

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 4 – EXAMINATION – SUMMER 2019

Subject Code: 3549201

Date: 02/05/2019

Subject Name: Business Ethics & Corporate Governance

Time: 10:30 Am to 1:30 Pm

Total Marks: 70

Instructions:

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

Q. No.		Marks
Q.1	Briefly explain the below terms. (a) Ethics (b) Morality (c) Ethical Dilemma (d) Independent Director (e) Compensatory Justice (f) Dual Board Structure (g) Audit Committee	14
Q.2	(a) What is Utilitarianism? What are the two types of Utilitarianism? Discuss major limitations of this theory with practical examples.	07
	(b) Two Indian companies, Tata Steel and Wipro figure in the 2019 list of most ethical companies of the world, published by Ethisphere Institute. The institute believes that in the coming years, Ethical Business Practices will become the most important factor for the success of any company. Evaluate and discuss this observation in the light of your understanding of Business Ethics.	07
	OR	
	(b) India's third-largest lender, found the former chief executive guilty of violating internal bank policies and professional misconduct and sacked her. Discuss her role in the light of the theory of Ethical Dilemma and Ethical Decision Making.	07
Q.3	(a) Discuss the role played by the technique of Creative Accounting in major business scandals like Enron and WorldCom in USA?	07
	(b) What is Corporate Ethical Leadership? Discuss the role played by Corporate Ethical Leaders like Azim Premji of Wipro in propagating Corporate Ethical Leadership.	07
	OR	
Q.3	(a) Define Whistle Blowing. Discuss the role that whistleblowers play in ensuring ethical practices in organizations with relevant examples.	07
	(b) The famous economist Milton Friedman said that business has only one Social Responsibility It is to earn profits for its	07

shareholders. Rest is the responsibility of the Government. Do you agree with this statement? Support your answer in light of the theory of Corporate Social Responsibility (CSR)

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| Q.4 | (a) | List and explain some of the important recommendations of Narayanmurthy Committee on Corporate Governance. | 07 |
| | (b) | Discuss the role of Independent Directors in ensuring good Corporate Governance. | 07 |
| OR | | | |
| Q.4 | (a) | What is Corporate Governance Rating ? What is the importance of CGR for companies ? Enumerate the steps of getting a Corporate Governance Rating. | 07 |
| | (b) | What is Board Structure? List and explain the composition and functions of various committees of the Board and their role in effective corporate Governance. | 07 |
| Q.5 | | | 14 |

Read the case below and answer the questions at the end of the case.

THE CORPORATION : A REVIEW

Greed, at a personal level is not considered a virtue in any religion or culture of the world. Greed at an institutional level is encouraged and celebrated all over the world in the form of the Corporation. There is no CEO in the world, who has said that this year we plan to be at the same level of revenue and profits as that of last year, because we are not greedy and greed is not a good thing and we are happy to be content with whatever we are doing. The greediest CEOs are rewarded with awards and prizes for helping their companies grow at an exorbitant rate.

In 1916 the US Government had a strong hand in shaping the free and independent corporate entities that were emerging. Henry Ford made his fortune from cars; but he was a man of conscience, who chose to limit his profits and share the wealth with employees. He even canceled the shareholders' dividend at one point, by reducing prices in order to divert money to customers. But one of Ford's shareholders objected to his generous methods. John Dodge wanted to start his own business with the dividend earned from Ford stocks, and he took Ford to court when the dividend was canceled. The judge agreed with Dodge: "Ford had no right to give their money away to customers, however good his intentions."

Corporations were from that point forward, legally required to act in the best interests of the profits of shareholders, and **not** for the general good. Thus in 1916, corporate investment on behalf of the environment, human health and welfare, or human rights, was deemed illegal in the US if it was not in the shareholders' best interests financially.

Since the days of John Dodge and Henry Ford, corporations have been legally obligated to be motivated solely by shareholder profit. US states courted, and soon many nations competed, to attract big business. Each state or nation sought the influx of jobs and capital investment which go with corporate growth.

Corporations, which held no responsibility for the general welfare but only for shareholders, soon carried their disregard for public safety and welfare into the global arena. The author accuses corporations of being psychopathic, in that they are “*singularly* self interested and unable to feel genuine concern for others in any context... The corporation, like the psychopathic personality it resembles, is programmed to exploit others for profit. According to the author, corporations have a ‘built-in compulsion’ to externalize costs, and any concern for the environment or human safety quickly dissipates when big businesses are faced with the bottom line – profits.

For example, General Motors studied the best place to locate the gas tank to minimize the risk of a fire in the event of a crash. He alleges that this giant car company then calculated the cost of paying off victims and the cost of improving the design, and a comparison of the two figures demonstrated that it was cheaper for shareholders to pay off the families of the deceased in lawsuits than to protect human life by locating the gas tanks in a safer place.

(a) No CEO should be allowed to spend its profit on social activities, because it is money of shareholders. Do you agree? Support your answer with facts from the case. 07

(b) A business corporation cannot be ethical, because it is a psychopathic organization with least concern for others. Discuss. 07

OR

Q.5 (a) Greed is not good for a person.- All religions, culture Greed is very good for a Corporation, more is better. Discuss this contradiction. 07

(b) Should a company cancel its dividends to shareholders for reducing prices of a life saving drug, so that it is easily available for poor people? What is the legal position on this as per the case? 07
