><b>1. Economic responsibility:</b> It is first layer of CSR and is the basis for all subsequent responsibilities which rest on this solid base. Companies have shareholders who demand reasonable return on investments. They have employees who want safe and fairly paid jobs. They have customers who demand good quality products at a fair price etc. This is the reason why businesses are set up in society and so the first responsibility of business is to be a properly functioning economic unit and to stay in business.</p> <p><b>2. Legal responsibility</b> The legal responsibility of corporation demands that businesses abide by the law and 'play by the rules of the game'. It is a pre-requisite for all corporations seeking to be socially responsible. Eg: Business must work within the framework legal acts governing the business such as Companies Act, 1956 / Environmental Protection Act / Consumer Protection Act etc.</p> <p><b>3. Ethical responsibility</b> Ethical responsibilities consist of what is generally EXPECTED by society over and above the economic and legal expectations. The ethical responsibilities oblige a corporation to do what is right, just and fair even when companies are not compelled to do so by the legal framework. Eg: Initiatives to reduce carbon footprints.</p> <p><b>4. Philanthropic responsibility</b> This is the tip of the pyramid, i.e., the fourth level of CSR which focuses on philanthropic responsibilities of corporations. The Greek word 'Philanthropy' means 'The Love of the fellow Human'. As per the model, philanthropic activities (such as charitable donations, building of recreation facilities for employees and their families, support to local schools or sponsoring arts and sports events etc.) are as per corporations DISCRETION. These responsibilities are merely desired from</p>	1+4	10





Q4. Sustainability refers to the long-term maintenance of systems according to environmental, economic and social considerations. For a long time, sustainability was synonymous with Environmental sustainability. More recently, the concept has been broadened to include Economic and Social considerations (Elkington, 1998)

Triple bottom line concept was coined by John Elkington. Bottom line thinking suggests sustainability as a goal for business ethics with



Three dimensions:

- Environmental perspectives
- Economic perspectives: Focus on those strategies which lead to long-term rise in share price, revenues and market share rather than focusing on short term profit. Avoid paying bribes or building cartels, non-payment of taxes through accounting tricks
- Social perspectives: Social Justice for local communities / indigenous communities in less developed countries. Removal of inequalities. Contribute towards Millennium Development Goals of UN.

1+4

10

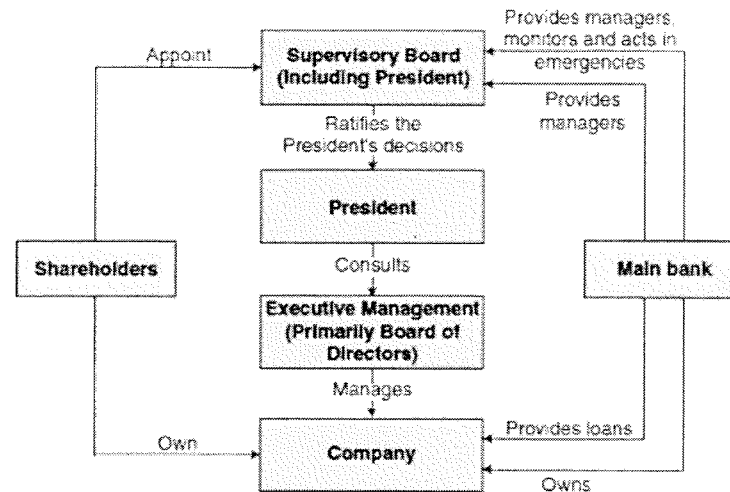
Q5. The Japanese CG model is characterized by the following features:

5

10

major bank known as main bank. Banks hold majority of shares on a long term basis and build strong relationship with client companies.

3. Employee Participation: Long serving and committed employees are offered membership on the BoD. Senior managers and former employees account for 90 % of the company directors.
4. Unitary Board Structure: The entire board takes all major decisions of the company. However, in practice the BOD has by tradition surrendered most of its authority to President of the company. The President along with top executives selects new members of the board of directors and evaluate company's performance.
5. This model is many sided and represents trust and relationship oriented approach to CG.



Q6.

- Morality is concerned with the norms, values and beliefs embedded in social processes which define right and wrong for an individual or a community.
- Ethics is concerned with the study of morality and the application of reason to elucidate specific rules and principles that determine right and wrong for any given situation.
- These rules and principles are called ethical theories.
- Ethics rationalizes morality to produce ethical theory that can be applied to any situation

5

10



**Part B**

(2Q x 10M = 20 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
Q7.	<p><u>Arguments against CSR</u></p> <ul style="list-style-type: none"> <li>• Milton Friedman 1970 classic article “The social responsibility of business is to increase its profits”</li> <li>• Vigorously argued against the notion of social responsibilities for corporations based on three main arguments:</li> <li>• Only human beings have a moral responsibility for their actions</li> <li>• It is managers’ responsibility to act solely in the interests of shareholders</li> <li>• Social issues and problems are the CONCERNS of the state rather than corporate managers</li> <li>• Evidence to suggest that legal designation of a corporation makes it unable to be anything but self-interested (Bakan 2004)</li> <li>• Long and complex debate but generally support from literature for some degree of responsibility accredited to corporations</li> <li>• Argument based on:               <ul style="list-style-type: none"> <li>• Every organisation has a corporate internal decision structure which directs corporate decisions in line with predetermined goals (French 1979)</li> <li>• All organisations manifest a set of beliefs and values that lay out what is generally regarded as right or wrong in the corporation – organizational culture (Moore 1999)</li> </ul> </li> </ul> <p><u>Arguments in Favor of CSR</u></p> <ul style="list-style-type: none"> <li>• <i>Business</i> reasons (‘enlightened self-interest’)               <ul style="list-style-type: none"> <li>• Extra and/or more satisfied customers</li> <li>• Employees may be more attracted/committed</li> <li>• Forestall legislation (force or envision)</li> </ul> </li> </ul>	5+5	20

	<ul style="list-style-type: none"> <li>• Corporations rely on the contribution of a wide set of stakeholders in society rather than just shareholders</li> </ul>		
Q8.	<p><b>Agency Theory</b></p> <p>According to this theory there exists agency relationship between shareholders and management of company. Under a contract of agency, one party (the principal) appoints another party (the agent) to perform some functions on its behalf. Shareholders of the corporation delegate the decision making authority to the BOD. As an agent, the BOD is expected to exercise its authority on behalf of and in interest of the shareholders (the principal)</p> <p>In reality, however BOD and chief executives may promote their own interests rather than the interests of the shareholders. In other words, there can be a divergence of interests between shareholders and managers. Thus, effective governance system is needed to safeguard the interests of the shareholders. This theory represents a narrow view of corporate governance as it suggests that a company is responsible only to its shareholders and neglects / does not consider the interests and rights of other stakeholders like employees, customers, suppliers, etc.</p> <p><b>STEWARDSHIP MODEL</b></p> <p>This theory is based on the assumption that the top managers of a company will act on their own as responsible stewards of the assets under their control. They work diligently to achieve high levels of profits which yield good returns to shareholders. The interests of the company and its owners are aligned with those of the managers when they work towards collective goals.</p> <p>The interests of the shareholders are automatically served when the company's performance is maximized. Therefore, BOD and Chief executives should be given adequate authority and discretion to act as good stewards.</p> <p>Conflict: The assumption of stewardship performance may not always hold true. Moreover, this theory overlooks the interests of the stakeholders other than shareholders.</p>	4+6	20

Governance approach is materialistic	Governance approach is sociological and psychological	
Behavioural pattern is : Individualistic Opportunistic & Self serving	Behavioural pattern is : Collectivistic Pro-organizational Trustworthy	
Managers are motivated by their own objectives	Managers are motivated by the principal's objectives.	
Interests of the managers and principals differ.	Interests of the managers and principals converge	
The role of management is to monitor and control	The role of management is to facilitate and empower.	
Owner's attitude is to avoid risks. Principal - manager relationship is based on control.	Owner's attitude is to take risk. Principal - manager relationship is based on trust.	

**Part C**

(2Q x 15M =30 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
Q9.	<u>Political Role of corporations</u> <ul style="list-style-type: none"> <li>• Government failure               <ul style="list-style-type: none"> <li>• Risk society thesis                   <ul style="list-style-type: none"> <li>• Rise of 'sub-politics'</li> <li>• 'Organized irresponsibility'</li> </ul> </li> </ul> </li> </ul>	5+10	30

- Governments increasingly encourage self-regulation

#### Case Study: Jaipur Foot Case (BMVSS)

- A non-government non-profit, non-religious organization.
- A prosthetic foot in the U.S. averages \$8,000. The Jaipur Foot is tailored to the active life styles of the poor and costs only about \$30 - and it is given away free to the many handicapped poor who have lost a limb.
- Developed in 1968, Foot is a hand-made artificial foot and lower limb prosthesis.
- It has revolutionized life for tens of thousands of amputees around the world.
- This foot was originally designed to meet the needs of a developing country lifestyle such as squatting, barefoot walking, and cross legged sitting.
- Primarily fabricated and fitted by BMVSS.
- Jaipur foot is fitted on approximately 16,000 patients annually,
- BMVSS, services approximately 60,000 patients, by providing Jaipur foot, calipers & other aids and appliances.
- There are 7 centers throughout India and a number of mobile camps held every year in various parts of the country.
- Jaipur foot camps also have been found in 19 other countries.
- With innovations in technology and management, as well as understanding the needs of its patients, BMVSS developed a unique business model.
- This model allows the Jaipur foot technology that allows even rikshaw-walas, dancers to do their job with ease.
- There are five and a half million amputees in India. In addition, each year, according to one estimate an additional 25,000 people lose their limbs due to diseases, accidents or other hazards.
- A majority of these people are well below the poverty line and cannot afford health care or medical services.

3. Unabated dominance
4. Questionable role of directors
5. Ineffective board committees
6. Faulty accounting practices
7. Failure of internal audit department
8. Incompetent external auditor
9. Conflict of interest

Lessons learnt

1. Need for a better corporate governance framework
2. Clear cut, well defined power-authority relations
3. Tightening the norms for board committees
4. Strong internal and external auditors







Roll No

**PRESIDENCY UNIVERSITY  
BENGALURU**

**SCHOOL OF MANAGEMENT**

**END TERM FINAL EXAMINATION**

**Semester:** Odd Semester: 2019 - 20

**Course Code:** MGT 109

**Course Name:** Business Ethics, Corporate Governance and Social Responsibility

**Program & Sem:** MBA & III

**Date:** 30 December 2019

**Time:** 1:00 PM to 4:00 PM

**Max Marks:** 80

**Weightage:** 40%

**Instructions:**

- (i) Read the all questions carefully and answer accordingly.
- (ii) All questions are compulsory.

**Part A [Memory Recall Questions]**

**Answer all the Questions. Each Question carries 5 marks.**

**(6Qx5M=30M)**

1. Why is business ethics important to business? (C.O.No.2) [Knowledge]
2. Describe how Promoter system has contributed to evolution of Corporate Governance in India. (C.O.No.5) [Knowledge]
3. Identify the four levels of corporate social responsibility proposed by Archie Carroll. (C.O.No.4) [Knowledge]
4. State the Sustainability concept proposed by John Elkington in triple bottom line theory? (C.O.No.3) [Knowledge]
5. Write a short note on Japanese model of corporate governance. (C.O.No.5) [Knowledge]
6. Describe the relationship between morality, ethics and ethical theory. (C.O.No.1) [Knowledge]

**Part B [Thought Provoking Questions]**

**Answer all the Questions. Each Question carries 10 marks.**

**(2Qx10M=20M)**

7. Some economists opine that corporations have no responsibility towards society apart from making profits for shareholders. In the light of the above, clearly bring out the arguments in favor and against CSR. [5+5] (C.O. No.4) [Comprehension]
8. Briefly discuss the Agency theory and Stewardship Theory. Compare and distinguish these theories as means to achieve better corporate governance.

[4+6] (C.O.No.5) [Comprehension]

**Part C [Problem Solving Questions]**

**Answer both the Questions. Each Question carries 15 marks.**

**(2Qx15M=30M)**

9. "The political role of the corporations have changed". Elucidate this point, clearly highlighting the CSR activities of Jaipur Foot Centre run by Bhagwan Mahaveer Viklang Sahayata Samiti (BMVSS). [15] (C.O.No.4) [Application]
10. 'The need for corporate governance arises on account of corporate failures.' Illustrate what led to the downfall of major telecom company, World.Com? What were the lessons learnt? [10+5] (C.O.No.5) [Application]



## SCHOOL OF MANAGEMENT

### END TERM FINAL EXAM

Semester: Odd Sem 2019-20

Course Code: MGT 109

Course Name Business Ethics, CG and SR

Date: 30/12/2019

Time: 1:00pm- 4:00pm

Max Marks: 80 marks

Weightage: 40%

#### Extract of question distribution [outcome wise & level wise]

Q.NO	C.O.NO (%age of CO)	Unit/Module Number/Unit /Module Title	Memory recall type	Thought provoking type	Problem Solving type	Total Marks
			[Marks allotted] Bloom's Levels	[Marks allotted] Bloom's Levels	[Marks allotted]	
			K	C	A	
Q1	CO 2	Module: 1: Understanding Business Ethics	5			
Q2	CO 5	Module: 2: Evolution of Corporate Governance	5			
Q3	CO 4	Module: 4: Corporate Responsibility, Stakeholders and Citizenship	5			
Q4	CO 3	Module: 1: Understanding Business Ethics	5			
Q5	CO 5	Module: 3: Theory and Practice of Corporate Governance	5			

Q6	CO 1	Module: 1: Understanding Business Ethics	5			
Q7	CO 4	Module: 4: Corporate Responsibility, Stakeholders and Citizenship		10		
Q8	CO 5	Module: 3: Theory and Practice of Corporate Governance		10		
Q9	CO 4	Module: 4: Corporate Responsibility, Stakeholders and Citizenship			15	
Q10	CO 5	Module: 3: Theory and Practice of Corporate Governance			15	
	Total Marks		30	20	30	80

K =Knowledge Level C = Comprehension Level, A = Application Level

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

I hereby certify that all the questions are set as per the above guidelines. [Dr. Shikha Manchanda]

Reviewer's Comments:

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## Annexure- II: Format of Answer Scheme



### SCHOOL OF MANAGEMENT

#### SOLUTION

Date: 30/12/2019

Semester: III

Time: 3 hours

Course Code: MGT 109

Max Marks: 80 marks

Course Name: Business Ethics, CG and SR

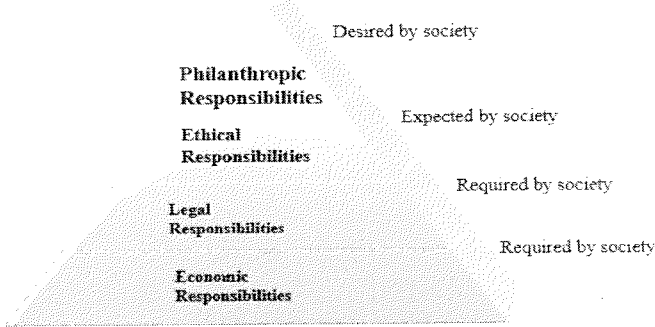
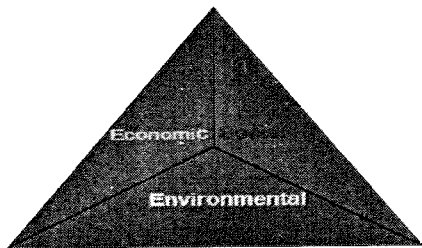
Weightage: 40%

#### Part A

(2Q x 3M = 6 Marks)

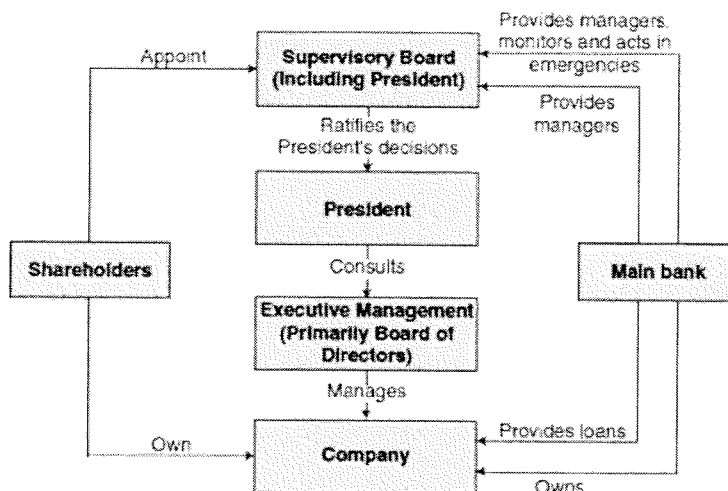
Q No	Solution	Scheme of Marking	Max. Time required for each Question
Q1	<p>"Business Ethics, thus, refers to set of rules of conduct applied to business which is acceptable to society at large without any hitch/reservation. In practice business ethics is used to describe do's and don'ts for business, the various things that corporate's should or should not do.</p> <p>Importance of Business Ethics</p> <ol style="list-style-type: none"> <li>1. Power and influence of business in society</li> <li>2. Potential to provide major contribution to society</li> <li>3. Potential to inflict harm</li> <li>4. Increasing demands from stakeholders</li> <li>5. Lack of business ethics education or training</li> <li>6. Continued occurrence of ethical infractions</li> <li>7. Evaluating different ways of managing business ethics</li> <li>8. Interesting and rewarding</li> </ol>	5	10
Q2.	<p><u>The promoter system 1956-1991</u></p> <p>The basic form of the post independent economy was characterized by many factors such as:</p> <ol style="list-style-type: none"> <li>1. Restriction on importing consumer &amp; capital goods</li> <li>2. Restriction on dealing on foreign exchange</li> <li>3. A policy of mixed economy</li> <li>4. Economic planning and a wide range of government support programs in the area of industrial financing.</li> <li>5. Govt. passed new companies act with intention to:               <ol style="list-style-type: none"> <li>(a) eliminate the institution of managing agency system</li> <li>(b) safeguard the shareholder rights and</li> <li>(c) protect the common interests in a more effective way.</li> </ol> </li> <li>6. Many reforms took place in the industrial sector such as enactment of Industrial Policy resolution, 1956; Companies Act of 1956; and Securities Contract Act 1956</li> </ol>	5	10

	<p>7. With the Promoter system, there was a transformation in the formal mechanism of governance from managing agency contract to the board of directors based on the provisions of the Companies Act, 1956.</p> <p>8. Following reforms promoted shareholder right to exercise control over the corporates: a) Disclosure norms b) AGM rules c) standard for maintenance of records d) Maximum limit on no. of directorships for an individual e) restriction on family members serving on a board.</p>		
Q3.	<p><b>Carroll's four-part model of corporate social responsibility</b></p> <p><b>1. Economic responsibility:</b> It is first layer of CSR and is the basis for all subsequent responsibilities which rest on this solid base. Companies have shareholders who demand reasonable return on investments. They have employees who want safe and fairly paid jobs. They have customers who demand good quality products at a fair price etc. This is the reason why businesses are set up in society and so the first responsibility of business is to be a properly functioning economic unit and to stay in business.</p> <p><b>2. Legal responsibility</b> The legal responsibility of corporation demands that businesses abide by the law and 'play by the rules of the game'. It is a pre-requisite for all corporations seeking to be socially responsible. Eg: Business must work within the framework legal acts governing the business such as Companies Act, 1956 / Environmental Protection Act / Consumer Protection Act etc.</p> <p><b>3. Ethical responsibility</b> Ethical responsibilities consist of what is generally EXPECTED by society over and above the economic and legal expectations. The ethical responsibilities oblige a corporation to do what is right, just and fair even when companies are not compelled to do so by the legal framework. Eg: Initiatives to reduce carbon footprints.</p> <p><b>4. Philanthropic responsibility</b> This is the tip of the pyramid, i.e., the fourth level of CSR which focuses on philanthropic responsibilities of corporations. The Greek word 'Philanthropy' means 'The Love of the fellow Human'. As per the model, philanthropic activities (such as charitable donations, building of recreation facilities for employees and their families, support to local schools or sponsoring arts and sports events etc.) are as per corporations DISCRETION. These responsibilities are merely desired from companies; not obligatory or mandatory.</p>	1+4	10

	<p>Carroll's four-part model of corporate social responsibility</p>  <p>The diagram shows a pyramid with four levels. From top to bottom: Philanthropic Responsibilities (Desired by society), Ethical Responsibilities (Expected by society), Legal Responsibilities (Required by society), and Economic Responsibilities (Required by society).</p>		
<p>Q4.</p>	<p>Sustainability refers to the long-term maintenance of systems according to environmental, economic and social considerations. For a long time, sustainability was synonymous with Environmental sustainability. More recently, the concept has been broadened to include Economic and Social considerations (Elkington, 1998)</p> <p>Triple bottom line concept was coined by John Elkington. Bottom line thinking suggests sustainability as a goal for business ethics with</p>  <p>The diagram is a triangle with three vertices. The top vertex is labeled 'Economic', the bottom-left vertex is labeled 'Environmental', and the bottom-right vertex is labeled 'Social'.</p> <p>Three dimensions:</p> <ul style="list-style-type: none"> <li>• Environmental perspectives</li> <li>• Economic perspectives: Focus on those strategies which lead to long-term rise in share price, revenues and market share rather than focusing on short term profit. Avoid paying bribes or building cartels, non-payment of taxes through accounting tricks</li> <li>• Social perspectives: Social Justice for local communities / indigenous communities in less developed countries. Removal of inequalities. Contribute towards Millennium Development Goals of UN.</li> </ul>	<p>1+4</p>	<p>10</p>
<p>Q5.</p>	<p>The Japanese CG model is characterized by the following features:</p> <ol style="list-style-type: none"> <li>1. Keiretsu: Industrial groups (eg: Mitsubishi) are linked by cross shareholdings and trading relationships. Most of</li> </ol>	<p>5</p>	<p>10</p>

these groups are diversified and vertically integrated by crossholdings.

2. **Financing:** Banks and other financial institutions are the main source of funds for Japanese companies. They provide both debt and equity capital. They are led by a major bank known as MAIN BANK. Banks hold majority of shares on a long term basis and build strong relationship with client companies.
3. **Employee Participation:** Long serving and committed employees are offered membership on the BoD. Senior managers and former employees account for 90 % of the company directors.
4. **Unitary Board Structure:** The entire board takes all major decisions of the company. However, in practice the BOD has by tradition surrendered most of its authority to President of the company. The President along with top executives selects new members of the board of directors and evaluate company's performance.
5. This model is many sided and represents trust and relationship oriented approach to CG.



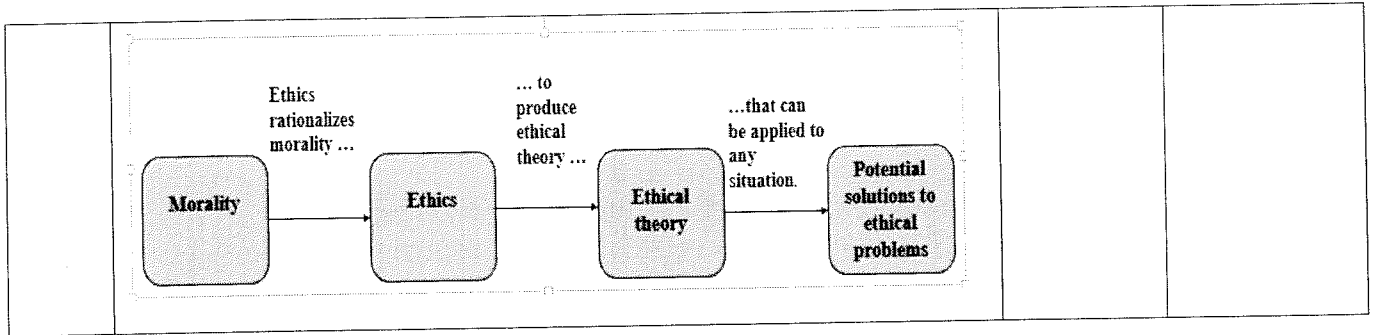
Q6.

- Morality is concerned with the norms, values and beliefs embedded in social processes which define right and wrong for an individual or a community.
- Ethics is concerned with the study of morality and the application of reason to elucidate specific rules and principles that determine right and wrong for any given situation.
- These rules and principles are called ethical theories.
- Ethics rationalizes morality to produce ethical theory that can be applied to any situation

5

10





**Part B**

(2Q x 10M = 20 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
Q7.	<p><u>Arguments against CSR</u></p> <ul style="list-style-type: none"> <li>• Milton Friedman 1970 classic article “The social responsibility of business is to increase its profits”</li> <li>• Vigorously argued against the notion of social responsibilities for corporations based on three main arguments:</li> <li>• Only human beings have a moral responsibility for their actions</li> <li>• It is managers’ responsibility to act solely in the interests of shareholders</li> <li>• Social issues and problems are the CONCERNS of the state rather than corporate managers</li> <li>• Evidence to suggest that legal designation of a corporation makes it unable to be anything but self-interested (Bakan 2004)</li> <li>• Long and complex debate but generally support from literature for some degree of responsibility accredited to corporations</li> <li>• Argument based on:               <ul style="list-style-type: none"> <li>• Every organisation has a corporate internal decision structure which directs corporate decisions in line with predetermined goals (French 1979)</li> <li>• All organisations manifest a set of beliefs and values that lay out what is generally regarded as right or wrong in the corporation – organizational culture (Moore 1999)</li> </ul> </li> </ul> <p><u>Arguments in Favor of CSR</u></p> <ul style="list-style-type: none"> <li>• <i>Business</i> reasons (‘enlightened self-interest’)               <ul style="list-style-type: none"> <li>• Extra and/or more satisfied customers</li> <li>• Employees may be more attracted/committed</li> <li>• Forestall legislation (force or envision)</li> <li>• Long-term investment which benefits corporation</li> </ul> </li> <li>• <i>Moral</i> reasons:</li> </ul>	5+5	20

	<ul style="list-style-type: none"> <li>• Corporations cause social problems (pollution)</li> <li>• Because they are powerful, corporations should use their power and resources responsibly</li> <li>• All corporate activities have social impacts of one sort or another</li> <li>• Corporations rely on the contribution of a wide set of stakeholders in society rather than just shareholders</li> </ul>		
Q8.	<p><b>Agency Theory</b></p> <p>According to this theory there exists agency relationship between shareholders and management of company. Under a contract of agency, one party (the principal) appoints another party (the agent) to perform some functions on its behalf. Shareholders of the corporation delegate the decision making authority to the BOD. As an agent, the BOD is expected to exercise its authority on behalf of and in interest of the shareholders (the principal)</p> <p>In reality, however BOD and chief executives may promote their own interests rather than the interests of the shareholders. In other words, there can be a divergence of interests between shareholders and managers. Thus, effective governance system is needed to safeguard the interests of the shareholders. This theory represents a narrow view of corporate governance as it suggests that a company is responsible only to its shareholders and neglects / does not consider the interests and rights of other stakeholders like employees, customers, suppliers, etc.</p> <p><b>STEWARDSHIP MODEL</b></p> <p>This theory is based on the assumption that the top managers of a company will act on their own as responsible stewards of the assets under their control. They work diligently to achieve high levels of profits which yield good returns to shareholders. The interests of the company and its owners are aligned with those of the managers when they work towards collective goals.</p> <p>The interests of the shareholders are automatically served when the company's performance is maximized. Therefore, BOD and Chief executives should be given adequate authority and discretion to act as good stewards.</p> <p>Conflict: The assumption of stewardship performance may not always hold true. Moreover, this theory overlooks the interests of the stakeholders other than shareholders.</p>	4+6	20

# Behavioural Differences

Agency Theory	Stewardship Theory
Managers act as agents	Managers act as stewards
Governance approach is materialistic	Governance approach is sociological and psychological
Behavioural pattern is : Individualistic Opportunistic & Self serving	Behavioural pattern is : Collectivistic Pro-organizational Trustworthy
Managers are motivated by their own objectives	Managers are motivated by the principal's objectives.
Interests of the managers and principals differ.	Interests of the managers and principals converge
The role of management is to monitor and control	The role of management is to facilitate and empower.
Owner's attitude is to avoid risks. Principal – manager relationship is based on control.	Owner's attitude is to take risk. Principal – manager relationship is based on trust.

## Part C

(2Q x 15M =30 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
Q9.	<u>Political Role of corporations</u> <ul style="list-style-type: none"> <li>• Government failure                             <ul style="list-style-type: none"> <li>• Risk society thesis                                     <ul style="list-style-type: none"> <li>• Rise of 'sub-politics'</li> <li>• 'Organized irresponsibility'</li> </ul> </li> </ul> </li> <li>• Corporate power on the rise</li> </ul>	5+10	30

- Liberalization and deregulation results in more power and choice for private actors
- Privatization of 'public' services
- Responsible for employment decisions
- Globalization
- Governments increasingly encourage self-regulation

Case Study: Jaipur Foot Case (BMVSS)

- A non-government non- profit, non-religious organization.
- A prosthetic foot in the U.S. averages \$8,000. The Jaipur Foot is tailored to o the active life styles of the poor and costs only about \$30 - and it is given away free to the many handicapped poor who have lost a limb.
- Developed in 1968, Foot is a hand-made artificial foot and lower limb prosthesis.
- It has revolutionized life for tens of thousands of amputees around the world.
- This foot was originally designed to meet the needs of a developing country lifestyle such as squatting, barefoot walking, and cross legged sitting.
- Primarily fabricated and fitted by BMVSS.
- Jaipur foot is fitted on approximately 16,000 patients annually,
- BMVSS, services approximately 60,000 patients, by providing Jaipur foot, calipers & other aids and appliances.
- There are 7 centers throughout India and a number of mobile camps held every year in various parts of the country.
- Jaipur foot camps also have been found in 19 other countries.
- With innovations in technology and management, as well as understanding the needs of its patients, BMVSS developed a unique business model.
- This model allows the Jaipur foot technology that allows even rikshaw- walas, dancers to do their job with ease.
- There are five and a half million amputees in India. In addition, each year, according to one estimate an additional 25,000 people lose their limbs due to diseases, accidents or other hazards.
- A majority of these people are well below the poverty line and cannot afford health care or medical services.

Q10.	<p>Brief introduction of WorldCom</p> <p>Flaws in corporate governance such as:</p> <ol style="list-style-type: none"> <li>1. Unplanned acquisitions</li> <li>2. Absence of controls</li> <li>3. Unabated dominance</li> <li>4. Questionable role of directors</li> <li>5. Ineffective board committees</li> <li>6. Faulty accounting practices</li> <li>7. Failure of internal audit department</li> <li>8. Incompetent external auditor</li> <li>9. Conflict of interest</li> </ol> <p>Lessons learnt</p> <ol style="list-style-type: none"> <li>1. Need for a better corporate governance framework</li> <li>2. Clear cut, well defined power-authority relations</li> <li>3. Tightening the norms for board committees</li> <li>4. Strong internal and external auditors</li> </ol>	2+8+5	30
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