

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER (4) – EXAMINATION – WINTER 2016

Subject Code: 2840003

Date: 20/10/ 2016

Subject Name: Business Ethics and Corporate Governance (BE&CG)

Time: 02:30 pm to 05:30 pm

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q.1 Choose the Correct Option.

06

(a)

1. Necessity of showing extra care and consideration to protect some else from adverse effect of one's choice is called as
A. Utilitarian principle B. Theory of justice
C. Ethics of care D. Ethics of virtue
2. As per Naresh Chandra Committee report, audit firm should not derive more than _____ of its business from a single client
A. 25% B. 50%
C. 35% D. 75%
3. Accepted principles of right or wrong governing the conduct of businesspeople are called
A. Business values B. Business Ethics
C. Business principles D. Business conduct
4. As per CII code of conduct a company with turnover exceeding Rs. 100 crores should have at least ____ of board consisting of independent directors in case of non-executive chairman.
A. 50% B. 30%
C. 10% D. 35%
5. _____ is a prelude to corporate reforms called for to promote moral behavior among corporations.
A. Quality Control B. Disclosures
C. Whistle Blowing D. E-Governance
6. _____ Approach supports the view that creation of property should be benefit of all.
A. Utilitarian Approach B. Socialist Approach
C. Stakeholder Approach D. None of above.

Q.1 (b) Write Short notes on:

04

- Utilitarian Principle

- Procedural Justice
- Corporate Governance
- Social Contract Theory

- Q.1 (c)** Explain the dimensions of ethical leadership **04**
- Q.2 (a)** What is Corporate Governance Rating (CGR)? Explain ICRA's methodology for CGR? **07**
- (b)** Write a detailed note on Sarbanes Oxley Act. **07**
- OR**
- (b)** Define Whistle blowing. Under what conditions Whistle blowing is justified and discuss its impact on organization. **07**
- Q.3 (a)** Write a note on recommendations of CII's code of conduct. **07**
- (b)** 'Good ethical decision-making requires a careful exploration and analysis of the problem at hand.' In light of the statement design a framework for ethical decision-making. **07**
- OR**
- Q.3 (a)** Explain the rights and responsibilities of shareholders in detail **07**
- (b)** Explain the meaning and objectives of Corporate Social Responsibility. Discuss the same by citing relevant model of CSR adopted by the corporates as business strategy for sustainable development. **07**
- Q.4 (a)** Write a note on Narayan Murthy Committee report **07**
- (b)** Discuss the Corporate Governance practices in US, Germany and Japan, outlining similarities as well as differences among them **07**
- OR**
- Q.4 (a)** Discuss the role of investors and independent directors in promoting corporate governance **07**
- (b)** Ethical dilemma is generally faced by all employees in his working tenure. Discuss in detail ethical dilemma and the method of resolving the same. **07**
- Q.5** According to newspaper article (The telegraph, Kolkata, 17 March 2009), prominent multinational FMCG (fast moving consumer durables) companies manufacturing washing soaps and detergents are short changing their consumers. The report listed all popular brands (marketed by Procter and Gamble and Hindustan Lever among others) that were being sold with a marginal increase in price of detergents thus sold worked out to be substantial 15-40% and naturally consumers were taken aback by this revelation. Most consumers who were interviewed for the resorting to such mechanism. Although the weight of packaged material was declared on the pack in compliance with consumer protection laws-it was going unnoticed by many unsuspecting consumers. This gave rise to increasing consumer grievances. The marketing strategy adopted by these MNC create lower impact on the direct realization per pack but higher net gain for the company. Ethics call for transparency in deal and pricing which was not evident in such marketing deals. The marketing strategy was so worked out that it can camouflaged the real increase of the price in price sensitive market and tried to avoided consumer attention **14**

Questions:

Q.1 Analyze the case in depth.

Q.2 Discuss in detail the importance of ethics in marketplace with reference to case.

Q.3 Discuss in short the ethical responsibility of marketing person in marketing consumable products.

OR

Q.5

Ketan Parikh is a notorious name in the annals of India's securities market. He used an ingenious technique to get public funds for his price-rigging operations. As the *Indian Express* reported, Ketan Parekh had close to INR 2,000 crore to play around with during the month prior to his arrest in 2001. Securities and Exchange Board of India's (SEBI) preliminary enquiry unearthed the fact that Ketan got around INR 670 crore from corporations such as Zee and HFCL whose shares he was ramping up. Both Zee and HFCL had raised this money for business purposes but diverted it to Ketan unauthorisedly. Though Zee reported that it gave funds to Ketan to buy a stake in entertainment firm ABCL and television channel B4U, both these firms denied that they were selling their stakes to Zee. Ketan had also borrowed INR 250 crore from Global Trust Bank, against the Reserve Bank of India's (RBI) norms. He was ramping up Global Trust Bank's shares too with a view to getting a good deal at the time of its expected merger with UTI Bank. Ketan and his associates got another INR 1,000 crore from the Madhavpura Mercantile Co-operative Bank despite the fact that RBI regulations ruled that a broker could get a maximum loan of INR 15 crore only.

Ketan's *modus operandi* was to ramp up shares of select firms in collusion with their promoters. In the Ketan 2001 Scam case, SEBI found prima facie evidence of price rigging in the scrips of Global Trust Bank, Zee Telefilms, HFCL, Lupin Laboratories, Aftak Infosys and Padmini Polymer. Though UTI denied any link with Ketan, it was found that UTI's purchases almost aligned with Ketan's buying in what are called the K-10 stocks, or those stocks that Ketan had been buying. UTI also purchased hitherto unknown stocks such as Arvind Johri's Cyberspace Infosys—Cyberspace interestingly, was the erstwhile Century Finance, which changed its name like many others, to sound infotech in order to take advantage of the boom in infotech stocks. Market rigging was found to be so obvious that the Bombay Stock Exchange (BSE) began investigating the sudden rise in prices of Cyberspace which sky-rocketed to INR 1,450 within a few weeks of its launching. However, its value fell below par as the investigation had started

Q.1 Discuss the concept of Price rigging and insider trading in the context of this case.

Q.2 Discuss briefly Ketan Parikh's modus operandi to ramp up shares of select companies.
