

(This Question Paper contains 3 printed pages)

Roll No.....

Sr. No. of Question Paper : 2571
Unique Paper Code : 101556
Name of the Paper : Business Ethics and Corporate Governance
Name of the Course : Bachelor of Business Studies, 2013
Semester : V
Duration : 3 hours
Maximum Marks : 75

Write your Roll No. on the top immediately on receipt of this question paper.

Instructions for Candidates

1. Attempt any six questions from Section A. Section B is compulsory.

Section A

- Q.1 What are India's corporate initiatives on corporate social responsibilities? Explain with some suitable example of any Indian company. (10 marks)
- Q.2 State the provisions relating to the composition of the board. What are the roles of a board of company? (10 marks)
- Q.3 Write short notes on any two : (2x5=10 marks)
1. Audit Committee, its composition and functions
 2. Reverse Discrimination
 3. Hubris Theory/ CEO Hubris
 4. Shareholder's Activism
- Q.4. You are working as the manager in an electronics manufacturing company from past few years. One day you noticed that the financial manager is window dressing the financial statements and is tampering the books of accounts. As the loyal employee of the company you want to disclose this foul playing to the seniors. But you realized that even your superiors are involved in this filthy playing. What should you do in such a scenario? Discuss the spirit of whistleblowing along with the different kinds of whistleblowing. (10 marks)

P. T. O.

- Q.5 Corporate governance has received focused attention in the recent year's world over and many countries have amended their company laws to keep pace with the changed world. What initiatives has India taken in this direction in the light of major recommendations of CII and SEBI's Kumar Mangalam committees on corporate governance? (10 marks)
- Q.6 What are the unethical practices related to marketing and information technology? (10 marks)
- Q.7 What do you understand by good corporate governance? Discuss the features and principles of good corporate governance. (10 marks)

Section B

- Q. 8 Read the case and attempt to solve the questions. (3x5=15 marks)

Narmada Bachao Manav Bachao (Save Narmada Save Humanity) is the motto of the Narmada Bachao Andolan (NBA). It is non-governmental organisation whose leadership is in the hands of its founder, Medha Patkar, who has become a symbol of contradiction on issues of environmental ethics. The aim of NBA is a just and equitable society in India. The case at hand, although complex and long drawn, consists in the Gujarat government's activity of building 30 large, 135 medium and 300 small dams across the Narmada River and its tributaries. The government claimed that the mega project, Narmada valley development plan will ensure the required water resources to millions of people across the states of Madhya Pradesh, Maharashtra, and Gujarat. It will also generate hydroelectricity and hosts of other advantages that will result from the provision of water resources. The opponents of the project, NBA argue that the plan is flawed, not equitable and unjust; and cost benefit analysis is inflated because of plans are drawn on unfounded assumptions of hydrology and seismological presumptions. The project also displaces a big portion of the surrounding population. The displacement has caused untold misery on the impoverished communities and rampant violation of human rights. The NBA makes alternative proposals of using technology and socially just and environmentally sustainable planning. Narmada River covers a distance of 1312 km and flows into the Arabian Sea in Gujarat. It is also considered one of the sacred rivers of India. It bears great geological importance, for its valleys are books of layers on the earth's crust. From the point of view ecology, it possesses incredible biodiversity and nurtures very rich wildlife. The forests and sanctuaries along the river cover a total area of 169,589sq km and are home to 76 species of animals and 276 species of birds.

The project took off only in 1979 with a loan of \$450 million from the World Bank. The first roadblock was the interstate dispute for the allocation of water share. Finally when it was settled by the tribunal the project hit another roadblock, the Ministry of Environment and Forests. Finally, when the tribunal solved even this problem, the biggest problem arose with the public interest litigation filed by the NBA in 1985, the court battle as well as the protest movement took several twists and turns, fasts, strikes, blockages, media exposure, arrests, beatings, more protest for unjust settlements etc. In 1991, the World Bank conducted a review of the project. After a long deliberation, it withdrew from the project in 1985. The Supreme Court of India took cognizance of the benefits of the project, which would irrigate an estimated two million hectares of land, generate over 3500 MW hydro power, and provide drinking water to 135 towns and 8000 villages, and benefit close to twenty million people. The bench comprising three judges approved the project, with two of them assenting that the above benefits far outweighed the disadvantages in the ratio of 100:1.

- (I). Is the judgement of the Supreme Court ethically right?
- (II). Does NBA care for the national interest, which is of a greater utilitarian value?
- (III). Give ecologically sound moral arguments regarding the consequences of the Narmada Valley Development Project.

[This question paper contains 4 printed pages.]

Sr. No. of Question Paper : 1142

Roll No.....

Unique Paper Code : 101556

Name of the Paper : Business Ethics and Corporate Governance

Name of the Course : Bachelor of Business Studies

Semester : V

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt 7 questions in all.
3. Question No. 1 is compulsory.

1. A company made an ill-advised acquisition attempt and ended up costing the company enormously. One of the directors worried that the aborted acquisition might leave the company's directors liable for damages in a shareholders lawsuit charging that the directors had not acted with sufficient care or loyalty. He was particularly concerned because the CEO had cancelled all board meetings for several months while he negotiated the ultimately unsuccessful deal.

After the CEO refused to schedule a board meeting, the director suggested to some of his fellow directors that they can meet separately, to discuss their potential liability. For instance, he thought they should consider whether it might be wise for them to hire independent counsel.

None of the other outsiders accepted his invitation. Rather, they informed the CEO (who also served as chairman) of his suggestion. At the next full meeting of the board, the first held in over five months, the director was informed that he would not be re-nominated as a director at the company's next annual meeting. In other words, he was fired.

P.T.O.

The director sent a letter to the CEO/Chairman, requesting that his "resignation" must be fully explained in the company proxy statement. He wrote:

I believe that the number of board of directors' meetings has not sufficient to keep the board members informed about the activities of the company.

I am opposed to increase the compensation of officers of the company without having come to the board first.

I thought the fact that my name was not set forth to be nominated as a director and to be voted upon at the next annual meeting because of "philosophical differences" with you. It was not in the company's or its shareholder's best interest. Although I may have views that are contrary to yours, even you have, in the past, but this action once again reflects your desire to have full control over the board.

I feel that independent directors should be there and an independent compensation committee should be appointed so that it set up performance standards, evaluate achievements and judge corporate results.

I would also recommend that the positions of Board chairman and Chief Executive Officer be separated. The company did not take his advice and he no longer serves on that board.

Analyse the corporate governance issues involved in this case? Can compliance with clause 49 help in better governance of this company. If you could advise the board, what would you suggest? (15 marks)

2. (a) XYZ Ltd, a U.S. listed company is working in China and is near to making a huge sale but the customer's purchasing manager is insisting upon 1% commission for himself. He says that's what is being offered by other companies.

Director Ethics Committee is insisting that U.S. Foreign Corrupt Practices Act prohibit the bribing of foreign government officials by any of the U.S listed companies. The sales director proposes that if they can't give commission, at least they should offer the manager a trip to U.S, a visit to headquarters.

While Director Ethics-Committee responses "commission or trips it's all same things: Business bribery and we are getting orders without these tactics".

What do you think who is right: Sales Director or Director Ethics Committee ?

- (b) "Business Ethics is receiving serious consideration in today's corporate world". Examine the statement. (5+5=10 marks)
3. (a) "Regulations in India have been successful in getting genuinely independent director on board". Critically examine this statement.
- (b) Explain the relevance of Audit committee in Corporate Governance ? (5+5=10 marks)
4. (a) "Principle of Justice and fairness" and "ethics of care" are in contradiction with each other. Comment.
- (b) Discrimination in hiring and promotion has always been condemned by the society then why "reverse discrimination" is considered ethical. (6+4=10 marks)
5. (a) "Should the post of CEO and Chairman be combined in one" ? Comment.
- (b) Is it a good idea to appoint a retiring CEO as Chairman ?
- (c) "Being ethical means abiding by law". Comment. (5+2.5+2.5=10 marks)
6. (a) What role should the shareholders discharge actively in governance practices ?
- (b) What are the different strategies adopted by the corporate to avoid hostile takeover ? (5+5=10 marks)
7. (a) Whistle blowing mechanism is the need of the hour. Illustrate.
- (b) "Insider trading hampers the interest of investors". Comment. (5+5=10 marks)

8. Write short notes on any **two** of the following :

- (a) Product safety and corporate liability
- (b) Remuneration Committee
- (c) CII code of Practices

(5+5=10 marks)